

THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND INFORMATION DISCLOSURES: EVIDENCE FROM THE PHILIPPINES

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Abstract

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This paper aims to investigate the impact of board characteristics and auditors on the disclosure practices of listed companies in the Philippines. This study used a self-constructed research instrument, namely the ASEAN Disclosure Index, to assess the extent of corporate disclosure of 21 the Philippines' listed companies from 2011-2015, made out of 105 observations. The index covers 212 information items, with three attributes: financial information (76 items), non-financial information (68 items) and strategic information (68 items). An empirical result reports that the result reveals that an audit committee independence is positively significant at 95% level while board size and a number of board meetings held in the year are negatively significant at 95% level. For other variables covering board independence, a number director participation rates, gender diversity, CEO duality, a number of audit committee meetings, a number of audit committee participation rates and quality of external auditors, no significant relationship was found. This study contributes to the literature by offering a new instrument for assessing the extent of corporate disclosure in Southeast Asia region and also providing a novel viewpoint into the relationships between corporate governance mechanisms on information disclosure practices in a context of developing countries like the Philippines. Definitely, the contributed empirical evidence of this study might also help regulators for enhancing the level of corporate disclosure in the Philippines as well as neighboring countries in Southeast Asia region.

Keywords: Corporate Governance, Board of Directors, Audit Committee, Information Disclosure, the Philippines

1. INTRODUCTION

1.1. Background

Over the last few decades, a multitude of scandals related to information asymmetry has been terribly exposed in various areas, including the Philippines. The evidence strongly indicated that since the past, many critical actions such as agency conflicts, moral hazards or adverse selections have been developed intensively in the Philippines. That is because the majority of businesses in the Philippines have been dominated by the family networks which often lead to a lack of transparency and accountability in a

workplace (Bain, 2014; Verhezen et al., 2016). Furthermore, their internal control systems still lack efficiency in reducing the risks of fraud in the entity while national instruments were insufficient enough to control business affairs. As a result of this, it is much easier for businesses to develop problem-based behaviors which are identified as major obstacles for sustainable development (Cheung et al., 2007; Claessens and Yurtoglu, 2013; Ghani and Tarmezi, 2016). However, after confronted with the negative effects of the Asian financial crisis of 1997-1998, most ASEAN countries, including the Philippines, have truly realized the importance of business accountability. In response to this

situation, many applications have been adopted to reinforce the standards of good governance. This includes the principle of information disclosure which has been initially implemented as a core part of business activities in order to prevent the threatening situations that would be happened in the future; eliminate the problems of information asymmetry; strengthen the level of obligation; enhance business performance; promote enduring improvement; attract long-term investment from foreigner investors and enhance for the sustainable development. From a national perspective, it could also help to increase the level of trustworthiness of the country, boost the level of foreign direct investment and raise the competitiveness of the nation (Omran and Abdelrazik, 2013; Madhani, 2014; Ghani and Tarmezi, 2016). With its benefits, it is quite clear that the concept of information disclosure has a crucial role in determining not only the success of an organization but also the direction of national advancement. Therefore, it has no doubt that the quality of corporate disclosure requirements and practice directions of a company has received a great attention from regulators in the Philippines and neighboring countries in Southeast Asia region.

1.2. Problem statement

According to an increasing effort to improve internal control systems of related institutions, it is obvious that businesses are now actively to publicize more accurate and reliable information, either financial or non-financial, to stakeholders. However, although the recent trend towards accountability of the Philippines is in a good progression, a number of problems related to the directions of development still exist. Since disclosure rules and regulations of the Philippines are regulated based on their own directions as well as experiences, only domestic demands have been concentrated while external forces seem to be ignored. In addition, because various instruments can be applied in policy formation processes, the disclosure principles in the Philippines are quite unique and sometimes could be incompatible with the international standards.

Furthermore, according to the ASEAN Corporate Governance Scorecard Country Reports and Assessment (2013), it is addressed that the businesses of the Philippines often overlook disclosing some necessary information such as the profile of the board members, the information about anti-policies, the information about employee health and safety, etc. Regarding a number of weaknesses in corporate disclosures of the Philippines, it is no doubt that the Philippines still lack a good system established to manipulate business practices and is required for further improvement. Consequently, a research question is formulated as follow: How the level of corporate disclosure in the Philippines can be encouraged? To get the relevant answer, a strategic question is further specified as follow: What are the corporate governance factors that influence the disclosure practices of corporations in the Philippines? Further, the structure of this paper is arranged as follows. Section 2 provides a brief review of the main theory used for supporting the empirical evidence. Section 3 discusses prior studies and develops the hypothesis. Section 4 describes the data and methodology. Section 5 reveals the results, and Section 6 discusses the

findings. Finally, Section 7 makes the concluding remarks, raises awareness about the limitations of the study and provides some suggestions for future research.

2. THEORETICAL FRAMEWORK

Traditionally, a variety of theories have been employed to design an appropriate framework for allocating variables attributing to corporate disclosure practices. However, since this paper typically focuses on the attributes of corporate governance, only agency theory is applied as a benchmark to verify factors contributing to corporate disclosure practices.

Agency theory

Principally, businesses in a modern society have been forced to separate the role of the business owner out of management functions with a belief that this business structure might be more effective for reducing an inequality in access to organizational power and promoting sustainable development. That means shareholders (the principal), whether majority or minority, are unable to get involved directly with operational procedures, but they have to take an action through the agents or called as managers (Fauziah and Alhaji, 2012; Sharma, 2013). Nevertheless, in practice, such a model has rarely matched the expectation since a variety of problems might fruitfully occur in a workplace when the two parties have different opinions or conflicts of interest. Along with this matter, Jensen and Meckling (1976) proposed the "agency theory" to visible the interaction among stakeholders and managerial capitals. They suggest that a kinship among business actors (e.g. owners, managers, and investors) is strongly associated with corporate behaviors, resulting in business growth and increased profitability. In other words, it can be said that since self-interests of managers may potentially affect their decision-making quality, one of the most powerful applications that companies could apply to balance their passion with business goals is offering them a good compensation package. To do so, management will operate the business enthusiastically and make a good decision to increase market capitalization and maximize profit for investors, in return.

Regarding this action, it is apparent that governance structures could enhance the relationship between shareholders and managers, resulting in fewer agency conflicts. So, healthy companies are more likely to create a flavor platform which helps them to engage with outside financing and more competitive in the market (Watts and Zimmerman, 1990; An et al., 2011; Randoy and Nielsen, 2002). As noted, it is clear that agency theory is an important framework for linking internal control systems with business activities. Hence, its notion would be adapted to enlarge an understanding on the linkage between corporate governance and disclosure practices in the Philippines.

3. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

In fact, there are a large number of governance structures that are strongly connected to corporate disclosure practices. However, due to the research

limitation, only the factors related to the board of directors and auditors have been further considered based on the theoretical foundations and disclosure literature, in order to formulate relevant hypotheses.

3.1. Board size

Regarding agency theory, it is believed that an individual person often lacks the knowledge to operate the business smoothly. As a result of this, a great team with diverse backgrounds is required to bring on adequate expertise, resulting in more accurate decision-making. Supporting this view, it is assumed that the large size of the board is one of the significant determinants to decide the effectiveness of operational processes including the information disclosure behavior of a firm. In conformity with this opinion, several studies have documented that board size significantly influences the degree of corporate disclosure (Zainon et al., 2014; Mandzila and Zéghal, 2016). Most of them (e.g. Cheung et al., 2007; Akhtaruddin et al., 2009; Al-Janadi et al., 2013; Yang et al.) suggest that size of a board has a positive correlation with a decision of management to disclose or not disclose information, indicating that firms with a large board size are generally more willing to disclose corporate information to the stakeholders than the others. As supported by both theoretical insights and the harmonious signal from several empirical studies, it might be postulated that there could be a positive relationship between board size and disclosure practices in the Philippines context. As a result of this, the following hypothesis is proposed:

H₁: Board size is positively related to the extent of corporate disclosure in the Philippines

3.2. Board independence

Indeed, members of a board are roughly classified into two categories. The former is an executive director who is a full-time employee of a company and generally responsible for daily operations and overall performance including key achievements, long-term investment, and stakeholder engagements. The latter is an independent non-executive director who is not under the control of the employer and not is a part of the management team. For this reason, the person who is appointed to this position can remain independence and probably provide some good advice from the outsider perspective to reduce the risks of getting in wrong directions of the management's decision.

With the different types of directors, agency theory suggests that a board with a high number of independent directors would be more effective in making a decision. For this reason, non-executive directors are needed on the boards to monitor and control the actions of executive directors. As mentioned above, multiple studies have proven that there is a significant connection between the proportion of non-executive directors and the extent of corporate information disclosure (Apadore and Zainol, 2014; Al-Janadi et al., 2016; Mandzila and Zéghal, 2016; Ben-Amar and Zéghal). Furthermore, Cheung et al. (2007); Huafang and Jianguo (2007); Lim et al. (2007); Akhtaruddin et al. (2009); Yuen et al. (2009); Chau and Gray (2010); Htay et al. (2011); Vu (2012); Barros et al. (2013); Uyar et al. (2013); and Scholtz and Smit (2015) have provided more concrete evidences to enlarge an understanding on the topic. They confirm that the

responsibility of non-executive directors is positively associated with corporate disclosure practices, indicating that an independent board has an ability to influence managers to voluntarily deliver some necessary information excess from the requirements. To be specific, Cheng and Courtenay (2006) declare that under a disclosure-based regulatory regime; firms with a high number of independent directors have a significantly higher level of voluntary disclosure. Together with Al-Janadi et al. (2013) who reveals that when directors are more dependent on making decisions and monitoring management, they are willing to the public the quality reports with accurate information. As aforementioned, it can be assumed that board independence is positively related to corporate disclosure practices in the Philippines. Consequently, the following hypothesis is proposed:

H₂: The proportion of independent non-executive directors on the board has a positive association with the extent of corporate disclosure in the Philippines.

3.3. Board effectiveness

In practice, board effectiveness depends on two main elements: an active board and a dedication of directors to operational activities. An active board often refers to the frequency of board meeting which is a necessary platform to carry out management functions. These include reviewing the completed tasks and updating a progress of the project, discussing critical issues and brainstorming to find the proper solution, determining a strategic plan and future direction of the company, informing the members about the changes in an organization, maintaining the connectivity between the leaders and so on. On the other hands, a dedication of directors to operational activities is ordinarily described by the number of directors' attendance at the board meetings. From these particular parameters, agency theory convinces that management ability is strongly related to board effectiveness. This means firms with more frequency board meeting usually have stronger internal control systems for safeguarding the interests of shareholders. As a result of this, the decisions made are more in line with the desired directions and an opportunity for future growth. Similarly, firms that authorized persons regularly participate in the meetings typically have more opportunities to achieve business goals and receive additional benefits. That is because the main tasks of each director will be continuously followed up and rigorously assessed to minimize unpredicted risks that might be occurred and maintain the quality of the expected results.

Furthermore, by working together as a supportive team, the members of the board can share their expertise and obtain professional coaching to handle a challenging situation, contributing to the successful outcomes. To interpret such correlations, Barros et al. (2013), who conducted a research in France during the period 2006-2009, found that the level of voluntary disclosure of non-financial listed companies has been increased due to board meeting frequency. Together with a study of Yang et al. which reveals that board performance is positively significant with the extent of information dissemination, proposing that firms with a high frequency of board meetings tend to disclose more information related to financial status and earnings management. As

remarked, it is assumed that the extent of corporate disclosure in the Philippines might be increased when the number of board meetings held in the year and the number of director participation rate is high. Along with this assumption, the two hypotheses are generated as follow:

H_{3a}: The number of board meetings held during the year is positively correlated with the extent of corporate disclosure in the Philippines

H_{3b}: There is a positive association between director participation rate and the extent of corporate disclosure in the Philippines

3.4. Gender diversity

Based on a concept of agency theory, it is asserted that a more diverse board can lead to better decision making, contributing to higher earnings. However, since personalities including traits between men and women are typically distinct from each other, some of which could reflect in management behaviors such as leadership styles, decision-making processes, techniques to communicate with co-workers, working relationships with employees and so on. In this sense, it potentially highlights the fact that the quality of the board has been shaped by the variety of characteristics. As observed by Yang et al., they insist that the extent of earning disclosure of public listed companies in the United Kingdom (UK) is positively significantly associated with gender diversity on the board of directors, indicating that female representation can potentially enhance the quality of corporate disclosure. According to the aforementioned, both theoretical background and disclosure literature support the fact that a number of women directors on the board is one of the key factors to induce the level of corporate disclosure. For this reason, the hypothesis is derived as follow:

H₄: The proportion of women directors on the board has a positive relationship with the extent of corporate disclosure in the Philippines

3.5. Audit committee independence

In the literature, audit committee independence is normally considered as the number of independent non-executive directors on the audit committee. Agency theory suggests that outside directors could play an important role in monitoring the transparency and accountability of a firm. As a result of this matter, it is expected that companies with more independence of audit committee members would more likely to engage in information disclosure.

To support this argument, Ho and Wong (2001); Yuen et al. (2009); and Barros et al. (2013) reveal that the level of corporate disclosure is positively related to the proportion of independent directors on the board. Therefore, the hypothesis is stated as follow:

H₅: The proportion of independent non-executive directors on the audit committee has a positive connection with the extent of corporate disclosure in the Philippines.

3.6. Audit committee effectiveness

Agency theory believes that an active audit committee is more effective in monitoring management behaviors. Consequently, firms with a high number of audit committee meeting and audit committee participation rate are significantly connected to the higher level of corporate

disclosure. This understanding is in agreement with a study of Aboagye-Otchere et al. (2012) and Apadore and Zainol (2014) which deploys that there is a relationship between the extent of disclosure practices and audit competency. As a result, it can be assumed that an effectiveness of the audit committee is positively associated with the extent of corporate disclosure of corporations in the Philippines. Regarding this expectation, the two hypotheses are formulated as follow:

H_{6a}: The number of audit committee meeting held during the year is positively associated with the extent of corporate disclosure in the Philippines

H_{6b}: There is a positive association between audit committee participation rate and the extent of corporate disclosure in the Philippines

4. RESEARCH METHODOLOGY

4.1. Sample and data

This study aims to conduct a longitudinal analysis between the years 2011 and 2015. As a result of this, only a small number of samples are taken. All of them are drawn from the top 50 of the Philippines' listed companies as published by Forbes in 2014. Nonetheless, because the activities including disclosure rules of the bank and insurance industry are not quite comparable with the others, they were automatically excluded from the list. Then, the remainder samplings were selected based on the following criteria:

- Annual reports from the year 2011 to 2015 must be publicly available online

- Firms must have been listed on the Stock Exchange of the Philippines during 2011-2015

The final sample consists of 105 listed companies covering 15 companies from the communication industry, accounted for 14.28%; 5 companies from consumer discretionary industry, accounted for; 4.77% 15 companies from consumer staples, accounted or 14.28%; 15 companies from the energy industry, accounted for 14.28%; 15 companies from the industrial industry, accounted for 14.28%; 40 companies from the utility industry, accounted for 38.11%.

4.2. ASEAN Disclosure Index

This study used a self-constructed research instrument, namely the ASEAN Disclosure Index, to assess the extent of corporate disclosure in the ASEAN through the annual reports and other company filings such as financial reports, corporate governance reports, and etc.

It consists of 212 information items, with three attributes: financial information (76 items), non-financial information (68 items) and strategic information (68 items). To evaluate the level of disclosure practices in the ASEAN, 1 code is assigned to every information item that was expressed on the company's documents and 0 if otherwise. Then, the total disclosure score is calculated by summing the value of each information category and converted to the ratio of the actual scores that were awarded to a company when requested information was disclosed to the total scores that are expected to earn. The formula of the aforementioned index is given as follows:

$$\text{ASEAN Disclosure Index (ADI)} = \frac{\sum_{i=1}^n di}{n} \quad (1)$$

Where:

- ASEAN Disclosure Index (ADI) = the ratio of the actual scores that were awarded to a company when requested information was disclosed to the total scores that are expected to earn. It is ranged from 0 to 1, meaning that if a firm disclosed all 212 items of information, it would receive a score of 1, accounting for 100%.

- n = the total number of items that could be disclosed, where $n \leq 212$

- di = the actual value that was awarded to a company when the requested information is disclosed (assigned as 1 if the item di is disclosed, and 0 otherwise).

$$ADI_{it} = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 BIND_{it} + \beta_3 BMEET_{it} + \beta_4 DPR_{it} + \beta_5 GEN_{it} + \beta_7 ACI_{it} + \beta_8 ACMEET_{it} + \beta_9 ACPR_{it} + \varepsilon_{it} \quad (2)$$

Where ADI_{it} is the extent of corporate disclosure practices of a firm i in time t ; β_0 is the constant term; β_i is the parameter of the correlation; $BSize_{it}$ is the total size of the board; $BIND_{it}$ is the proportion of independent non-executive directors on board; $BMEET_{it}$ is a number of board meetings held during the year; DPR_{it} is the average director participation rate; GEN_{it} is the proportion of women on the board; ACI_{it} is the proportion of independent directors on the audit committee; $ACMEET_{it}$ is the number of audit committee meeting held during the year; $ACPR_{it}$ is the average audit committee participation rate; ε_{it} is the error term; i is the i th observation firm and t is the year of observation.

4.3. Statistical tool and measurement of variables

Regarding the purpose, a multiple regression model with pooled ordinary least square (OLS) method was applied to analyze the panel data by neglecting the differences between cross-sectional and time-series effects. To estimate transfer functions with the dependent variable (as represented by the extent of corporate disclosure in the Philippines), the predictors or better known as the independent variables were tested through EViews 10. The analytical equations in the pooled form are as follow:

5. RESULTS

5.1. The overall extent of corporate disclosure in the Philippines

Regarding the Table1, the empirical evidence reveals the extent of corporate disclosure in the Philippines was quite stable at a moderate level, with an average value of 56.0%. Although the disclosure level has been improved from year to year, the progression is still less, accounted for 1.7%. In term of information categories, the table shows that corporations in the Philippines tend to disclose more information related to financial and non-financial formation, with an approximate value of 57.0%.

Table 1. Summary of the trend towards corporate disclosure in the Philippines during the year 2011-2015

Year (diff. among year)	Average Mean Scores							
	Overall		Financial		Non Financial		Strategy	
	%	%Δ	%	%Δ	%	%Δ	%	%Δ
2011 (2011-2012)	54.3	0.2%	55.0	0.3%	56.8	0.3%	51.0	0%
2012 (2012-2013)	54.5	0.5%	55.3	1.3%	56.9	0%	51.0	0.1%
2013 (2013-2014)	55.0	0.1%	56.6	0.2%	56.9	0.2%	51.1	0.3%
2014 (2014-2015)	55.1	0.9%	56.8	0.2%	57.0	0.1%	51.4	2.4%
2015 (2011-2015)	56.0	1.7%	57.0	2.0%	57.1	0.3%	53.8	2.8%

However, the improvement rates have been quite different, with an average of 2.0% for financial information and 0.3% for non-financial information. On the other hands, although strategy information disclosure practices have been most improved, with a rate of 2.8%, its level is still lowest, with an average of 53.8%.

5.2. Descriptive analysis of independent variables

Table 2 provides an overview of the descriptive statistics for the selected variables in the multiple regression models. The result covers the pooled data from 21 listed companies in the Philippines as present in the below Table 2.

Table 2. The summary result of descriptive analysis

Variable	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis	Jarque-Bera
DSCORE	0.550	0.561	0.689	0.382	0.068	-0.775	3.190	10.675
F_DSCORE	0.561	0.566	0.697	0.316	0.069	-1.093	5.169	41.505
NF_DSCORE	0.570	0.574	0.735	0.353	0.077	-0.711	3.511	9.995
S_DSCORE	0.517	0.544	0.706	0.250	0.099	-1.161	4.132	29.205
BSize	10.533	11.000	16.000	7.000	2.317	0.643	2.896	7.277
BIND	0.249	0.222	0.444	0.133	0.067	0.918	3.884	18.151
BMEET	9.505	9.000	25.000	3.000	3.785	1.197	5.659	56.032
DPR	9.475	9.200	14.880	5.710	1.975	0.805	3.627	13.073
GEN	0.067	0.063	0.222	0.000	0.075	0.571	1.809	11.904
ACI	0.626	0.600	3.000	0.250	0.371	5.017	32.608	4275.832
ACMEET	4.952	4.000	10.000	2.000	1.826	0.737	3.163	9.627
ACPR	3.708	3.670	6.300	1.800	0.933	0.684	3.218	8.399

5.3. Correlation analysis

The correlation analysis always plays a significant role in the regression model because this can be the indicators to measure how independent variables

impact the dependent variable. As a result of this, it is used to analyze the relationship between each explanatory variables and the dependent variable to explain the determinants of disclosure score as presented in the below Table 3.

Table 3. The summary result of correlation analysis

Variable	DSCORE	BSIZE	BIND	BMEET	DPR	GEN	ACI	ACMEET	ACPR
DSCORE	1.000								
BSIZE	-0.155	1.000							
BIND	0.070	-0.427	1.000						
BMEET	-0.142	-0.358	0.014	1.000					
DPR	-0.068	0.310	-0.452	-0.314	1.000				
GEN	-0.170	0.367	-0.319	-0.160	0.356	1.000			
ACI	0.253	0.029	-0.026	-0.156	0.018	-0.052	1.000		
ACMEET	0.004	0.036	-0.171	0.045	0.018	0.076	-0.006	1.000	
ACPR	0.152	0.084	-0.083	-0.215	0.188	-0.245	0.051	0.041	1.000

The result found that the relationship between each variable is in between low and moderate level, ranging from 0.004 to 0.452 in both negative and positive direction, indicating that the independent variables do not suffer from the problem of multicollinearity. Therefore, no any variables have been removed from the list.

5.4. Panel regression analysis

To eliminate the heteroskedasticity and multicollinearity problems, the regression result is estimated based on the robust standard errors of White as present in the below Table 4.

Table 4. The summary result of panel regression analysis

Variable	H	Dependent Variable								Result
		DSCORE		F_SCORE		NF_DSCORE		S_SCORE		
		Coef.	Prob	Coef.	Prob	Coef.	Prob	Coef.	Prob	
C		0.591	0.000	0.485	0.000	0.631	0.000	0.670	0.000	
BSIZE	H_1	-0.018	0.013	-0.014	0.038	-0.014	0.042	-0.024	0.021	Accepted
BIND	H_{2a}	-0.007	0.953	0.133	0.233	-0.150	0.251	-0.020	0.905	Rejected
BMEET	H_{2b}	-0.004	0.049	-0.003	0.014	-0.001	0.039	-0.006	0.042	Accepted
DPR	H_3	0.015	0.064	0.017	0.060	0.012	0.195	0.016	0.183	Rejected
GEN	H_4	-0.113	0.254	-0.142	0.152	-0.071	0.539	-0.124	0.403	Rejected
ACI	H_5	0.041	0.020	0.043	0.015	0.049	0.018	0.031	0.022	Accepted
ACMEET	H_{6a}	0.001	0.715	0.005	0.161	-0.003	0.399	0.002	0.711	Rejected
ACPR	H_{6b}	0.002	0.767	0.005	0.503	0.003	0.712	-0.002	0.867	Rejected
R-squared		0.173		0.196		0.120		0.136		
Adjusted R-squared		0.104		0.129		0.046		0.064		
F-statistic		2.510		2.925		1.629		1.888		
Prob(F-statistic)		0.016		0.006		0.126		0.071		

Regarding a panel regression analysis, the result reveals that and audit committee independence are positively significant at 95% level while board size and a number of board meetings held in the year are negatively significant at 95% level. The R-squared of this equation equals to 0.173, indicating that a whole set of independent variables can explain the variation in corporate disclosure practices approximately 17.3%.

5.5. Robustness test

To check the robustness of the result, a regression equation of model 3 is re-run by replacing the dependent variable (DSCORE) with a different type of information disclosure practices. Regarding the Table 4, the findings show that the significant variables are similar to the original model. In terms of financial information disclosure, board size, a number of board meetings held in the year, and audit committee independence are still significant at 95% level (p-value = 0.038, with a negative coefficient of 0.014 for BSIZE; p-value = 0.014, with a negative coefficient of 0.003 for BMEET and p-value = 0.015, with a positive coefficient = 0.043). In a case of non-financial information disclosure, all variables are still statistically significant at 95% level (p-value = 0.042, with a negative coefficient of 0.014 for BSIZE;

p-value = 0.039, with a negative coefficient of 0.001 for BMEET and p-value = 0.018, with a positive coefficient = 0.049) Similarly, in terms of strategic information disclosure, board size and a number of board meeting held in the year are negatively significant at 95% level (p-value = 0.021 and 0.042, respectively) while audit committee independence is positively significant at 95% level, with p-value = 0.022. Out of the aforementioned variables, other relationships still appear to be insignificant.

6. ANALYSIS AND DISCUSSION

Hypothesis 1 is formulated to investigate the effect of board size (BSIZE) on corporate disclosure practices in the Philippines. The evidence reveals that board size is statistically significant at the level of 0.05 (p-value = 0.028) with a negative coefficient of 0.018, reflecting that a small number of directors on the board is more effective in enhancing the quality of disclosure practices of the Philippines' corporations. As observed, it is obvious that the finding is in the line with a study of Xie et al. (2013) which also states that board size has a negative effect with the level of corporate disclosure in China. Together, the finding of this paper is also in agree with a study of Gandia (2008) which supports a negative significant relationship between the size of

the board and the level of corporate disclosure in Spain. With this evidence, they could help to confirm that the size of the board could negatively influence on the quality of decision-making of the management, especially in developing countries. Hence, it is not surprising that the extent of corporate disclosure in the Philippines has a negative relationship with board size. In other words, it can be said that the corporations in the Philippines tend to more disclose information when board size is small. As a result of this, hypothesis 1 is accepted, with a negative direction.

Hypothesis 2 is proposed to test the relationship between board independence and disclosure practices of the firms. The result suggests that there is no significant relationship between board independent (BIND) and the level of corporate disclosure at the 95% level (p -value = 0.939), repeating that non-executive independent director or external directors is not a supportive factor for enhancing the level of corporate disclosure in the Philippines. With this viewpoint, it could be supported by a study by Bain (2014) which mentions that most of the large corporations in the Philippines are owned by a well-known family and its networks. Therefore, directors are generally dominated by the owners and at least one of the family members normally includes on the board.

Towards this common form, it is apparent that a board of directors is less independence in this area. Based on the theoretical foundation and the nature of the business structure, it is obvious that the main structure of the Philippines' corporations has generally been controlled by a well-known family or a group of powerful politicians. As a result of this, the decision-making processes of management boards are not independent. With this finding, it is obvious that the finding of this paper is against the traditional belief of agency theory which emphasizes a positive relationship between the two variables. Also, it is contrary to many prior studies which likely mention that firms with a high number of independent directors on the board often disclose more corporate information to the public (e.g. Cheung et al, 2007; Huafang and Jianguo, 2007; Lim et al., 2007; Akhtaruddin et al., 2009; Htay et al., 2011; Vu, 2012; Barros et al., 2013; Uyar et al., 2013). However, the result could be debated by a concept of stewardship theory which suggests that behavioral patterns of the management are subjected to the person desires. As a result of this, neither dependent nor independent directors might have a less impact on operational practices. This has been confirmed by a study by Aboagye-Otchere et al. (2012) which reveal that corporate board composition is not a supportive factor for enhancing the extent of corporate disclosure in Ghana as well. With these evidences, it is a reason to believe that board independence has no relationship with the level of corporate disclosure in the Philippines. As a result of this, hypothesis 2 is rejected.

In terms of board effectiveness, the results show that the level of corporate disclosure in the Philippines is positive and statistically related to a number of the board meetings held in the year (p -value = 0.049, with a positive coefficient of 0.004). This finding is in accordance with a notion of agency theory which generally supports a positive relationship between the quality of the board and management activities. Together, the evidence could be linked with a study of Yang, Liu, & Zhou which mentions that board effectiveness is significantly

and positively associated with the extent of information dissemination in the UK. As a result of this, it can be implied that board effectiveness is a factor contributing to the level of corporate disclosure in both developed and developing countries. In regard to this matter, it is no doubt that board effectiveness could enhance information disclosure practices in the Philippines as well. So, hypothesis 3a is accepted.

On the other hand, the result also indicates that there is no connection between corporate disclosure practices and a number of director participation rate (p -value = 0.108) at a significant level of 0.05, meaning that a number of directors participated in the meeting is not important for determining the operational procedures and performance of the board. With this finding, it could reflect the fact that directors attempt to work in response to self-motivation and shareholders' requirements. So, whether the rate of directors participated in the meetings is high or low, it cannot guarantee the quality of the reporting process. Under this circumstance, it is reasonable to claim that there is no relationship between director participation rate and the level of corporate disclosure in the Philippines. Consequently, hypothesis h3b is rejected.

Hypothesis 4 is carried out to estimate the effect of gender diversity on corporate disclosure practices. The result demonstrates that a different gender of board members has no significant relationship with the extent of corporate disclosure in the Philippines (p -value = 0.304). That might be because the majority of members on the board of directors in the Philippines are male. Furthermore, based on a study of Hofstede, he claims that the Philippines is a masculine society, indicating that a male always has a higher role and greater power to manage and control the activities in the Philippines' society. In term of a business, it can be reflected that a variety of members on the board might not impact the board actions. In other words, it can be said that whether male or female directors would not influence on disclosure practices of a firm in the Philippines. Therefore, hypothesis 4 is rejected.

With regard to audit committee effectiveness, the results show that there is a positive significant relationship between the variable ACI and the extent of corporate disclosure in the Philippines at 99% level (p -value = 0.001). This is in the line with a study by Aboagye-Otchere et al. (2012) which also addresses that corporations in Ghana tend to disclose more corporate information when the audit committee is independent. As a result of this, it can be said that a number of independent directors on the audit committee could dominate the level of corporate disclosure in developing countries including the Philippines. With this insight, it is reasonable to believe that there is a positive relationship between audit committee independence and the level of corporate disclosure in the Philippines. For this reason, hypothesis 5 is accepted.

With regard to audit committee effectiveness, the results show the variable ACMEET and the variable ACPR are no statistically significant with the extent of corporate disclosure at 95% level (p -value = 0.682 and 0.699, respectively). This finding is consistent with a study by Al-Janadi et al. (2016) which demonstrates that companies' disclosure practices are not significantly affected by the quality of the audit committee in Saudi Arabia.

Consequently, it can be concluded that the quality of the audit committee is not a supportive factor for enhancing corporate disclosure practices in developing countries as well as the Philippines. Hence, hypothesis 6a and 6b are rejected.

7. CONCLUSION

This paper aims to investigate the influence of board characteristics and auditors on information disclosure of listed companies in the Philippines. In the analytical procedure, a multiple regression model was tested through EVIEWS 10 with an ordinary least squares (OLS) method in order to estimate the connection between the predictors and the dependent variable. An empirical result reports that the result reveals that and audit committee independence are positively significant at 95% level while board size and a number of board meetings held in the year are negatively significant at 95% level. For other variables covering board independence, a number director participation rates, gender diversity, CEO duality, a number of audit committee meetings, a number of audit committee participation rates and quality of external auditors, no significant relationship was found.

As remarked, it is apparent that the results provide empirical evidence for the regulators who would like to enhance a flavor business environment in the Philippines and this might be used as a reference for other countries within the same region.

The paper also contributes to the literature on disclosure by offering a new instrument for assessing the extent of corporate disclosure in Southeast Asia region and also providing some insight into the relationship between corporate governance mechanisms on information disclosure practices which typically different from the results obtained from developed countries. Furthermore, it is obvious that stewardship theory seems to be more powerful for explaining the phenomenon of corporate disclosure in developing countries. However, there are two main limitations inherent in this study. First has been discussed about the bias of population. Because the representative sample was extracted from the top 50 of the Philippines' listed companies in 2014, both scope and size are restricted. Therefore, a future research should be conducted with randomly selected population, covering whether public or private, big or small, and profit or non-profit organizations. Second has criticized the lack of diversity of expected factors. As identified from the literature survey, numerous variables have been found to formalize the disclosure practices of a company. However, this paper focuses only on two determinants of corporate governance: board of directors and auditors. Hence, it is necessary to enlarge an understanding by testing with other corporate governance attributes such as ownership structure or other groups of variables such as national characteristics, firm characteristics and so on.

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