EFFECT OF BOARD COMPOSITION ON VOLUNTARY DISCLOSURE OF EMPLOYEE INFORMATION OF LISTED COMPANIES IN NIGERIA

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ABSTRACT

The study investigated the board composition as a determinant of voluntary disclosure of employee-related information in the financial statement of quoted non-financial firms in Nigeria. Employee information measured by the number of sentences used to report employee-related information is the dependent variable. A panel data covering 6-year time series from 50 firms were obtained from the financial statements of the quoted firms in Nigeria. The Fixed and Random Effect models were used for data analyses. The Hausman test was employed to determine which of the models is more appropriate in each of the regression analyses. The results showed that board composition, has significant positive effects on employee information reported on the financial statement in Nigeria. Following that board composition has 10% explanatory power on employee-related information disclosure, the study conclude that Ullman’s framework of strategic posture is a poor determinant of voluntary disclosure of employee-related information in Nigeria.

Keywords: Board Composition, Voluntary Disclosure, Employee information.

INTRODUCTION

Ever since the time of Ullmann (1985), attention has shifted from asking corporate organisations to be socially responsible and had been persuading them to disclose their Corporate Social Responsibility activities. The idea is to report the actions of firms that assist to reviving the environment in which they operate. Thus Social responsibility disclosures consist of information pertaining to the relationship between a company and its surrounding physical and social environments (Deegan and Gordon, 1996). These disclosures relate to energy production, environmental concerns, ethical practices, human resources and community contribution (Hackston & Milne, 1996; Milne and Adler, 1999; Wilmshurst & Frost, 2000). This study have focused on the disclosure of human resource development by corporate organisations.

The idea of human resource development has to do with the condition of service available to the employees of Corporate Organisations. Employee-related disclosures are one of the categories included in the field of social responsibility reporting. Voluntary disclosure is defined as the discretionary release of financial and non-financial information through the annual reports over and above the mandatory requirements either with regards to IAS or any other relevant regulatory requirements (Barako, 2007). Voluntary employee-related, or ‘human resource’ disclosures, include information on occupational health and safety issues, career, community, employee relations, training and development, employee share plans, housing, employee welfare and work place agreements (Deegan, Rankin and Tobin, 2002, and Hossain, Islam, and Andrew, 2006).
All these embodiments of Corporate condition of services forms part of the intangible resources of Corporate Organisations, alongside the intellectual property rights, manufacturing procedures or organizational structure. These issues can become visible to investors within corporate reports. Some firms have however practically attempted to capture the value of these intangible resources as they believe it will help them cope with the changing business conditions revealed by globalization, the improvement of competition and increasing customer demands (Klein, 1998).

Studies have tried to relate the extent of voluntary disclosure to corporate strategic issues (Roberts, 1992; Decock, 2002; Chan and Kent, 2003; Elijido-Ten, 2004; Kent and Chan, 2009; Kalyaret al, 2012 and Majeed, Aziz and Saleem, 2015). Addressing corporate social responsibility (CSR) and other strategic issues is a complex management challenge, particularly about diversified stakeholders’ interest (Wood, 1991). Using the multiple resources as input in strategic planning process is necessary to ensure that a firm is meeting its CSR. For example line managers, middle and top level management personnel are vital importance in collecting, processing and discriminating information on employees, customers and market trends as well as an additional knowledge can be obtained from outside consultants and experts to develop such strategies that meet corporate social responsibilities (Galbreath, 2010). Given that no single individual possesses complete knowledge of all issues related to numerous stakeholders, firms can increase the prospect of meeting demands for CSR via dedicating appropriate proportion of resources to the strategic planning as an essential precondition for efficient financial as well as CSR performance in all efforts assess both internal and external environments, use knowledge from multiple resources and enable firms to understand and formulate responses to meet the demands for CSR. On the basis of discussion above, a positive impact of formal strategic posture is expected on CSR.

The strategic posture of firms may imply the structure of the board of directors, Board committees (governance and audit), Board independence, among others. The board of directors of a firms decides the strategies and policies of CSR. Thus, a larger board size may bring a greater number of experienced directors (Xie, Davidson and Dalt, 2001) who can organize and divide various functions (control, monitor, advice and the establishment of strategies), including the tracking of CSR. A higher amount of attention can be given to CSR factors if a firm has a large board (Halme and Huse, 1997).

Also, board committees (Audit and others) have the benefit of applying the principles of good governance in running firms. Over the past few years, many countries’ economies stumbled because of the absence of proper corporate governance rules. This situation has caused serious harm to shareholders, creditors, suppliers and other stakeholders. One of the results of this has been the establishment of codes of good practices. These codes of good corporate governance promote the forming of board committees – among them governance committees and auditing committees– which are strongly connected to controlling and determining strategies.

Again, Board independence of directors can engender good judgement. The board of directors is responsible for running the firm, and takes responsibility for forming and monitoring plans and strategies (Weir & Laing, 2001). Some members of this board can be independent, and could affect the content of social reports, since they usually assume to represent the stakeholders (Haniffa and Cooke, 2005). The independent directors usually possess great experience and, at the same time, are independent from management (Patelli and Prencipe, 2007). They have an important role in creating or achieving balance, and in enhancing board effectiveness (Haniffa and Cooke, 2005). Thus, corporate social responsibility disclosure is correlated with board independence (Jo and Harjoto, 2011).
Prior studies in the social responsibility field have mostly been limited in distinguishing the various categories of social responsibility disclosures, other than environmental disclosures and many have explained social responsibility disclosures generally (for example Menassa, 2010). This limited study on employee-related disclosures presented in recent times provides minimal information about the motives for companies to disclose employee-related information in their annual reports.

Little attention has been given to the role of corporate governance systems, corporate mission systems and audit committee with voluntary employee-related disclosures in annual reports despite the importance placed on employees by many companies. Several studies have examined electric aspects, policies and practices of employee disclosures in corporate social responsibility reports with studies using various theoretical and methodical approaches (Spence, Husillos and Correa-Ruiz, 2010 for extensive critical literature review and Owen, 2008 for a critiqued overview of corporate social reporting).

**REVIEW OF RELATED LITERATURE**

**Voluntary Disclosure**

Voluntary disclosure can be explained as 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 firms and cultural factors. Although the voluntary disclosure represents the reporting outside the financial statements, which is not explicitly required through norms or law, it is admitted that many of these voluntary disclosures are made in order to be in agreement with the requirements of the stock-exchange commission regarding risk, opportunities and the results obtained. 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).

Deipoers (2000) conveys that the concept of voluntary information has to be defined in relation to the right to information of one or numerous types of stakeholders:

> “An item of information is considered as discretionary whenever it goes beyond the compulsory information for shareholders. Compulsory information has to be understood as all the items whose publication is duly required but also the items which firms must send to shareholders who ask for them (for example, social reporting). Whether its nature be qualitative, financial or anything else, voluntary disclosure covers all data which concern the subsidiaries and the group itself”

Voluntary disclosure is carried out by many companies (FASB, 2001), although the extent and type of voluntary disclosure differs by geographical region, industries, and company size (Meek, Roberts and Gray, 1995). The extent of voluntary disclosure is also affected by firm’s corporate governance structure (Simon and Kay, 2001) and ownership structure (Eng& Mark, 2003). Voluntary information reported by Nigerian companies could include accounting and other information that managers consider to be significant and meet the needs of various stakeholder groups.

**Disclosure of Employee-Related Information**
The reportage of employee information in the financial statement of firms is part of the social responsibility of corporate firms. Firms are normally expected to report information about its employees in its financial statement. This information may include salaries, retirement plans, promotion policy, health policies and human resource development programmes. The number of words used to report this information and the degree of headings reported makes up one of the social responsibility disclosure of firms. According to Hussainey, Elsayed and Razik (2011) this information are included in the human resources part of the Corporate Social Responsibility disclosures of firms.

As it applies to all social activities of corporate organisations, employee information is important to both the internal and external users of accounting information. In essence, the purpose of accounting is to provide information that is useful for economic decisions and aims to assess the impact of an organization on people both inside and outside (Longstreth and Rosenblum, 1973; Rockness and Williams 1988; Deegan and Rankin, 1997; and O’Donovan, 2002). Employee related information is important to the staff of business firms and all those wishing to make a career in such firms. Employee information discloses to the users such facts they may need to know about the salary and fringe benefits accruable to employees. The level of capacity development and care for retired staff will also be reported.

Disclosures found as employee information is part of the social responsibility accounting practices that is beneficial to growth and survival of modern corporate organisations (Glautier and Underdown, 2004). Disclosure of employee-related information is a sound means to measure the net social contribution of the organization on such elements that include the cost and external social benefits that affects its employee’s wellbeing.

Firms are now an element of a larger economic system in which their operations might distress the overall system (Hawken, 1993). As firms are becoming answerable for their actions affecting the society, the community and environment, CSR has become increasing topical issue for some decades now. Society nowadays is putting pressure on companies for their irresponsible actions toward the society and environment that ultimately become a cost to the society (Beltratti, 2005). As a result, today CSR and corporate environmental governance practices in business are used to attain a competitive advantage over rivals (Mitra, Dhar and Agrawal, 2008). Corporate Social Responsibility thus mean that organisations no longer detach themselves from their external environment.

**Board Composition**

Composition is a term that connotes the makeup of an objective or the elements of a structure. Board composition is a reflection of the board makeup in terms of total number of directors (board size) and type of board membership (inside versus outside) (Pearce and Zahra, 1992). The Board composition is a very important structure that influences the quality of directors' deliberation and decisions (Rosenstein, 1987; Tashakori and Boulton, 1985). The ability of the Board to control the top management and hence protect shareholders’ interest lies in the makeup of the Board of Directors (Cochran, Wood and Jones, 1985).

In the study by Majeed, Aziz and Saleem (2015), the variables of strategic posture included board size, independent directors, women directors, foreign nationals, ownership concentration, and institutional ownership. These are variables of corporate governance which seeks to ensure transparency and accountability to the stakeholder of the firm. The board of directors is very important regarding corporate governance practices of any corporation (Hussain and Mallin, 2003). Sometimes,
the board size informs about the level of disclosure and transparency in corporation. Independent directors are defined as the directors who are neither employed by, nor affiliated to the firm in any other way (Chen, 2008). In the corporate governance (CG) perspective, independent directors are likely to carry out an observing function to ensure that the interests of stakeholders are taken into consideration while making the board decisions. It has been evidenced that diversity of the board has turned into an important component of CG arrangement in recent years.

Carter, Simkins and Simpson (2003) supports board diversity and documents that “it increases board independence for the reason that with a unlike gender ethnicity or cultural background might ask questions that would not appear from directors with more traditional backgrounds”. The research work of Fields and Keys (2003) reveals that diverse experiences, ideas and innovations resulting from individuals coming from diverse areas, have an influence on a firm’s performance. The behaviour of investors is represented by institutional ownership and it is measured by the quantity or percentage of shares retained by institutional investors.

The strategic posture of firms may imply the structure of the board of directors, Board committees (governance and audit), Board independence, among others. The board of directors of firms decides the strategies and policies of CSR. Thus, a larger board size may bring a greater number of experienced directors (Xie, Davidson and Dalt, 2001) who can organize and divide various functions (control, monitor, advice and the establishment of strategies), including the tracking of CSR. A higher amount of attention can be given to CSR factors if a firm has a large board (Halme and Huse, 1997).

Board size is the number of directors appointed into the board of the firm. Board size is the central point for determining the control of the decision making process in corporate firms. Unlike in smaller Boards where the Chief Executive Officers (CEOs) have high likelihood to dominate other board members (Chaganti, Mahajan, and Sharma, 1985), organisations with larger board are not as susceptible to managerial domination in decision making process (Zahra and Pearce, 1989).

The Board Membership is the composition by number of presence of outsiders to the highest decision making body of the firm. The insiders in the type of board membership are the top management, employees in the firm and its subsidiaries who work and are paid salary. They join in the day-to-day business activities of the firm. However, outsiders are consultants and independent members of the firm. According to Pearce and Zahra (1992), outsider members of the board can be “affiliated” and “non-affiliated” with the affiliated members being the consultants or former executives who are currently employees of the firm. However, the non-affiliated are the independent directors who are made directors because of their expertise, and pedigree. In this study, number of independent directors (NID) is used to explain the membership structure of the Board of Directors.

According to Daily and Dalton (1993), outsiders are those directors that are not currently in the direct employment of the organisation. They include what Baysinger and Butler (1985) termed, public directors, professional directors, private investors and independent decision makers. The present study adopted the definition of Zahra and Pearce (1989) which see the outsiders as the independent directors who are impartial to business perspectives.

Board independence of directors can engender good judgement. The board of directors is responsible for running the firm, and takes responsibility for forming and monitoring plans and strategies (Weir and Laing, 2001). Some members of this board can be independent, and could affect the content of social reports, since they usually assume to represent the stakeholders (Haniffa& Cooke, 2005). The independent directors usually possess great experience and, at the same time, are independent from management (Patelli and Prencipe, 2007). They have an important role in creating or achieving
balance, and in enhancing board effectiveness (Haniffa & Cooke, 2002). Thus, corporate social responsibility disclosure is correlated with board independence (Jo and Harjoto, 2011).

The members of the board of directors makes policies and establishes business strategies which it hands over to the management for detailed planning and implementation. The board has a statutory mandate to hold a minimum of quarterly meeting to monitor compliance of the actualization of the set policies and objectives through quarterly reports to the board and its committees, enabling directors to explore and interrogate specific issues for feedback in greater detail. In case where a director is unable to attend a board or committee meeting, one common rule is that the member may in writing to the chairman, communicate his or her opinion on the matters set out in the agenda for consideration at such meeting. In compliance with Section 258 (2) of the Companies and Allied Matters Act, the record of directors’ attendance at board meetings in any financial year, is made available at the annual general meeting for inspection by members.

Theoretical Framework

The study anchors on Ullmann’s Model (1985) dimension of strategic posture. This dimension may be interpreted through setting up of formal structures which are a sign of respect for institutional rules dictated by society. Formal structures which respond to recognized social rules maximize the company’s legitimacy and indicate its adaptation to its environment (Meyer and Rowan, 1991). The structure which is set up is therefore an element of strategic social position for the company. The setting of a formal structure linked to the community is an element in the internalization of the surrounding institutional pressures. As a result, the structure is likened to a search for congruence with the demands of the social groups (Decock, 2002).

A formal strategic planning approach integrates contribution from a variety of functional areas (such as marketing, finance, R&D etc.) in order to get necessary knowledge required to address stakeholders demands for corporate social responsibility and to integrate different functional requirements into a general management view point (Ramana Jam and Venkatraman, 1987). The reason for functional integration is that function “silos” hinder effective decision making and action taking. This suggests that when different functions interact with variety of stakeholders, they learn about stakeholders’ individual need (Galbreath, 2010). As Corporate Social Responsibility (CSR) is multinational in nature, integration, in various functional areas assist formal strategic planning processes to provide the essential knowledge in developing CSR strategies (Mites, Munilla and Darroch, 2006).

Addressing CSR and other strategic issues is a complex management challenge, particularly about diversified stakeholders’ interest (Wood, 1991). A formal strategic planning effort needs a high commitment of financial, physical and intellectual resources (Ramanujam et al, 1986). Using the multiple resources as input in strategic planning process as necessary to ensure that a firm is meeting its CSR. For example line managers, middle and top level management personnel are of vital importance in collecting, processing and discriminating information on employees, customers and market trends as well as an additional knowledge can be obtained from outside consultants and experts to develop such strategies that meet corporate social responsibilities (Galbreath, 2010). Given that no single individual possesses complete knowledge of all issues related to numerous stakeholders, firms can increase the prospect of meeting demands for CSR via dedicating appropriate proportion of resources to the strategic planning is an essential precondition for efficient financial as well as CSR performance in all efforts assess both internal and external environments, use knowledge from multiple resources and enable firms to understand and formulate responses to meet the demands for...
CSR. On the basis of discussion above, a positive impact of formal strategic posture is expected on CSR.

Methodology

The ex-post-facto and analytical research designs were used. The data for the study was obtained from the Annual Reports and Statement of Accounts of companies quoted on the Nigerian Stock Exchange. The data formed a panel data set covering six-year time series (2012 to 2017) and a cross-section of 50 firms. The time frame considered IFRS era of financial reporting that succinctly clamours for disclosure of firms’ corporate social responsibility to their environment.

The target population is 116 non-financial service firms of the 173 firms quoted on the Nigerian Stock Exchange as at June 20, 2017. The purposive sampling technique was adopted to select 50 firms in the non-financial services sub-sector.

The model of the study is based on the theoretical proposition that corporate social responsibility disclosure has linear relationship with the external environment in which the firm resides. This follows that disclosure of employee-related information (EI) is a function of the stakeholders’ response. Thus: 

\[ EI = f (\text{Stakeholders response}) \]

The model was derived from the theoretical proposition that the strategic posture of firms can influence their level of disclosure (Halme and Huse, 1997; Xie, Davidson and Dalt, 2001; and Jo and Harjoto, 2011). Board Composition being the first among the two forms of strategic postures follows that the Ullmans’s (1985) framework strategic posture can influence disclosure of employee-related information. The current study adapts the model of Majeed, Aziz and Saleem (2015) which employed the variables of strategic posture to include board size, independent directors, women directors, foreign nationals, ownership concentration, and institutional ownership. The current study thus employed only the Board composition related variables which includes Board Size (BS) and Number of Independent Directors (NID), controlled for Number of Board Meetings (NBM). The functional relationship is shown as follows:

\[ EI = f (\text{BS}, \text{NID}, \text{NBM}) \]

This functional model can be written as equation thus:

\[ EI_{it} = b_0 + b_2 \text{BS}_{it} + b_2 \text{NID}_{it} + b_3 \text{NBM}_{it} + \mu_{it} \]

Where:

\( EI \) = Employee information as the dependent variable

\( BS \) = Board Size proxied by number of board of directors

\( NID \) = Number of Independent Directors

\( NBM \) = Number of Board Meetings

\( \mu \) = Random error term
b = Constant

i = the notation to present number of firms in the model

t = the time period of the time series

b₁, b₂, and b₃, are the coefficients of the regression equation.

Content analysis used by previous researchers was expressed numerically according to units such as number of pages, number of sentences (Hackston & Milne, 1996; Milne and Adler, 1999), and number of words (Neu, Warsame, and Pedwell, 1998). Another way to add this variable is to construct a dichotomous variable where the score ‘1’ is assigned to firms that report on a specific item, and ‘0’ otherwise. However, in line with the work of Majeed, Aziz and Saleem (2015) in Pakistan, the level of disclosure is measured with the number of sentences used in disclosing employee related information in the annual reports of the selected quoted firms in Nigeria.

The developed model was analysed based on panel data regression techniques. The panel data sets having 6-year time series and 50-firm structure can easily control for individual unobserved heterogeneity (Woodridge, 2002 and Hsiao, 2003), and with large data point that increases the degrees of freedom and reduce the collinearity among explanatory variables (Hsiao, 2003). The two key methods for estimating panel data set are the Fixed Effects (FE) Model and Random Effects (RE) model. The assumption for which method to adopt in data analyses for each model was analysed using the Hausman test.

**INTERPRETATION OF RESULTS**

**Descriptive Statistics**

Table 1: Descriptive analyses for the firm Strategic Posture (Board Composition and Board Committee) variables: 2012 - 2017

<table>
<thead>
<tr>
<th></th>
<th>EI</th>
<th>BS</th>
<th>NID</th>
<th>NBM</th>
<th>PAC</th>
<th>POBC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>12.60</td>
<td>8.69</td>
<td>0.32</td>
<td>4.61</td>
<td>0.98</td>
<td>0.96</td>
</tr>
<tr>
<td>Maximum</td>
<td>40.00</td>
<td>15.00</td>
<td>2.00</td>
<td>8.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Minimum</td>
<td>4.00</td>
<td>5.00</td>
<td>0.00</td>
<td>2.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>6.39</td>
<td>2.27</td>
<td>0.615</td>
<td>1.11</td>
<td>0.14</td>
<td>0.00</td>
</tr>
<tr>
<td>Observations</td>
<td>300</td>
<td>300</td>
<td>299</td>
<td>300</td>
<td>300</td>
<td>299</td>
</tr>
</tbody>
</table>

**Disclosure of Employee-Related Information**

From results on Tables 1, it is seen that the average number of sentences (Mean) for disclosure of employee-related information in the selected quoted firms in Nigeria is 12, with maximum and minimum sentences being 40 and 4 respectively. The standard deviation is 6.4. This implies that quoted firms in Nigeria predominantly report their employee-related information in the annual report using a range of 19 sentences (12.6 + 6.4) and 6.2 sentences (12.6 – 6.4).
From the results of the Board Size (number of Board of Directors), the mean, maximum and minimum values are about 9; 15 and 5 respectively. The standard deviation is 2. This indicates that the quoted firms have an average of 9 directors that constitute the board of the firms quoted in Nigeria. However, the maximum board membership in Nigeria is 15 while the minimum has been 5.

The number of independent directors (NID) has mean, maximum and minimum values of 0.32, 2.00 and 0.00 respectively with standard deviation of 0.62. This indicates that some firms have no independent directors while others have two persons who are independent directors. The result of the mean indicates that about 32% of the firms have independent directors.

Model Estimation

<table>
<thead>
<tr>
<th>Explanatory Variables</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient</td>
<td>Coefficient</td>
</tr>
<tr>
<td>BS</td>
<td>-0.1550</td>
<td>-0.1549</td>
</tr>
<tr>
<td></td>
<td>-1.7260</td>
<td>-1.7349</td>
</tr>
<tr>
<td>NID</td>
<td>0.1703</td>
<td>0.1706</td>
</tr>
<tr>
<td></td>
<td>0.2911</td>
<td>0.2915</td>
</tr>
<tr>
<td>NBM</td>
<td>1.8409</td>
<td>1.8403</td>
</tr>
<tr>
<td></td>
<td>5.6556*</td>
<td>5.6662*</td>
</tr>
<tr>
<td>C</td>
<td>5.3822</td>
<td>5.3839</td>
</tr>
<tr>
<td></td>
<td>3.3331*</td>
<td>3.3421*</td>
</tr>
<tr>
<td>R-Squared</td>
<td>0.1021</td>
<td>0.1016</td>
</tr>
<tr>
<td>F-statistic (Prob)</td>
<td>4.1213 (0.0001)</td>
<td>11.11983 (0.0000)</td>
</tr>
<tr>
<td>No of periods</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>No. of Firms</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>No. of Observations</td>
<td>299</td>
<td>299</td>
</tr>
<tr>
<td><strong>Hausman Test</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chi-Sq. Statistic (Prob)</td>
<td>0.004260 (0.9999)</td>
<td></td>
</tr>
</tbody>
</table>

Dependent Variable: Employee Information (EI), significant at *1%, **5%, ***10%

Source: Output from Eviews 9.

Table 2 presented the fixed and random effects regression results of the effect of board composition on the disclosure of employee-related information in the financial report of quoted firms in Nigeria. In the model, employee information (EI) is the dependent variable while BS, NID, and NBM are introduced as explanatory variables. The Hausman test showed an insignificant result of p value of 0.9999 which is greater than 0.05 level of significance and thus the study preferred the random effect model. This implies that there is a significant difference in the characteristics of the 50 selected firms quoted in Nigeria.

The result of regression analysis for Board Composition showed that Board Size (BS) has a coefficient of -0.1549 indicating possible negative effect while those of Number of Independent Directors (NID) and Number of Board Meetings (NBM) are 0.1706 and 1.8403 respectively suggesting positive effects. Only the p.value of NBM has significant effect on the model. This means that a unit increased in the number of board meetings held, will lead to about 1.84 units of increase in the extent of voluntary disclosure of employee-related information in Nigerian quoted firms.
The regression test also showed that the R-squared value was 0.1016 which means that the Board composition has 10.16% significant effect on the voluntary disclosure of employee related information in the annual reports of firms listed in Nigeria. The coefficient of determinants (R-Squared) of 0.1016 indicates that about 10% of variations in the employee information disclosure is explained by the explanatory variables BS, NID and NBM) included in the study.

The F-Statistics is 11.11983 with a probability value of 0.0000. Since the probability value is less than 0.05, it indicates that the coefficient of the explanatory variables has a significant effect on employee information disclosed in the financial reports. Based on this, the null hypothesis is therefore rejected while the alternate hypothesis is accepted. We therefore concluded that Board composition has a significant effect on the quantity of employee information in the annual financial reports of listed companies in Nigeria.

Discussion, Conclusion and Recommendations

The study posited that board composition has 10% significant influence on the quantity of employee-related information in the annual reports of listed companies in Nigeria. This influence was found to be significantly affected by the number of board meetings (NBM) such that a unit increase in the number of board meetings held, will lead to about 1.84 units of extent of voluntary disclosure of employee-related information by Nigerian quoted firms. This explains that board composition vis-à-vis number of board meetings has positive influence on voluntary disclosure of employee-related information in financial statements. In Nigeria where the descriptive statistics indicated an average of 5 meetings, more meetings have the tendency to engender voluntary disclosure of employee-related information by quoted firms in Nigeria.

However, board size (BS) showed an insignificant negative relationship while number of independent directors (NID) had a positive but insignificant effect on information disclosure. This did not support the previous studies which found that both board size and independent directors have significant positive effects on information disclosure (Majeed, et al, 2015). A positive relationship is expected because larger board size should bring in greater number of experienced directors (Xie, et al, 2001) and thus higher amount of attention can be given to CSR factors if a firm has a large board (Halme and Huse, 1997).

Voluntary disclosure of employee-related information is normally reported with an average of 12 and range of 19 to 6 words in the financial statement amongst the quoted firms in Nigeria. However, board composition has significant effect on voluntary disclosure of employee information in Nigeria. Since these factor has less about 10% explanatory powers on employee-related information disclosure, it can be averred that Ullmans’ (1985) stakeholder framework variables are poor determinants of voluntary disclosure of employee-related information in Nigeria. It is recommended that appropriate regulatory authorities of quoted firms in Nigeria including the SEC and NSE should maintain a corporate governance guideline that pegs the minimum Number of Board Meetings (NBM) to at least five (5) times per annum since NBM has been found to significantly affect the level of employee information disclosure by quoted firms in Nigeria.

Reference


