



Corporate Governance Characteristics and Voluntary Disclosure: The Case of UAE Listed Corporations

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Abstract

The paper examines the relationship between corporate governance mechanisms and extent of corporate voluntary reporting in an emerging market economy, the United Arab Emirates (UAE). Based on a sample of 95 annual reports published by the UAE listed corporations, the paper applies multiple regression analysis to regress governance related variables and other control variables to a voluntary disclosure index crafted for this paper. Governance variables include CEO duality, CEO power, board size, board committees, external auditor, and foreign ownership. The multiple regression analysis shows that corporations' voluntary disclosure varies according to external auditor type and board committees as predicted. Other variables are insignificant in their influence on the level of voluntary disclosure, yet the direction of their influence is as predicted except for CEO duality and foreign ownership. The paper utilizes the agency theory and organizational power literature to augment the analysis of the empirical results. The paper's findings assist UAE regulators as well as international business community with insights concerned with governance-disclosure relationship in the UAE. The paper's incorporation of organizational power perspective adds to the conceptual foundation of governance-disclosure relationship. The paper also adds quantitative dimensions revealing how frames of power in and around governance mechanisms, at individual corporation level, influence the level of voluntary disclosure.

Keywords: Corporate Governance, Disclosure Index, CEO duality, CEO power, foreign ownership, agency theory, organizational power, UAE.

1. INTRODUCTION

The last few years have witnessed an increasing research examining the relationship between corporate governance and Corporate Voluntary Disclosure (CVD) (Ho and Wong, 2001; Eng and Mak, 2003; Gul and Leung, 2004; Chen and Jaggi, 2000; Haniffa and Cooke, 2005; Brennan and Solomon, 2008). Hassan (2008) argues that one of the key aspects of the corporate governance is "accountability systems". Sinclair (1995, p.225) argues that accountability is a broad concept and therefore he proposes various forms of accountability systems such as professional, financial, political, administrative



and public accountability systems. Coy and Dixon (2004, p. 81) argue that the public accountability requires the compliance with regulatory requirements and the voluntary disclosure to different stakeholders who have an opportunity to make criticisms (Solomon and Solomon, 2004; Parker, 2007).

Cerbioni and Parbonetti (2007) argue that both corporate governance and corporate disclosures are considered tools of accountability, yet each has been analyzed separately with few exceptions (e.g. Ho and Wong, 2001; Eng and Mak, 2003; Gul and Leung, 2004). Corporate disclosure is one of the accountability mechanisms. Corporate disclosure is a mechanism that discharges corporate accountability to society, community and different stakeholders. One of the key aspects of these prior studies is that they rely on agency theory and stakeholders theory to explain governance-disclosure relationship (e.g. Ho and Wong, 2001; Eng and Mak, 2003; Chen and Jaggi, 2000; Haniffa and Cooke, 2002). Yet none of these studies pays attention to organizational power and its influences on governance-disclosure relationship.

The paper main objective is to investigate the relationship between a set of governance mechanisms, such as CEO duality, CEO power, board size, board subcommittees and foreign ownership, and the level of voluntary disclosure provided by listed UAE corporations. The paper relies on the agency theory and organizational power literature to generate testable hypotheses and augment the empirical analysis. The paper is organized in the flowing fashion. After this introduction, section two reviews prior literature of governance-disclosure relationship. Section three discusses the paper's hypotheses. Section four and five discuss the paper methodology and the empirical findings respectively. Section six is the paper conclusion.

2. LITERATURE REVIEW

Using agency theory, several studies empirically investigate the relationship between governance mechanisms and corporate disclosure (Eng and Mak, 2003; Chen and Jaggi, 2000; Kelton and Yang, 2008; Cerbioni and Parbonetti, 2007; Dey, 2008). These studies argue that governance mechanisms influence managers' behavior in such a way that improves their disclosure policies (Ho and Wong, 2001; Eng and Mak, 2003; Gul and Leung, 2004; Chen and Jaggi, 2000). They also posit that governance mechanisms provide additional checks on managerial behavior such as concealment and distortion.

Nevertheless, these studies provide mixed results of governance-disclosure relationship. Some scholars explain these mixed results in the light of controversial relationship between governance mechanisms and corporate disclosure. They argue that



the relationship between corporate governance mechanisms and corporate disclosure is either complementary or substitutive (Cerbioni and Parbonetti, 2007; Kelton and Yang, 2008). Gul and Leung (2004) argue that socio-economic and political environments between countries, organizational structures and construction of disclosure indices may also lead to different results between corporate governance mechanisms and corporate voluntary disclosure.

Because of the above controversial results, the paper draws on the organizational power literature in order to augment the analysis of governance-disclosure relationship. In particular, the paper focuses on frames of power in and around the corporate governance mechanisms (Pfeffer, 1981; Hassan, 2008; Fincham, 1992; Hardy, 1996). For example, Gul and Lenug (2004) argue that CEO duality leads to a concentrated decision making power. Accordingly the board independence is restricted, the board's oversight role is impaired and consequently disclosure policies are affected.

Finkelstein and D.Aveni (1994) suggest that having one person serving as the Chief Executive Officer (CEO) and the chairman of the board of directors creates a strong individual power base which could erode the board's ability to exercise effective control.

Lynall et al., (2003) argues the definitions of power include ownership power, expert power, decision making power, structural power and institutional power. Each of which is relevant to exploration the governance-disclosure relationship while augmenting the agency theory prediction. According to agency theory, CEO duality leads to powerful CEO who may obstruct the monitoring ability of the board of directors. However, the existence of larger boards weakens the CEO power base. The existence of large board with different experts, whom have the ability to contribute to organizational success by influencing a particular strategic choice, may constraint the powerful CEO. In such a context, the board draws on expert power to get their point across. The existence of diverse expertise with different opinions enables larger board to constraint the actions of powerful CEOs. Likewise, powerful CEO has limited ability to pursue his/her own will if foreign investors have a large share in the corporation ownership structure.

3. HYPOTHESES

Role duality

The “dominant personality” phenomenon or “role duality” in which the same person undertakes the role of chief executive officer (CEO) and the role of chairman board of directors is one of the important aspects of corporate governance (Forker, 1992). When a dominant personality phenomenon exists, a single individual will be having a

concentrated power in managing business affairs (Ho and Wong, 2001; Gul and Leung, 2004; Li et al., 2008). That individual may withhold information from outsiders and consequently lead to detrimental effect on the quality of disclosure. Khanchel (2007) argues that the role duality constrains board independence and reduces the possibility that the board can properly and openly execute its governance role.

Li et al., (2008) add that a board on which the CEO has a great power is at risk of higher information asymmetries. Finkelstein and Hambrick (1996, p.251) suggest that the combination of the role of CEO and chairperson is „an indicator of CEO power over a board.. This suggests that role duality reduces a board.s ability to effectively and soundly control top management, which could then result in a lower level of disclosure (less transparency). The separation of the two roles not only reduces the CEO power but improves the board.s monitoring capabilities of corporate management (Cerbioni and Parbonetti, 2007; Haat et al., 2008; Gul and Leung, 2004). In other words, the monitoring capability of the board increases with the separation of the chairperson and the CEO positions (Jensen, 1993). Therefore, the paper hypothesizes that:

H1: There is a negative association between CEO role duality and (CVD).

CEO hierarchical/decision making power

CEO role duality is only one dimension of how CEO could be powerful in managing

business affairs. As explained earlier, “power” is a concept that has different dimensions (Adam et al., 2005). Focusing on the power of individuals in top management teams, scholars identified other sources of power such as hierarchical power (related to the distribution of formal positions within an organization) and decision-making power. Here, the paper focuses on the power the CEO has over the board and other top executives as a consequence of his/her formal position, titles and status.

Adam et al., (2005) argue that in some corporations, the CEO makes all the major decisions while in other corporations decisions are more clearly the product of consensus among the top executives. In light of this reasoning, the paper measures the CEO.s powerful influence on the quality of disclosure using corporate level characteristics of how many signatures were printed on the annual reports. Examining the UAE listed corporations. annual reports has shown that some reports are signed by one individual while other reports are signed by two or three individuals, i.e. CEO, Chairman of the Board and Chief Financial Officer. The underlying assumption, here, is that the more the number of



signatures printed on the annual reports, the less powerful the CEO and consequently the better the disclosure is likely to be. Therefore, the paper hypothesizes that:

H2: The less the CEO hierarchical power, i.e. more signatures on annual reports, the better the CVD.

Board size

Another aspect of the governance is the the board of directors. The board enables the solving of agency problems inherent in managing any organizations (Cerbioni and Parbonetti, 2007; Haat et al., 2008; Hermalin and Weisbach, 2003; Eisenberg et al., 1998). Prior studies suggest that the size of the board affects: 1) the communication/coordination among the board.s members and 2) the board.s ability to control management and the resulting agency problems (Jensen, 1993; Yermack, 1996) which in turn affect the corporate disclosure policies. Some studies argue that coordination/communication problems increase as the board size increases (Cerbioni and Parbonetti, 2007; Bushman et al., 2004). Lipton and Lorsh (1992) argue that as the board size increases, it becomes more difficult for the company to arrange board meetings as well as reach board members. consensus regarding issues discussed in these meetings. More precisely, the monitoring capability of the board decreases with its size (Jensen, 1993; Yermack, 1996; Vafeas, 2000). The previous studies show that a large board may make the company monitoring activities less effective.

In contrast, other studies argue that the board.s monitoring capacities increase as the number of members on the board increases (John and Senbet, 1998; Cheng and Courtenay, 2006). Gandia (2008) adds that as the board size increases, the board supervisory capacity increases. This, he suggests, overcomes the lack of transparency that maybe promoted under small size boards. These studies conclude that larger boards enable mangers to draw on diverse experiences and dispersed opinions and consequently the board.s monitoring capacities increase, agency problems reduce and the company becomes more transparent. One can argue that these studies indirectly underscore the expert power inherited in larger boards.

Drawing on the concept of expert power, board of directors could be seen as a formation of a group that attempts to improve corporations. performance and disclosure policies (Fincham, 1992). This group possess the knowledge and the expertise to contribute in managing business affairs. One can argue that larger boards have different experts. Those experts have the ability to contribute to organizational success by

influencing a particular strategic choice, the matter that provides an opportunity to improve disclosure policies. The board draws on, what Adam et al., (2005) and Lynall et al., (2003) call, expert power to get their point across. The existence of diverse expertise with different opinions enables larger board to enhance the corporations disclosure policies.

The above literature does not support a predominant theory nor provide an empirical evidence to suggest a specific association between board size and CVD, and therefore this association remains an empirical issue. In the light of this controversy, this paper does not specify direction to the relationship between board size and voluntary disclosure and hypothesizes that:

H3: There is a relationship between board size and CVD.

Board subcommittees

One of the corporate governance mechanisms is the board subcommittees (i.e. compensation, risk management, internal audit, governance and nominating committees). John and Senbet (1998) findings suggest that the presence of monitoring committees is positively related to factors associated with the benefits of monitoring.

Khanchel (2007) adds that corporate governance quality increases with the existence of separate committees and also with their meetings. Li et al., (2008) argue that the board's monitoring capability is a function of the composition of the board and the board's subcommittees where much of the important processes and decisions are monitored and taken. In this regard, Klein's (2002) study findings show that the existence of independent board's subcommittees reduce the likelihood of earnings management, and thus improving transparency. Therefore, board subcommittees can be expected to have a significant impact on corporation disclosure (transparency). Board subcommittees should improve internal controls (Ho and Wong, 2001), and act as a powerful monitoring device for improving corporate disclosure. For example, the presence of an audit committee has been found to be associated with high level of voluntary disclosure (Ho and Wong, 2001).

Drawing on organizational power literature, one can argue that the increase in the number of the board's subcommittees would shape the corporation hierarchical power and expert power. Hierarchical power refers to, what Hardy (1996) calls, power over decision making processes wherein different subordinates participate in decision-making processes. Such a participation permits subordinates to have resources of power at their disposal and can affect the actions of their superiors (Giddens, 1984). Consequently,



subordinates. participation enhances the chances to reduce the top management power as well as encourage organizational members to be more candid which in turn improve corporate disclosure policies. The increase in the number of subcommittees, that support the board, allows the corporation.s top management to receive formal and informal imputes reflecting diverse knowledge and experience. That diverse knowledge and experience provides resources of power, i.e. expert power, which influences the corporation.s disclosure policies. Therefore, the paper hypothesizes that:

H4: There is a positive relationship between board subcommittees and corporate voluntarily disclosure.

External auditor

The external auditor is one of the governance mechanisms (Subramaniam, 2006). Haat et al., (2008) argue that audit can enhance the credibility of financial information and directly support better corporate governance practices through transparent financial reporting. Khanchel (2007) adds that the quality of governance is enhanced if the auditor is a one of the Big 4 audit firm. DeAngelo (1981) argues that audit quality will normally be associated with the auditor.s size and reputation. Likewise, Dopuch and Simunic (1980) state that audit credibility is related to the auditor name. They argue that audit firms like the big-four would have more credibility as compared to other firms. These big audit firms are likely to urge their clients to provide more information, hoping to be perceived as offering high quality services (DeAngelo, 1981) as this can signal the quality of their audit (Inchausti, 1997).

Drawing on power perspective, one can argue that big audit firms legitimate corporations towards supplying high quality information since these firms are willing to keep their reputations. These firms draw on both the expert power and institutional power in order to enforce their desires. On one hand, audit firms include specialised people whom perceived as experts in the field of accounting and governance (Cohen et al., 2004). Those expert auditors, then, would be having the professional power to enforce their desires expressed in improving disclosure quality. On the other hand, the UAE institutional context empowers external auditors to drive better disclosure.

According the UAE Corporation Act of 1984, corporations have to get their annual reports audited by a recognized auditor. This regulatory requirement empowers external auditors to suggest their clients to improve their annual reports. Therefore, the paper hypothesizes that:



H5: There is a positive relationship between auditor type and CVD.

Foreign ownership

Several studies investigate the relationship between ownership structure and corporate disclosure (Raffoumier, 1995; Eng and Mak, 2003; Cormier et al., 2005; Haat et al., 2008; Li et al., 2008). These studies pay attention to relationship between ownership diffusion, closely-held ownership and managerial ownership and corporate disclosure (Raffoumier, 1995; Cormier et al., 2005). Other studies argue that foreign ownership is a mechanism for improving corporate governance (Haat et al., 2008; Mangena and Tauringana, 2007; Leuz et al., 2007; Bokpin and Isshaq, 2009). Haat et al., (2008) argue that foreign ownership enables the development of corporations in developing countries.

Mangena and Tauringana (2007) argue that corporations exhibiting greater disclosure levels reduce information asymmetry between foreign and domestic investors. Greater disclosure, Mangena and Tauringana (2007) add, also reduces the differences in the costs of being informed between domestic and foreign investors. Bokpin and Isshaq (2009) add that foreigners invest less in corporations that are more exposed to governance problems and, at the same time, reside in countries with good disclosure. Since foreign investors are “informationally” disadvantaged as compared to domestic investors, those investors are willing to invest more in corporations that publish more information (Mangena and Tauringana, 2007; Bokpin and Isshaq, 2009).

Drawing on power perspective, one can argue that the increase in foreign ownership may legitimate corporations towards supplying high quality information. The underlying idea, here, is that foreign investors may exercise, what Adam et al., (2005) call, ownership power and voting rights in order to encourage corporate managers to publish more information. In UAE, there has been no empirical evidence published with respect to the impact of foreign ownership, as a mechanism of governance, on the CVD. The presence of foreign investors, as an aspect of governance mechanism, may lead to increase the level of voluntary disclosure by UAE listed corporations. Therefore, the paper hypothesizes that:

H6: There is a positive relationship between the foreign ownership and CVD.

4. METHODOLOGY AND VARIABLE MEASUREMENT

The paper draws a sample of 95 corporations listed on the Dubai financial market and the Abu Dubai securities market. To test the relationship between corporate



governance mechanisms and corporate voluntary disclosure, annual reports incorporating the financial statements, shareholders' annual general meeting reports, management report, chairman's report and information published by the ES&CMA about these corporations for the year 2008 are examined.

4.1 The dependent variable: Corporate voluntary disclosure (CVD)

The paper relies on Hassan's (2012) extensive review of prior studies to craft a voluntary disclosure index and develop a list of CVD items (e.g. Gallagher, 2002; Aksu and Kosedag, 2006; Cheung et al., 2007; Tsamenyi et al., 2007; Gandia, 2008; Haat et al., 2008; Kelton and Yang, 2008). Hassan (2012) crafted a weighted index where mandatory requirements had less weight. This paper modifies Hassan (2012) index since it pays attention of corporate voluntary disclosure. Hassan (2012) index items were checked against the UAE regulatory requirements, such as UAE code of governance, Corporation ACT of 1984 and ES&CMA listing conditions, to remove items mandatory required by the UAE regulatory institutions. This checking process develops an index of 29 items.

4.2. The independent variables and regression model

The paper relies on prior studies on corporate governance and disclosure to measures both the corporate governance and the control variables (e.g. Ho and Wong, 2001; Eng and Mak, 2003; Gul and Leung, 2004; Haniffa and Cooke 2002; Haat, et al., 2008; Gandia, 2008; Cerbioni and Parbonetti, 2007; Li et al., 2008; Cheng and Courtenay, 2006; Ajifri and Moustafa, 2007; Khanchel, 2007; Kelton and Yang, 2008; Khiari et al., 2007). The relationship between independent variables, i.e. corporate governance mechanisms and control variables, and the CVD is tested using the model presented below:

AIPEXTFINLEVSIZELISTAGEINDFOOWAUDBODCOMMSBODSIZECEOPWOERDUALCVDindex1312111
09876543210

..
.....
....
.
.....
.....

CVD index = Disclosure index



Governance variables

Control variables

CEO duality = Dummy variable 1 if the same person holds the roles of chair and

CEO power = Number of signatures printed in the annual reports

Board size = Total # of directors

Board committees = Number of Board committees

External Auditor = Dummy variable (1 big audit firm 0 otherwise)

Outside investors = % of foreign ownership in the corporation

Industry Type = Dummy variables (1 banks, 2 insurance, 3 service and 4 manufacturing)

Corporate age = Number of years since establishing

Length of listing = Number of years since establishing

Corporate size = logarithm of the total assets

Leverage = Debt ratio defined as debt to equity

External Financing = Total debt to total assets

Assets-in-Place = Book value of net fixed assets to book value of total assets

5. RESULTS AND DISCUSSION

Table 1 presents descriptive statistics of the model variables. Difference in means of CVD index (dependent variable) and other independent variables (governance and corporations-specific variables) related to industry type is tested by using ANOVA test which is presented in table 2 (only variables that had significant differences).



Table 1: Descriptive Statistics of all variables

N

Minimum

Maximum

Mean

Std. Deviation

CVD index

95

7

27

16.63

3.676

CEO Duality

95

0

1

.18

.385

No of Signatures

95

1

3



2.12

.581

BoD Size

93

3

15

7.42

2.050

No of committees

95

0

8

1.31

2.058

Audit Firm

94

0

1

.80

.404

% Foreign Ownership

85

0.00



0.46

0.07

0.115

Industry Type

95

0

3

1.37

1.062

Company age

95

.25

42.00

20.5816

13.35718

Listing years

93

.25

9.00

4.8737

2.06308

Size

95



14.244021

26.366639

21.51634679

2.308141766

Leverage

95

.001758

14.770068

2.34094456

2.950764528

External Fin

95

.001755

9.128059

.59129572

.930291994

Asset in Place

94

.000000

11.723485

.26500197

1.211445984



Table 2: ANOVA Test Statistics

Sum of Squares

df

Mean Square

F

Sig.

CV index

Between Groups

148.701

3

49.567

4.022

0.010**

Within Groups

1121.405

91

12.323

Total

1270.105

94



No of Committees

Between Groups

178.685

3

59.562

24.697

0.000**

Within Groups

219.463

91

2.412

Total

398.147

94

Audit Firm



Between Groups

1.384

3

0.461

3.013

0.034**

Within Groups

13.776

90

0.153

Total

15.160

93

% Foreign Ownership

Between Groups

0.183

3

0.061



5.248

0.002**

Within Groups

0.941

81

0.012

Total

1.124

84

Company age

Between Groups

1483.111

3

494.370

2.943

0.037**

Within Groups

15287.819



91

167.998

Total

16770.930

94

Size

Between Groups

129.623

3

43.208

10.593

0.000**

Within Groups

371.164

91

4.079



Total

500.787

94

Leverage

Between Groups

315.329

3

105.110

19.011

0.000**

Within Groups

503.130

91

5.529

Total

818.459

94



External Financing

Between Groups

7.861

3

2.620

3.245

0.026**

Within Groups

73.490

91

0.808

Total

81.352

94

1. Grouping Variable: Industry Type.
2. ** The variable is significantly different at level of 0.95.



The paper tests the existence of the multicollinearity problem via using the correlation matrix approach. Multicollinearity is a situation where two or more of the independent variables are highly correlated, therefore, it has damaging effects on the regression analysis results. (e.g. Mangena and Taurigana, 2007; Hassan, 2009). Table 3 shows that multicollinearity problem does not exist among the explanatory governance and control variables. Therefore, the regression analysis results can be interpreted with a greater degree of confidence.

Table 4: Pearson Correlations among all variables

95.n

CVD

index

BOD

Size

CEO

Duality

No of

Signatures

No of

committees

External

Auditor
Type

% Foreign

Ownership



IND

Company

age

Length of

listing

Corporate

Size

Leverage

External

Financing

Assets-in

-Place

CVD index

1



BOD Size

0.169

1

CEO Duality

-0.141

-0.029

1



No of Signatures

0.165

0.031

-0.521**

1



No of Committees

0.493**

0.135

-0.123

0.184

1

Type of Auditor

0.331**

0.245*

-0.039

0.186



0.233*

1

% Foreign Ownership

-0.061

0.203

0.139

-0.154

-0.028

-0.025

1



Industry

-0.022

0.013

0.019

0.137

-.067

0.93

-0.40

1

Company age

0.030

0.037

0.089

-0.012

0.110



0.012

-0.117

-0.250*

1

Length of listing

0.365**

0.182

-0.034

-0.105

0.135

0.029

-0.035

-0.150

0.462**

1



Corporate size

0.434**

0.326**

-0.200

0.237*

0.467**

0.410**

-0.054

0.078

-0.137

0.107

1

Leverage

0.468**

0.205*

-0.225*

0.291**

0.652**

0.162



-0.182

-0.165

0.149

0.177

0.573**

1

External Financing

0.450**

0.194

-0.112

0.067

0.385**

0.131

-0.108

-0.074

0.204*

0.259*

0.229*

0.499**

1



Assets-in-Place

-0.083

0.077

-0.044

-0.031

-0.122

0.038

-0.024

-0.009

0.056

0.152

-0.051

-0.087

-0.029

1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).



The multiple regression results are presented in Table 4. The results show that the F-ratio is 4.881 at significant level 0.01. The model implies that independent variables explain almost 50% of the variation the CVD index. Below is a discussion and comments on the regression results. 490.02.R

Table 4: Model Summary **

R
2R
F
.Sig
WatsonDurbin.
0.700(*)
0.490
4. 881
0.000(**)
2.009

1. Dependent Variable: CVD index
2. * Predictors: (Constant), Assets-in-Place, IND, EXTFIN, CEO Duality, AUD, FOOW, LIST, BODCOMMS, AGE, BODSIDE, SIGNS, SIZE, and LEV.
3. ** Level significance is at 0.99

Table 4: Model Coefficients +



.

Std. Error

Beta

t

Sig.

VIF

(Constant)

9.489

4.204

2.257

0.027

CEO Duality

1.069

1.004

0.113

1.065

0.291

1.419

CEO hierarchal power

1.040



0.682

0.166

1.525

0.132

1.535

BODSIZE

0.135

0.177

0.080

0.763

0.448

1.790

BODCOMMS

0.458

0.195

0.276

2.349

0.022**

1.465

AUD

1.872

0.922

0.210



2.030

0.046**

1.384

FOOW

-1.892

2.852

-0.064

-0.663

0.509

1.196

IND

-0.396

0.327

-0.118

1.209

0.231

1.227

AGE

-0.067

0.028

-0.246

-2.335

0.023**



1.431

LIST

0.477

0.188

0.263

2.538

0.014**

1.387

SIZE

0.061

0.200

0.039

0.304

0.762

2.173

LEV

0.037

0.171

0.031

0.216

0.830

2.742

EXTFIN



0.831

0.371

0.236

2.243

0.028**

1.439

AIP

-0.214

0.243

-0.080

-0.882

0.381

1.068

1. ** The variable is important at significant level of 0.95.
2. + Dependent variable is CVD.

The regression results show that corporate governance variables of number of board subcommittees (BODCOOMS) and type of auditor (AUD) have significant relationships with CVD at a level of 0.05. The (BODCOOMS) result confirms the prior prediction that higher number of board committees has a significant impact on corporation transparency. Accordingly, the empirical findings support hypotheses four and five related to BODCOMMS and AUD.

The empirical findings also show that CEO duality, CEO power, Board size (BODSIZE) and foreigners ownership have insignificant relationships to CVD leading to rejecting hypotheses one, two, three and six. The regression analysis shows a positive relationship between board size (BODSIZE) and CVD, yet that relationship is insignificant. The results do not coincide with agency theory explanation that board's monitoring



capacities decreases as the number of members on the board increases, and consequently corporations publish less voluntary information due to coordination and lack of communication problems. In contrast, the results coincide with the explanation informed by organizational power since as the board members number increases the board drew on diverse knowledge and experience in a way that enhances the board monitoring capability and consequently improve voluntary disclosure. Diverse knowledge and experience, i.e. expert power, overcomes the lack of transparency that maybe promoted under small size boards.

The relationship between foreign ownership (FOOW) and CVD is found to be a negative, i.e. inverse, one. This results coincides with Bokpin and Isshaq (2009) but disagrees with Mangena and Tauringana (2007) study that reported a positive relationship between disclosure and foreign ownership in Zimbabwe.

Corporations-specific variables of corporate age (AGE), length of listing (LIST) and external financing (EXTFIN) are found significantly correlated to CVD at level of 0.05. In accordance with the predict direction of the relationships between these variables and CVD, the variables coefficients are as predicted except for LIST which shows a positive relationship with CVD. Other variables, such as corporate size (SIZE), Leverage (LEV) and Assets-in-Place (AIP), were not significantly associated with CVD.

6. CONCLUSION

The paper aims at investigating the relationship between a set of governance mechanisms and the extent of voluntary disclosure by UAE listed corporations. The paper is motivated by a research gap that suggests investigating and explaining governance-disclosure relationship through a multi-theoretic perspective. The paper's findings must be interpreted in the light of the following potential limitations. First, the paper measures of voluntary disclosure assumes equal weights to all CVD items, and yet in real life some items may be considered more important than others. Second, CVD index is based on information published annual reports only.

The paper results are likely to have policy implications. For emerging market economy such as the UAE, promoting an environment of greater disclosure and effective corporate governance could have positive effects on foreign investor participation in listed corporations. Future research should also pay attention to governance-disclosure relationship on a longitudinal basis study that traces the trend of disclosure with the development of governance mechanisms. The incorporation of some variables, such as



culture, in the analysis of governance-disclosure relationship is also an area of future research.

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