Ownership Structure and Corporate Voluntary Disclosure: Evidence from Bahrain

Omar Juhmani

Accounting Department, University of Bahrain
PO Box 32038, Sakher, Bahrain.
Tel: 00973 39847732 Email: ojuhmani@uob.edu.bh

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Abstract

The aim of this study is to examine the relationship between ownership structure variables and the level of voluntary information disclosures of companies listed on the Bahrain Stock Exchange. The ownership structure variables included in the multiple regression model, are blockholder ownership, managerial ownership, and government ownership. An analysis of annual reporting practices of Bahraini listed firms shows that there is a significant negative association between blockholder ownership and voluntary disclosures. However, managerial ownership and governmental ownership are not associated with voluntary disclosures. The results of the regression analyses show that size and Leverage of firms are significantly and positively associated with the level of voluntary information disclosures. Profitability of a firm is not significantly associated with voluntary disclosures.

Keywords: Voluntary disclosures, blockholder ownership, managerial ownership, government ownership, Bahrain
1. Introduction

An agency theory states that a rational agent (managers) will act for their own interest, and not for their shareholders. This type of management behavior occurs because they have more complete information about a company than the owner (Jensen and Meckling, 1976). This behavior leads to corporate governance, which is a lack of transparent disclosure about a company’s performance to its owners. Corporate disclosure plays an effective corporate governance role, by providing transparent information to both shareholders and other parties. In this regard Makhija and Patton (2004), state that the extent and quality of corporate disclosure is an outcome of conflicting interests, among management, majority shareholders and minority shareholders. With controlling power, large blockholders may manipulate the extent of disclosure to maximize private benefits, gained directly from the firms and/or from changes in share values in the capital market.

When the owner's holding increases, convergence of interest between the controlling shareholders and outside investors occurs. When investment decisions are more likely to be made to maximize the insiders’ wealth, at the expense of outside investors, outsiders will find it necessary to supervise owner managers by increasing the extent of disclosures (Chau and Gray, 2010). Company ownership structure is acknowledged to be an important governance mechanism. The present corporate governance literature recognizes that importance, however, the impact of ownership structure on corporate voluntary disclosure practices, remains unexplored in emerging stock markets.

The main objective of this study is to examine the relationship between ownership structure factors and the extent of voluntary information disclosure, by companies listed on the Bahrain Stock Exchange (BSE) for the year 2010. This paper is the first empirical study carried out on Bahraini data and contributes to understanding the relationship between some of the corporate governance mechanisms and the level of disclosure, in one of the emerging markets.

The remainder of this paper is organized as follows. The next section presents a short review of the growing literature, followed by the development of hypotheses. Section four explains the research methodology employed in this study. The results are presented in section five. Finally, section six summarizes the main conclusions of the study.

2. Literature Review

In the literature, a number of studies have been undertaken to examine the relationship between corporate governance mechanisms and voluntary disclosure. Corporate governance mechanisms, examined in these studies, include ownership structure, board composition, and the audit committee characteristics. Ho and Wong (2001) examined the relationship between four major corporate governance mechanisms and the extent of voluntary disclosures in Hong Kong. The results showed that the existence of an audit committee, is significantly and positively related to the extent of voluntary disclosure, while the percentage of family members on the board, is negatively related to the extent of voluntary disclosure.

Gelb (2000) found a negative association between insiders’ ownership and disclosure quality,
also he found that the quality of annual reports increases when the ownership is less concentrated. Haniffa and Cooke (2002) examined the relationship between various corporate governance variables, cultural and firm specific factors and the extent of voluntary disclosures in Malaysia. Their results showed that ownership diffusion is significantly positively related to the extent of voluntary disclosures. Chau and Gray (2002) examined the relationship between ownership structure and voluntary disclosure in Hong Kong and Singapore. Their results showed that the extent of outside ownership is positively associated with voluntary disclosure and the “insider” or family ownership is negatively associated with voluntary disclosure.

Eng and Mak (2003) examined the relationship between ownership structure and voluntary disclosures in Singapore. Their results revealed a significant negative relation between managerial ownership and level of voluntary disclosure, and a significant positive relation between government ownership and voluntary disclosure. However, they found no significant association between blockholder ownership and voluntary disclosures. Makhija and Patton (2004) examined the impact of ownership structure, on the extent of voluntary financial disclosure by Czech firms. They found that the extent of disclosure is positively related to investment fund ownership, at low levels of fund ownership but is negatively related to investment fund ownership at high levels of ownership. Barako, et al, (2006) examined the association between various corporate governance variables and voluntary corporate disclosure in Kenya. The results showed that the existence of an audit committee, foreign ownership, institutional ownership, firm size and leverage, have a significant positive relation with the level of voluntary disclosures. While the shareholder concentration showed a significant negative relation with voluntary disclosures.

Huafang and Jianguo (2007) examined the relationship between ownership structure, board composition and the level of voluntary disclosures in China. Their results showed that higher blockholder ownership is significantly related to an increased degree of voluntary disclosure. However, they found that managerial ownership, state ownership, and legal-person ownership are not related to disclosure. The study of Zourarakis (2009) examined the association between corporate governance and the voluntary disclosure of intellectual capital information by British firms. His results showed a negative relation between blockholder ownership and voluntary disclosures and no significant relationship between managerial ownership and voluntary disclosures. Nazli and Ghazali (2007) examined the influence of ownership structure on corporate social responsibility disclosure in Malaysia. Their results showed that, companies in which the directors hold a higher proportion of equity shares disclosed significantly less information, while companies in which the government is a substantial shareholder, disclosed significantly more information.

Donnelly and Mulcahy (2008) reported clear evidence that voluntary disclosure increases with the number of nonexecutive directors on the board. Firms that have a nonexecutive chairman make greater voluntary disclosures than other firms. Also, their results showed there is no association between the extent of voluntary disclosure and ownership structure. Samaha et al. (2012), examined the impact of a comprehensive set of corporate governance attributes on the extent of corporate governance voluntary disclosure in Egypt. Their results
showed that the extent of governance disclosure is lower for companies with duality in position and higher ownership concentration as measured by blockholder ownership and increases with the proportion of independent directors on the board and also firm size. Alves et al. (2012), examined the relations between corporate governance variables and voluntary disclosure in Portugal and Spain. Their results indicated that the main determinants of voluntary disclosure are firm size, growth opportunities, organizational performance, board compensation and the presence of a large shareholder.

3. Research Hypotheses

3.1 Ownership structure (Independent Variables)

A review of the literature of the relationship between ownership structure and voluntary disclosure, led to the decision to include three variables in the multiple regression model. These variables are blockholder ownership, managerial ownership, and government ownership.

3.1.1 Blockholder Ownership

Blockholder ownership represents the percentage of ordinary shares owned by substantial shareholders (5% or more). Large blockholder ownership means that the shares are controlled by a small group of people, hence ownership is concentrated. Concentrated ownership structure serves, as an efficient monitoring mechanism, to prevent managers from expropriating resources for private benefit (Noe, 2002). Based on the efficient-monitoring hypothesis of ownership concentration, large blockholders would be expected to encourage managers to provide more disclosures, in order to increase share prices and enhance the firm’s value. On the other hand, investors who own a large proportion of equity shares in a company, obtain information about the company from internal sources. Therefore, more closely held companies are more likely to disclose less information, because their main investors can access internal sources of information (Marston and Polei, 2004). According to the stakeholder theory, small groups (fewer) of stakeholders can lead in fewer stakeholders to contract. Usually voluntary disclosures are provided to satisfy the needs of various stakeholders. Therefore, as there are fewer stakeholders, less voluntary disclosures are expected to be provided by management. Previous studies, in different countries, found a negative association between voluntary disclosure and blockholder ownership [e. g., Hossain et al, 1994 (Malaysia); Schadewitz and Blevins, 1998 (Finland); Marston and Polei, 2004 (Germany); Barako, et al, 2006 (Kenya); Zourarakis, 2009 (UK); Samaha and Dahawy, 2011 (Egypt); and Samaha et al., 2012 (Egypt)]. Therefore, in this research, it is hypothesized that:

Hypothesis 1: There is a negative association between blockholder ownership and the extent of voluntary disclosure, by Bahraini firms’.

3.1.2 Managerial Ownership

Managerial ownership means a large proportion of shares are owned by the management of a company. The expectations of this study, with regards of managerial ownership, are related to the agency theory. To align the interests between the owners and agents (managers), a
possible solution is to provide the managers, with partial ownership (shares). Managers, who are the shareholders of the entities, are motivated to increase the entities’ values, as well as to increase shareholders’ wealth, as it will also increase their own wealth. Accordingly, information disclosure will increase, because managers with greater shareholdings can derive greater share-market benefits from better disclosure. Therefore, it is expected that as managers have the same interests as the owners, they will disclose more information. Previous studies found a positive relationship between managerial ownership and disclosure in the US (Nagar et al, 2003) in Malaysia (Mohd-Nasir and Abdulah, 2004) and in Hong Kong (Leung and Horwitz, 2004). Therefore, in this research, it is hypothesized that:

Hypothesis 2: There is a positive association between managerial ownership and the extent of voluntary disclosure, by Bahraini firms’.

3.1.3 Government Ownership

Eng and Mak (2003) argued that agency costs are higher in government - linked companies, because of conflicting objectives between the pure profit goals of a commercial enterprise, and goals related to the interests of the nation. This argument is supported by their evidence that the need to communicate with other shareholders was greater in government controlled companies, leading to increased disclosure. Ghazali and Weetman (2006) found government ownership in Malaysia does not promote greater disclosure and better transparency. They argued that in a developing country, like Malaysia, government-controlled companies are strongly politically associated, and such companies tend to disclose less information to protect their political linkages or even their beneficial owners. In contrast, Huafang and Jinguo (2007) expected a positive relationship between government ownership and disclosures. Eng and Mak (2003) found a positive relationship between government ownership and voluntary disclosure. In this study it is expected that government requests more transparency from Bahraini companies, therefore, information disclosures will increase and it is hypothesized that.

Hypothesis 3: There is a positive association between government ownership and the extent of voluntary disclosure, by Bahraini firms’.

3.2 Control Factors

A review of the literature of voluntary disclosure, led to the decision to include three control variables in the multiple regression model, for testing the main hypotheses. These factors are size of firm, leverage and profitability.

3.2.1 Company Size

In almost all disclosure studies, the size of the company has featured as an important determinant of disclosure levels (e.g., Belkouai-Riahi, 2001; Chow and Wong-Boren, 1987; Lang and Lundholm, 1993; Owusu-Ansah, 1998; Firth, 1979; Wallace and Naser, 1995; Depoers, 2000; Hossain and Reaz's, 2007), and there is a general agreement that a positive relationship between the size of a firm and its extent of disclosure, is to be expected. This association can be explained by agency theory, which proposes that big firms have higher
agency costs than small firms (Jensen and Meckling, 1976). In order to reduce this agency cost, big firms adopt more extensive and comprehensive disclosures. It can also be assumed that large firms are more sensitive to political costs and, consequently, will disclose more in order to allay public criticism, or government intervention, in their affairs. Therefore, in this research it is hypothesized that.

_Hypothesis 4: There is a positive association between the size of the firm and the extent of voluntary disclosure, by Bahraini firms_.’

3.2.2 Leverage

Companies with high leverage need to disclose detailed information to the stakeholders. They need to disclose their capabilities to pay debts. The agency theory has been used by previous researches to argue that potential transfers of wealth from debtholders to stockholders, can take place in highly leverage firms. Therefore, agency theory suggests that the level of information disclosure increases as the leverage of the firm grows. Ahmad and Nicholls (1994) argued that in countries where financial institutions are a primary source of company funds, there is an expectation that companies, which have large sums of debt on their balance sheet, will disclose more information in their annual reports. Also, such companies tend to disclose detailed information to enhance their chance of getting funds from financial institutions. This is similar to the Bahrain environment, in which financial institutions play an active part in the provision of funds to borrowers, some of whom are listed companies. Therefore, in this study the following hypothesis is developed.

_Hypothesis 5: There is a positive association between leverage and the extent of voluntary disclosure, by Bahraini firms_.’

3.2.3 Profitability

Profitable companies are considered to be in good condition and have incentives to distinguish themselves from less profitable companies, in order to raise capital on the best available terms. Therefore, profitable companies voluntarily tend to show more detailed disclosures to advertise their various activities and they, can be expected to disclose more information than less-profitable companies. Prior empirical studies have shown that profitability influences the extent of disclosure in annual reports (e. g. Wallace and Naser, 1995; Inchausti, 1997; Owusu-Ansah, 1998). Inchausti (1997) argued from the perspective of agency theory, that management of a very profitable firm, will use information in order to obtain personal advantages. Therefore, they will disclose more detailed information as a means of justifying their position and compensation package. Therefore, in this study the following hypothesis is developed.

_Hypothesis 6: There is a positive association between profitability and the extent of voluntary disclosure, by Bahraini firms_.’
4. Research Methodology

4.1 Study Sample, Data Collection and Data Analysis

Due to the relatively small number of companies listed on BSE all companies listed in the year 2010 were considered for inclusion in the survey, year 2010 is considered in this study, to control the availability of all annual reports of companies listed on the BSE. At the end of 2010, there were 50 companies listed on BSE, 44 Bahraini companies and 6 non-Bahraini companies. The 44 Bahraini companies make up the initial sample for this study. However, one company is eliminated from the list of companies, because of suspension, and two companies are eliminated because of incomplete data. Therefore, the final sample consists of 41 Bahraini listed companies.

The data for measuring the dependent, independent and control variables, investigated in this study were manually collected from the sampled companies' annual reports that were downloaded from the official websites of the 41 Bahraini sampled companies’. The data was analyzed through the use of bivariate correlation and multiple linear regression analysis, using SPSS software. Consistent with prior studies, ordinary least-squares regression is used to examine the relationship between ownership structure factors and the extent of voluntary information disclosure, by Bahraini listed firms.

4.2 Measurement of the Dependent Variable (voluntary disclosure index)

The dependent variable of this research, is the level of voluntary information disclosure. Previous disclosure studies construct different disclosure indices; some researchers use self-constructed checklists, whereas some use checklists developed by others. The size of the Bahraini market allows the development of a self-constructed index, for voluntary disclosure, that eliminates the subjectivity and potential bias of an analyst’s perceptions of voluntary disclosure and allows the results to be generalized. In this study the disclosure checklist was compiled, based on an analysis and observations of standard financial reporting practices in Bahrain, taking into account relevant research studies. The checklist began with a list of 45 items of information that were potentially voluntary. These items were then compared to the respective disclosure requirements by the BSE, Bahraini Companies Act and IFRSs. Therefore, the final checklist consists of 34 items.

To measure the level of voluntary disclosure two approaches were employed by prior studies, the first approach was to use a dichotomous procedure, in which each disclosure item on the checklist was assigned a value of “1” if it is disclosed and “0” if it not disclosed, when a disclosure is deemed irrelevant for a specific company, then the item is ignored in the computation of the index for that company. Such an approach has been employed in many previous studies. The second approach is to employ a weighted disclosure index. Cooke (1989) acknowledged that this procedure would introduce an element of subjectivity. Therefore, this study employs the commonly used ‘dichotomous’ approach. The voluntary disclosure index was calculated as the ratio of the total items disclosed to the maximum possible score for the firm.
4.3 Measurement of Independent Variables

The independent variables used in this research are blockholder ownership, managerial ownership, and government ownership, which represent the ownership structure variables. The blockholder ownership is measured by the proportion of shares owned by substantial shareholders (5% or more), the managerial ownership is measured by the proportion of shares owned by managers (i.e., the CEO and inside directors), and the government ownership is measured by a dummy variable; the dummy variable took a value of 1 for a government-linked company and 0 otherwise.

4.4 Measurement of the Control Variables

The control variables used in this study are a company’s size, leverage and profitability. The company’s size was measured by the company’s total assets, and leverage was measured by the ratio of the company’s total liabilities to the company’s shareholders’ equity. The profitability was defined as the return on equity and measured by the ratio of the company’s net income to the company’s shareholders’ equity.

4.5 Model Development

In order to examine the relationship between ownership structure variables and the extent of voluntary information disclosures of Bahraini companies, the following multiple regression is estimated using three ownership structure as independent variables and three other firm-specific attributes, as control variables.

\[ DSCLSRE = \beta_0 + \beta_1 BLOKOW + \beta_2 MGROW + \beta_3 GOVOW + \beta_4 SIZE + \beta_5 LEV + \beta_6 PROF + \epsilon \]

Where:

- \( DSCLSRE \) = extent of voluntary disclosure scores
- \( BLOKOW \) = blockholder ownership
- \( MGROW \) = managerial ownership
- \( GOVOW \) = government ownership
- \( SIZE \) = Firm size
- \( LEV \) = Leverage
- \( PROF \) = Profitability
- \( \epsilon \) = error term

5. Research Findings

5.1 Descriptive statistics and bivariate analysis

Table 1 shows the result of a descriptive statistics test of the dependent variable, independent variables and control variables. The average relative voluntary disclosure index, of the sample companies was 0.75, with a range of 0.53 to 0.96. Thus, there were large variations in voluntary information disclosure practices, between the sample companies in Bahrain. Also,
from Table 1, it can be concluded that most of Bahraini companies’ shareholders are blockholders and it seems that managers tend to be minority shareholders. These facts are shown by the percentage of blockholder ownership and managerial ownership that are 50% and 16%, respectively.

Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSCLSRE</td>
<td>41</td>
<td>.53</td>
<td>.96</td>
<td>.7576</td>
<td>.11304</td>
</tr>
<tr>
<td>BLOKOW</td>
<td>41</td>
<td>.11</td>
<td>.96</td>
<td>.4985</td>
<td>.18420</td>
</tr>
<tr>
<td>MNROW</td>
<td>41</td>
<td>.01</td>
<td>.51</td>
<td>.1657</td>
<td>.13757</td>
</tr>
<tr>
<td>GOVOW</td>
<td>41</td>
<td>.00</td>
<td>1.00</td>
<td>.4878</td>
<td>.50606</td>
</tr>
<tr>
<td>SIZE</td>
<td>41</td>
<td>5033.00</td>
<td>9974463.00</td>
<td>748812.5854</td>
<td>1.83685E6</td>
</tr>
<tr>
<td>LEV</td>
<td>41</td>
<td>.04</td>
<td>28.19</td>
<td>4.2327</td>
<td>7.03575</td>
</tr>
<tr>
<td>PROF</td>
<td>41</td>
<td>-300.03</td>
<td>25.64</td>
<td>-1.6480</td>
<td>50.58804</td>
</tr>
</tbody>
</table>

The correlations coefficients between dependent and independent variables are presented in Table 2. The results show that there is a correlation between blockholder ownership (BLOKOW) and disclosure index (DSCLSRE) and a correlation between managerial ownership (MNROW) and governmental (GOVOW). Also, there is a correlation between firm size (SIZE) and disclosure index, and there is a correlation between leverage (LEV) and disclosure index. However, it has been suggested by Farrar and Glauber, (1967) and Judge et al., (1985) that correlation coefficients should not be considered harmful until they exceed 0.80. Table 2 reveal that the highest correlation is (0.52) between firm size and disclosure index. Therefore, collinearity did not appear to be a serious problem in interpreting the regression results.
Table 2. Pearson Correlations

<table>
<thead>
<tr>
<th></th>
<th>DSCLSRE</th>
<th>BLOKOW</th>
<th>MNROW</th>
<th>GOVOW</th>
<th>SIZE</th>
<th>LEV</th>
<th>PROF</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSCLSRE</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BLOKOW</td>
<td>-.441**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNROW</td>
<td>-.183</td>
<td>.071</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GOVOW</td>
<td>.187</td>
<td>-.217</td>
<td>-.449**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIZE</td>
<td>.528**</td>
<td>-.175</td>
<td>-.064</td>
<td>.174</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEV</td>
<td>.468**</td>
<td>.017</td>
<td>-.211</td>
<td>-.176</td>
<td>.308</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>PROF</td>
<td>-.036</td>
<td>.120</td>
<td>.034</td>
<td>-.082</td>
<td>.035</td>
<td>-.151</td>
<td>1</td>
</tr>
</tbody>
</table>

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

5.2 Independent Variables

The R Square and Adjusted R Square and F-value for the model, are presented in tables 3 and 4. Table 5 presents the result of the multiple regression model. Standardized beta coefficients, t-statistics, and probability levels, are given for each independent and control variable. The adjusted coefficient of determination (Adjusted R Square) indicates that 46.4% of the variation in the dependent variable is explained by variations in the independent and control variables. The multiple regression model, reported an F value of 6.763 (p < 0.000) for the level of disclosure, which statistically supports the significance of the model.
Table 3. Model Summary

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>.738a</td>
<td>.544</td>
<td>.464</td>
<td>.08279</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), PROF, MNROW, SIZE, BLOKOW, LEV, GOVOW

Table 4. ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>.278</td>
<td>6</td>
<td>.046</td>
<td>6.763</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>.233</td>
<td>34</td>
<td>.007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.511</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), PROF, MNROW, SIZE, BLOKOW, LEV, GOVOW

The empirical evidence, derived from the regression model, indicates that there is a highly significant negative association at the 0.004 level, between blockholder ownership (BLOKOW) and disclosure index (DSCLSRE). This finding supports Hypothesis 1, and suggests that Bahraini firms with high blockholder ownership disclose less voluntary information than firms with low blockholder ownership. This finding is consistent with that found in other previous empirical studies (e.g., Hossain et al., 1994; Schadewitz and Blevins, 1998; Marston and Polei, 2004; Barako, et al., 2006; Zourarakis, 2009; Samaha and Dahawy, 2011; and Samaha et al., 2012). This result supports the argument that investors, who own large equity shares in a company, can obtain information about the company from internal sources. Therefore, more closely held companies are more likely to disclose less information because their large investors can access internal sources of information.

However, the regression model indicates that there is no significant association, between managerial ownership and voluntary disclosures. This finding is consistent with that found in other previous empirical studies (e.g., Hossain et al. 2005; Huafang and Jianguo, 2007; and Zourarakis, 2009). A low percentage of managerial ownership in Bahraini companies (i.e., 16%) cannot eliminate the conflict of interest between managers and owners. Managers’ personal interests are still separate to owners’ interests, so that managers’ opportunistic behavior cannot be reduced. Therefore, because of the low percentage, managerial ownership in Bahraini companies cannot influence voluntary disclosure policies. Also, the results show no significant association between governmental ownership and voluntary disclosures. This result is consistent with that found in other previous empirical studies (e.g., Huafang and Jianguo, 2007).
5.3 Control Variables

The control variable size (SIZE) is clearly associated with the extent of voluntary information disclosures, as the significance in regression is 0.023. This result supports Hypothesis 4, and suggests that, large Bahraini companies disclose more voluntary information than small firms. This finding is similar to prior studies, who found significant positive associations between size and voluntary disclosures (e. g. Barako, et al, 2006; Zourarakis, 2009; Huafang and Jianguo, 2007; and Alves et al., 2012). This result supports the argument that large firms usually disclose more information, compared to smaller companies, because larger firms have more agency costs and a wider ownership distribution, so they are obliged to disclose more information.

Also, the results show that there is a strong significant positive association at the 0.005 level, between disclosure index and leverage (LEV). This finding supports Hypothesis 5, and suggests that Bahraini companies with a high leverage, disclose more voluntary information than firms with a low leverage. This finding is consistent with that found in other previous empirical studies (e. g. Barako, et al, 2006). This result confirms the assumption that, in countries such as Bahrain where financial institutions are a primary source of company funds, there is an expectation that companies, which have large sums of debt on their balance sheet, will disclose more information in their annual reports. Profitability does not appear to be significant, in explaining the level of voluntary information disclosure, for the study sample firms. This result is consistent with that found in other previous empirical studies, which have reported no association between profitability and the level of information disclosure (e. g. Huafang and Jianguo, 2007). This finding suggests that companies' financial performance numbers, are not factors, which we considered in deciding the variation and the extent of voluntary disclosures.

Table 5. Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.814</td>
<td>.054</td>
<td>15.066</td>
<td>.000</td>
</tr>
<tr>
<td>BLOKOW</td>
<td>-.229</td>
<td>.074</td>
<td>-.374</td>
<td>-3.092</td>
</tr>
<tr>
<td>MNROW</td>
<td>.008</td>
<td>.114</td>
<td>.010</td>
<td>.068</td>
</tr>
<tr>
<td>GOVOW</td>
<td>.030</td>
<td>.033</td>
<td>.136</td>
<td>.933</td>
</tr>
<tr>
<td>SIZE</td>
<td>1.903E-8</td>
<td>.000</td>
<td>.309</td>
<td>2.387</td>
</tr>
<tr>
<td>LEV</td>
<td>.007</td>
<td>.002</td>
<td>.416</td>
<td>3.020</td>
</tr>
<tr>
<td>PROF</td>
<td>.000</td>
<td>.000</td>
<td>.071</td>
<td>.595</td>
</tr>
</tbody>
</table>

a. Dependent Variable: DSCLSRE
6. Conclusion

This study examines the association between ownership structure variables and the extent of voluntary information disclosure, by companies listed on the BSE. The extent of disclosure is measured cross-sectionally, using a disclosure index comprising 34 items was prepared and applied to 41 corporate annual reports for year ending 2010. A review of the literature of the relationship between ownership structure and voluntary disclosure, led to the decision to include three variables of ownership structure in the multiple regression model, these variables are, blockholder ownership, managerial ownership, and government ownership. Also to include three control variables in the multiple regression model, for testing the main hypotheses, these factors are, size of firm, leverage and profitability.

Regression analyses, reveal that Bahraini firms with a high percentage of blockholder ownership, disclose less voluntary information than firms with a low blockholder ownership. This result suggests that corporate governance mechanisms influence a firm’s voluntary disclosure behavior, presumably in response to the information asymmetry between management and investors and the resulting agency costs. Additional exploratory analysis indicates that the extent of Bahraini corporate voluntary information disclosure, is significantly and positively associated with firm size and firm leverage. The study provides empirical evidence to policy makers and accounting regulators to assist in evaluating the extent of voluntary information disclosure, by Bahraini companies and explaining the variation of disclosure, in light of corporate governance mechanisms. Also, the study provides empirical evidence to policy makers to improve the level of supervision, and to improve the standard of reporting in Bahrain in order to improve the acceptability of annual reports.

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