FINANCIAL REPORTING AND VOLUNTARY DISCLOSURE IN NIGERIA QUOTED COMPANIES

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ABSTRACT

Voluntary disclosure in accounting is disclosure of information which exceeds the mandatory information limits in terms of content or amount as decided by the management of the firm. The purpose of this study is to reveal the relationship that exists between a company's performance and its voluntary disclosure level. The sample of the study was drawn from fifty (50) companies listed on the Nigerian Stock Exchange (NSE) and Ordinary Least Square (OLS) regression analysis was used to test the data generated from their annual reports. The study found out that there is significant positive relationship between companies' performance and the extent of their voluntary disclosures. The study then recommends amongst others that regulatory authorities should ensure that companies disclose information to its stakeholders that will enable them make informed decisions.

Key words: Voluntary Disclosure, Nigerian Stock Exchange, Financial Reporting

1. INTRODUCTION

A financial report is a formal record of the financial activities of a business, person or an entity. It is a document that contains all the relevant financial information about an organization presented in a structured manner and in a form easy to understand.

Reporting comprises the last stage of accounting process. The content, amount and format of the information which will be disclosed to the public by the accounting department are governed by the authorities who regulate the accountancy laws and regulations for that particular country (Agca and Onder, 2007). According to Binh (2012) a lot of studies have indicated a substantial increase in discussions on annual report and some of these studies reveal poor and inconsistent information disclosures in accounts of companies. The experience from the case of Enron, Worldcom, Pamalet, Cadbury and other big companies is that it has caused the government and regulatory bodies to work towards ensuring the restoration of public confidence in financial reporting, corporate governance as well as in the credibility of financial statements. According to Chima (2012), a good financial report must not only be capable of providing users with mandatory disclosures but as well as go the extra mile in providing voluntary information disclosures so as to meet the needs of the various categories of users. Providing information on which sound investment decision can be made is the goal of all disclosure requirements so as to reduce uncertainties and understand as much as possible the values of the company as can be inferred from its reports (Glassman, 2003). Fama and

Jensen (1983), highlights that financial reports are the most important source of information for various stakeholders who use them for investing, controlling and regulatory decisions. According to Whittington (1993), financial reporting provides the means to give adequate information about the economic and financial corporate situation so that it will be able to reduce the information asymmetries between the stakeholders. Berndt and Leibfried (2007) opine that it has become evident that financial reporting is a core element of corporate governance within the past few years.

Mandatory disclosure refers to the disclosure of information within the identified minimum limits (Agca and Onder, 2007). That is information that has material effect on the firm, and failure to comply will result in stated penalty. The information to be mandatorily disclosed in financial statements is comprehensively spelt out in International Accounting Standards No.1 (IAS 1). While voluntary disclosure is defined as the discretionary release of financial and non-financial information through annual reports over and above the mandatory requirements either with regards to IAS or any other relevant regulatory requirements (Barako, 2007).

Voluntary disclosures can be used by various Stakeholders of a company in their different decision making processes and could also help to determine when fraud has been perpetrated. It can help to further clarify issues under the mandatory disclosures and help paint a clearer picture of the state of the company. At present the information disclosed by some organizations is limited to the minimum legal requirements whilst other enterprises disclose additional information voluntarily such as directors shareholding in the company and statement of' corporate social responsibility.

The big question here is why do some companies engage in the act of' voluntary disclosures, while others do not? There are several reasons to expect that better performing companies will engage in voluntary disclosures. This could be because companies that achieve desirable performance would have nothing to hide and would he eager to disclose their achievements to their stakeholders so as to efficiently attract the investments and purchase of their stock on the stock market. This research is intended to determine if the performance level of a company can be a determinant for the extent to which companies engage in voluntary disclosures.

Published annual reports are required to provide various users - shareholders, employees, suppliers, creditors, financial analysts, stockbrokers, management, and government agencies – with timely and reliable information useful for making prudent, effective and efficient decisions. The extent and quality of disclosure within these published reports vary from company to company and also from country to country. Literature reveals that the level of reliable and adequate information by listed companies in developing countries lags behind that in developed ones and government regulatory forces are less effective in driving the enforcement of existing accounting standards (Ali, Ahmed and Henry, 2004). Non-disclosure results from immature development of accounting practice in developing nations (Osisioma, 2001). The government regulatory bodies and the accountancy profession in these nations suffer from structural weaknesses which could encourage corporate fraud at the expense of those that have economic and proprietary interest in the business environment.

In the Nigerian context, comprehensive studies of Nigerian listed companies have been conducted by World Bank Group. It is observed that the Nigerian financial reporting practices are deficient (World Bank, 2004). Apart from the studies conducted by the World Bank, disclosure practices by Nigerian companies have been empirically investigated by Wallace (1988), Okike (2000), Adeyemi (2006) and Ofoegbu and Okoye (2006). Their observation is quite similar in that they all found the Nigerian corporate reporting practices to be weak.

2. STATEMENT OF RESEARCH PROBLEM

Voluntary disclosure information is very pertinent to stakeholders of' an organization but it has been noted that quite a number of companies do not engage in voluntary disclosure of information must companies comply with the mandatory disclosure requirements and end it there this should not actually be the case. It is has therefore become of' utmost importance to trace the root cause of lack of voluntary disclosure in companies and determine what exact responsible for their lagging behind. Could it be as a result of mere ignorance or the fact that they have something to hide or simply because the performance achieved is not commensurate with the expectations of' stakeholders.

Corporate disclosure of financial information became an important issue in Nigeria following the financial crisis of 2008. Voluntary disclosure is an issue which has come into the forefront and attracted much interest in accounting literatures in recent times. What lies behind this interest is the aim to identify the factors which underpin the factors affecting voluntary disclosure of information by the firms to inform the decision makers about financial information and those who prepare and use this information (Agca and Onder. 2007).

This research will not only look at the relationship that exists between financial performance and financial reporting but also attempt to critically examine the major challenges that affect the practice of good voluntary disclosure practices in Nigerian companies. To this end, the following research questions are relevant to this study.

1. Does significant positive relationship exist between voluntary disclosures and return on capital employed?
2. Does significant positive relationship exist between voluntary disclosures and profit after tax?
3. Does significant positive relationship exist between voluntary disclosures and earnings per share?
4. Does significant positive relationship exist between voluntary disclosures and dividend per share?

2.1 OBJECTIVES OF THE STUDY

The main objective of this study is to determine the extent to which firm performance affects the level of voluntary disclosure engaged by companies listed in the Nigeria Stock exchange in by a company. The specific objectives that this project intends to achieve are:

1. To ascertain if a significant positive relationship exist between voluntary disclosures and return on capital employed.
2. To ascertain if a significant positive relationship exist between voluntary disclosures and profit after tax.
3. To ascertain if a significant positive relationship exist between voluntary disclosures and earnings per share.

4. To ascertain if a significant positive relationship exist between voluntary disclosures and dividend per share.

2.2 RESEARCH HYPOTHESES

The hypotheses of this study are as follows

Hypothesis 1

H_1 : There is significant positive relationship between voluntary disclosures and return on capital employed.

Hypothesis 2

H_1: There is significant positive relationship between voluntary disclosures and profit after tax.

Hypothesis 3

H_1: There is significant positive relationship between voluntary disclosures and earnings per share.

Hypothesis 4

H_1: There is no significant positive relationship between voluntary disclosures and dividend per share.

3. THE CONCEPT OF VOLUNTARY DISCLOSURE

According to Ahmed, (1994) the primary objective of traditional financial reporting is the disclosure of financial data within the framework of International Financial Reporting Standard (IFRS). Nevertheless, despite their global importance, both sets of accounting standards have major deficiencies from a capital market perspective. For example, conventional standards provide a huge scope for managerial profit manipulation. In addition, the retrospective nature of the financial reporting process means that the reported data is not always a reliable basis for forecasting future performance, which can result in a loss in credibility from a stakeholder perspective. Furthermore, contemporary accounting reports focus almost exclusively on quantitative data and typically, reveal little about issues such as investment risks and the long-term effects of capital investments. In addition, key drivers of corporate value in critical areas of the business are not reported to investors under the traditional accounting model, for instance, human capital, customer relations, innovation, research and development, and corporate reputation. In recent years, however, both theorists and practitioners have begun to recognize the inherent shortcomings of traditional reporting and have developed models for additional voluntary disclosure (e.g., the Value Reporting framework developed by PricewaterhouseCoopers) Amernic and Maiocco (1981).

These business reporting frameworks provide information supplementary to the traditional financial report and may help investors to better identify value-driving activities. Although the developments in the field are emerging on a rather piecemeal basis, voluntary reporting is now, nonetheless, gradually being accepted as part of the company's official external reporting Bradbury (1992).

Reporting and disclosure are the most important tools that companies use to communicate with their stakeholders. Disclosure is a crucial element in ensuring the effective allocation of resources in society and diminishing the information asymmetry between company and its stakeholders. Companies have at their disposal two kinds of publishing variants through which they can diminish the informational asymmetry towards their stakeholders: compulsory and voluntary disclosure. The most important publishing variant is represented by the compulsory disclosure. The mandatory character of reporting is ruled at national or even regional level through professional organizations or government authorities, being practiced in most of the countries by all the firms regardless of their size, their judicial, fiscal or national accounting system, the favorite finance sources and other factors with impact on disclosure policy. The second, voluntary disclosure comes to complement the mandatory reporting process that often seems to be inadequate for satisfying user's needs. Traditional financial reporting mostly provide historical information, moreover, in certain industries, conventional accounting and reporting strategies may not be sufficient to accurately represent the complexity of a firm's operations (Mohanram, 1998).

Mandatory disclosure refers to those aspects and information which must he published as a consequence of' the existence of some legal or statutory stipulations, capital markets, stock-exchanges commissions or accounting authorities' regulations. The aim of mandatory disclosure is to satisfy the users' informational needs, ensuring the production quality control through the laws and standards' observance.

The voluntary disclosure has its sources in the past of the business development, when, as a result of the fact that owners have delegated to the managers the leading function of the enterprises, the need for voluntary disclosure appears as a consequence of the information asymmetry between the two parties: managers are better informed about the business than its owners. The development the capital market has led to a more and more emphasized manifestation of' the voluntary disclosure. The voluntary disclosure regards information made public through the firm's free choice. It is influence by culture, social economic and behavioural factors that are specific to each firm.

There is no generally accepted definition or theoretical background for voluntary disclosure. Thus, voluntary disclosure can he explained as being an additional offer of information in relation to different national regulations or international referential of business reporting, that is, something that is not compulsory by the law, but becomes voluntary through the behaviour regarding publication. In other words, the voluntary offer of information represents the excess of information, dependent both on the free choice of the enterprise leadership and on the regulations in force, the outside pressures of the capital markets, financial analysts, consulting firm's and the cultural factors.

Although the voluntary disclosure represents the reporting outside the financial statements, which is not explicitly ruled through norms or laws, it is admitted that many of these voluntary disclosures" are made in order to be in agreement with the requests of the stock-exchange commission regarding: the companies presentation, analysis and management presentations regarding risk, opportunities and the results obtained or provisioned., therefore, in order to obtain capital and moreover to attract investors, companies often voluntarily disclose corporate information seen in the absence of regulation Buckland and Suwaidan (2000).

3.1 FACTORS INFLUENCING VOLUNTARY DISCLOSURE

The competitive dynamics of the products and services in markets play a restrictive role regarding the firms' voluntary disclosure policies. The managers are often forced to choose between maximizing the competitive advantage of the firm's market by not publishing information which would affect the competitive position or to publish that information in order to help the capital market to achieve an efficient evaluation of the company's shares Bushee and Noe (2000).

Another limit would be that in the past the annual reports were involved in satisfying the shareholders' needs and not those of the employees and stakeholders. That is why, now the firms must re-examine the disclosure contracts with the employers' federations and the trade unions and to confer a greater attention to these groups' needs.

There are many factors and aspects which can influence the general policy of a firm's voluntary offer of information, as: the level, the frequency and the method of disclosure used: the objectives established by the firm regarding disclosure: the firm's size, the status regarding listing, the organizational culture and the business complexity; the number, type and culture of the firm's shareholders: the disclosure costs; the level of favourable news about the firm; the competition intensity, the market level and the profit rate obtained by enterprise. We consider that the most important of all these is the disclosure cost.

The first benefit of the publication of a great volume of information is represented by a better capital allocation at national and international level, which can be translated as a capital cost reduction. Through the increase of the publishing level, especially of the information provisioned, the firms can reduce the cost of the capital attainment (Palepu. 1993). However, Thompson (1995) warns that an undisciplined expansion of the business reporting can lead to an un-necessary increase of the expenses. The voluntary disclosure of information in the annual reports implies additional costs and the users' needs of information must be thought taking into account the costs efficiency of different reporting types. A cost profit analysis must be done for each type of information supplied. Unfortunately, there is no general accepted technique of measuring these costs and profits that is why the process is complex, subjective and often inappropriate, sometimes inexact or even wrong. According to Malone et al. (1993) the firms which are economically stimulated to supply more information, will do it only if the marginal cost will surpass the marginal profit of the additional disclosure.

So, the voluntary disclosure is much constrained by the costs which are involved by collecting, processing, attainment, and auditing of data, to which the indirect costs are added. The indirect costs have a special role regarding the danger to supply information which can he used by the actual or potential competitors. The cost is a factor often used as a reason to limit the volume of the voluntarily disclosed information

Singhvi and Desai (1971) opined that the cost of the accumulation of certain information is bigger for the smaller companies than for the larger ones, especially because the large companies dispose a more complex reporting system and a high level of earnings, the larger enterprises afford more easily high advertising costs which allows them to pick up the benefits of the easier shares' transaction and to obtain finance more easily. Jenkins Report (1994) identified six constraints to reduce costs in areas where the costs of reporting under the model could be significant:

a) Business reporting should exclude information outside of management's expertise or for which management is not the best source. That is, business reporting should include only company-specific information that is within management's expertise to provide:

b) Management should not be required to report information that would harm a company's competitive position significantly:

c) Management should not be required to provide forecasted financial statements. Rather, management should provide information that helps users forecast for themselves a company's financial future, such as the information specified in the Committee's model:

d) Other than for financial statements, management need only report the information it knows. That is, management should be under no obligation to gather information that does not have or need, to manage the business certain elements of business reporting should be presented only if users and management agree they should be reported-a concept of flexible reporting;

e) Companies should not have to expand reporting of forward-looking information until there are more effective deterrents to unwarranted litigation that discourages companies from doing so.

3.2 AGENCY THEORY AND VOLUNTARY FINANCIAL REPORTING

Agency theory models the relationship between the principal and the agent, Jensen and Meckling (1976) defined an agency relationship as "a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent". Voluntary disclosure presents an excellent opportunity to apply agency theory, in the sense that managers who have better access to a firms' private information can make credible and reliable communication to the market to optimise the value of the firm. These disclosures include investment opportunities and the financing policies of the firm. Conversely, managers may, because of their own interests, fail to make proper disclosure or nondisclosure of important information to the market. Such practices may not be in the interests of shareholders. This may result in a higher cost of capital and, consequently, shareholders may suffer a lower value for their investments.

A major agency problem is information asymmetry where the agents possess and utilize information for their own personal welfare, which the principal may not possess. This happens because it is assumed that the owner cannot explicitly scrutinize the manager's behaviour (Beaver 1998; Scott 1997). An example of this situation is where a team of managers may have inside information on the positive future of a firm and take action and make decisions that will mostly benefit them at the potential expense of the principal. Meek (1995) defined voluntary disclosure as "disclosure in excess of requirements represent free choices on the part of company managements to provide accounting and other information deemed relevant to the decision needs of users of their annual reports". Over the past decade, there has been an increasing amount of literature focusing on voluntary financial reporting as a tool to mitigate the agency problem.

McNally (1982) analyzed the interaction between user preferences, firm attributes and disclosure practices of voluntary information in New Zealand. To get a view of user preferences, questionnaires were sent to financial editors and stock exchange members. They also incorporated the firm's attributes such as financial characteristics, auditor and industry classification. They found significant differences between the level of disclosure practiced by companies and the level of disclosure perceived as important by users. The findings of their study demonstrate that information asymmetry between managers and stakeholders contribute to disclosure practices of firms.

A classic study on voluntary interim reporting by Leftwich (1981) outlined three monitoring devices which can reduce agency costs. There are publication of accounting reports, appointment of outside directors and listing requirements of stock exchanges. In Denmark, Petersen and Plenborg (2006) investigated the level of voluntary disclosure that affects informational asymmetry for individual industrial companies listed on the Copenhagen Stock Exchange. By analyzing the annual reports of 36 companies for the period 1997-2000, they investigated whether voluntary disclosure does have an impact on information asymmetry. The theoretical foundation employed for their study was that the information asymmetry should he reduced by greater disclosure. Kelly (1994) noted that diversification can lead to higher agency cost of debt and equity capital. Thus, these studies show that disclosure can help reduce the cost of monitoring managers' use of corporate assets for self-interested purposes.

3.3 RELATIONSHIP BETWEEN FIRM PERFORMANCE AND THE EXTENT OF VOLUNTARY DISCLOSURE

Theoretically, because profitable companies have good news to share with their stakeholders, they have incentive to disclose more than would a loss making or less profitable enterprise, and thus, a positive relationship may he expected between better performing firms and corporate disclosure. However, studies in impression management (Clatworth and .Jones, 2006) and signaling (Ball 2003: Watson 2002) also provide sufficient evidence to support a conjecture that a negative relationship could well exist between firm performance and disclosure. In other words, it is possible that poor performing companies disclose more, albeit, to disguise poor performance with rhetoric' and difficult expressions in the annual reports. But it is also possible that they withhold such had news altogether (Kothari 2009). Majority of previous studies have either found negative or failed to document any significant relationship between disclosure in the annual report and firm performance. The following studies did not find significant relationship; Helmi Hammami and Mohammed Hossain (2009) studied Return on Equity (ROE) as a performance indicator: Barako et al (2006) saw performance as return on equity defined as net profit to total shareholders fund and Khaled Aljifri (2008) determined performance by dividing net income by net sales. On the other hand, some studies found a positive relationship between voluntary disclosure and performance; Ahmet Agca and Serife Onder (2007); Mohammed Hossain (2008) and Palmer (2008) used return on assets to measure performance for their study: Laidroo (2008) whose performance indicator was profit after tax and return on equity and Yuen et al (2009) who also used return on equity.

Other researchers who have found a positive relationship between performance and the extent of disclosure include; Cerf (1961); Singhvi (1968); Singhvi and Desai (1971): Belkaoui and Khal (1981); Wallace (1994); Wallace and Naser (1995); Raffournier (1995); Inchausti (1997); Hossain (2000); Hossain (2001); and Barako (2007).

Mandatory disclosures are determined by the regulator laws in place, which is the companies and allied matters act and statement of accounting standards while voluntary disclosures according to the focus of this work is determined by firm performance. The firm performance indicators are profit after tax, return on capital employed, earnings per shaft and dividend per share.

3.4 RELATIONSHIP BETWEEN CORPORATE ATTRIBUTES AND THE EXTENT OF DISCLOSURE

Company size is the most consistently reported significant corporate attribute in previous empirical studies (Street and Bryant, 2000:309; Meek 1995). According to Owusu – Ansah (1998), theory, intuition and empirical studies suggest that size positively influences mandatory disclosure practices. On the other hand, Wallace (1994), admits that although there is overwhelming support for a positive relationship between firm size and level of disclosure, the theoretical basis is unclear. The direction can be positive or negative. On the positive, it can be argued that since large companies usually operate over wide geographical areas and deal with multiple products and have several divisional units, they are likely to have well built information system that enables them to track all financial and non-financial information for operational, tactical and strategic purposes. With this type of well structured internal reporting system, the incremental costs of supplying information to external users will be minimal. This will make them disclose more information than their smaller counterparts.

Owusu-Ansah (1998) find positive and significant association between profitability and disclosure, whereas Meek et al. (1995) find that profitability has no effect on disclosure and Wallace and Naser (1995) find a negative association between them. It can be argued that non-profitable firms may disclose less information in order to cover up losses and declining profit (Singhvi and Desai, 1971), whereas profitable ones will want to distinguish themselves by disclosing more information so as to enable them to obtain capital on the best available terms (Meek et al, 1995). Corporate managers are usually reluctant to give detailed information about a non-profitable outlet or product, hence they might decide to disclose only a lump profit attributable to the whole company.

4 MODEL SPECIFICATION

$VD = \beta O + \beta 1ROCE + \beta 2PAT + \beta 3EPS + \beta 4DPS + Ui$

Where

VD= Voluntary disclosures (dependent variable)

βo = Intercept

$\beta 1$ROCE = Return on capital employed

$\beta 2$PAT = Profit after tax

$\beta 3$EPS = Earnings per share

$\beta 4$DPS = Dividend per share

Ui = Stochastic error term

The analysis of the data using ordinary least square regression is presented below.

Estimation of OLS Regression

Dependent variable	Independent variables	Coefficient	Standard error	t-ratio	Prob
VD	CONSTANT	0.448339	0.078539	5.708513	0.0014
	ROCE	0.005581	0.094496	1.523314	0.0333
	PAT	0.001350	0.071093	1.235748	0.0017
	EPS	0.009640	0.042109	1.33154	0.020
	DPS	0.002269	0.085449	1.70002	0.0098

*All the independent variables are significant at 5% level of significance

Hence, ROCE 0.0333 < 0.05

PAT 0.0017 < 0.05

EPS 0.020 < 0.05

DPS 0.0098< 0.05

MV = 0.45+0.005581ROCE+ 0.001350PAT + 0.00964EPS+ 0.002269DPS

(5.71) (1.52) (1.24) (1.33) (1.7)

$R^2 = 0.89$ $\overline{R}^2 = 0.74$

SE of Regression = 0.494535

D.W = 1.983

In the equation above, the t-ratio are reported in brackets below each of the coefficient estimate.

A close examination of the results in table 4.3 reveals that ROCE, PAT, EPS and DPS all have positive values (coefficient and t-ratio) respectively. The coefficient of determination R^2 stood at 0.89 indicating that 89% of the systematic total variation in the dependent variable VD is accounted for by the independent variables namely ROCE, PAT, EPS and DPS; while the remaining 11% is accounted for by other variables. Also, the adjusted R-squared ($\overline{R}^2$) with a value of 0.74, indicates that even after adjusting for the degree of freedom, all the independent variables taken together could still explain 74% of the total variation, while about 26% have been left unexplained, hence captured by the stochastic error terms in the model.

From the above, it is clear that these four independent variables did explain the dependent variables, implying that these factors actually predict the dependent variable to a reasonable extent. It suffices to conclude that the regression model is a fair success.

On the basis of the overall statistical significance as indicated by the F-statistics in the ANOVA table, the result showed that the overall model is statistically significant (F-Stat (2,58) =1.453).

The Durbin-Watson – Statistics of 1.983163 indicates the absence of first order autocorrelation in the model; thus, we can have confidence in our model.

On the basis of individual variables, ROCE with a coefficient of 0.005581 shows that an increase in return on capital employed would lead to an increase in voluntary disclosures, which shows a positive relationship, PAT with a coefficient of 0.00135 indicates that an increase in profit after tax would lead to an increase in voluntary disclosures which shows a positive relationship. Also EPS with coefficient of 0.009640 indicates that an increase in the earnings per share would lead to an increase in the voluntary disclosure of the firm, which also shows a positive relationship, and DPS with a coefficient of 0.002269 indicated that an increase in the dividend per share would lead to an increase in voluntary disclosures.

The t-test statistics probability result showed that the coefficients of ROCE, PAT, EPS and DPS gotten from our regression model are all significant at 5% level of significance.

Hypothesis One:

H_0: There is no significant positive relationship between voluntary disclosures and return on capital employed.

H_1: There is significant positive relationship between voluntary disclosures and return on capital employed.

From the regression result, it was observed that return on capital was positively significant at 5% level, hence we rejected the null hypothesis while the alternative hypothesis is accepted which states that, there is significant positive relationship between voluntary disclosures and return on capital employed.

Hypothesis Two:

H_0: There is no significant positive relationship between voluntary disclosures and profit after tax.

H_1: There is significant positive relationship between voluntary disclosures and profit after tax.

From the regression result, it was observed that profit after tax was positively significant at 5% level; hence we rejected the null hypothesis and accepted the alternative hypothesis which states that there is significant positive relationship between voluntary disclosures and profit after tax. It is found to be significant and positively associated with the extent of disclosure, indicating that companies in Nigeria that earn a higher profit after tax are more likely to engage in voluntary disclosures, thus H_1 is accepted. This is consistent with the view that more profitable companies disclose significantly more financial information than do less profitable ones. The result is also consistent with other previous studies such as Cerf (1961), Singhvi and Desai (1971), and Hossain (2008). This finding may be indicative of the good news syndrome. This suggests that management will be eager to tell good news following good profit figures (Adelopo. 2010).

Hypothesis 3

H_0: There is no significant positive relationship between voluntary disclosures and earnings per share.

H_1: There is significant positive relationship between voluntary disclosures and earnings per share.

From the regression result, it was observed that earnings per share was positively significant at 5% level; hence we rejected the null hypothesis and accepted the alternative hypothesis which states that There is significant positive relationship between voluntary disclosures and earnings per share.

Hypothesis 4

H_1: There is no significant positive relationship between voluntary disclosures and dividend per share.

H_0: There is significant positive relationship between dividend per share and voluntary disclosures.

From the regression result, it was observed that dividend per share was positively significant at 5% level; hence we rejected the null hypothesis and accepted the alternative hypothesis which states that There is significant positive relationship between voluntary disclosures and dividend per share.

8. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

This study examined voluntary disclosure of information in the annual reports for a sample of listed companies in Nigeria. It was observed that there is a gulf in our knowledge of disclosure practices from this region of the global economy. Improvements in our insight on this issue are crucial for more transparent global market where cross listing and cross border merger and acquisition is growing. This study was therefore aimed at improving our knowledge and determining if a relationship exists between voluntary disclosures and firm performance.

After a detailed literature review and hypotheses testing, the following findings were made.

1. It was observed that there is a significant positive relationship between return on capital employed and voluntary disclosure. This is line with the view of Laidroo (2007), Adelopo (2010) and Barako and Hancock (2006).
2. That a positive significant relationship exists between profit after tax and the level of voluntary disclosure, and that more profitable companies engage in voluntary disclosures than less profitable ones. This finding is in consonance with the views of Singhvi and Desai, (1971); Wallace and Naser (I995) and Raffournier (1995).
3. That there is a significant positive relationship between earnings per share and voluntary disclosures. This finding is in line with the views of Umoren (2009), Agca and Onder (2007), Inchausti (1997), and Palmer (2008).
4. That there is a significant positive relationship between dividend per share and voluntary disclosures. This agrees with the view of Umoren (2009).

RECOMMENDATIONS

From the finding above, the following recommendations are hereby suggested.

1. Companies should engage in voluntary disclosure of information which are industry specific and which are useful to its investors and stakeholders.

2. The regulatory authorities that are charged with the responsibilities of regulating the information disclosed in financial reports should review their disclosure requirements and incorporate voluntary disclosure items into them. This would help to increase the level of transparency thereby providing a clearer picture or the state of affairs of a company, which would help prevent the problem of

information asymmetry. It should be noted that if these disclosure requirements are adequately enforced, it will give more credibility to the Nigerian Stock Exchange (NSE) market and foreign investors will be more willing to invest in Nigerian companies thereby improving the Nigerian economy generally.

3. The enforcement unit of the Financial Reporting Council should be empowered to impose appropriate sanctions on companies that violate the financial reporting requirements.

4. Adequate steps should be taken by the financial reporting council, Securities Exchange Commission (SEC), Nigerian Stock Exchange (NSE) and other regulatory bodies to ensure full compliance with relevant national accounting disclosure requirements. An increase in the quality of information disclosure will help the users make informed predictions and aid the evaluation of the company's progress which invariably would reinforce the stock market development. Effective enforcement programmes should be put in place to protect the interest of the diverse user groups. Stringent reward/punishment programme should be introduced in order to ensure that all listed companies comply with the mandatory accounting standards in Nigeria.

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