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Corporate Governance Mechanisms and Voluntary Disclosure in Saudi Arabia

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Abstract
The main objective of this study is to examine the impact of internal and external corporate governance mechanisms on voluntary disclosure in Saudi Arabia. The sample consists of 87 companies from the Saudi Stock Market. The data are collected from the annual reports for the available financial years 2006 and 2007. It is found that corporate governance mechanisms play a vital role in providing quality reporting. Most corporate governance mechanisms, especially non-executive directors, board size, CEO duality, audit quality, and government ownership, have a significant contribution in providing quality voluntary disclosure. The findings of this study provide evidence on the effectiveness of corporate governance as a mechanism of monitoring power to provide users with adequate and sufficient information. The findings of this study have important implications for authority regulators, policy makers, shareholders and other users of reports who have an interest in best practices of corporate governance.
Keywords: Corporate Governance, Voluntary Disclosure, Saudi Arabia

1. Introduction

The numerous bankruptcies and business failures that have happened in gigantic companies around the world such as Enron, World com and Paramalat in 2002 have pressed several corporate governance committees and organizations around the world to produce a number of reports and establish rules that can help in monitoring and controlling management systems. These reports include the Cadbury Report (1992) and Greenbury Report (1995) in the UK, the Business Roundtable (1997) and Sarbanes Oxley Act (2002) in the US, the King Committee Report (1994) in South Africa and the Organization for Economic Cooperation and Development (OECD) Principles (1999, 2004). It is believed that in order for companies to become internationally competitive and be able to attract foreign capital, they need to adopt commonly accepted standards of corporate governance (Solomon, Lin, Norton and Solomon, 2003).

The corporate governance system has started to establish strong roots in the Middle East markets, especially from the beginning of this century. Additionally, it is also supported by several international organizations that are interested in corporate governance. Miteva (2005) stated that the OECD had embarked on improving the corporate governance initiative in the Middle East and North Africa (MENA). The OECD – MENA initiative is aimed at modernizing the government structures and proceeding with corporate governance practices in MENA countries. Additionally, it is aimed at improving the policies and environment for investment in the region. As a result, the code of corporate governance was established in Saudi Arabia in 2006.

Adequate disclosure of information is essential because without such information, it is not possible to properly judge the opportunities and risks of investment. According to Meek, Roberts, and Gray (1995), there is uncertainty about the quality of firms (e.g. in terms of the nature of their assets and riskiness of cash flows) and their securities. Thus, investors demand information to assess the timing and uncertainty of current and future cash flows so that they may value firms and make other investment decisions. Additional disclosure will help investors to reduce the likelihood of making the wrong investment decisions. Furthermore, the change in the environment and the increase in business complexity are giving rise to additional demands for information (FASB, 2001). Companies satisfy this demand by voluntarily supplying additional information in their annual reports.

The issues of disclosure and corporate governance have dominated the headlines of the world's business press in recent years. Various studies have been published in several countries such as the US, the UK, Continental European Countries and West Asian Countries (e.g. Arcay & Vazquez, 2005; Chen & Jaggi, 2000; Donnelly & Mulcahy, 2008; Forker, 1992; Haniffa & Cooke, 2002; Ho & Wong, 2001; Lakhal, 2005). Most of the empirical studies in different countries around the world that examined the association between corporate governance mechanisms (e.g. board structure) and voluntary disclosure provide mixed results (e.g. Arcay & Vazquez, 2005;

Gul & Lenug, 2004; Ho & Wong, 2001; Labelle, 2002). In contrast, there is no published research to date that has examined the nature of the association between corporate governance and disclosure among firms in Saudi Arabia.

The examination of the relationship between voluntary disclosure and corporate governance mechanisms in oil rich countries like Saudi Arabia will, therefore, contribute to the existing knowledge on disclosure and corporate governance. In recognizing the importance of the adequacy of disclosure and corporate governance, it is vital to have a study that focuses on developing a framework and benchmarking the disclosure level among companies in the Middle East, specifically in Saudi Arabia.

2. Background on Corporate Governance and Corporate Reporting Regulations in Saudi Arabia

There are several rules and regulations that support the implementation of corporate governance in Saudi listed companies. In 1985, the Ministry of Commerce and Industry issued the Disclosure and Transparency standard. Corporate governance is supported by issuing this standard because, disclosure and transparency is considered to be one of the most important elements of corporate governance best practice. The action of issuing this standard was one of the important decisions in the development of accounting and reporting practices in Saudi Arabia because the disclosure requirements had been very low beforehand (Al-Mulhem, 1997).

The latest progression of corporate governance in Saudi Arabia has witnessed the development and issuing of the code of corporate governance in the year 2006. The code was prepared to harmonize with international standards of corporate governance such as the OECD principles. It contains three main parts: the Rights of Shareholders and the General Assembly, Disclosure and Transparency, and Board of Directors.

3. Hypothesis Development

3.1 The Proportion of Non-Executive Directors on the Board

The agency problem emerged from the conflict of interests between shareholders and managers where managers have the tendency to maximize their interests at the expense of shareholders' welfare (Jensen and Meckling, 1976). This interest has led shareholders to be more eager to monitor the managers by delegating authority to the board of directors to monitor and control the decisions made by managers. For directors to be more effective and act in the shareholders' interests there should be a higher proportion of non-executive directors on the board.

Several empirical studies that examined the relationship between the proportion of non-executive directors on the board and voluntary disclosure, found a positive relationship (e.g Forker, 1992; Chen and Jaggi, 2000; Arcay and Vazquez, 2005). Based on the argument of agency theory that having more non-executive directors on the board provides more power to monitor management to disclose more information, the study suggests the following hypothesis:

Hypothesis 1. There is a positive association between the proportion of non-executive directors and voluntary disclosure.

3.2 The Proportion of Family Members on the Board

Family members on the board might have an influence on disclosure practices. The agency problem is not only about the conflict of interests between shareholders and managers but also between the majority and minority shareholders. Marisela (2005) found that the corporations in Latin America are controlled by family members and that the agency problem is between the majority and minority shareholders. Thus, it can be predicted that the presence of family members on the board is related to lower disclosure because they have greater access to information and they do not have the intention of disclosing this information to others.

Several empirical studies that examined the association between the proportion of family members on the board and voluntary disclosure have found a significant negative association (e.g. Ho & Wong, 2001; Haniffa & Cooke, 2002; Jaggi, Leung, & Gul, 2009). Thus, the study hypothesizes that:

Hypothesis 2. There is a negative association between the proportion of family members on the board and voluntary disclosure.

3.3 Board Size

There are different views and arguments on the issue of board size. There is an argument supporting the idea of increasing board size. Resource Dependency theory argues that large board size has a variety of knowledge and more ability to manage the capital resource of the company (Pfeffer, 1972). While, another view argues that small board size provides more quality of monitoring because there is no contradiction in thinking or objectives among directors. Lipton and Lorsch (1992) stated that large board size is dysfunctional because a large number of directors are easy to be controlled by top managers and, therefore, they cannot criticize the policies of the top managers or discuss the performance of the company truthfully.

The view of small board size is also supported by several committees and reports on best practices of corporate governance around the world, which recommend a limitation on board size such as the Hampel Report (1998), Malaysian Code on Corporate Governance (2000, Revised 2007), and Saudi Code of Corporate Governance (2006).

Several empirical studies found a significant association between board size and disclosure (e.g. Yermack, 1996; Vafeas, 2000; Byard, Lin, and Weintrop, 2006). Based on the argument that small board size leads to quality monitoring and better disclosure, the following hypothesis is formulated:

Hypothesis 3. There is a positive association between small board size and voluntary disclosure.

3.4 Independent Audit Committee Members

The audit committee has a vital role in ensuring the quality of financial reporting, reviewing and assessing internal control systems and monitoring the relationship between management and the external auditor (NACD, 2000). This role will help the users of these reports to make optimal decisions. The most important characteristic of audit committees is that the majority of their members should be independent. Most of the corporate governance codes and regulations around the world, such as Cadbury 1992, the Sarbanes Oxley Act 2002, and Saudi Corporate Governance Code 2006, require audit committees to consist of a majority of independent members.

Previous studies that found a positive relationship between the existence of an audit committee and voluntary disclosure such as (Arcay & Vazquez, 2005; Ho & Wong, 2001). Based on the argument that independent audit committee members provide better knowledge and quality reporting, it is hypothesized that:

Hypothesis 4. There is a positive association between the independence of audit committee members and voluntary disclosure.

3.5 Separation of the CEO and Chair Positions

Separation of the positions of Chairman and CEO could enhance independent board leadership and help in fully representing the interests of the shareholders. Agency theory supports the separation of the positions of Chairman and CEO from the view of independence, because, an independent Chairman can monitor and oversee the activities of the CEO and top managers. Prior studies found a positive association between the separation of the CEO and the Chariman positions and voluntary disclosure such as Arcay and Vazquez (2005), Haniffa and Cooke (2002), and Lakha (2005). Based on the argument of agency theory that an independent Chairman provides strong power to the board in effectively monitoring and demanding sufficient disclosure information, it is hypothesized that:

Hypothesis 5. There is a positive relationship between the separation of the CEO and Chairman positions and voluntary disclosure.

3.6 Audit Quality (Big 4)

Audit quality is defined as the joint probability of detecting and reporting material financial statement errors (DeAngelo, 1981). Thus, audit quality is linked to enhance the quality of information disclosure. Agency theory has a strong link with audit quality because an independent big audit firm has more ability to elevate the agency problem by providing high reliable and credible information (Francis & Wilson, 1988; Jensen and Meckling, 1976).

According to DeAngelo (1981) the big audit firms are likely to disclose more information in order to reduce their legal liability. Several studies that examined the association of Big audit firms with reporting quality such as Makhija and Patton (2004), Bassett, Koh, and Tutticci (2007), Kelton and Yang (2008), and Barros et.al (2013) found a positive association between Big 4 audit firms and disclosure information. Based on the argument that Big 4 audit firms provide quality information, the following hypothesis is proposed:

Hypothesis 6. There is a positive association between audit quality and voluntary disclosure.

3.7 Government Ownership

Modern corporations are characterized by the separation of ownership and management. This separation has led to the emergence of agency theory, which focuses on the conflict of interests between ownership and management. Fama and Jensen (1983) stated that in companies with a dispersed ownership, the potential for conflicts between shareholders and managers are greater than in companies with less dispersed ownership.

Ownership structure especially government ownership in GCC countries is highly concentrated because most of the listed companies are family or government owned companies. Therefore, the governments still hold a high percentage of shares in the companies that they own. For example, the Saudi government holds more than 30% of Saudi listed companies (Alajlan, 2004).

Empirical studies have examined the impact of government ownership on company growth, performance and disclosure, and found a negative impact. Barth at al. (1999) found that high government ownership in banks is associated with lower efficiency, less saving and borrowing, slower growth and lower productivity. Makhija and

Patton (2004) found that there is no significant positive relationship between government ownership and voluntary disclosure. Based on the argument that the government owns a high percentage of shares in Saudi Arabia and government ownership has no interest in providing sufficient information, it is hypothesized that:
Hypothesis 7. There is a negative association between government ownership and voluntary disclosure.

4. Data Methodology

4.1 Sample Selection

The Gulf Corporation Council (GCC) consists of six countries (Saudi Arabia, Bahrain, Kuwait, Qatar, Oman and the United Arab Emirates), which share the same culture, religion, language and economic characteristics including their high dependence on oil revenue. Furthermore, according to Ameinfo (2006), as quoted by the Magazine of the FTSE Global Markets (2006), the GCC stock markets had a combined total of 528 listed companies at the end of 2005 with a capitalization of 1.16 trillion US dollars. Saudi Arabia has the largest capital market among other GCC countries with 685.3 billion US dollars. Thus, the study consists of 87 Saudi listed companies. The study used the annual reports to collect the data on voluntary disclosure for the years 2006 and 2007. The study uses the two years as the available years after publishing the corporate governance code in 2006.

4.2 Voluntary Disclosure Measurement (Dependent Variable)

Unlike previous studies (example Meek et al. 2000; Naser and Nuseibeh, 2003), which used the dichotomous approach (1 disclosed and 0 otherwise), the current study using new methodology of measuring voluntary disclosure. The study using three levels of disclosure (2 if fully disclosed; 1 slightly disclosed, 0 not disclosed) in measuring the level and quality of voluntary disclosure (Al-Janadi Y. et al. (2012).

The voluntary disclosure index is divided into three main categories: General and Financial Information, Corporate Governance Information and Social and Environmental Information. The first category describes the general and financial information including information on General Information, Corporate Strategy, Vision and Mission, Acquisition and Disposal, Research and Development, and Future Prospects. The second category discusses the disclosure information on corporate governance, which includes information on Board of Directors Information, Responsibilities of the Board of Directors,, Board Structure, Board Performance, Risk Management, Ownership Structure, and Auditing. The last category describes the social and environmental information, which includes information on Employee Training, Distribution of Employees, Employee Welfare, Environmental Policies, Environmental Performance, Environmental Protection, Social Community Programmes, Social Policies-Customer Health, and Social Product Information.

4.3 Measuring Independent Variables

The measurement of the variables used in this study is summarized in Table 1. The measurement of the dependent variable is discussed in the previous section. The measurement of independent variables is collected from the annual reports similar to several prior studies such as Chen and Jaggi (2000), Haniffa and Cooke (2002), Arcay and Vazquez (2005), and Barako, Hancock, and Izan (2006). The inclusion of the control variables in this study is to avoid voluntary disclosure being influenced by these control variables. Several of the control variables found in empirical studies in the literature (e.g. Chau & Gray, 2002; Ho & Wong, 2001; Makhija & Patton, 2004) have an impact on voluntary disclosure. These variables are firm size, industry type and profitability. They are included in this study for testing the main hypotheses.

Table 1
Definition and Measurement of Variables

Variables	Notation	Measurement
Dependent variable		
Voluntary Disclosure	VDISC	Total number of points awarded for voluntary disclosure of financial and non-financial information.
Independent Variables		
The proportion of non-executive directors on the board:	PNEDB	The number of NED on the board divided by the total number of directors on the board (Ho and Wong, 2001),
The proportion of family members on the board	PFAMILY	The ratio of family members on the board to the total number of directors.
Board Size	BSIZE	Number of directors on the board
Independent audit committee members:	IAUDCOM	The number of independent audit committee members divided by the total number of members of the audit committee.
Separation of the CEO and Chair positions:	CEOCHAI	The variable is coded 1 if there is separation between the CEO and Chairman position and 0 otherwise.
Audit Quality (Big 4)	B4	The variable takes the value 1 if the company audited by one of the Big four audit firms and 0 otherwise.
Government Ownership	GOVEOW	Sum of the percentage of equity shares owned by the government.
Foreign Ownership	FOROW	Sum of the percentage of equity shares owned by foreign investors.
Control Variables		
Firm Size	FSIZE	Logarithm of total assets
Financial sector	FIN	Coded as 1 if the firm belongs to the finance or insurance sector and 0 otherwise.
Industrial sectors	IND	Coded as 1 if the firm belongs to the industry or cement sectors and 0 otherwise.
Services	SERV	Coded as 1 if firm belongs to other sectors and 0 otherwise
Profitability	ROE	Return on Equity

5. Results

5.1 Descriptive Results

Table 2 summarizes the descriptive statistics of the overall voluntary disclosure of each category of the index. The results show that overall voluntary disclosure in Saudi listed companies is low with an average of 31.73 per cent. Despite the low level of the voluntary disclosure index in Saudi listed companies, it is still in a good position compared with the level of voluntary disclosure in other developed and developing countries. For example, the average level of voluntary disclosure in Hong Kong is 29 per cent (Ho & Wong, 2001); in Malaysia it is 31 per cent (Ghazali & Weetman, 2006), in Singapore it is 29 per cent (Cheng & Courtenay, 2006), and in U.S. it is 47 per cent (Francis, Nanda, & Olsson 2008).

The results also show that the corporate governance disclosure category is the highest category of disclosure with an average of 41.54 per cent followed by general and financial information with an average of 39.56. The lowest category of disclosure is the social and environmental disclosure category with an average of 14.61 per cent as shown in Table 2. This result indicates that although Saudi Arabia is an oil producing country and has many oil companies, these oil companies do not show great concern for the environment.

Table 2
Summary of Statistics for Voluntary Disclosure Score

Categories of Voluntary Disclosure	Average of VD
General and Financial Information	39.56
Corporate Governance Disclosure	41.54
Social and Environmental Disclosure	14.61
Overall Voluntary Disclosure	31.73

Table 3
Descriptive Statistics for Independent Variables

Variables	N	Mini	Max	Mean
Non-Executive Directors (NED)	87	2	12	7.07
The proportion of Non-Executive Directors on the Board (PNEDB, %)	87	40	100	83.52
Board Size (BSIZE)	87	4	13	8.43
Family members on the board (FAMILYNO)	87	0	6	1.13
Proportion of Family members on the board (PFAMILY, %)	87	0	100	13.33
Independent Audit Committee Members on the Board (IAUDCOM)	87	2	6	2.99
The Total of Audit Committee Members on the Board (AUDCOM)	87	2	6	3.20
Proportion of Independent Audit Committee Members on the Board (PIAUDCOM, %)	87	40	100	94.41
Government Ownership (GOVOW, %)	87	0	81	11.19
Foreign Ownership (FOROW, %)	25	0	44.7	17.49

The descriptive statistics of the independent variables are illustrated in Table 3. Regarding the board structure, the results show that the average number of NEDs on the board is 7.07 comprising 84 per cent of the total number of directors. The average size of the board is 8 members, while the average number of family members on the board is only 1 member. This result is consistent with the findings of prior studies such as Eng and Mak (2003), and Cheng and Courtenay (2006) who found that the average board size is 7 members. Table 3 also shows that the average of IAUDCOM members is 3 members with 94 per cent being independent members. The result is consistent with the recommendations of the Corporate Governance Code in Saudi Arabia which indicates that the number of audit committee members has to be at least three fully independent members.

Regarding government ownership, the results in Table 3 show that the average of government ownership is 11 per cent. This result indicates that the government ownership is high in Saudi listed companies. The result is supported by Baydoun and Willet (2006) who stated that a high percentage of government ownership is common in most GCC countries.

5.2 Multivariate Regression Analysis

The correlation analysis has been used for measuring the degree of multicollinearity. The result found that there is no multicollinearity among independent and dependent variables, (the result it not represent). Multivariate analysis is used in order to examine the association between two or more variables. Table 4 reports the linear regression results for all the variables except for the variable of foreign ownership, which is excluded from the regression because 71 per cent of companies have missing values on foreign ownership and therefore, including the variable would create bias in the results.

Table 4
Results of OLS Regression Analysis of CG Mechanisms with Voluntary Disclosure

Variables	Coeff	t-statistics
Constant		-1.454
Internal Corporate Governance Mechanisms		
Proportion of Non-Executive Directors on the Board (PNEDB)	.333	3.977***
Proportion of Family Members on the Board	.095	1.194
Board Size	.184	2.441**
Proportion of Independent Audit Committee Members	.076	.935
Separation of the CEO and Chairman Positions	-.220	-2.476**
External Corporate Governance Mechanisms		
Audit Quality (Big 4)	.190	2.360**
Government Ownership	-.157	-1.747*
Control Variables – Firm-specifics		
Firm Size	.371	3.563***
Profitability (ROE)	.060	.705
Financial Sector	.306	3.066***
Services Sector	-.040	-.491
R	0.784	
R^2	0.614	
Adjusted R^2	0.558	
F-value	10.858***	
N=	87	

*p < .05.
**p < .01.
***p < .001.

Table 4 demonstrates the linear regression for the relationship between corporate governance mechanisms and voluntary disclosure in Saudi companies. The results in Table 4 show that there is a highly positive significant (p >0.001) relationship between the proportion of non-executive directors on the board (PNEDB) and voluntary disclosure. Thus, hypothesis H1, which stated that the proportion of non-executive directors on the board has a positive impact on the level of voluntary disclosure is supported. It is noteworthy that the PNEDB is a very important explanatory variable in the regression model, as indicated by its coefficient value. A possible explanation for this result is that NEDs in Saudi companies have the ability to contribute by providing good quality reporting, which can help users to make good decisions.

Hypothesis 2 states that the proportion of family members on the board has a negative impact on voluntary disclosure. The proportion of family members on the board is found to have no negative impact on the voluntary disclosure in Saudi companies, thus, rejecting Hypothesis 2. A possible explanation for the insignificant result might be that 57 out of the 87 companies do not have any family members on the board. Additionally, the other 30 companies have minority family members on the board with an average of only 1 family member on the board. The result indicates that due to the low rate of family members on the board they could not dominate the managers and influence the level of voluntary disclosure.

The result of this study in Table 4 shows that board size in Saudi companies has a positively significant (p > 0.01) association with voluntary disclosure, thus hypothesis H3 is rejected. The significant positive association is inconsistent with many prior studies including Vafeas (2000), and Arcay and Vazquez (2005) who found a positive significant relationship between small boards and disclosure. The result of this study indicates that a large number of directors on the board gives more ability to the board to cover its activities and also provide sufficient information to the shareholders. This result is supported by Resource Dependency Theory which argues that a large board size has greater ability to manage the capital resources of the company because it has a variety of experts and qualified directors.

Hypothesis 4 considers a positive relationship between independent audit committee members (PIAUCOM) and voluntary disclosure. The results in Table 4 show that the relationship between independent audit committee members and voluntary disclosure is statistically insignificant, thus, rejecting H4. This result is consistent with prior studies (Ho & Wong, 2001; Abdullah & Mohd-Nasir, 2004). The insignificant result indicates that audit committees are not playing a sufficient role in providing adequate and quality information despite the fact that the earlier descriptive analysis found that most Saudi companies have fully independent audit committees. One of the explanations for this finding might be due to the low experience of audit committee members. Additionally, there are no regulations in Saudi companies that determine and illustrate the vital role of audit committee members. These reasons are supported by the finding of Abdul Rahman and Al-Janadi (2006).

Hypothesis 5 predicts that there is a positive relationship between the separation of the CEO and Chairman positions and voluntary disclosure. The result in Table 4 indicates that there is a statistically negative significant ($p > 0.05$) relationship between the separation of the CEO and Chairman positions (CEOCHAIR) and voluntary disclosure, which means that the result is contrary to the assumption of the study, thus H5 is rejected. This means that companies with CEO duality provide more information than companies with a separation of the two positions. A possible explanation for this result is that the combination of the two positions in one person, provides the power and ability to shape the company in achieving its objectives and strategies because there is no intervention from one position holder or contradiction between the two positions. The finding supports the stewardship theory, which considers that there is no inherent general problem of executive motivation. According to this theory, the executive manager essentially wants to do a good job and to be a good steward of the corporate assets.

Audit Quality enhances the quality of information disclosure. Hypothesis 6 predicts that there is a positive association between the Big four audit firms and the disclosure of information. Table 4 supports this hypothesis and shows that the variable of big four audit firms has the second most statistically positive significance ($p < 0.001$) with voluntary disclosure. This implies that the Big four auditors in Saudi companies have more independence than non Big four auditors. These characteristics reflect their effectiveness in providing more voluntary disclosure information. The result provides assurance for investors in Saudi Arabia that companies with Big 4 audit firms have more credible reported information.

Hypothesis H7 expects that there will be a negative association between government ownership and voluntary disclosure. The results in Table 4 report a statistically significant negative ($p < 0.05$) impact of government ownership on voluntary disclosure, thus accepting Hypothesis H7. A possible explanation for this result is that government ownership still plays a major role in providing insufficient information for users. This negative impact might be because government ownership believes that getting important information is enough and that there is no need to disclose sufficient information to other users.

The study controls for the impact of firm size, profitability and industry type. Table 4 shows that firm size and industry type have a significant positive relationship with voluntary disclosure. This finding means that large firms have a greater ability to provide quality reporting for investors. The result also indicates that the financial sector discloses more information than the service and industrial sectors. This result is consistent with the descriptive analysis of voluntary disclosure practices, as shown in Table 2 which presented that the financial sector discloses more information than the service sector and the industrial sector. The result of positive significance in industry type is consistent with prior studies such as Cooke (1991) and Barako et al. (2006).

6. Conclusion

The findings on corporate governance mechanisms reveal that internal and external corporate governance mechanisms have a vital role to play in providing quality reports. For internal corporate governance mechanisms, the majority of non-executive directors and the large board size have the ability to contribute in providing quality reports, which indicates that directors are more independent in making decisions and monitoring management effectively to protect the interests of shareholders. Additionally, the results support the regulation of corporate governance best practices, which requires a majority of non- executive directors.

In relation to the audit committee, despite 94 per cent of audit committee members being independent, it is found that they are not effective in providing quality reports. Thus, it is required from the Stock market regulators to issue guidelines on more effective roles of audit committee members that have to be implemented.

Separating the CEO and Chairman positions has a negative impact on providing quality reporting. This means that combining the CEO and Chairman positions in one person provides the power and ability to shape the company in achieving its objectives and strategies because there is no intervention or contradiction between the two positions. Another explanation for the negative impact of separating the two positions on voluntary

disclosure might be due to the effect of government ownership on the selection of the chairman, consequently, government ownership has a major impact on the independence of the Chairman's decision making.

Concerning Audit quality, as measured by the Big Four audit firms, the result demonstrates that Big Four audit firms have more credibility in reporting quality information.

For government ownership, the result shows that government ownership has a negative impact on voluntary disclosure. Therefore, this study suggests that government ownership of listed companies should be reduced thereby encouraging listed companies to effectively practice corporate governance systems. This includes providing more voluntary information, particularly on social and environmental information.

This study provides evidence on the need of Saudi listed companies to have the best practices of corporate governance. Specifically, corporate governance mechanisms that are found to be significant determinants of the quality and credibility of reporting, such as a majority of non-executive directors, board size, audit quality (Big 4) and CEO duality. The results also contribute to the implication of resource dependency theory and information asymmetry theory in practicing corporate governance effectively and the complementation of these theories with agency theory

This study may provide feedback to the regulators in the stock markets in Saudi Arabia concerning the importance of corporate governance practices in providing adequate information. Additionally, this study also provides regulators with information on the effectiveness of corporate governance mechanisms. Consistent with the findings in this study, regulators could improve the corporate governance mechanisms that were found to be ineffective such as the audit committee. Such improvement can be done by issuing rules that clarify the roles of audit committee members.

One of the possible avenues for future research that was highlighted by this study is to extend this study to other Arab countries, such as those countries under the GCC umbrella or selecting other Arabic countries from different regions to make comparisons between them. Another additional area for future research is to examine the effectiveness of additional attributes of corporate governance on voluntary disclosure such as other variables of ownership structure (e.g. Institutional ownership, concentration ownership).

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