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   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

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   ACKNOWLEDGMENTS

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   APPENDIX/ANNEXURE

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CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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CORPORATE GOVERNANCE ATTRIBUTES AND THE LEVEL OF CORPORATE VOLUNTARY DISCLOSURES IN ANNUAL REPORTS: THE CASE OF ETHIOPIA

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ABSTRACT

Ethiopia is one of the least developed countries located in the Sub-Saharan region. The financial sector in Ethiopia is not open to foreign ownership and operation which make the country unique compared with other countries in the region. The paper investigates the extent of relationship between corporate governance attributes and voluntary disclosure made by corporate firms in the financial sector of Ethiopia. In this study a sample of nine banks and insurance companies were selected from those financial corporate entities operating in Ethiopia. The period of study is from 2004-05 to 2011-12. For this study we have used standard instrument for measuring the level of corporate disclosure. The corporate governance attributes included in this study were board size, board independence and the ratio of audit committee members. Control variables include, profitability (measured by ROE ratio), leverage (measured by D-E ratio), natural logarithm of total assets, and natural logarithm of age of the corporate firms. To examine the extent of relationship between these corporate governance attributes and the level of voluntary disclosure, we have used multiple regression model. The findings indicate that there is a positive relationship between board size and ratio of board audit committee with the level of voluntary disclosure but not statistically significant. However, board independence did appear to have a significant negative influence on the level of voluntary disclosure by companies.

JEL CLASSIFICATION
G29, G30, M14

KEYWORDS
Corporate governance, Ethiopia, Voluntary Disclosure.

INTRODUCTION

The study explores the extent and level of voluntary disclosures in the annual reports of the financial institutions (FIs) in Ethiopia, one of the least developed countries in Africa. Though disclosure of financial information via annual reports is the main concern in most accounting researches, voluntary disclosure has received greater attention to the academicians (Hossain and Hammami, 2009).

Using annual reports for voluntary disclosure has advantages from the information preparer view point as well as the information needy perspective. The information preparer, usually board of directors and management, uses annual reports, as most widely disseminated source of information, to disclose more information beyond what is required (Ibid, 2009). The information needy, on the other side and that refers the general public, is in search of such voluntary disclosures to make more informed decisions as there is inadequacy in the contents of compulsory information (Alsaeed, 2005).

Besides, though information disclosure is made being between its costs and benefits (Frolov, 2004 and Diamond, 1985 cited in Hossian and Hammami, 2009), it is one of the socially desirable elements. Due to the interaction between costs and benefits, sometimes it may lead to partial or no disclosure. On the basis of which one may ask should disclosure be voluntary or mandatory. Indeed, the economic and accounting literature has asserted that, in the view of informational asymmetry, (costless) disclosure of private information brings general gains in economic efficiency. However, the size of the gains and the ultimate effect on the financial prices may vary considerably depending on the 'informativeness' of disclosed information and on the ways the information is disseminated and used (Hossain and Reaz, 2007)

In Ethiopia, the financial reporting and disclosure of the FIs is made in accordance with the 1960 Commercial Code, proclamations issued by the government for doing business in the banking, insurance and other financial sectors, and different directives issued by the regulatory body, the National Bank of Ethiopia (NBE). As there are no secondary financial markets, Ethiopia does not have securities exchange commission or board. The banking business proclamation 591/2008 (as amended), provides power to the NBE, which is the central bank, to license, regulate and supervise the FIs operating in Ethiopia. In the contemporary Ethiopia, the concern of having good corporate governance in the financial sector is becoming the interest of many stakeholders. In this regard, the present study is designed to investigate whether there is a relationship between corporate governance attributes and voluntary disclosure in the FIs operating in the finance sector.

To the best of our knowledge, this study is the first study to examine the relationship between corporate governance attributes and voluntary disclosure practices of the FIs in Ethiopia. The motivation of this study is to examine the variables that researchers in the previous studies have found to be significant in explaining voluntary disclosure practices of companies in most developed countries and in some developing countries could apply in Ethiopia.

The remaining part of the paper presents literature review, importance of the study, statement of the problem, objectives of the study, hypotheses, research methodology, findings, suggestions, conclusions, limitations of the study, and scope for further research.

REVIEW OF LITERATURE

Tracing the age of the practice of accounting disclosure back to the 1960s, Alsaeed identifies two approaches with regard to corporate disclosure. The first is conducting disclosure mainly by sending questionnaire forms to a large number of accounting information users and requesting them to rank specified accounting items according to their degree of importance. The second is addressing the association between a constructed disclosure index of mandatory, voluntary or total accounting disclosure and certain firm characteristics (Alsaeed, 2005).

Agency theory also known as Principal –Agent framework is one of the principles underlining the issue of corporate governance developed by Jensen and Meckling (1976).Previous studies examine the extent agency problem brought in the information asymmetry between managers and shareholders. Hence, there is a strong demand for corporate disclosure and financial reporting (Healy and Palepu, 2001). By disclosing more information the agency cost of a firm is also expected to be reduced. In this regard, various studies have examined different determinants of corporate voluntary disclosure practices. Most of the studies focus on finding association between firm characteristic variables such as, ownership characteristics, firm size, profitability, leverage, liquidity, age of firm and voluntary disclosure. But only limited studies have been done on linking corporate governance attributes to corporate disclosure. For instance, Haniffa and Cooke, (2002), Ho and Wong (2001) and Chen and Jaggi, (2000), in Barako *et al*, (2006), Hossain and Reaz (2007), Akhtaruddin *et al* (2009), and Hossain (2008) in Nandi and Ghosh, (2013) and Hasan *et al* (2013) are some of the studies that investigate the relationship between corporate governance attributes and voluntary disclosure.

Therefore, because corporate disclosure is the most important means by which companies can become transparent (Healy & Palepu, 2001), this study makes an investigation on the relationship between some corporate governance attributes and the voluntary disclosure taking Ethiopian FIs as a case. Some of the literatures reviewed in this regard are summarized below.

BOARD SIZE AND VOLUNTARY DISCLOSURE

Board size, an important corporate governance attribute, refers the total number of members exists in the body of board of directors. Increased board size enhances the monitoring and control capacity of the board of directors. Hence, it influences the level of corporate disclosure, which is one of the strategic decisions board of directors should act up on.

Akhtaruddin *et al* (2009) study what relationships exist between board size and voluntary disclosure by taking a sample of 105 listed Malaysian firms. The results of the study indicate that there is a positive association between board size and voluntary disclosures. Likewise, Nandi and Ghosh (2012) in their study entitled '*corporate governance attributes, firm characteristics and level of corporate disclosure: Evidence from Indian listed firms*' disclose that, there is a positive relationship between board size and the extent of corporate disclosure. In the contrary a study made by Hasan *et al* (2013) disclose in their study entitled '*Corporate Governance and Financial Disclosure: Bangladesh Perspective'* report, the relationship between board size and financial disclosure is negative though not significant.

BOARD INDEPENDENCE AND VOLUNTARY DISCLOSURE

Board independence also called board composition is used to refer the board members who are not part of the executive management group. Hence, they are called non-executive directors/NED/ or outsiders. It is generally understood that when the proportion of the NED in the board is higher, it enhances the corporate disclosure. The reason is, the higher proportion of NED to the total board members improves the monitoring and controlling ability of the board over management. (Fama and Jensen, 1983).

For instance, Nandi and Ghosh (2012) disclose that the degree of corporate disclosure is negatively related to board composition. Also Barako *et al* (2006), report that the proportion of non-executive directors on the board is found to be significantly negatively associated with the extent of voluntary disclosure. In the contrary, however, the study results of Salteh *et al* (2011) indicate there is a strong positive relationship between board independence and disclosure. In addition to this, Akhtaruddin *et al* (2009) and Hossain and Reaz (2007) report they have got a positive association between the proportion of NED on the board and corporate voluntary disclosure in their studies. Still some more studies indicate that there is no association between the number of outside nonexecutive directors and the extent of voluntary disclosure Ho and Wong, (2001) in Akhtaruddin *et al* (2009).

RATIO OF AUDIT COMMITTEE AND VOLUNTARY DISCLOSURE

Among other responsibilities board audit committee is charged with matters relating to financial reporting and audit. The prevalence of audit committee is not the only issue but its members also. Most corporate governance institutions advocate the size of the members of the board audit committee should be substantial enough for the successful accomplishment of the audit committee duties of monitoring. In this regard, a study made by Akhtaruddin *et al* (2009) evidence that there is a positive relationship between size of audit committee and the level of voluntary disclosure. Also, Nandi and Ghosh (2012) report that the extent of corporate disclosure has a positive relationship with ratio of board audit committee members to total board members Akhtaruddin (2005).

PROFITABILITY, LEVERAGE, FIRM SIZE, AGE OF FIRM AND VOLUNTARY DISCLOSURE

These variables are control variables for our study. However, it is appropriate to review some literature that focus on the relationship with disclosure.

Signalling theory, in finance, explains that those profitable firms disclose more information in the annual reports to differentiate them from poor performers. Most researchers have found positive relationship between profitability and the extent of disclosure (Haniffa & Cook, 2002 and Hossain 2008). Jensen and Meckling (1976) argue that highly leveraged firms may disclose more information in annual reports for reducing the monitoring costs. Hossain *et al* (1994) in Nandi and Ghosh (2013) report there is a positive relationship between leverage and corporate disclosure. Large firms, as they are measured by their total assets, are more exposed to public interest. Due to this, the study by Singhvi and Desai (1971) find significant positive relationship between firm size and corporate disclosure. As an important element of the level of corporate disclosure, age affects the volume of information to be disclosed.

IMPORTANCE OF THE STUDY

The study investigates the relationship between corporate governance and voluntary disclosure taking the Ethiopian FIs as a case. The following two reasons justify the importance carrying out this study. First, as there are very limited published researches on corporate governance in Sub-Saharan region, the outcome of this study will add some value to it. Second, the Ethiopian financial sector is unique compared with other similar countries in the region, in that foreign entry to the sector in any form is strictly forbidden (Proc. 592/2008, (as amended)).

STATEMENT OF THE PROBLEM

Disclosure for any company is a means of communication which can be heavily determined by corporate governance systems apart from other factors which influence it. In a financial system, as corporate governance is one of the key factors that determine the health of the finance system and ensure the interests of all stakeholders are protected from agency problem, voluntary disclosure play great role. Hence, it is a belief that governance determines disclosure.

OBJECTIVES OF THE STUDY

The objectives of this study include:

- To compute the voluntary disclosure index of the FIs
- To analyze the relationship between the corporate governance attributes and the corporate disclosure of the selected FIs.
- To suggest appropriate steps to be taken

HYPOTHESES OF THE STUDY

Some of the previous studies reviewed are summarized in the literature review part of this study. Based on these studies reviewed, the following hypotheses are formulated.

H_1= There is a significant positive association between board size and corporate voluntary disclosure

H_2= A higher the proportion of NED is positively related with the level of corporate voluntary disclosure

H_3= A higher proportion of audit committee members to total members on a board is positively related to the level of voluntary disclosure.

REASEARCH METHODOLOGY

RESEARCH DESIGN

The research design of this study can be considered correlational as it attempts to examine the relationship between the corporate governance attributes and the voluntary corporate disclosure.

SAMPLE DESIGN AND SAMPLING TECHNIQUE

Ethiopia's formal incorporated FIs include government and privately owned banks, insurance companies, and micro-finance institutions. Currently, there are 17 [three government owned and fourteen private] banks and 15 insurance [one government owned and fourteen private] companies are operating in Ethiopia.

From currently operating banks and insurance companies, seven banks and four insurance companies were selected in the preliminary stage using simple random sampling technique. But because the required data were not found from two institutions, the sample size is reduced to nine (six banks and three insurance companies). These include, Awash International Bank S. Co. /AIB/, Bank of Abyssinia S. Co. /BOA/, Commercial Bank of Ethiopia /CBE/, Construction and Business Bank /CBB/, Development Bank of Ethiopia /DBE/, Ethiopian Insurance Corporation /EIC/, NIB International Bank S. Co. /NIB/, Nile Insurance S. Co. /NIL/, and United Insurance S. Co. /UNI/. From the sample institutions while CBB,CBE,DBE and EIC are government owned, the remaining are privately owned FIs.

DATA SOURCES

The data for this study was collected from secondary sources, mainly of the annual reports of the selected FIs. In order to increase the validity and reliability of the results, hard copies of the annual reports were analyzed from periods of 2004/05 to 2011/12. Gray *et al* (1995) in Hossain and Reaz (2007) explain the annual reports of companies, as the only report produced regularly, is made primarily to build external images of the companies. Moreover, primary data were also used to capture pertinent data on board composition FIs via standard questionnaires distributed to board secretaries of the selected FIs.

VOLUNTARY DISCLOSURE INDEX CONSTRUCTION

Because annual reports are the most convenient way to disseminate information to stakeholders, they are the principal focus for voluntary index construction. The voluntary index is prepared based on the work of Hossain and Hammami (2009). They used a total of 44 items which are categorized into eight groups. In this study we have selected 41 items of them but maintaining the number of categories the same. These eight categories are: the background of the FI (6 items), corporate strategy (2 items), corporate governance (8 items), financial performance (6 items), and general risk management (7 items), and accounting policy review (2 items), and corporate social disclosure (4 items), and human resources development (6 items). The items are selected based their repeated use in previously done several research studies.

With regard to the methods of indexing, there are two different but equally important methods. He first one is unweighted index. Here we use dichotomous score, '1' for disclosed item otherwise '0'.The second method is called weighting index. This method is based on subjective importance. In this study we used the unweighted method. Hence, in calculating the disclosure index the following formula is used.

$VDI = \sum_{j=1} \frac{dj}{n}$	Where:	VDI	the aggregate voluntary disclosure Index
		dj	1 If j^{th} item disclosed, 0 other wise
		n	the maximum score each company can obtain. In this case, the key factor is whether or not a company discloses an item of information in the annual report.

Because our sample includes two sectors, bank and insurance, which may have not equally applicable disclosure requiring items, we use a relative index method. The relative index approach is the ratio of what a particular company actually disclosed to what the company is expected to disclose. Owusu-Ansah (1998) cited in Akhtartuddin, M. (2005) suggests the use of a relative index method. This approach has been employed in several prior studies e.g. Wallace *et al.,* (1994) (also Cooke, 1989; Inchausti, 1997; Owusu-Ansah, 1998; Wallace & Naser, 1995; were cited in Akhtartuddin, M. (2005).

VARIABLES, PREDICTED VALUES AND PROXIES

Table 1 presented here summarizes the Independent variables and control variables with their description and respective predicted signs and proxies

TABLE 1: VARIABLES AND THEIR DESCRIPTIONS

Variables	Independent Variables	Description	Predicted signs	Proxies
	Board Size	Total Number of Board Members of a Company	+	None
	Board Independence	Ratio of the number of NED to total number of directors on the board	+	None
	Ratio of Audit Committee	Number of audit committee members divided by total number of directors on the board	+	None
	Control Variables			
	Firm size	Total assets of the FI	+	Natural Logarithm of total assets
	Profitability	Net profit to total shareholders' funds	+	ROE Ratio
	Leverage	Total debt divided by total assets	+	D-E Ratio
	Firm Age	Age of the FI in years	+	Natural Logarithm of age in years

MODEL DEVELOPMENT

In this study, we used multiple regression model to test the association between the corporate governance attributes and the corporate voluntary disclosure is presented below:

$$VDIit = \alpha + \beta_1 BSZit + \beta_2 B\_IND_{it} + \beta_3 RACit + \beta_4 P\_RFT_{it} + \beta_5 LEVit + \beta_6 NL\_TA_{it} + \beta_7 NL\_AG_{it} + \varepsilon it$$

Where:

VDI_{it} = Voluntary disclosure index of the i^{th} company in the year t,
BSZ_{it} = Board size of the i^{th} company in the year t,
B_IND_{it}= The proportion of non-executive directors to total members in the board of the i^{th} company in the year t,
RAC_{it} = Ratio of audit committee members to total members in the board of the i^{th} company in the year t,
P_RFT_{it} = Profitability of the i^{th} company in the year t,
LEV_{it} = Leverage of the i^{th} company in the year t,
NL_TA_{it}= Log value of total assets of the i^{th} company in the year t,
NL_AG_{it} = Age of the i^{th} company in the year t,
α = The Constant,
β = The slope of the regression equation, and
εit = The error term

RESULTS AND DISCUSSIONS

VOLUNTARY DISCLOSURE DISTRIBUTION

Panel A and B of table 2 present the overall distribution of the voluntary disclosure indices with its eight categories. In two categories, CS and APR, all the FIs are found scoring above 75% of voluntary disclosure. Seven institutions, which represent 78% of the sample size, do not disclose any thing in relation to CSD. This hints that the Ethiopian FIs either they are not active enough in disclosing any of their social involvements or they are not discharging their social responsibility.

TABLE 2: PANEL A - DISTRIBUTION OF THE VOLUNTARY DISCLOSURE INDICES

VDI Score (%)	GCI	CS	CG	FP	GRM	APR	CSD	HRM
0	0	0	0	0	3 (33%)	0	7 (78%)	1 (11%)
1-15	0	0	0	0	1 (11%)	0	0	0
16-30	0	0	9 (100%)	0	3 (33%)	0	1 (11%)	0
31-45	0	0	0	0	1 (11%)	0	0	4 (44%)
46-60	3 (33%)	0	0	8 (89%)	1 (11%)	0	0	3 (33%)
61-75	1 (11%)	0	0	1 (11%)		0	1 (11%)	1 (11%)
Above 75	5 (56%)	9 (100%)	0	0	0	9 (100%)	0	0
Total	9	9	9	9	9	9	9	9

Note: **GCF**=General Company Information, **CS**=Corporate Strategy, **CG**=Corporate Governance, **FP**=Financial Performance, **GRM**=General, Risk Management, **APR**=Accounting Policy Review, **CSD**=Corporate Social Disclosure, **HRM**=Human Resources Management

Only six FIs are found disclosing issues related to risk management up to the level of 60%. From this we can infer that substantial issues on risk management are not disclosed through annual reports. As far as rank of the FIs based on their VDI score concerned, as we can read from the table, the top three are AIB, EIC, and DBE and the least three are UNI, CBB, and NIL. From the first top three FIs two are government owned and in the list of the top three least FIs one is government owned.

TABLE 2: PANEL B - FIS RANKED BY VDI

FI's Name	VDI	Rank	FI's Name	VDI	Rank
AIB	0.56	1	EIC	0.51	2
BOA	0.41	6	NIB	0.46	4
CBE	0.45	5	NIL	0.33	9
CBB	0.34	8	UNI	0.38	7
DBE	0.50	3			

DESCRIPTIVE STATISTICS

Panel A, B, and C of table 3 report the descriptive statistics of the voluntary disclosure index or score which is the dependent variable. Accordingly, as the data is presented in Panel A of table 3, on average the FIs publish in their annual reports 41% of the voluntary items of information. 0.80 (80%) and 0.10 (10%) are the maximum and the minimum scores of the voluntary disclosure, respectively, with a standard deviation of 0.10 (10%) during the study periods.

TABLE 3: PANEL A – DESCRIPTIVE STATISTICS FOR DEPENDENT VARIABLE

Variable	Mean	Std. Dev.	Min.	Max.
Voluntary Disclosure	0.41	0.10	0.10	0.8

Panel B of table 3 describes the statistics of independent and control variables. Board size ranged from 3 to 12 with a mean of 8.33 for all sample institutions. The floor and the ceiling board size of the sample institutions is as it is limited by the 1960 Commercial Code of Ethiopia (Art. 347). Board independence (measured as the proportion of the number of NED to the total board members) ranged from 0.57 to 0.89 with a mean of 0.84. This is because almost in all the institutions the number of NED is getting increasing. Profitability of the FIs, as measured by ROE, has ranged from - 0.05 to 0.71 with a mean of 0.20. This implies there was a huge variability in profitability among the FIs. The natural logarithm of total assets of the FIs ranged from 18.08 to 25.79 having a mean of 21.69. This implies the size of total assets is skewed. The result is similar to the findings of Hossain and Hammami (2009). This implies there was so much variation in the profitability of the FIs. Also, leverage (measured by D-E ratio) ranged from 1.15 to 22.63 with the mean value of 4.87. The natural logarithm of firm age also ranged from 1.79 to 4.67 years with a mean of 3.11 years for all sample institutions.

TABLE 3: PANEL B– DESCRIPTIVE STATISTICS FOR OTHER VARIABLES

Variable	Mean	Std. Dev.	Min.	Max.
Board Size	8.33	2.13	3.00	12.00
Board Independence/Composition	0.84	0.14	0.57	0.89
Ratio of Board Audit Committee	0.30	0.13	0.00	0.50
Profitability	0.20	0.13	- 0.05	0.71
Leverage	6.54	4.87	1.15	22.63
Natural Logarithm of Total Assets	21.69	1.79	18.08	25.79
Natural Logarithm of Firm Age	3.11	0.77	1.79	4.67

VALIDITY OF THE MODEL

Before discussing the results of the regression analysis, we checked the existence of multicollinearity, which is the condition where there is perfect or exact linear relationship among some or all the explanatory variables of the regression model (Gujarati, 2004). The first statistical tool is the correlation matrix (see table 4 below).

TABLE 4: CORRELATION MATRIX

Variable	VD	BSZ	B_IND	RAC	P_RFT	LEV	NL_TA	NL_AG
VD	1	0.175	- 0.396	0.046	- 0.069	- 0.021	0.282	0.170
BSZ	0.165	1	0.064	0.193	- 0.041	- 0.041	0.023	- 0.499
B_IND	- 0.396	0.064	1	0.047	0.090	0.238	0.237	- 0.053
RAC	0.046	0.193	0.047	1	0.210	0.038	-0.043	- 2.723
P_RFT	- 0.069	- 0.041	0.090	0.210	1	0.590	0.358	- 0.198
LEV	- 0.021	- 0.041	0.238	0.038	0.590	1	0.712	0.018
NLTA	0.282	0.023	0.237	- 0.043	0.358	0.712	1	0.445
NL_AG	0.170	- 0.499	- 0.053	- 2.723	- 0.198	0.018	0.445	1

As portrayed in table 4, the Pearson correlation matrix reveals that the highest simple correlation between independent variables is 0.712 between leverage and logarithm of total assets. According to Gujarati (2004) and Hair *et al* (2011) cited in Nandi and Ghosh (2012), the simple correlation, between independent variables, not exceeding 0.90 is not considered harmful. Consequently, we can conclude that there is no multicollinearity in this data as there is no high correlation exists between the independent variables. The second statistical tool we used to check multicollinearity is the Durbin-Watson statistic. As a conservative rule, values less than one or greater than three should pose a problem (Field, 2000 in Alsaeed (2005). When the value of Durbin-Watson statistic is closer to 2 it is assumed as better. Hence, our Durbin-Watson statistic for this data is better as it closer to 2, i.e. 1.906 (see table 5 panel A below). The third statistical technique is the use of Variable Inflation Factor (VIF). According to Myers (1990) in Alsaeed (2005) even if there is no hard and fast rule, when the value of VIF goes above 10 it is a concern of multicollinearity. On the other hand, when the mean value of VIF is substantially greater than 1 then regression may be biased (Bowerman and O'Connel, (1990) cited in Hossain and Hammami, (2009)). On this basis, the VIF of the variables in this study is 2.56 (see table 5 panel

B below) which is substantially greater than one. For this reason, we confirm again, there is no multicollinearity in the model. Therefore, in general, the multicollinearity diagnostics made on our data indicated there is no colliniarity and the model is valid and reliable.

MULTIPLE REGRESSION RESULTS

The multiple regression model which is significant (ρ<0.005) and presented in table 5 panel A shows that F-value is 6.665 (ρ=0.000). This result satisfactory supports the significance of the model. Coefficient of determination (R^2) is 0.422. This implies that 42.2% of the variance in the voluntary disclosure index is explained by the independent variables. This result compares favourably with other studies of Hossain and Reaz (2007) at 37.6%, Ahmed (1996) at 32.2% and Hossain (unpublished M.Phil thesis) at 10% cited in Hossain and Reaz (2007).

TABLE 5: PANEL A: REGRESSION RESULTS SUMMARY

Model Summary	
Coefficient of Multiple Regression /R/	0.649
Coefficient of Determination /$R^{2/}$	0.422
Adjusted R^2	0.358
F-value	6.665
Sig.	0.000
Durbin-Watson	1.906

TABLE 5: PANEL B: REGRESSION RESULTS

$$VDI_{it} = \alpha + \beta_1 BSZ_{it} + \beta_2 B\_IND_{it} + \beta_3 RAC_{it} + \beta_4 P\_RFT_{it} + \beta_5 LEV_{it} + \beta_6 LTA_{it} + \beta_7 AGE_{it} + \varepsilon_{it}$$

Variable	β	t-value	Sig	VIF
Constant	- 0.117	- 0.660	0.512	
BSZ	0.008	0.948	0.347	1.989
B_IND	- 0.354	- 4.811	0.000	1.114
RAC	0.072	0.960	0.341	1.133
P_RFT	- 0.063	0.808	0.505	1.859
LEV	- 0.007	- 2.094	0.088	3.489
NL_TA	0.036	3.559	0.008	4.823
AGE	0.002	-0.521	0.933	3.492

FINDINGS

Although as expected the coefficient of board size is positive, it is not statistically significant as far as its relationship with the level of voluntary disclosure is concerned. The empirical evidences are found to be consistent with those reported by Akhtaruddin *et al* (2009), and Nandi and Ghosh (2012). The multiple regression results of this study, however, failed to support the argument that the larger boards provide more corporate information than the smaller firms. Hence, the empirical evidences support hypothesis 1.

Board independence is significantly related with the level of disclosure but negatively. These results suggest that FIs with a higher proportion of non-executive directors disclose less corporate information. Similar outputs were also reported by Barako *et al* (2006) and Nandi and Ghosh (2012). Accordingly, hypothesis number 2 is not found to be supported by these evidences.

Corporate voluntary disclosure and the ratio of the board audit committee are found to be positively related but not statistically significant. Similar empirical studies conducted previously by Akhtaruddin *et al* (2009) and Nandi and Ghosh (2012) are found to be consistent in respect of the relationship between the ratio of the board audit committee to the total board members and voluntary disclosure. This suggests the higher ratio of board audit committee members over the board size may affect positively the level of voluntary disclosure. Hence, we accept the hypothesis 3.

SUGGESTION

Based on the findings much information is not voluntary disclosed via annual reports. This implies that the FIs are given little information to stakeholders other than the regulatory and supervisory authority. Hence, suggest to the regulatory and supervisory authority to establish mechanisms to enhance the level of voluntary disclosure by the FIs.

CONCLUSIONS

This study investigates the association between the corporate governance attributes and the level of voluntary disclosure of a sample of banks and insurance companies operating in Ethiopia. The study found that of 0.41 as a voluntary disclosure mean index of the sample companies for the study periods 2004-05 to 2011-12. This result is the lowest compared with other results and it is most likely because lack of disciplines set out by the supervisor and the regulator of the FIs or the absence of strong accounting professional association that could enforce the institutions to disclose voluntary information. With regard to the statistical relationship between corporate governance attributes and voluntary disclosure, the study discloses that the existence of NED reduces the volume of voluntary disclosure while companies with more assets tend to disclose more information.

LIMITATIONS

Like any research in this study have some limitations. The following two are the most important ones. The first is because we have used eight consecutive years from 2004/05, we only have got the chance to include relatively older FIs excluding newly established FIs. The result would have been different if the newly established banks and insurance companies were included. The second, the voluntary disclosure index is computed based on 41 items. The result could have been changed if more items had been added or deleted.

SCOPE FOR FURTHER RESEARCH

The study is limited to only nine banks and insurance companies. Future studies could expand the size and study the entire sector. Also similar studies could be made in different sector might be interesting.

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