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Corporate Voluntary Disclosure and the Medium-Sized Firms in Kenya

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ABSTRACT
The objective of the research study was to determine the effect of corporate voluntary disclosure on the financial performance of top 100 Medium Sized enterprises in Kenya. At the level of significance of about 5%, all the relevant statistics gave a negative constant as the intercept or inferred population parameter, with varied positive responses of the performance as measured by ROA for each unit change in the predictor variables.There was however, weak explanatory power in all the observed independent variables in explaining performance. The analysis of the coefficient of determination, which shows the degree of best fit between the dependent and independent variables was below 50% overall; with the highest being Sustainability Information at about 44% and the lowest at about 28%, being the Corporate and Strategic Information. The lack of statistical significance collapsed the multivariate function to only one predictor variable, the Sustainability Information, as the most relevant explainer of performance of these firms. However small the explanatory factors may seem to be, there is a positive change in performance of these firms for every unit increase in providing voluntary disclosure information. The study therefore concludes that there is a positive relationship between performance as measured by ROA and voluntary disclosures of relevant information for the medium-sized firms rated by the KPMG.

Keywords: Voluntary disclosure, sustainability information, forward-looking information, financial reporting

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I. Introduction

Corporate voluntary disclosure (CVD) has attracted lots of interest in the recent past due to the problems caused by information asymmetry as postulated in the principal-agent theory (Healy & Palepu 2001). Financial reporting has evolved continuously throughout its history and there is no obvious limit to its growth in future. The transformation from voluntary to mandatory and then the combination of both has been witnessed in the history of disclosure of accounting information.(Zhang Z., & Zhang J., 2014).There has been increased attention to corporate voluntary disclosure as companies acknowledge their responsibilities for matters beyond those of strictly financial nature. There are also global developments including capital market forces, economic factors, technological factors, socio- political factors that have also increased pressure on companies and their management, to be more accountable and enhance disclosure of informative information to their stakeholders (Healy & Palepu 2001).

The main theories underpinning corporate voluntary disclosure include the agency theory, stewardship theory and the signaling effect theory. Voluntary disclosure is a means of mitigating the agency costs (Barako et al., 2006). It also persuades the external users that managers are acting in an optimal way (Watson. 2002). Since the practice of accounting must respond to changes in the context in which it operates managers must exercise discretion with regard to engage in voluntary disclosure, based on the cost and benefits from such disclosure(Zhang Z., & Zhang J., 2014). A high environment information and low information asymmetry have many desirable consequences. Donaldson and Davis, (1993), in their Stewardship theory, however, assert that managers left on their own will act as responsible stewards. Signaling theory, on the other hand contends that companies will signal certain information to investors in order to have comparative advantage over other companies.

Despite their important contribution to job creation, productivity growth and consequently economic growth, medium-sized enterprises continue facing challenges that must be disclosed for the investors to make relevant decisions. These challenges include financial distress due to wrong capital structure or lack of adequate finance, lack of business opportunities to be able to expand and grow, lack of business diversification opportunities, rapid changes in technology and good business practices (corporate governance) (SME-RC, 2012).

Corporate voluntary disclosure (CVD) refers to the provision of non-mandatory financial and non-financial supplementary information in addition to the traditional financial statements (Schuster & O'Connell, 2006). In addition to the required mandatory disclosure, many companies are now disclosing information on a voluntary basis (Meek et al., 1995).

Mandatory disclosure is just a minimum standard of disclosure (Owusu-Ansah, 1998). Organizations are free to disclose more. Moreover, for organizations operating in free market economies where demand and supply forces determine the level of information needed in the market, voluntary disclosure should be the norm and the key typology of corporate disclosure practice (Schuster & O'Connell, 2006).Financial reporting consists of three broad dimensions being recognition, measurement accounting disclosure. These dimensions give corporate financial reporting its essence (Islam S.M, 2017).In particular, thecomplexity and the challenges of accountingenvironment necessitate voluntary accounting disclosure (Scott, 2012).An economy is said to be characterized by information asymmetry when some parties to business decision has more information advantage than others (Healy & Palepu 2001). Consequently, the importance of transmitting the most relevant information about an organization's activities to the market has led to the development of corporate disclosure aimed at regulating the level and content of the mandatory communication by corporations (Giorgino M et al., 2017).

Despite the global significance of accounting standard, mandatory financial reporting has been criticized as having inherent limitations (Giorgino M et al., 2017).

As a result, theorists and practitioners have developed models for additional voluntary disclosure. Even though it is clear, that there is no reliable basis that can guarantee an accurate and precise information on the future performance of the organizations(Islam S.M, 2017).International Accounting Standards Board (IASB) is currently under intense pressure to develop voluntary disclosure framework. Foster (1986) and Sukthomya (2011), assert that accounting and reporting are influenced by a diverse and complex set of information that cannot be easily quantified and ranked.

As such Jeewantha (2015) concludes that there is no standard way to classify voluntary disclosure because of dynamic and variety of interpretation of what is voluntary information.

Prior studies give an indication for widespread information disclosures that have been classified in several categories as impartial part of corporate reporting (Latridis and Alexakis, 2012. The voluntary disclosure classifications that have been identified by prior researchers include financial and capital market disclosures which includes the additional financial information disclosed beyond the mandatory information by firm's management (Waweru F. 2018). According to Chow& Wong-Boren (1987), voluntary financial disclosures include value added statement, financial analysis and historical financial statements.

Prior studies also identify corporate and strategic information as one of the voluntary disclosure classifications. This includes the revelation of information on the strategy an organization is pursuing and continues to pursuein the future (Coebegh H., 2011). According to Ho and Wong (2001) and Ho and Taylor (2013),the corporate and strategic information should include a company's background, industry competitiveness, and the prevailing political and economic situations. This has been supported byAchoki et al., (2016).

Sustainability disclosures classification linkeconomic, social and environmental objectives of a firm. According to Lima C et al., (2011), sustainability reporting consists of three dimensions, stakeholder dimension (interact with employees, customers and suppliers), environmental dimension (business operations worried about the natural environment) and social dimension (how the enterprise contribute to the better society). Forward looking information classification refers to information that captures current plans and future forecasts to enable financial statement users assess the company's future performance (Hussainey, 2004).

Firms practicing corporate voluntary disclosure will minimize the risk associated with information asymmetry and will therefore be more attractive to investors (Schuster & O'Connell, 2006). Increased disclosures will lead to increased transparency and credibility which will subsequently lower cost of capital and enhance a firm's value (Healy & Palepu 2001; Plumlee, et al, 2008).

Corporate voluntary disclosure will also enhance the quantity and quality of publicly available information leading to accurate earnings forecasts and less stock price volatility and hence higher stock values.Roberts and Dowling, (2002) contend that corporate voluntarydisclosure increases corporate reputation in the market-place. This can be a source of competitive advantages (Deephouse, 2000). Eccles et al., (2006) and Hutton et al (2001) are in agreement that corporate voluntary disclosure is a good channel for public relations and a proof of management creditability that will eventually increase a firm's value. According toArmitage & Marston (2008), corporate voluntary disclosures will foster trust that leads to fewer transaction costs and will also reduce the resources needed to create and enforce contracts. The need for elaborate safeguards and contingencies that require detailed monitoring will also be eliminated. The results will be improved financial performance.

II. Research Problem

The concept of disclosure is of great significance to the accomplishment of the objective of financial reporting.However, despite the global significance of accounting standards, mandatory financial reporting has been criticized as having inherent limitations and does not provide key drivers of corporate value in critical areas of the business (Islam, 2017). Corporate voluntary disclosure has, therefore, been viewed as being able to mitigate traditional financial reporting inherent shortcoming and is regarded as being key to decision making by various stakeholders.Scholars (Zarb, 2007; Hatem, 2014; Chauvin &Hirschey, 1993; Nagar, et al.; 2003) are not in agreement regarding a correlation between corporate voluntary disclosure and firm's value.

Prior studies about economic benefits of CVD are mostly conducted in developed nations where strong enforcement mechanisms for corporate disclosure exist(Leuz&Verrecchia, 2000). In such cases, the effects of additional voluntary disclosure are likely to be small (Hassan et al, 2009). Moreover, there has been controversy in the findings of some of the studies. For example, Chauvin &Hirschey (1993), concluded that there was no relationship between CVD and firm value, whereas Waweru F (2018) and Mutiva J.M. et al (2015), concluded that market performance is positively related to CVD in terms of stock market returns.

According to Stella (2011), Top 100 Medium Sized enterprises in Kenya face several difficulties. These include difficulties in exploiting technology, low productivity and regulatory burden that have become more acute in globalized, technology driven environment .Therefore, medium-sized enterprises require to run efficiently, grow and expand to play an important role in the Kenyan economy. However they cannot run efficiently, grow and expand without adequate financial capital from investors who will require relevant information for investment decisions. The study therefore sought to determine whether provision of voluntary information can fill this gap. The objective of the research study was to determine the effect of corporate voluntary disclosure on the financial performance of the top 100 Medium Sizedenterprises in Kenya.

III. Literature Review

The Agency theory, Stewardship theory and the Signalling theory underlie this study**.** According to Jensen and Meckling (1976), agency theory is based on the presumption that the shareholders and management of a firm are not the same in most of the modern businesses and therefore agency costs surface. The agency costs are associated with the problem of information asymmetry where management has more information about the firm than the shareholders. Typicallymanagers have more information and decision making rights on a firms economic conditions than shareholders and other stakeholders. The degree to which management voluntarily disclose information can significantly vary.

A possible explanation why firms voluntarily disclose accounting information is the existence of asymmetric information, as described by the principal-agent problem (Healy & Palepu, 2001). Regulations are another means of mitigating the agency problem as they require managers to fully disclose private information (Healy & Palepu, 2001). However, fulldisclosure is never guaranteed even in the presence of regulations (Al-Razeen&Karbhari, 2004). The absence of full disclosure is explained by the conflict that exists between the interests of managers and shareholders(Lev & Penman, 1990; Samuels, 1990).

In addition, corporate reporting regulations are intended to provide investors with the minimum quantity of information that helps in the decision-making process (Al-Razeen&Karbhari 2004). Consequently, the shareholders will need to set up the board of governance with a primary duty of safeguarding their interests by strictly monitoring the decisions of the management (Daily, Dalton, &Rajagopalan, 2003). This is because the management may not be fully trusted as a result of conflict of interests. The main interest of agency theory thus, is the efficient and effective monitoring which is mostly achieved through a well-structured board, that is, where the board is composed mainly with truly independent directors and different persons work as chairperson and CEO in the organization (Uadiale, 2010).

Fama& Jensen (1983) have stated that non-executive directors would be independent and would possess the necessary expertise to do their main function of monitoring management

Efficiently. Singh &Harianto (1989) concur with Fama& Jensen (1983) that independent boards are best for effective monitoring as it reduces the over-reliance of the CEO within the board and guard shareholders' interest. Therefore, agency theorists advocate the need for non-executive directors as they act as representatives of the shareholder (Carter,Simkins& Simpson, 2003).

Stewardship theory developed by Donaldson and David (1991 & 1993), states that managers, left on their own, will act as responsible stewards and will provide all the information required by shareholders for decision making. Stewardship theory advocates that managers should be responsible stewards of the assets they control in the organization. Donaldson and Davis (1993) also assert that company directors as stewards of the organization are mostly considered dependable individuals and can be trusted with the organizational resources.Proponents of stewardship theory (Donaldson and Davis, 1993; Tosi et al., 2003; Davis et al., 1998; and Eddleston and Kellermance, 2007) argue that positive link exist between organization's superior performance and management that acts diligently to maximize value for shareholders. They assert that a firm's management has expertise about business activities of the firms they govern hence able to make quality decisions for the benefit of the firm. In respect to the Board, advocates of Stewardship Theory affirm that satisfactory corporate performance can Davis 1993; Tosi et al.; 2003; Davis et al.;1998; and Eddleston and Kellermans, 2007). The fundamental principle of the stewardship theory is the belief that the shareholder-steward relationship depends on a choice. The decision to behave as stewards by both parties and give higher value to the shareholders is believed to have positive impacts on the firm's performance because they will be working toward the same goals(Eddleston and Kellermanns, 2007).

Although the signalling theory was originally developed to clarify the information asymmetry in the labour market (Spence, 1973), it has been used to explain voluntarydisclosure in corporate reporting (Ross, 1977). As a result of the information asymmetry problem, companies signal certain information to investors to show that they are better than other companies in the market for the purpose of attracting investment and enhancing a favourable reputation (Verrecchia, 1983).Voluntary disclosure is one of the signalling means, where companies would disclose more information than the mandatory ones required by laws and regulations in order to signal that they are better (Campbell et al., 2001).Based on the signalling theory viewpoint, companies‟ managers are interested in disclosing good news‟ to the market participants in order to avoid the undervaluation of their shares. Additionally, managers of companies who are more interested to disclose additional information voluntarily bear in mind that this guarantees a good signal about their companies‟ performance and weakens information asymmetry (Khlifi and Bouri, 2010). Signalling theory suggests that voluntary information disclosure in corporate annual reports can be used as a signal in order to improve the corporate reputation, attract new investors, lower capital costs and also help to improve its relationships with the relevant stakeholders, (Hawashe, 2014)

Waweru F. (2018) investigated the effect of voluntary disclosure on market performance of non-financial firms listed on NSE in Kenya. The study used secondary panel data contained in annual report for period 2011 to 2015 complimented by semi-structured questionnaires for 42 listed companies on NSE. The result revealed that there was a significant positive effect of voluntary disclosure and firm market performance measured by Tobin Q ratio.Achoki et al., (2016) examined the effect of voluntary disclosure on the financial performance of commercial banks in Rwanda. They used descriptive research design and analyzed annual report for 14 commercial banks from 2011 to 2015. The disclosure was measured using disclosure index. They revealed strong relationship between voluntary disclosure, firm size and financial performance measured in term of Return on Equity.Mutiva *et al*., (2015), investigated the relationship between CVD and financial performance of companies quoted at the NSE. They analyzed annual reports of 10 listed companies for period 2011 to 2013. They noted there was a positive relationship between CVD and financial performance measure of ROI.

Esfesalari&Zarei (2013) investigated the effect of voluntary disclosure changes on firm value of Tehran stock accepted firm. The disclosure used content analysis to measure disclosure. The results from 420 firm-year during 2006 to 2011 showed that managers of firms whose firm values are undervalued by investors increase voluntary disclosure of information.Haggard et al (2008) investigated whether voluntary disclosure improve stock price in formativeness. The objective of the study was to find the relationship between stock price and voluntary disclosure. The sample consisted of 2084 firm-year observations covering year 1982 to 1995. Disclosure in the case measured using the annual reviews if corporate reporting practices (ARIMA Scores). The finding was that there exist a negative relationship between stock prices and voluntary disclosure.

Daske H., (2006), investigated whether adoption of International Financial Reporting Standards led to measurable economic benefits by reducing the cost of capital for adopting firms. Using a set of German firms that adopted such standards for period 1993 to 2002, the results show that the expected cost of equity capital in fact it appear to have rather increased under non-local accounting standards.Other scholars view voluntary disclosure choices influence firm value through corporate reputation in the marketplace that can be a source of competitive advantage and thus increased economic value." (Hutton et al 2001; Eccles et al., 2006; Armitage & Marston 2008 etc.)

Qiua*et al*., (2014) examine social and environmental disclosure association with corporate financial performance in term of profitability and market value. The study use disclosure survey to measure disclosure of 629 firm-year observations for period 2005 to 2009. Results show that social disclosure matters to investor's as higher social disclosure have higher market value while there is no strong relation between environmental disclosure and market performance.Ianniello G (2010) examines voluntary disclosure of the value added statement in annual reports of Italian listed companies. The study undertook a survey of 211 published annual reports for period 2003. Results show that publication of value added statement in annual reports is a marginal phenomenon. This implies that voluntary disclosure of value added statement provide an informative advantage with limited marginal costs because this performance report can be disclosed with figures already recognized in the Income statement.

Prior studies in Kenya have, however, focused on sampling big firms in their sample frame, which may cause statistical regression as selected firms have extreme scores on firms performance to begin with. This is evidenced by prior studies (Zarb B.J, 2007; Hatem B., 2014 etc.) which found out that firm size was a significant explanatory variable of firm performance. Prior studies oncorporate voluntary disclosure and firm value have mostly been conducted in the developed nations, where there is strong enforcement mechanism and rich stringent disclosure system. Therefore, the effect of additional voluntary disclosure is likely to be small (Leuz&Verrecchia, 2000). Also, most research studies on voluntary disclosures and firm performance do not specifically identify the content making the disclosure items. For instance, (Haggard et al., 2008, Esfesalari&Zarei, 2013) studied voluntary disclosures in annual reports and firm performance. None of the studies made an effort to elaborate on the specific disclosure items, instead the researchers generalized the voluntary disclosures. This research study, however, elaborating on various categories of corporate voluntary disclosure items.

IV. Research Methodology And Findings

This was a cross-sectional survey carried out in 2020 – 2021 involving the top-rated one hundred medium sized enterprises found in different sectors of the economy in Kenya. Theywere identified from the list prepared for a competition organized by Klynveld Peat Marwick Goerdeler (KPMG) which defines Top 100 mid-sized companies as those with a turnover in the range of Kshs 50 million to Kshs 1 billion and having audited accounts for the past three financial years and are not listed on a stock exchange. In Kenya, Medium-sized enterprises refer to organizations that have 50-99 workers with a turnover of Ksh.50million- Ksh.1 billion (Government of Kenya 2009).

A regression model was used in the analysis of the data in order to establish the effect of corporate voluntary disclosure on the financial performance of medium-sized enterprises in Kenyaas follows:

$$\mathbf{Y}= \boldsymbol{\beta}_0+ \boldsymbol{\beta}_1\mathbf{X}_1+ \boldsymbol{\beta}_2\mathbf{X}_2+ \boldsymbol{\beta}_3\mathbf{X}_3+ \boldsymbol{\beta}_4\mathbf{X}_4+\boldsymbol{\varepsilon}$$

Where:
Y= Financial Performance
β_0 = Intercept
β_1, β_2, β_3, β_4 = coefficients
X_1 = Financial & Capital Market Information
X_2 = Corporate and Strategic Information
X_3 = Sustainability Information
X_4 = Forward– Looking Information
ε = Error Term

The analysis sought out to examine whether there exists a relationship between each of the individual predictor variables of voluntary disclosure with return on assets as a measure of firm performance. The data analyzed here wastaken from a primary source, with each company giving their information individually on net income and total assets. Out of a population of 100 companies, 21 companies provided their results that was used as the basis for analysis in this study. The data analysis was broken down into univariate functions, with each key indicator as the independent variables relating to dependent variable after which the multivariate model was constructed. The analysis focused on the relationship between performance as measured by return on assets as explained by the four predictor variables. The findings of the univariate relationships are discussed in the following sub-headings.

The analysis sought to establish the relationship between Corporate and Strategic Information and firm performance as measured by Return on Assets (ROA). Figure 4.1 depicts this relationship which is a positive value estimated by a straight line. An observation of the summary table indicates an R-value of .288 and an R-Square of .083 which means that a very small percentage of variation in the dependent variable (Return on Assets) is explained by the variation in independent variable (Corporate and Strategic Information). Table 4-2 shows an inverse constant parameter which depicts a negative variation of ROA. The independent variable (Corporate and Strategic Information) gives a positive linear relation with ROA. It indicates that performance, as measured by return on assets increases at a rate of about 4.3 per unit increase in disclosed information on corporate and strategic information. This information is summarized in the frequency distribution histogram in Figure 4-1.

Table IV-1 Corporate and Strategic Information and ROA
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.288[a]	.083	.035	230.50145

a. Predictors: (Constant), Corporate and Strategic Information
b. Dependent Variable: Return on Assets

Table IV-2 Coefficients of Variation
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-105.167	259.708		-.405	.690
	Corporate and Strategic Information	4.341	3.309	.288	1.312	.205

a. Dependent Variable: Return on Assets

Observation from the summary model on sustainability information shows an R-value of .44 and an R-Square of .194. The coefficient of determination does not strongly explain the relationship between this predictor variable and the performance as measured by ROA. The analysis of the coefficients of variation also gives a negative intercept and a positive variation of about 9.3 of ROA per every unit of disclosed information on Sustainability. This shows that disclosure of these kinds of information increases performance as measured by ROA.

Table IV-3 Sustainability Information on ROA
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.441[a]	.194	.152	216.04973

a. Predictors: (Constant), Sustainability Information
b. Dependent Variable: Return on Assets

Table IV-4 Coefficients of Variation
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std.Error	Beta		
1	(Constant)	-541.970	363.135		-1.492	.152
	Sustainability Information	9.833	4.592	.441	2.141	.045

a. Dependent Variable: Return on Assets

The analysis of the univariate model indicates an R-value of .406 and an R-Square of .165, again showing not that strong explanatory power of the relationship between financial and capital market information and ROA. However, there is a negative constant and a positive slope indicating a 5.167 change in ROA for every unit change in the disclosed financial and capital market information. At about 6.8% level of significance, this shows an increase in performance as measured by ROA as the level of disclosure requirement on financial information increases. This is summarized in the standardized frequency distribution in Figure 4-3 below.

Table IV-5Financial & Capital Market Information on ROA
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.406[a]	.165	.121	219.96830

a. Predictors: (Constant), Financial & Capital Market Information
b. Dependent Variable: Return on Assets

Table IV-6Coefficients of Variations
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	-184.348	218.733		-.843	.410
	Financial & Capital Market Information	5.167	2.668	.406	1.937	.068

a. Dependent Variable: Return on Assets

The analysis of the forward-looking information indicates a weak explanatory power given by an R value of .393 and an R-Square value of .155. This indicates a weak relationship between the response and predictor variables. However, there is a negative intercept and about 4.3 positive rate of change in ROA with respect to each unit change in the disclosed forward-looking information. This, again, indicates that as the level of disclosure of forward-looking information increases, the performance of these firms also increases, as measured by ROA. This information is also depicted in the histogram shown below.

Table IV-7Forward-Looking Information on ROA

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.393[a]	.155	.110	221.32014

a. Predictors: (Constant), Forward-Looking Information

b. Dependent Variable: Return on Assets

Table IV-8Coefficients of Variation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-66.496	165.720		-.401	.693
	Forward-Looking Information	4.263	2.287	.393	1.864	.078

a. Dependent Variable: Return on Assets

The following gives the findings of multiple regression analysis. This gives the model for testing the significance of the relationship between the dependent variable and the independent variables. The regression model for this study is as given below:

$$\mathbf{Y= \beta_0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+\varepsilon}$$

Where:

Y= Financial Performance

β_0 = Intercept

β_1, β_2, β_3, β_4 = coefficients

X_1 = Financial & Capital Market Information

X_2 = Corporate and Strategic Information

X_3 = Sustainability Information

X_4 = Forward– Looking Information

ε = Error Term

The first table gives the descriptive statistics in terms of the central limit theorem of means and standard deviations. It also shows that all data captured for analysis have been included.

Table IV-9Descriptive Statistics

Descriptive Statistics

	Mean	Std. Deviation	N
Return on Assets	229.0286	234.61619	21
Corporate and Strategic Information	76.9905	15.57443	21
Sustainability Information	78.4095	10.52036	21
Financial & Capital Market Information	80.0000	18.43909	21
Forward-Looking Information	69.3238	21.64146	21

Table IV-10The Pearson Correlations

Correlations

		Return on Assets	Corporate and Strategic Information	Sustainability Information	Financial & Capital Market Information	Forward-Looking Information
Pearson	Return on Assets	1.000	.288	.441	.406	.393

Correlation	Corporate and Strategic Information	.288	1.000	.071	.422	.437
	Sustainability Information	.441	.071	1.000	.430	.068
	Financial & Capital Market Information	.406	.422	.430	1.000	.460
	Forward-Looking Information	.393	.437	.068	.460	1.000

The correlation coefficient shows the strength of association between each independent variable and the response variable. Form the analysis, the only independent variable that shows significant variation with the dependent variable is the Sustainability Information, giving an R value of .441. This is followed by Financial and Capital Market Information at .406, then Forward-Looking Information with .393 and finally, Corporate and Strategic Information with .288.

Table IV-11The Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.441[a]	.194	.152	216.04973	1.969

a. Predictors: (Constant), Sustainability Information

b. Dependent Variable: Return on Assets

The summary statistic has depicted the most significant predictor variable for the performance as measured by ROA, that is, the Sustainability Information. The analysis of variance (ANOVA) Table is also given to support this variability in Information Sustainability.

Table IV-12The ANOVA Summary

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	214022.834	1	214022.834	4.585	.045[b]
	Residual	886872.269	19	46677.488		
	Total	1100895.103	20			

a. Dependent Variable: Return on Assets

b. Predictors: (Constant), Sustainability Information

The corresponding coefficient table is as given below. This indicates that intercept of the multiple regression is negative, while there is a positive slope of 9.833 variation in ROA for every single variation in Sustainability Information.

Table IV-13Coefficients of Variation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-541.970	363.135		-1.492	.152
	Sustainability Information	9.833	4.592	.441	2.141	.045

a. Dependent Variable: Return on Assets

The following histogram depicts the corresponding frequency distribution for this model.

V. Conclusions

The objective of this study was to establish the relationship between the selected information disclosure indicators as predictor variablesand performance of the 100 medium-sized firms rated by KPMG, as measured by the return on assets (ROA). The analysis conducted came up with mixed reactions of the different disclosure variables, largely showing weak statistical relationships between these predictor variables and the response variable. The summary of the model findings shows that only about 44% of the resultant performance values are explained by the independent variables. However, each independent variable indicated a positive response of performance as measured by ROA in relation to a unit change in predictor variables.The mixed performance depicted by this study in consistent with the findings of earlier studies by Ahmed and Courtis (1999) in which they found mixed relationship in their study of the relationship between profitability and voluntary disclosures. In their study, Kristandl and Bontis (2007) found that different voluntary disclosures resulted mixed reactions and hence inconsistent conclusions.

The approach adopted by this study was to analyse univariate functions, where independentvariables were individually compared with the performance of firms as measured by ROA. From this perspective and at a significance level of an average of 5%, all the resultant statistics gave a negative constant as the intercept or inferred population parameter, with varied positive responses of the performance as measured by ROA for each unit change in the predictor variables.There was however, weak explanatory power in all the observed independent variables in explaining performance. The analysis of the coefficient of determination, which shows the degree of best fit between the dependent and independent variables was below 50% in all cases, with the highest being Sustainability Information at about 44% and the lowest at about 28%, being the Corporate and Strategic Information. This lack of statistical significance collapsed the multivariate function to only one independent variable, that is, Sustainability Information, as the most relevant predictor of performance of these firms.

In summary, therefore, only about 28% of Corporate and Strategic Information as a voluntary disclosure item explains the change in performance of these firms; about 44% of Sustainability Information explains the change in performance; about 41% of Financial and Capital Market Information explains the change in performance; and only about 39% of Forward-Looking Information explains the change in performance as measured by return on assets. However small the explanatory factors may be, there is a positive relationship or change in performance of these firms for every unit increase in providing voluntary information under the headings provided. Therefore, we can conclude that a positive relationship exists between performance and voluntary disclosures for the medium-sized firms rated by the KPMG.

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