

Investigating the relationship between Corporate Governance and Voluntary Disclosure:



Evidence from Bahrain Bourse

College of Business and Finance

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Agenda

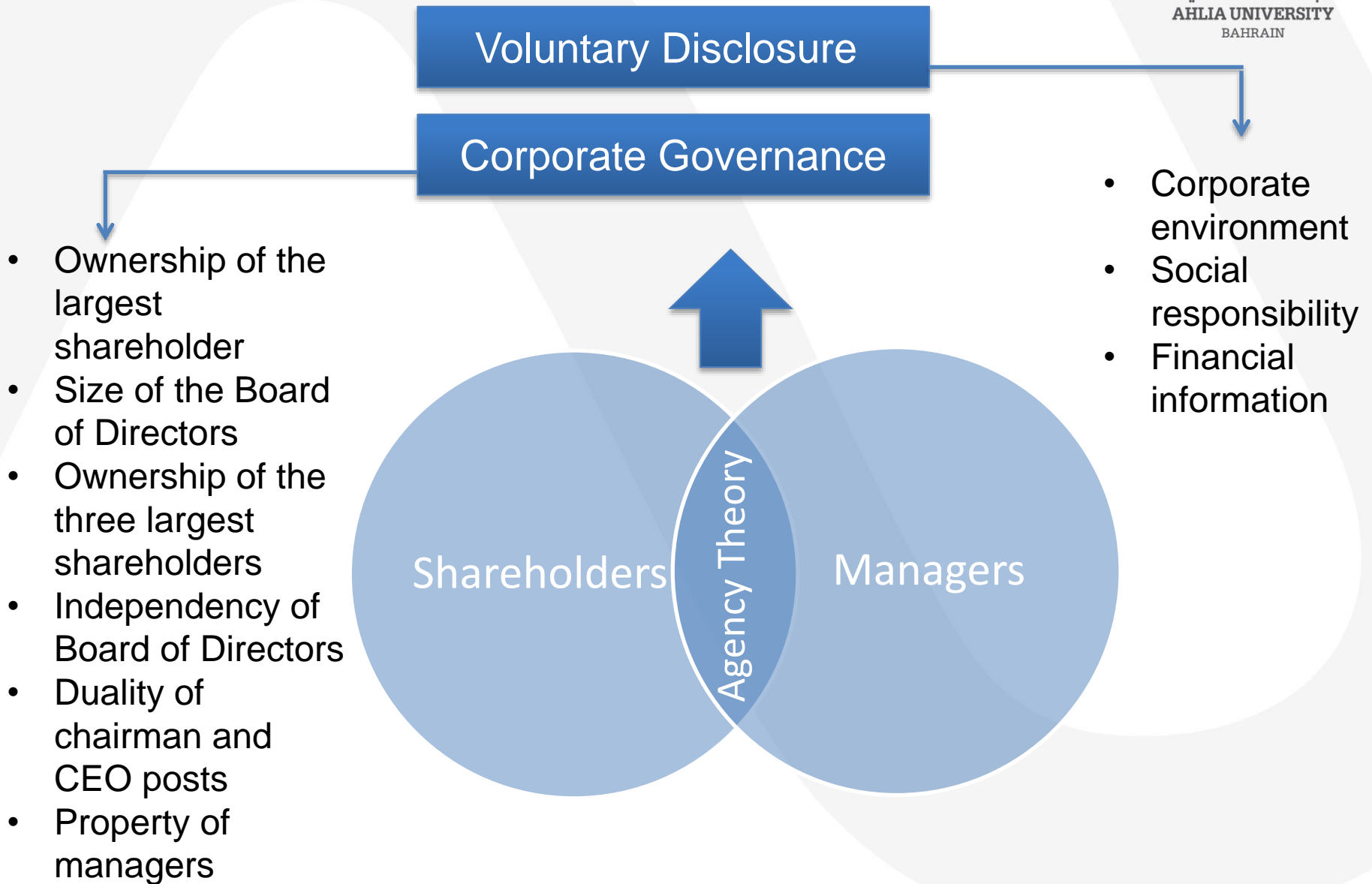
- Introduction
- Research problem
- Theory of the study
- Methodology
- Descriptive and path analysis
- Testing of Hypotheses
- Conclusion

- Corporate governance represents the center of attention as many scandals taking place in the United States and Europe (Gandia, 2008).
- MacMillan et al. (2004) define corporate governance as the instrument which guides and manages organizations.
- Voluntary disclosure is argued to be considered one of the important elements of corporate governance (Hassan, 2013; Al-Janadi et al, 2013).
- Organizations with strong corporate governance is likely to disclose more information to their shareholders (Taylor and Ho, 2013).

Research Problem

- Studies in the same field have been scarce in the Middle East region and specifically the Arabian Gulf
- The agency theory suggests that the corporate control system should influence the organizations' environment in order to constrain the conflict of interest.
- Managers can feel the absence of governance, therefore they gradually start taking independent decisions.
- A mechanism such as Corporate Governance should be present in order to prevent agency problems and thus increase Voluntary Disclosure.

Theory of the study



Study sample

Table 3.1: Sample selection

No.	Sector	Listed companies	Eliminated companies	Final study sample
1	Banking	7	0	7
2	Investment	12	0	12
3	Insurance	5	0	5
4	Services	9	0	9
5	Industrial	3	0	3
6	Hotel and Tourism	5	0	5
7	Closed companies	2	2	0
8	Non-Bahraini companies	4	4	0
Total		47	6	41

Study Hypotheses

- H01: There is no acceptable level of corporate governance in Bahrain Bourse.
- Ha1: There is an acceptable level of corporate governance in Bahrain Bourse.
- H02: There is no acceptable level of voluntary disclosure in Bahrain Bourse.
- Ha2: There is an acceptable level of voluntary disclosure in Bahrain Bourse.
- H03: There is no relationship between corporate governance and voluntary disclosure.
- Ha3: There is a positive relationship between corporate governance and voluntary disclosure.

Descriptive Analysis

Table 4.4: Descriptive Statistics of Governance

Corporate Governance Characteristics	Label	Frequency of 1's		Frequency of 0's	
		Frequency	%	Frequency	%
Ownership of the largest shareholder	OLSh	12	29.3	29	70.7
Size of the Board of Directors	SBOD	33	80.5	8	19.5
Ownership of the three largest shareholders	OTLSh	17	41.5	24	58.5
Independency of Board of Directors	IBOD	12	29.3	29	70.7
Duality of chairman and CEO posts	DChCEO	41	100	-	-
Property of managers	PMgr	1	2.4	40	97.6

Descriptive Analysis

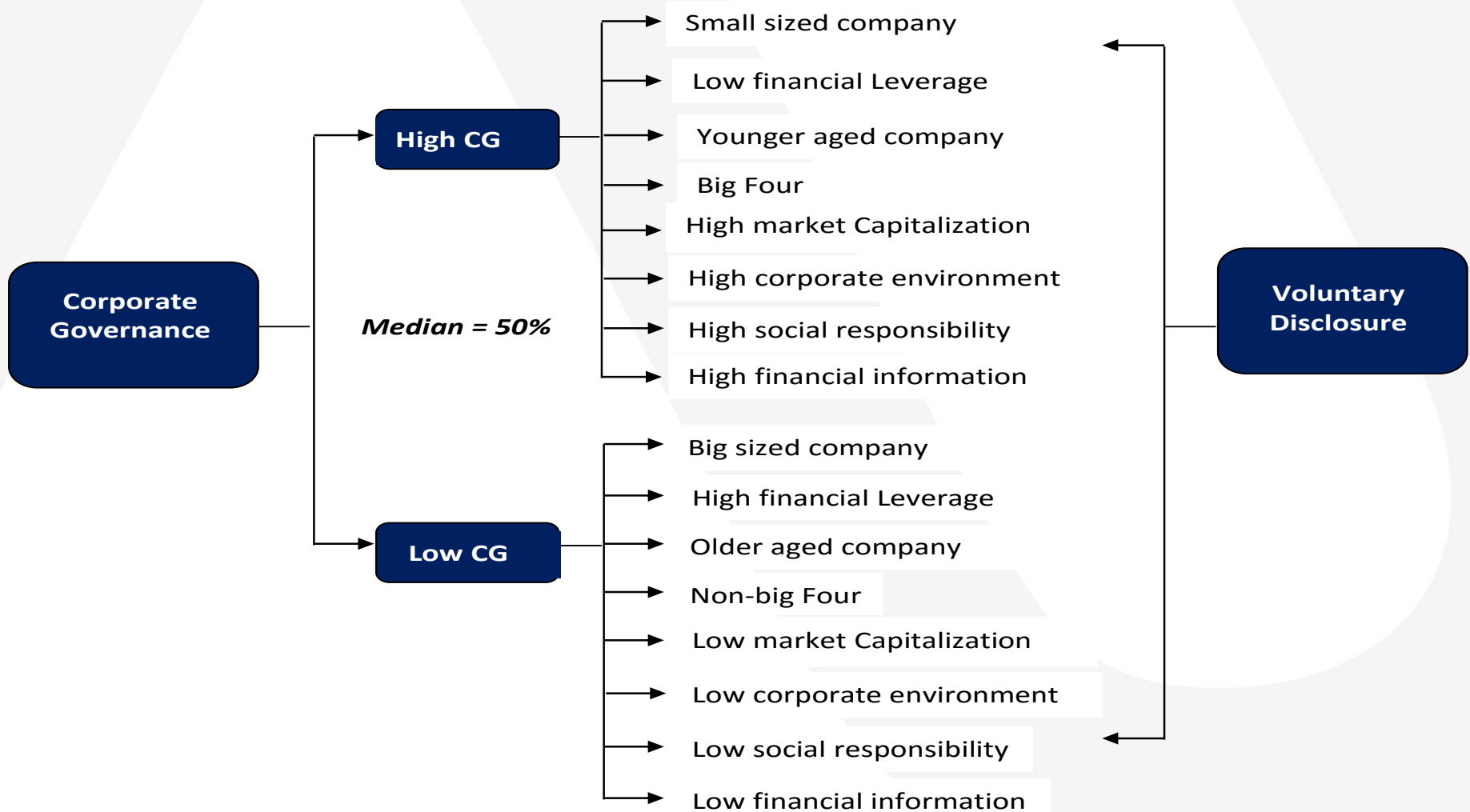
Table 4.5: Descriptive Statistics of Control Variables and Disclosure

	Company size	Financial leverage	Company age	Market capitalization	Voluntary disclosure			
					V1 (25 indicators)	V2 (6 indicators)	V3 (8 indicators)	V
Statistics								
Mean (in million)	1,216.322	0.392	29.439	168.960	0.490	0.317	0.725	0.511
Std. deviation (in million)	2,755.675	0.273	12.841	286.450	0.158	0.322	0.163	0.172
Minimum (in million)	5.949	0.035	7.000	4.480	0.120	0.000	0.000	0.040
Maximum (in million)	12,309.7	0.896	56.000	1,547.642	0.760	1.000	1.000	0.837

Control Variables (Cont. Table 4.5)	Label	Frequency of 1's		Frequency of 0's	
		Frequency	%	Frequency	%
Big Four	BigFour	32	78	9	22

Descriptive and Path Analysis

Path Analysis



Testing of Hypotheses

H01: There is no acceptable level of corporate governance in Bahrain Bourse.

Ha1: There is an acceptable level of corporate governance in Bahrain Bourse.

Table 4.7: Testing of first hypothesis: One-Sample t-test

Variables	Mean	Std. Deviation	t-test	Sig.
Corporate Governance	0.471	0.207	-0.879	0.384

$0.384 > 0.050$



Reject the alternative hypothesis

Testing of Hypotheses

H02: There is no acceptable level of voluntary disclosure in Bahrain Bourse.

Ha2: There is an acceptable level of voluntary disclosure in Bahrain Bourse.

Table 4.7: Testing of second hypothesis: One-Sample t-test

Variables	Mean	Std. Deviation	t-test	Sig.
Voluntary Disclosure	0.511	0.172	0.413	0.682

$0.682 > 0.050$



Reject the alternative hypothesis

Ownership of the largest shareholder

H03.1: There is no relationship between the ownership of the largest shareholder principal and voluntary disclosure.

Ha3.1: There is a positive relationship between the ownership of the largest shareholder principal and voluntary disclosure.

Table 4.8: Empirical results

Variables	Label	Regression Model	
		t-test	Sig.
Independent variables			
Ownership of the largest shareholder	OLSh	3.335	0.001

$0.001 < 0.050$



Accept the alternative hypothesis

Testing of Hypotheses

Size of the Board of Directors

H03.2: There is no relationship between the size of the Board of Directors principal and voluntary disclosure.

Ha3.2: There is a positive relationship between the size of the Board of Directors principals and voluntary disclosure.

Table 4.8: Empirical results

Variables	Label	Regression Model	
		t-test	Sig.
Independent variables			
Size of the Board of Directors	SBOD	2.820	0.008

$0.008 < 0.050$



Accept the alternative hypothesis

Testing of Hypotheses

Ownership of the three largest shareholders

H03.3: There is no relationship between the ownership of the three largest shareholders principal and voluntary disclosure.

Ha3.3: There is a positive relationship between the ownership of the three largest shareholders principal and voluntary disclosure.

Table 4.8: Empirical results

Variables	Label	Regression Model	
		t-test	Sig.
Independent variables			
Ownership of the three largest shareholders	OTLSh	-0.856	0.399

$0.399 > 0.050$  Reject the alternative hypothesis

Testing of Hypotheses

Independency of Board of Directors

H03.4: There is no relationship between the independency of Board of Directors principal and voluntary disclosure.

Ha3.4: There is a positive relationship between the independency of Board of Directors principal and voluntary disclosure.

Table 4.8: Empirical results

Variables	Label	Regression Model	
		t-test	Sig.
Independent variables			
Independency of Board of Directors	IBOD	2.847	0.004

$$0.004 < 0.050$$



Accept the alternative hypothesis

Conclusion

- The governance level was found to be 47.1%.
- Disclosure percentage was found to be 51.1% in Bahrain Bourse.
- There's a positive relationship between the principals: ownership of the largest shareholder, size of the Board of Directors and independency of Board of Directors with Voluntary Disclosure.
- There is no relationship between ownership of the three largest shareholders and Voluntary Disclosure.
- There's a positive relationship between financial leverage, big four, and market capitalization with Voluntary Disclosure.
- There's a negative relationship with company size and age.



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Thank you!