Corporate Governance Attributes as Correlates of Disclosure of Forward- Looking Information on the Nigerian Stock Exchange.

Ajibola, Joseph Olusegun, (Ph.D)
Dean, College of Postgraduate Studies,
Caleb University,
Imota-Ikorodu, Lagos,
Nigeria.
joeoluajibola@yahoo.co.uk, abiola100417@gmail.com

Abstract
This study examined the correlation between corporate governance attributes and disclosure of forward looking information on the Nigerian Stock Exchange using the data for 15 listed deposit money banks. The data spanned 2010 - 2014. A panel regression model was specified having TDS as the dependent variable while, the corporate governance attributes and firm characteristics were explanatory variables. The TDS which is the total FLI disclosure index is measured using thirty-five forward looking indicators sourced from the annual report whereas the board size (BSIZE), proportion of Non- executive director (PNED), proportion of outside share ownership (POSO), proportion of audit committee (PAC), frequency of audit meeting (FACM) and audit quality (NAF) are proxies for corporate governance attributes, while the firm characteristics are the control variables. Findings from the estimated panel regression model reveal that PIND, PAC, and FACM are correlated with TDS, but not statistically significant except NAF. On the other hand, BSIZE and POSO are negatively correlated with TDS but not significant. In conclusion, the nature of audit firm which expresses the quality of audit significantly determines the extent of forward looking information disclosure.

Keywords: *Forward- looking information, corporate governance attributes, firm characteristics, deposit- money banks and Nigerian Stock Exchange.*

1.0 Introduction

In classical microeconomic theory, a firm is a homogeneous entity that decides on profit maximisation. The theory of firm is one founded on neoclassical economics that states that a firm exists to make profit. To establish a firm, the providers of capital (shareholders/ investors) contribute funds and employ managers as stewards to run the daily operations and manage their investments on their behalf hence these managers have to be properly incentivized and compensated to maximise shareholders wealth. A country's economy is predominantly dependent on its financial system which ensures the proper flow of money from the surplus (investors/ savers) to the deficit (firms) sector of every economy. Financial intermediaries can be seen as a catalyst for growth and development through financial intermediation hence the need for heavy regulation of the financial services sector (Olowe 2011).

It is inevitable that the managers will have more access to information than the shareholders given that the managers are involved in the business daily. Given that agency theory has already predicted that conflicts are expected to arise when there is incomplete and asymmetric information, Abad- Navarro and Urquiza (2012) stated that a potential solution to the information asymmetries and agency problems is regulation on information disclosure.

Healey and Palepu (2000) have also identified corporate disclosure of information as critical for the efficient functioning of any capital market. The information asymmetry problem arises from information differences and conflicting incentives between firms and investors which can potentially lead to a breakdown in the functioning of the capital market (Akerlof, 1970). Voluntary disclosure and corporate governance are considered as complementary mechanisms to mitigate agency problems, with increased disclosure because of the adoption of more governance controls (Baek, Johnson, and Kim, 2009; Cerbioni and Parbonetti, 2007). The main principle of governance systems is to expedite the control of management in order to achieve the utmost firm value. Specifically, the essence of the corporate governance reforms is to increase the level of transparency through disclosure. The primary motive of forward-looking information disclosure is to close the information asymmetry gap that exists among firms and stakeholders. Forward-looking information provides facts regarding the firm's future performance to stakeholders for their evaluation. The disclosure of forward-looking information may incorporate financial information (expected revenue, following year's earnings and anticipated cash flows) and non-financial information (risks and uncertainties) which may possibly enhance or affect the operations of the firm. Investors been aware of the implications of this gap have since increased their information demand. Disclosure promotes transparency and supports market discipline, two important ingredients of sound corporate governance (ICAN 2015). Mitton (2002) proposes that better stock performance is associated with firms that have high disclosure quality. His view considered disclosure quality as an element of corporate governance mechanism. Therefore, increased disclosure of information lessens information asymmetry.

Given that the financial statements in the annual report produces past financial information in which the stakeholders are no longer interested, they have therefore demanded for higher information to have basic knowledge of the projections the managers will make for the forthcoming operations which can only be met by the disclosure of forward looking information (Bozanic, Roulstone, and Van Buskirk, 2013). In relation to most literature, disclosures of voluntary information in corporate annual reports are driven by many factors such as an agency problem, the theory of firm, information argument and entrenchment argument. The review of the annual report consisting of presentation of financial statement hence they should discuss governance and the future of the organisation is communicated with the stakeholders via the Annual General Meeting. A lot of stakeholders are involved in an organisation's activities and as such have different needs hence the rising of conflicts amongst them. Amongst these varying stakeholders are investors who are eager for such disclosure in order to inform decision about shares of a given firm. Similarly, other providers of funds and credit like bankers and creditors are interested in gathering future-oriented information in order to make decisions relating to borrowing and credit purchases. This information will assist in making informed decision about the company's future performance.

The need for these the unethical practices to be checked by an authority ultimately informed the decision of the apex bank to conduct a joint intervention of Central Bank of Nigeria /Nigerian Deposit Insurance Commission examination which led to the removal of five (5) CEO's of Nigerian banks (Oceanic bank, Afribank, Bank PHB etc) in the country in 2009, when a new Governor assumed responsibilities of leading the Nigerian Apex bank. The Deputy Governor (Operations) of CBN further stated that 'the examination of banks before our intervention revealed a high incidence of major failures in corporate governance. Banks' report to Central Bank and investors were seldom accurate, thus depriving the Central Bank of Nigeria (CBN) of the right information to take timely and effective regulatory decisions.

Investors and other shareholders were also misled by these pieces of distorted information supplied by the banks' (Oso and Semiu, 2012).

Basically, the introduction and subsequent amendment aimed at improving the CBN code of corporate governance is to enhance shareholders confidence through increased transparency and disclosure because empirical studies have revealed that annual reports of Nigerian companies have been found to be deficient over time (Umoren, 2010). Should the missing middle gap persist then investors will keep making bad economic decisions in the Nigerian Stock exchange market which will reduce their confidence in the stock market when bubbles burst. Also, without effective regulation on information disclosure and enforcement of the Code of corporate governance on the listed firms the said vices are likely to continue and retard the achievement of investor's meeting their financial goals.

2.0 Literature Review

Forward-looking information has gained remarkable growth, particularly in advanced countries where data is made accessible. Empirical work on the forward-looking information disclosure has been undertaken in different sub-titles, for instance, "future prospects" (Lim, Matolcsy and Chow, (2007), "future-oriented information" (Broberg, Tagesson and Collin (2009)) and "projected information" (Elsayed and Houe, 2010). So far, prior researches have studied forward-looking disclosure for different reasons, for example, signalling managerial capacity (Trueman 1986), reducing agency costs (Ruland et al., 1990) and reducing adverse selection and moral hazard problems. The above mentioned literatures related voluntary disclosure with firm specific characteristics. Recently, studies about the effect of corporate governance mechanisms on voluntary disclosure have proliferated, although empirical evidence is inconclusive.

There exists extensive literature on corporate governance and voluntary disclosure, most of which focus on developed countries. For example, the relationship between corporate governance and the voluntary disclosure of information was carried out using empirical studies. Al- Janadi, Rahman and Omar 2013 studied corporate governance mechanism and voluntary disclosure using sample from Saudi Arabia as the largest market in the 6 the Gulf Corporation Council countries. Non- executive director, proportion of inside share ownership, board size, proportion of audit committee, CEO/ chairman duality, government ownership, family ownership and audit quality controlling for industry, sector and services. Akhtarudin Hossain, Hossain and Yao 2009 study 110 firms in Malaysia classifying by industry type using 74 disclosure index. Using board size, proportion of independent NED, proportion of outside share ownership, audit committee, family control, audit firm, total asset, total capital employed, total number of employees, leverage and profitability. Alkhatib (2014) and Aljifri and hussainey (2006) study the determinants of FLI in the Jordanian stock exchange using sector, auditor, firm size, leverage profitability. Using general disclosure corporate governance financial information, employee information and social responsibility as disclosure index.

Similarly there have been studies of corporate governance in our home country, only a few have studied it within the context of voluntary disclosure. In addition most of the research work done in Nigeria focuses on corporate governance individually or within the context of bank distress, earnings management and communication as opposed to corporate governance and its impact of voluntary disclosure. Damagun and Chima (2013) empirically investigated the impact of CG on voluntary information disclosure studying board size, non- executive director, proportion of director ownership and controlling for firm size and profitability using 35 firms for 11 years on the Nigerian Stock Exchange. They focus on the SEC code analyzing the pre and post code issuance and found significant impact of corporate governance on voluntary information disclosure, they also found that voluntary disclosure has a direct relationship with corporate governance attributes. Umoren also set out on an ambitious paper and finds an inverse significant relationship between board composition and voluntary information disclosures. While Adeyemi and Fagbemi 2010 studied audit quality, corporate governance and firm characteristics. Oyerogba 2014 studied the use of voluntary disclosure in determining the quality of financial statements.

From the empirical literature examined above, it could be deduced that very few literature exists on this research in African countries. Damagun and Chima (2013) didn't utilise any audit committee characteristics (proportion of independent NED on audit committee, frequency of audit committee meeting and quality of audit firm) and leverage. They also studied the SEC code using all sectors on the NSE, while the researcher studied the CBN code using only the financial services industry on the Nigerian Stock Exchange and have asked for further research within the Nigerian market. Corporate governance has been studied within the context of voluntary disclosure in Nigeria. Recently, while most existing literature focused on voluntary disclosure, others have shifted focus to FLI disclosure.

This research is a partial response to some studies: firstly, Aljifri and Hussainey (2007) which stated that studies in the field of forward-looking information disclosure have shown that few research have been undertaken in developing countries while several studies have revealed to be focused on advance countries. Also, the near absence of study of the area under discussion in Sub Saharan African countries, especially Nigeria has aroused the interest of the researcher.

In Nigeria, the effect of the code after the post indictment period has not been empirically investigated. However, it can be debated that firms with improved corporate governance have the tendency to disclose forward-looking information to stakeholders (Hossain, Tan and Adams, 2005). Researches have indicated that corporate governance impacts the level of forward-looking disclosure. Because the expected association is not predicted and to bridge this gap in the literature, this research seeks to examine deeply the relationship between forward-looking information and selected governance and control variables.

Hence this dissertation deviates from existing literatures by examining FLI disclosure in which little research has been conducted, other corporate governance attributes, the CBN code and only the financial services industry. Hence this research aims to investigate, establish a relationship and clarify the efficacy of corporate governance practices on disclosures of forward looking information employing market performance variables for sample firms in Nigeria. This research complemented what has already been done by other researchers in Nigeria, Africa and other developed countries. To this effect this research is justified as a tool to fill a gap in knowledge.

3.0 Methodology

Model Specification

In this section, the researcher discussed the model specification, description and measurement of variables. The research methodology is designed based on the model of Aljifri and Hussainey (2006). The relationship between corporate governance and disclosures of forward looking information was established in this sub-section. This set of panel data covered the selected sample period from 2010 to 2014 with a sample of fifteen listed firms in the financial services industry on the Nigeria Stock Exchange. The model describes the outcome of some selected corporate governance attributes on the level of forward-looking information disclosure. In order to achieve the objective of this research, the researcher specifies the regression model based on agency theory because it provides a framework linking information disclosure behaviour to corporate governance. Panel data regression model was used to examine the hypotheses of this study. The model explained the effect of some selected corporate governance mechanisms on the level of forward-looking information disclosure.

The panel data regression is estimated according to the model of Aljifri and Hussainey (2006) in the form of a regression model which is stated as follows:

The **functional** specification of the model is:

TDS= f (BSIZE, PNED, POSO, PAC, FACM, NAF, FSIZE, LEV, PRFT)

The extent of forward looking information disclosure was measured as the ratio of the value of the number of forward-looking sentences a firm discloses divided by the total sentences in its narrative sections. The disclosure index is shown below according to the specification of Aljifiri and Hussainey 2006:

TDS= FWD/TD

Where:

TDS = Total disclosure score
FWD = Total forward-looking sentences disclosed
TD = Maximum sentences disclosed for each company

The **econometric** specification of the model is:

$$TDS = \beta_0 + \beta_1 \text{ BSIZE} + \beta_2 \text{ PNED} + \beta_3 \text{ POSO} + \beta_4 \text{ PAC} + \beta_5 \text{ FACM} + \beta_6 \text{ NAF} + \beta_7 \text{ FSIZE} + \beta_8 \text{ LEV} + \beta_9 \text{ PRFT} + \varepsilon_{it}$$

The **panel** specification of the model is:

$$TDS_{it} = \beta_0 + \beta_{1it} \text{ BSIZE} + \beta_{2it} \text{ PNED} + \beta_{3it} \text{ POSO} + \beta_{4it} \text{ PAC} + \beta_{5it} \text{ FACM} + \beta_{6it} \text{ NAF} + \beta_{7it} \text{ FSIZE} + \beta_{8it} \text{ LEV} + \beta_{9it} \text{ PRFT} + \varepsilon_{it}$$

Where:

Y = TDS
β_0 = Constant/ intercept
β_{1-9} = The coefficient of the descriptive variable (corporate governance mechanisms)
i = 1 to 15 firms.
t = 2010-2014
μ_{it} = The error term (this is assumed to have an independent zero mean across the time period).
BSIZE = Board Size;
PNED = Proportion of non-executive directors;
POSO = Proportion of outside share Ownership;
PAC = Audit Committee;
FACM = Frequency of Audit Committee Meeting;
NAF = Quality of Audit firm;
FSIZE = Firm Size;
LEV = Leverage;
PRFT = Profitability

3.5.2 Measurement of Variables

Table 3.1 List of variables to be used to study for disclosure practices in Nigeria

	Symbols	Variables	Definitions and Measurement
1	**Dependent Variable**		

	TDS	Forward-looking disclosure	Total disclosure score. A firm's score for total forward-looking statement disclosed divided by total possible score for sentences disclosed for each firm.
2	**Independent Variable**		
a.	BSIZE	Board Size	This represents the total number of directors on each board
b.	PNED	Non-executive director	This shows the proportion of non-executive director of the firm. It is measured as the ratio of non-executive director to the total directors on board.
c.	POSO	Outside share Ownership	This is measured as the percentage of outside shares ownership of the total shares outstanding in the firm.
d.	PAC	Audit Committee	The AC is measured as the percentage of non-executive members of the audit committee on the total number of the directors on the committee
e.	FACM	Audit Frequency	The total number of Audit Committee meetings
f.	NAF	Audit quality	This is the nature of the audit firm. It is measured with a dummy variable. Audit dummy equals "1" for Big-4; otherwise"0" for local audit firms.
3	**Control Variables**		
a.	FSIZE	Firm Size	The firm size is the total assets owned by the firm. It is measured as the natural logarithm of total assets.
b.	LEV	Leverage	This is also known as the debt structure. It indicates the association between a firm's long term debt and its book value of equity. It is valued as the proportion of total debt to total assets.
c.	PRFT	Profitability	Represents the relationship between earnings after tax and interest and total capital employed during the year under consideration.

DATA ANALYSIS, RESULTS AND DISCUSSION OF FINDINGS

4.1 Descriptive Statistics for Variables

As stated in chapter 3, the corporate governance variables and the control variables were gathered, then the descriptive statistics was employed to analyze data set for the year 2010 to 2014. The descriptive statistics findings show available information regarding each variable by categorizing them in the form of; mean, median, standard deviation, minimum and maximum. Table 4.1 below presents the summarized analysis of the descriptive statistics for sample firms.

Table 4.1: Descriptive Statistics

DESCRIPTIVE STATISTICS					
	N	**Mean**	**Minimum**	**Maximum**	**Std. Deviation**
TDS	75	1.5119	1	3	.53149

BSIZE	75	13.55	4	19	3.050
PNED (%)	75	.5276	0	0	.10079
POSO (%)	75	.87	1	1	.126
PAC (%)	75	.50	0	1	.063
FACM	75	4.45	3	7	.934
NAF	75	.9333	0	1	.251
FSIZE N(M)	75	1107764.01	72508	3490871	830765.511
LEV (%)	75	1.20	-1	45	5.228
PRFT	75	.26	0	15	1.761

Source: Researcher's Calculation Using EVIEWS 7 Statistical Software.

4.2 Tests of Data

4.2.1 Unit Root Test

The ADF test on the table above for the estimating variables, reveals that only POSO is stationary at first difference, that is I(1) series, implying that the variable is nonstationary at level but became stationary at first difference, while all other variables are found to be I(0), implying that these variables are stationary at levels. Hence, the null hypothesis of non-stationarity is rejected in all the series.

Table 4.2 Unit Root Test on Variables with Intercept

	Augmented Dickey-Fuller (ADF) Test				Test Critical values		
Variables	**Level**	**1st Difference**	**2nd Difference**	**Status**	**1%**	**5%**	**10%**
TDS	-5.274033	-11.69989	-7.347847	I(0)	-3.521579	-2901217	-2.5879
BSIZE	-6.042528	-8.954139	-7.401126	I(0)	-3.521579	-2.901217	-2.5879
PNED	-4.876921	-8.955397	-9.264501	I(0)	-3.521579	-2.901217	-2.5879
POSO	-2.578909	-8.105900	-14.66511	I(1)	-3.522887	-2.901779	-2.5882
PAC	-3.074883	-10.66138	-7.881594	I(0)	-3.538362	-2.908420	-2.5917
FACM	-5.040926	-10.84435	-7.254144	I(0)	-3.521579	-2.901217	-2.5879
NAF	-2.940978	-6.171007	-4.669328	I(0)	-3.521579	-2.901217	-2.5879
FSIZE	-3.719147	-8.918818	-8.780419	I(0)	-3.521579	-2.901217	2.58798
LEV	-5.633938	-11.83361	-6.758413	I(0)	-3.521579	-2.901217	2.58798
PRFT	-8.821195	-10.29453	-7.194511	I(0)	-3.521579	-2.901217	2.58798

Source: Researcher's Calculation Using EVIEWS 7 Statistical Software

4.2.3 Pearson Product Moment of Correlation

Table 4.4: Pearson Correlation Analysis Results (No. of Observation =75)

	TDS	**BSIZE**	**PNED**	**POSO**	**PAC**	**FACM**	**FSIZE**	**LEV**	**PRFT**
TDS	1.000000	-	-	-	-	-	-	-	-
BSIZE	-0.197562	1.00000	-	-	-	-	-	-	-
PNED	0.008833	0.08544	1.000000	-	-	-	-	-	-
POSO	-0.031363	0.16321	-0.322184	1.000000		--	-	-	-
PAC	0.089148	0.00680	-0.033157	-0.030629	1.000000	-	-	-	-
FACM	-0.076349	0.16793	0.204791	-0.257174	0.145988	1.000000	-	-	-
FSIZE	0.347248	0.12071	0.093131	0.268547	0.122406	-0.264128	1.00000	-	-
LEV	0.109750	-0.07192	-0.132412	-0.279755	0.009454	-0.022255	-0.15811	1.00000	-
PRFT	-0.131512	-0.37659	-0.115589	0.114019	0.002515	-0.051378	-0.01842	-0.06050	1.00000

Source: Researcher's Calculation Using EVIEWS 7 Statistical Software

The Table 4.4 shows the linear relationship amongst the independent variables. The correlation analysis report shows that the disclosure index (TDS) has a positive correlation with the proportion of non- executive directors on the audit committee, firm size and leverage. Firm size has a direct linear relationship with TDS with a highly positive correlation of 0.347 while leverage has a direct relationship with TDS with a weak positive correlation of 0.390. However board size, proportion of outside share ownership, frequency of audit committee meeting and profitability has an inverse relationship with TDS with a negative correlation of -0.197, -0.031, -0.076 and -0.131 respectively. Overall, the correlation between independent variables range from 0.002- 0.347.

4.3 Empirical Analysis Results

This study empirically investigates the impact of corporate governance attributes on voluntary information disclosures of listed firms in Nigeria for five years from 2010 to 2014 using fifteen firms. The corporate governance variables used are board size, proportion of non- executive directors on the board, the proportion of outside shareholdings, proportion of audit committee members, frequency of audit meeting and quality of audit firm controlling for firm size, leverage and profitability. A panel regression model was developed to test the hypothesis formulated at 5% level of significance. The corporate governance variables and firm characteristics of Nigerian firms in samples for year 2010 and 2014 regression analysis and its results are presented in Table format. The details of the results are shown as follows.

4.3.1 Relationship between the Corporate Governance Variables and Forward-looking Disclosure.

Model

$TDS = \beta_0 + \beta_1$ BSIZE $+ \beta_2$ PNED $+ \beta_3$ POSO $+ \beta_4$ PAC $+ \beta_5$ FACM $+ \beta_6$ NAF $+ \beta_7$ FSIZE $+ \beta_8$ LEV $+ \beta_9$ PRFT $+ \varepsilon_{it}$

Table 4.5 Regression model result for Corporate Governance Variables and Forward-looking Disclosure.

Dependent Variable: TDS

	BSIZE	PNED	POSO	PAC	FACM	NAF	FSIZE	LEV	PRFT
S.Coefficient (B)	-0.151	0.096	-0.096	.059	0.076	0.340	0.352	0.137	-0.069
Std. Error	0.021	0.610	0.524	0.971	0.077	0.288	.000	.146	.036
t-stat	-1.277	0.826	-0.769	0.509	0.562	2.500	3.215	1.142	-0.576
Sig P Value	0.206	0.412	0.445	0.612	0.576	0.015	.002	.257	.567

Statistical Significance: $p < 0.05$

Source: Researcher's Calculation Using EVIEWS 7 Statistical Software

$TDS = \beta_0$ - 0.151 **BSIZE** + 0.096 **PNED** – 0.096 **POSO** - 0.059 **PAC** + 0.076 **FACM**
(-1.277) (0.826) (-0.769) (-0.509) (0.562)
+ 0.340 **NAF + 0.352 FSIZE +** 0.137 **LEV –** 0.069 **PRFT**
(2.500) (3.215) (1.142) (-0.576)

4.3.2 Evaluation of the model

Table 4.6 provides the regression model summary and results of constant, coefficients, T-value and P-value and F test of the linear relationship between corporate governance attributes and forward looking information.

Table 4.6: Summary of Model Output

Model	R2	Adj. R2	Std Error	Sig. F	DURBIN WATSON
1	0.152	0.116	0.49972	4.236	1.285

The overall coefficient of determination $R^{2,}$ which is the explanatory power of the model, i.e. the independent variables explain the forward looking disclosure by 15.2% while the adjusted R2 which represents the goodness of fit of the data shows that 11.6% of the variation in disclosure index could be explained by the predictor variables. In table 4.5 above, the F-Test calculated is 1.819 while the F- Test tabulated is 2.08 - at 5% level of significance so we reject the null hypothesis and accept the alternate hypothesis. This means that the model is of good fit hence the probability that the model will be rejected is 0. **P**- value explains the significance of all the coefficients. The **P** – value of 0.000 is less than 0.05 showing that there is a significant impact of corporate governance on FLI disclosure of quoted firms in Nigeria. Autocorrelation test carried out with the use of Durbin Watson computed figures and the summary tables reveal the absence of autocorrelation in the model.

4.3.2.1 Interpretation of findings on Board Size

Table 4.4 shows that the coefficient from our result for BSIZE is -0.151 which indicates a negative relationship between BSIZE and FLI. Our regression result confirms previous findings like Zahra, Neubaum and Huse (2000) who opined that a small board processes information faster and it also supports the study of Hasan et al. (2013), Chang and Courtenay (2006) in which they found an inverse correlation between the board size and voluntary disclosure. On the other hand, our result is at variance with resource dependency theory which argues that large board size has a variety of knowledge and more ability to manage the capital resource of the company (Pfeffer, 1972). However, the findings are inconclusive, Lipton and Lorsch (1992) proposed a board size of ten (10) arguing that large board size is dysfunctional because a large number of directors are easy to be controlled by top managers and, therefore, they cannot criticize the policies of the top managers or discuss the performance of the company truthfully. On the other hand Ujunwa (2012), Chen and Jaggi (2000) proposed more members on the board to reduce information asymmetry.
An implication of this is the possibility that the presence of large board size may limit the level of disclosure due to factors of indefensible arguments in decision actualization (Jensen, 1993). In addition, John and Senbet (1998) recommend that one of the ways to achieve improved efficiency and improve corporate governance is to reduce the size of the board. Therefore, there seems no previous evidence to find the association between board size and levels of forward-looking disclosure. FLI is seen to be highly sensitive to board size and thus it can be seen that not only can BSIZE variable negatively impact FLI but that its volatility will also have negative impact. The board size variable is not significant in FLI disclosure at 5% level of significance.

4.3.2.2 Interpretation of findings on Proportion of Non- executive directors

The coefficient for PNED in Table 4.4 has shown a positive relationship at 0.096. The investigation of the association between the independent non-executive directors and forward-looking disclosure has shown that they are positively related. The evidence from this study indicates that the selected samples practice the recommended by the CBN code number of non-executive director on the board should exceed the number of executive directors. The most obvious finding to emerge from this study is that the correlation confirms that the inclusion of non-executive directors on the board increased the level of forward-looking disclosure which was also acknowledged by Chen and Jaggi (2000), Arcay and Vazquez

(2005) Lim, Matolcsy and Chow (2007) find a positive relationship between NED and Voluntary Disclosure.
In general, therefore, it seems that the inclusion of the independent non-executive directors on the board have enhanced effective monitoring of the firm which as a result lead to higher disclosure. Agency problems depends significantly on the composition of the board of directors. A possible explanation for this result is that NEDs in Nigerian companies have the ability to contribute by providing good quality reporting, which can help users to make good decisions. PNED is also known to be an important determinant of FLI. The results shows that inclusion of PNED is insignificant in determining the voluntary information disclosure pattern of Nigeria companies.

4.3.2.3 Interpretation of findings on proportion of outside share ownership

We also find a negative relationship between POSO and FLI as shown in the table 4.4 above with coefficient of -0.096. One significant finding to emerge from this study is that the proportion of shares held by outside shareholders is negatively related to forward-looking disclosure. Evidently, selected sample firms have shown that their financial structure contains more of outside equity financing. Therefore, the existence of an agency problem is unavoidable. However, since this research reported no relationship between the outside share ownership and forward-looking disclosure, this suggests that the information asymmetry gap between the agencies is insignificant because when the number of shareholder increases, the disclosure of forward-looking information also increases. This findings support the argument of Healy, Hutton and Palepu (1999) that the reason behind increased disclosure is to increase institutional analyst, which eventually precedes changes in the capital market. Also a common fact for the insignificant result might be that most of the Nigerian deposit money banks still possess shareholdings and still directly or indirectly function on the board of directors. The result indicates that due to the low rate of family members on the board they could not dominate the managers and influence the level of voluntary disclosure.

4.3.2.4 Interpretation of findings on Proportion of audit committee members

Regarding the fourth coefficient (PAC), the results record a coefficient 0.059 indicate that firms that have an independent audit committee are more likely to disclose forward-looking information. The researcher finds a positive relationship between the independence of the audit committee and disclosure levels which is consistent with the findings of previous studies like (Ho and Wong (2001), Abdul Rahman and Al-Janadi (2006) and Abdur (2011)). Although results in previous research are inconclusive about the association between corporate governance attributes and the extent of disclosure, it is not surprising to find that proportion of audit committee members has a positive association with the extent of disclosure in Nigeria as the codes state which indicates a 100% compliance. This is because the banking sector is one of the most regulated than other sectors. In relation to the audit committee, despite the fact that over 50% of audit committee members are independent, it is found that they are still not effective in providing high disclosure quality reports. Thus, it is required from the Stock market regulators that they issue guidelines on more effective roles of audit committee member.

4.3.2.5 Interpretation of findings on Frequency of audit committee meeting

The coefficient of FACM is 0.076 which connotes a positive correlation between the variable and disclosure of FLI. Studies have reported that the audit meeting frequency is a method of delivering intensive monitoring activity and its frequency illustrates high level of activity, it is also necessary to attain greater transparency in the annual report (Laksmana, 2008) and one of the ways to achieve this is the formation of the audit committee. Allegrini and Greco

(2011) conducted a study to analyze the influence of audit meeting frequency and level of disclosure. The result shows positive impact on the level of information voluntarily disclosed which is affirmed by our findings in this research. We also find it consistent with the resource dependency theory and our apriori expectation and hypothesis.

4.3.2.6 Interpretation of findings on Quality of Audit firm

The coefficient of NAF is 0.355 which shows a positive association between the NAF and FLI. The result is not surprising because they have the superior experience, internationally recognized and possess greater incentive to protect their reputation (Wallace, Naser and Mora, (1994)), to reduce their legal liability DeAngelo (1981) especially due to the Enron scandal where Arthur Andersen suffered legal liability and reputation risk. This result also reaffirms the findings of previous research (Koh, and Tutticci (2007) and Uyar, (2011) that has indicated that there is a significant relationship between audit firm size and level of information disclosure. Concerning Audit quality, as measured by the Big Four audit firms, the result demonstrates that Big Four audit firms have more credibility in reporting quality information. Audit Quality enhances the quality of information disclosure. This implies that the Big four auditors in Nigerian companies have more independence than non- Big four auditors. These characteristics reflect their effectiveness in providing more voluntary disclosure information. The result provides assurance for investors in Nigeria that companies with Big 4 audit firms have more credible reported information. We also find a statistically significant relationship between the quality of audit firm and FLI which is in line with apriori expectation and hypothesis hence we cannot reject the hypothesis.

4.3.2.7 Interpretation of findings on Firm Size

The study controls for the impact of firm size and we find a positive relationship between firm size and FLI with coefficient of 0.352 which agrees with apriori expectation and hypothesis. The results also reaffirms the findings of Hassan, Giorgioni and Romilly, 2006 and Alsaeed, 2006 who report that firm size has statistically significant relationship with voluntary information disclosure. Large sized companies tend to disclose more information then smaller ones. This could be because they probably because they have more stakeholders who are interested in their business activities and also because they can afford the cost of production of reporting information. This finding is statistically significant which means that large firms have a greater ability to provide quality reporting for investors.

4.3.2.8 Interpretation of findings on Leverage

We record a positive relationship between leverage and FLI with coefficient of 0.137 which is in agreement with signalling theory. The results also confirms the apriori expectation and hypothesis. The result is in support with previous literature such as Bradbury (1992) Wallace, Naser and Mora (1994) who find a positive relationship which is not surprising. Leverage serves as positive signalling effect to increase disclosure as leveraged firm have to disclose more information with their lenders and creditors to reduce audit fees, monitoring fees and ultimately agency cost ad monitoring fees because a leveraged firm is considered to be riskier. We find no significant relationship between the variables.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This research investigated the relationship between corporate governance attributes and forward-looking information disclosure practices in the annual report of fifteen deposit money banks listed in Nigeria for five years. The research employed a comprehensive set of variables and tested in the research questions to provide evidence regarding forward-looking information disclosure practices in Nigerian firms. So far, the research provided empirical evidence in connection with these variables on the information disclosure level. To measure the disclosure, the content analysis method was used whereby the disclosure score assigned was employed to determine the measurement index for forward-looking information disclosure. In addition, the descriptive statistics explained the corporate governance variable and control variables while panel regression analysis and the analysis of variance reports significant relationships was used to explore the correlation between disclosure and components of the variable in the selected sample of fifteen firms listed on the Nigerian stock exchange for the period of 2010 through 2014. Findings from the estimated panel regression model reveal that PIND, PAC, and FACM are correlated with TDS, but not statistically significant except NAF. On the other hand BSIZE and POSO are negatively correlated with TDS but not significant.

5.2 Conclusion

Returning to the research question posed at the beginning of this study, the research report on the corporate governance variables revealed that there was high correlation between quality of audit firm, then a linear association exist between proportion of non- executive director which supports the agency theory and frequency of audit committee meeting. On the other hand, an inverse relationship exists between FLI and the following board size, proportion of outside share ownership, proportion of audit committee members.

Apart from the corporate governance variables, we also studied some firm characteristics and find that the study confirms that the measurements of the control variables (FSIZE, LEV and PRFT) were seen to be significantly related to disclosure of forward-looking information except for PRFT. The introduction of control variables in the model shows that other factors; apart from corporate governance variables also has impact on information disclosure. The firm size, leverage and profitability emerged as reliable predictors of the control variable. It is noteworthy that the firm size is a very important explanatory variable in the regression model, as indicated by its coefficient value. The results obtained showed that the firm size consistently remained positive and significantly correlates to the disclosure of forward-looking information while the leverage remained positive non- significant. This evidence suggests that the agency and signaling theory statement under firm size and leverage remains a true fact. However, the result with profitability report shows insignificant relation to the disclosure of forward-looking information and the signaling theory denotes that when a firm's performance is good, firms are more confident to signal their quality to investors. Hence we find FLI to be sensitive to profitability.

Recent studies (Damagun and Chima (2013)) shows that corporate governance mechanisms have an aggregate impact on voluntary information disclosure of quoted firms in Nigerian. In Nigeria we expected positive relationship to exist and found it to meet our apriori but disclosure was very low. Firstly, board size is one of the major attributes of corporate governance, we find that a large board is not associated with disclosure hence wont foster disclosure. Damagun and Chima (2013) suggest an average size of 9 which is consistent with my findings and recommendation below. We have come to a conclusion that there exist a relationship between FLI and CGV using data from the NSE which is consistent with findings of Damagun and Chima (2013) which states that CGV has great advantages to FLI.

5.3 Recommendations

Currently, Nigeria has between 1-3% voluntary disclosure of forward looking sentences in their Chairman's statement and MD&A section as against 20% in other developing countries like Malaysia (Bujaki, Zehgal and Bozec (1999)). The NSE is aware that an efficient market will boost investor's confidence and attract foreign investors hence the need to direct efforts at a proactive compliance mechanism that will aid disclosure of forward looking information. The critical drive to increase disclosure is to enforce code by policy makers, hence CBN and SEC should ensure there exist a proper coordination between them to enforce compliance to code.

Based on the empirical findings of this research, we recommend several courses of action for the end users (which includes the Nigerian regulatory agencies like the CBN, SEC) and therefore encourage them to take note of the following recommendations made;

1. We concluded that CBN mechanism of enforcing CG code is not as effective. Disclosure has been found to be sensitive to the quality of audit, during our analysis we also found only one firm not to engage a Big- four audit firm. Hence, we recommend that the CBN makes it mandatory for all deposit money banks listed on the Nigerian stock exchange to be audited by a big 4 firm.
2. Sequel to the findings, the results shows that the board size influences disclosure hence we recommend to CBN to reduce the amount of members on the board to a maximum of 15 as our evidence show an obstruction to disclosure by having a very large board. The current requirement is a maximum of 20 directors which is too much to influence decision making though we found board size to vary across firms
3. Directors should have a paradigm shift in thinking from hoarding positive and future plans and disclosing them as they are signals to a profitable firm which increases a firm's value, boosts their image and ultimately making their shares more marketable.
4. Finally, we recommend that investors should use knowledge obtained from this study to ensure they study past reports and follow trends to guide and make economic decisions.

REFERENCES

Abad- Navarro, M.C. and Bravo Urquiza, F. (2012). Board of directors' characteristics and forward-looking information disclosure strategies. American Accounting Association Annual meeting, Washington (EEUU) (PP2012-06-021).

Abdullah, A.; Ku Ismail, K.N.I. (2008), "Disclosure of voluntary accounting ratios by Malaysian listed companies", *Journal of Financial Reporting and Accounting,* 6(1), pp. 1-20.

Abdullah, S.N. (2004), "Board Composition, CEO Duality and Performance among Malaysian Listed Companies", Corporate Governance: *The international journal of business in society*, 4(4), pp. 47-61.

Abdur, R. (2011), "Corporate characteristics, governance attributes and the extent of voluntary disclosure in Bangladesh", *African Journal of Business Management*, 5(19), pp. 7836-7845.

Adesanwo, O. E. M and Agbatogun, T. O. ICAN Financial Transparency and Information Quality Disclosure for Business Valuation in Nigeria. Institute of Chartered Accountants of Nigeria (ICAN): The Nigerian Accountant Jul/ Sept 2015.

Adewakun, A. (2010). Poor Corporate Governance, Bane of Nigerian Banks. Nigeria Tribune, September 29, 2010, P. 15.

Agrawal, A. and Knoeber, C. (1996). "Firm performance and mechanisms to control agency problems between managers and shareholders", *Journal of Financial and Quantitative Analysis*, 31(3), pp. 377- 397.

Agrawal, A., Chadha, S., (2005), "Corporate governance and accounting scandals", *Journal of Law and Economics*, 36, pp. 105-146.

Agyemang, O., Aboagye, E. and Ahali, A. (2013), "Prospects and Challenges of Corporate Governance in Ghana", *International Journal of Scientific and Research Publications*, 3, pp. 2250-3153.

Ahmed, K. and Courtis, J. K. (1999), "Associations between corporate characteristics and disclosure levels in annual reports: a meta-analysis", *The British Accounting Review*, 31 No. 1, pp. 35-61.

Ahmed, K. and Nicholls, D. (1994). "The impact of non-financial company characteristics on mandatory compliance in developing countries: the case of Bangladesh". *The International Journal of Accounting*, 29 (1), pp. 60-77.

Bozanic, Z., Roulstone, D.T. and Van Buskirk, A. (2013). Management earnings forecasts and forward looking statements. www.foxtemple.edu

Branson, D. (2001), "Very Uncertain Prospect of Global Convergence in Corporate Governance", *The Cornell International Law Journal*, 34, pp. 321.

Broberg, P., Tagesson, T., & Collin, S-O. (2009), "What explains variation in voluntary disclosures? A study of annual reports from corporations listed at the Stockholm Stock Exchange", *Journal of Management and Governance*, 14(4), pp. 351-377.

Bujaki, M., Zeghal, D. and Bozec, R. (1999), "The disclosure of future oriented information in annual reports of Canadian corporations", Working Paper, 44, University of Ottawa, Canada.

Business Roundtable. (1997). Statement on Corporate Governance. Washington, D.C: The Business Roundtable.

Byard, D., Li, Y., Weintrop, J., (2006), "Corporate governance and the quality of financial analysts' information", *Journal of Accounting and Public Policy*, 25, pp. 609-625.

Cadbury, A. (1992), Report of the Committee on the Financial Aspects of Corporate Governance, Gee Professional Publishing, London.

Campbell, D.J., & Abdul Rahman, M.R. (2010). A longitudinal examination of intellectual capital reporting in Marks & Spencer annual reports, 1978 2008. *The British Accounting Review*, 42(1), 56-70.

Celik, O., A. Ecer, and Karabacak, H. (2006). "Disclosure of forward looking information: evidence from listed companies on Istanbul stock exchange (ISE)". Investment Management and Financial Innovations, 3 (2): 197-216.

Central Bank of Nigeria (2006). CBN Code of Corporate Governance for Banks in Nigeria Post Consolidation, Nigeria: Abuja.

Cerbioni, F. and Parbonetti, A. (2007): "Exploring the effects of corporate governance on intellectual capital disclosure: an analysis of European biotechnology companies", *European Accounting Review*, 16 (4), pp 791-826.

Chen, C.J.P. and Jaggi, B. (2000), "Association between independent non-executive directors, family control and financial disclosures in Hong Kong", *Journal of Accounting and Public Policy*, 19(4), pp. 285-310.

Cheng, E.C.M. and Courtenay, S.M. (2006), "Board composition, Regulatory regime and voluntary disclosure", *International Journal of Accounting*, 41(3), pp. 262-289.

Ikpefan, A. & Ojeka, S. (2013) Corporate Governance as a Tool for Curbing Bank Distress in Nigeria Deposit Money Bank: Empirical Evidence. *Research Journal of Finance and Accounting*, United Kingdom, 4(13).

Inchausti, B.G. (1997), "The influence of company characteristics and accounting regulation on information disclosed by Spanish firms", *The European Accounting Review*, 6(1), pp. 45-68.

Jensen, M.C. & Meckling, W.H. (1976), "Theory of the firm: management behaviour, agency costs and ownership structure". *Journal of Financial Economics*, 3 (3), pp. 305–360.

Li, J., Pike, R. and Haniffa, R. (2008). "Intellectual capital disclosure and corporate governance structure in UK firms". *Accounting and Business Research*, 38(2): 137-159.

OECD (1998), Using the OECD Principles of Corporate Governance: A Boardroom Perspective. OECD, Paris.

OECD. (2004). OECD Principles of Corporate Governance. Paris: Organization for Economic Cooperation and Development (OECD).

Olowe, R.A 2011. Financial Management: concepts, Financial Systems and Business Finance. Brierly Jones Nigeria Limited, Lagos.

Oso, L. and Semiu, B. (2012). The Concept and Practice of Corporate Governance in Nigeria: The Need for Public Relations and Effective Corporate Communication. *Journal of Communication*, 3(1): 1-16.

Osunkeye, O. (2015). AGM as a Platform for Value Optimisation. Institute of Chartered Accountants of Nigeria (ICAN): The Nigerian Accountant Jul/ Sept 2015.

Oyerogba, E. O. (2014). The use of voluntary disclosure in determining the quality of financial statements: evidence from the Nigeria listed companies. *Serbian Journal of Management*, 9 (2) 263 – 280.

Wallace, R.S.O., and Naser, K. (1995). "Firm specific determinants of the comprehensiveness of mandatory disclosure in the corporate annual reports of firms listed on the stock exchange of Hong Kong", *Journal of Accounting and Public Policy*, 14(4), pp. 311-368.

Wallace, R.S.O.; Naser, K.; Mora, A. (1994), "The relationship between the comprehensiveness of corporate annual reports and firm characteristics in Spain, *Accounting and Business Research*, 25(97), pp. 41-53.

Watson, A., Shrives, P., & Marston, C. (2002). Voluntary disclosure of accounting ratios in the UK. *British Accounting Review*, 34(4), 289-313.

Watts, R. and Zimmerman, J.L. (1983), "Agency problems, auditing and theory of the firm: some evidence", *Journal of Law & Economics*, 12 (26), 613-633.

World Bank (2005), Corporate Governance, Country Assessment, Malaysia.