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The Effect of Firm Size and Financial Performance on the Corporate Governance Disclosure Practices of Nigerian Companies

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Abstract

Corporate governance disclosure is a voluntary requirement for companies in Nigeria. Some companies have disclosed their level of adherence under a separate heading in the published financial reports of the company, while some do not report and some partly disclose their level of adherence. What factors could therefore be responsible for the voluntary disclosure of corporate governance practices in the company? Is voluntary disclosure as a result of performance or size? This study therefore evaluates the role of financial performance and firm size in the voluntary disclosure of Nigerian companies. Using the financial data of 137 companies both from the financial and the non financial sectors of the economy, this study uses the weighted logistic regression method of analyses to evaluate the type of relationship that exists between corporate governance voluntary disclosure practices of companies in Nigeria with size and financial performance. The study reveals that there is a significant positive relationship between firm financial performance and corporate governance voluntary disclosure. It also revealed that there is a significant positive relationship between firm size and corporate governance voluntary disclosure. It was therefore recommended that regulators should put in measures to ensure that all companies operating in Nigeria are mandated to disclose the corporate governance information in a separate section of the annual report, alongside all other information.

Keywords: Corporate Governance, Voluntary Disclosure, Firm Size, Firm Performance

Introduction

Accounting exists primarily to provide relevant information to the various stakeholders, which is dependent on the type of relationship that exists between the company and the stakeholder. Accounting, which is also the language of business, informs the various stakeholders of a business the summary of all the various activities that transpired in the business entity during a given period of time in a quantitative manner (Chih-Fong & Yen-Jiun, 2009). Accounting is the channel of communication in a business enterprise, through which the managers of the business relate with the owners and other stakeholders in the business.

The stakeholders of a business enterprise are the users of the financial report of a business enterprise or anyone who has interest either directly or indirectly in a business enterprise (Murya, 2010; Appalachian, 2006; Freeman, Wicks, & Parmar, 2004), while financial reports are the end products of the accounting activities of a business entity (Universal College of Accountancy, 2004). The contents of these reports however are financial data which if properly analyzed is transformed into accounting information that is used for economic decision-making by the users (Murya, 2010; Chih-Fong & Yen-Jiun, 2009).