International Journal of Contemporary Issues in Social Sciences
Volume 3, Issue 2, 2024 ISSN(P):2959-3808 | 2959-2461

THE EFFECT OF VOLUNTARY DISCLOSED INFORMATION ON CORPORATE FINANCIAL PERFORMANCE: MODERATING ROLE OF CORPORATE GOVERNANCE

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Received: 07 February, 2024 **Revised:** 08 March, 2024 **Accepted:** 22 March, 2024 **Published:** 03 April, 2024

ABSTRACT

This study inspects the influence of voluntary disclosures on enterprise's fiscal performance by employing corporate governance as a moderator. For this purpose, this study obtains the 12 years secondary data from listed non-financial enterprises from 2008 to 2019. This study employs the 69-items index of corporate voluntary disclosures to quantify the voluntary disclosed information in sampled enterprises. The present study utilizes the combined corporate governance variable by employing the principal component analysis on eleven internal and external components. Likewise, this study uses the composite variable of the enterprise's financial performance by employing the principal component analysis on four financial ratios. By applying the fixed effect models, the present study finds the negative influence of corporate voluntary disclosures on enterprise's fiscal performance. Furthermore, this study finds that corporate governance significantly weakens the association of company's voluntary disclosures with the enterprise's financial performance as a moderating variable. Therefore, this study recommends improving the governance system of non-financial listed firms, which leads to weaken the negative effect of voluntary disclosures on enterprises' performance and consequently, also improves the enterprises' fiscal performance.

Keywords: Corporate voluntary disclosures, Corporate financial performance, Corporate Governance, Principal component analysis.

INTRODUCTION

The information supplied by corporate management to corporate stakeholders affects the enterprise's performance. Therefore, to calculate the future performance of organizations, the stakeholders, particularly the creditors, investors, and analysts are worried about corporate disclosures (Ahmad et al., 2018). These disclosures are classified into two types: mandatory disclosures and voluntary disclosures. Mandatory disclosures are those that must be disclosed in financial statements under corporation law. Voluntary disclosures are subject to the manager's discretion in terms of information releases (Uyar and Kilic, 2012). Furthermore, according to Al Amin and Ali (2012), voluntary disclosures are an extra type of information that the management of the firm makes public and that is not covered by generally accepted accounting principles or SECP requirements. Management publishes this preliminary information when it believes it is necessary for stakeholders' decision-making. Li and Yang (2016) defined voluntary disclosures as any information that a company's management chooses to make public in addition to mandatory disclosures. This information may contain financial information, such as profits and stock price forecasts, as well as strategic information about an entity's products, competitors, and consumer information that is not financial, such as data on the environment, governance, sustainability, and social conditions. According to Akisik and Gal (2011), these disclosures are critical for better understanding the corporation's financial statements and assessing its financial performance.

The stakeholders feel secure by obtaining the essential information in corporate annual reports. Therefore, good corporate governance practices are required to communicate important information to business stakeholders. It might be characterized as a collection of guidelines and practices that confirm the enterprise is operating in the preeminent interests of its concerned parties (Kumari and Pattanayak, 2014).

Better practices of corporate governance become necessary to preserve the rights of all stakeholders, improve firm performance, and improve the atmosphere of investment (Braga, Alves and Shastri, 2011). Moreover, good corporate governance practices are required to communicate important information to business stakeholders (Kumari and Pattanayak, 2014). The stakeholders especially the investors demand this information to allocate their investments to better places where they may receive a good return at a low-risk level.

However, the most prevalent problems of the industry are their lack of implementation of codes of corporate governance and the discrepancies in voluntary information that they disclose in their annual reports.

The prior studies use these variables like Ullah et al. (2018); Ahmad et al. (2018); Mirza and Muneeb (2017); Hussain and Khan (2017) and Ahmad and Khatak (2018). However, their results are not applicable to the non-financial corporations registered on Pakistan Stock Exchange. Therefore, the basic aims of the current study are to observe the effect of voluntary disclosures on enterprises' fiscal performance and to assess the moderating effect of corporate governance between these variables simultaneously.

Significance of Study

The current study is significant as it observes the effect of voluntarily disclosed information on enterprises' fiscal performance and it also sheds light on the moderating effect of corporate governance between these prescribed variables. This study would be a subject of more attention for the Pakistan's Securities and Exchange Commission, Non-financial enterprises listed on the Stock Exchange of Pakistan, individual investors, and institutional investors everywhere in the globe.

REVIEW OF THE LITERATURE

Corporate voluntary disclosures are an imperative tool using which corporate managers persuade shareholders about their efficient performance by providing them with monetary and non-monetary information about the company (Cade, 2018; Baldini et al., 2018; Watson et al., 2002). The objective of corporate voluntary disclosures is to provide appropriate facts to company stakeholders about the performance of an entity. Company stakeholders especially investors and creditors require this information to assess the future corporate financial performance and to enable themselves for rational decision-making (Li et al., 2008; Myers, 1984). A good governance system is substantial to provide the right and essential information to stakeholders. Therefore, the studies that attempt to discover the link between voluntary disclosures, corporate governance, and enterprises' fiscal presentation entails Qamruzzaman et al. (2021) analyzed the effect of corporate voluntary disclosures on enterprises' value from 2017 to 2019 by obtaining the data from company's registered on the Dhaka Stock Exchange. Corporate voluntary disclosures include financial information, information on social responsibility, and information of the enterprise's governance system. They reported the significant positive influence of corporate volunteer disclosures on the company value. Moreover, they indicated a more significant negative association between enterprise information, accounting policies, and the companies' value. Enache and Hussainy (2020) conducted a study in which firm performance was the response variable and voluntary disclosures were the predictor variable. They measured the corporate performance through Tobin's Q in their study. They employed financial leverage and company size as control variables. Four theories i.e. agency theory, signaling theory, the capital requirements theory, and information cost theory were used to explain the findings of their study. They used exploratory principal component analysis to associate corporate governance with each factor. The outcomes reveal the optimistic influence of voluntary disclosures on company governance.

Yusuf (2018) associated voluntary disclosure with the monetary performance of Nigerian companies. They used the corporate disclosure index to assess voluntary disclosures. They used corporate performance as a dependent variable which was measured through economic value added (EVA). They employed firm age and the size of the enterprise as controlled variables. The signaling theory validated the findings of their study. They extracted the results by using regression analysis in STATA. They argued that there was no harmful influence of voluntary disclosures on financial performance.

Ahmad and Khatak (2018) linked voluntarily disclosed information and company governance systems with firm performance. They measured the voluntary disclosures by using the disclosures index that includes information about future strategy and product information. They measured the performance of firms through ROA, ROE, and EPS. They quantified the governance of an enterprise through the corporate board magnitude, board freedom, and CEO duality. They used agency theory to establish the framework of the relationship between governance variables and the presentation of Pakistani organizations. They discovered that some variables of corporate governance and voluntary disclosures were effective for the healthier performance of Pakistani firms. Furthermore, board independence and product information disclosures were shown to have an important positive association with earnings each share (EPS) and profit on assets (ROA), but the duality of CEO had a substantial adverse influence on firm performance.

Ullah et al. (2018) associated voluntary disclosures with corporate governance. They employed leverage, the size of the company, and profitability as control variables. They applied the agency theory to establish the background of the connection between governance indicators and volunteer disclosed facts. They acquired secondary data from 62 manufacturing concerns registered on Pakistan Stock Exchange from 2013 to 2015. They employed the regression statistics to extract the results. They argued that the governances' indicators have a significant influence on voluntary disclosures of manufacturing firms that were registered on the Pakistan Stock Exchange.

Mirza and Muneeb (2017) established the relationship of different firm characteristics with voluntary disclosures. They used company size, leverage, and firm age as firm characteristics. They used the agency theory to support the results that they obtained through cross-sectional regression analysis. They argued that except for the leverage, the entire characteristics have an important positive influence on voluntary disclosures of the manufacturing firms.

Hussain and Khan (2017) used the firm size, return on assets, auditor reputation, the composition of the board, size of the board, listing age, block holder ownership, and institutional ownership as independent variables. They also employed the corporate disclosures index as the dependent variable. They discovered that listing factors such as company age, board size, composition, and return on assets had no bearing on the disclosures index of Pakistani commercial banks.

Theoretical Framework

The current study employs the discretionary disclosures theory (DDT) to highlight the background of the association of voluntary disclosures with enterprises' financial performance by employing corporate governance composite variable as a moderator. This theory proposes that an organization that discloses more information to its stakeholders is reflected less risky and these organizations exhibit the low cost of capital and good financial performance. This theory was initiated from the work of Verrecchia (1983) and Dye (1985). They highlighted that firms with higher voluntary disclosures will be perceived as less risky and investors require less return on their investments. The capital cost of such corporations will also reduce and eventually, the corporate performance will be high. Therefore, on the basis of arguments of this theory and the studies reviewed in literature, this study offers the following hypotheses:

- H_1: There is a substantial positive effect of corporate voluntary disclosures on company financial performance.
- H_2: Corporate governance quality moderates the effect of voluntary disclosure on company financial performance.

Conceptual Framework

The present study employs the following conceptual framework which reveals the first direct relationship between corporate voluntary disclosures and corporate fiscal performance. This model also exhibits corporate governance as a moderating variable between corporate voluntary disclosures and corporate financial performance (Figure 1).

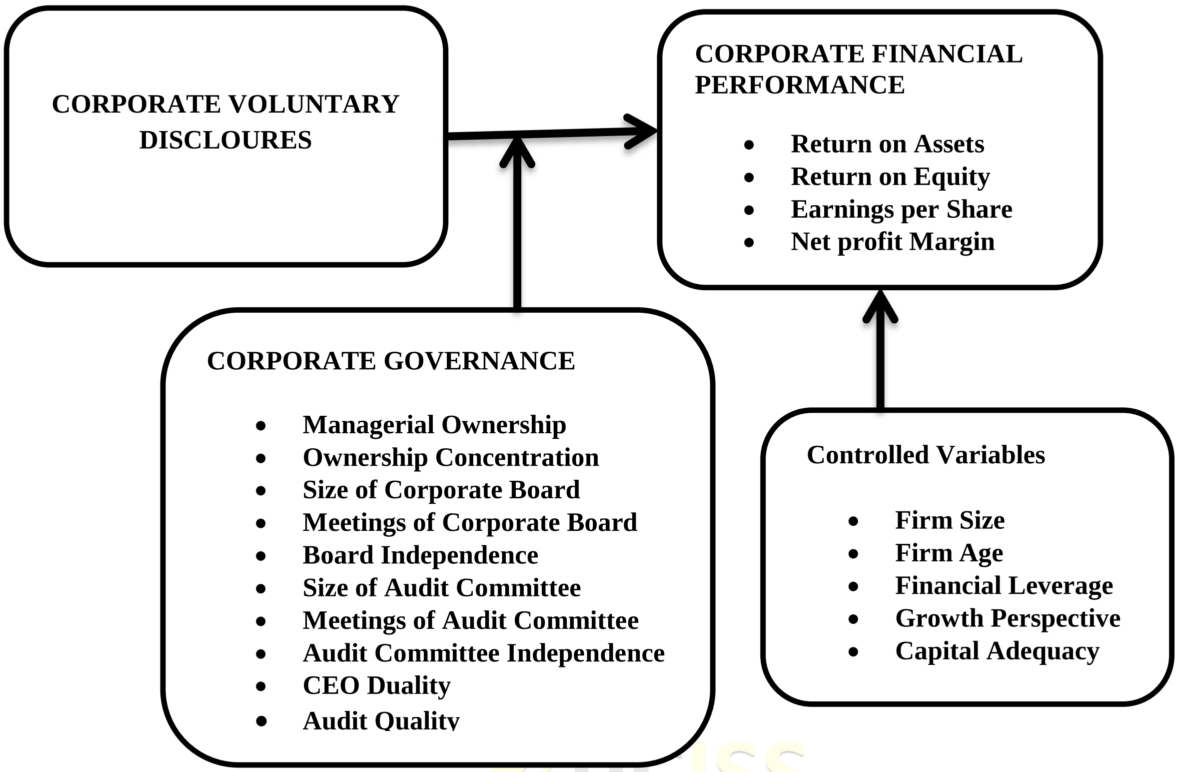

Figure: 1

RESEARCH METHODOLOGY

This is a longitudinal study that obtains the data for 12 years from 2008 to 2019 from the yearly statements of sampled enterprises registered on the Pakistan Stock Exchange. It extracts data from the yearly statements of companies and the statement of financial statement analysis issued by the State Bank of Pakistan. 546 companies are registered on the Pakistan Stock Exchange under different sectors. The financial sector firms have different capital structures and regulatory environments (Firth, Fung, & Rui, 2007). Therefore, these 130 firms belonging to the financial sectors were excluded from the total sample. Furthermore, the sample size was also reduced due to the firms that were delisted during the study period or whose annual reports were not available online. The detail of the sample is shown as follows:

Table 3. 1 Final sample of this study

Sample selection from 2008 to 2019	**Firms**
Total number of enterprises listed on the Pakistan Stock Exchange	546
Less: Insurance companies, Mutual Funds, Investment Banks, Commercial Banks, Leasing firms and Modarabas.	130
Less: Firms not included in the sample due to their delisting during the study period or unavailability of their annual reports.	194
Final sample	**222**

Model of the Study

To attain the aims of this study, two estimation models were established. First model 1(A) inspects the effect of company volunteer disclosures on corporate financial performance. The second model of this study 1(B) explores the moderating role of corporate governance in the connection of corporate voluntary disclosures with company fiscal performance simultaneously.

$$PERF_{it} = \beta_0 + \beta_1 VD_{it+}\, \beta_2 GM_{it+}\, \beta_3 FS_{it+}\, \beta_4 LEV_{it+}\, \beta_5 CA_{it+}\, \beta_6 GRP_{it+}\, \beta_7 FA_{it+}\, \varepsilon_{it} \quad 1(A)$$

$$PERF_{it} = \beta_0 + \beta_1 VD_{it+}\, \beta_2 GM_{it+}\, \beta_3 VD * GM_{it+}\, \beta_4 FS_{it+}\, \beta_5 LEV_{it+}\, \beta_6 CA_{it+}\, \beta_7 GRP_{it+}\, \beta_8 FA_{it+}\, \varepsilon_{it} \quad 1(B)$$

In these models, **$PERF_{it}$** means performance i for t time. The VD represents the voluntary disclosures and GM represents the governance mechanism. The FS, LEV, CA, GRP, FA are the controlled variables which mean firm size, leverage, capital adequacy, growth perspective and company age respectively.

Variables of the Study

This study employs the financial performance of enterprises as dependent variable and corporate voluntary disclosures as an explanatory variable. Furthermore, this study uses governance mechanism as moderator variable. The present study also uses five controlled variables. The detail of these variables was presented as below:

Corporate Financial Performance

The performance of non-financial enterprises was employed as dependent variable. The principal component analysis was employed to calculate the value of performance using four financial ratios that are extensively used in accounting and finance literature. The first financial ratio, return on assets, was attained by dividing net earnings by the total amount of assets. The second measure, return on equity, was determined by dividing shareholder equity by amount of net income. Earnings per share which is the third fiscal ratio, is computed by dividing amount of net income by the total quantity of outstanding shares. In order to arrive at the final ratio, net profit margin, net income was divided by total sales. The principal component analysis was used to allocate weights to each ratio in order to get the composite score through following way:

$$\text{Performance} = \sum[W_1 ROA + W_2 ROE + W_3 NPM + W_4 EPS]$$

Where "W" represents the weights allocated to each variable through principal component analysis and ROA stands for return on assets, ROE is the return on equity, NPM net profit margin and EPS refers to the earning per share.

Independent Variable

Disclosures are the information revealed by corporations in their annual reports. These disclosures are divided into two groups known as mandatory disclosures and voluntary disclosures. Mandatory disclosures refer to the rules and regulations that an entity must comply with to satisfy the range of authorities. Voluntary disclosures refer to the type of information that depends on the discretion of the entity (Uyar and Kilic, 2012). The current study uses the 69 items disclosures index proposed by Botosan (1997) and further justified by Elfeky (2017) to quantify the voluntarily disclosed information. This study allocates a mark of 1 if the specific item was revealed and a mark of 0 otherwise. The total score of firms is 69 as total disclosure items are 69. Therefore, this study calculates the disclosures index through the following formula:

$$\text{DCORE} = \frac{\sum = \text{RSCR}}{\sum = \text{MSCR}}$$

Where "DCORE" represents the voluntary disclosures score of a firm which was obtained by dividing the "RSCR" raw scores of a firm on "MSCR" maximum scores of that firm.

Control Variables

The control variable means the variables which are considered constant throughout the research to assess the association among variables of the study. These variables allow researcher to better understand the relationship of study variables. Therefore, the present study uses the following controlled variables.

Firm size

The size of the company was employed as a controlled variable in present study. It means the natural log of an entity's total assets. The size of firms has been controlled in prior studies to establish the relationship of multiple financial variables.

Financial leverage

In this study, it serves as a control variable. It describes the amount of debt utilized to fund a company's assets.

Growth perspective

The current study uses growth perspective as a control variable. It means to record the current increase in total sales relevant to preceding years' sale of an entity.

Capital adequacy

Capital adequacy is also the control variable of present study. It means the ability of an entity to pay its debts. This variable has been used in prior multiple studies as the control variable. This study also controls the impact of this variable to establish the relationship of accounting conservatism, corporate voluntary disclosures with corporate financial performance.

Firm age

It means how much the firm is old. Simply, it represents the number of years from which an entity was incorporated as a public limited company. The present study used firm age as the last control variable.

Moderating variable

This study uses composite variable of corporate governance as moderating variable. The composite variable was calculated by applying the principal component analysis on eleven corporate governance proxies. These proxies include management ownership, ownership concentration, ownership of institutions, size and meetings of corporate board, board independence, size and meetings of an audit committee, the freedom of an audit committee, CEO duality and the excellence of an audit. The tall value denotes a well governance mechanism while a small value designates a poor governance system of companies (Saeed et al,.2018). Furthermore, the following formula was employed to compute the composite variable of corporate governance.

$$CSFG=\Sigma[W_1MO+W_2OC+W_3IO+W_4BS+W_5BM+W_6BI+W_7ACS+W_8ACM+W_9ACI+W_{10}CEOD+W_{11}AQ]$$

Here, "CSFG" referred to the composite score of firm governance

$W_{1 \text{ to } 11}$ represented the weights allocated to each governance indicator by employing the principal component analysis

The detail of these governance indicator acronyms was presented in the following Table 3.3

Interpretation and Conversation

Findings and Discussion

This study reports the descriptive statistics first to indicate the mean, standard deviations, and their range values. After that, the correlation matrix was presented which elaborates on the strength of the relationship among variables.

Table 3. 1: Descriptive statistics

Variables	No. of Observations	Means	Standard Deviation	Minimum Value	Maximum Value
Voluntary disclosures	2664	0.763	0.105	0.51	0.94
Governance mechanism	2664	-1.02	1.00	-1.27	1.69
Performance	2664	-0.046	0.64	-0.72	1.90
Firm size (log ta)	2664	6.68	0.63	4.292	8.366
Financial leverage	2664	2.61	8.84	-117.82	63.66
Growth perspective	2664	6.22	34.76	-88.075	66.173
Capital adequacy	2664	0.50	1.76	-14.04	16.29
Firm age	2664	36.03	15.20	13	64

Table 3.1 indicates that total numbers of observations are 2664 due to the 222 total number of firms with 12 years study and the average score of voluntary disclosures is 0.763 with 0.105 standard deviation. It means that non-financial firms disclose approximately 76 % items on average in their annual reports and minimum 51 percent and maximum 94 percent. In addition, these firms have poor governance system on average while some companies have good system of governance. Similarly, the performance of firms is negative on average and some firms also exist having the good financial performance. Firm size is the first controlled variable which has 6.68 value on average with .292 minimum and 8.366 maximum value. The second controlled variable is financial leverage that has 2.61avarage value and 8.84 standard deviation value. The next controlled variable is growth perspective which shows that on average, the companies have 6.22 percent growth in their sales. Lastly, the capital adequacy and firm age have 0.50 and 36.03 average values simultaneously.

Correlation analysis

The Pearson correlation test is employed to detect the strength of the association among all variables used in this study. The results of this analysis are as follows:

Table 3.2: Correlation matrix

Variables	Gm	Vd	Perf	Fs	Fl	Gp	Ca	Fa
Gm	1							
Vd	0.05*	1						
Perf	0.027	0.062*	1					
Fs	-0.26*	0.045*	0.252*	1				
Fl	-0.06*	-0.13	0.011	-0.048*	1			
Gp	-0.03	0.016	0.14*	0.169*	0.0321**	1		
Ca	-0.16*	0.028	0.138*	0.026	-0.079*	-0.255*	1	
Fa	0.02	0.07*	0.031	-0.0173	-0.017	0.0233	0.0236	1

Note: * shows the level of significance at 5% ** shows the level of significance at 10%

According to the results of the above correlation matrix, the voluntary disclosures (Vd) are positively correlated with corporate financial performance (Perf), governance mechanisms (Gm) and all control variables besides the financial leverage (Fl). The financial leverage is negatively associated with voluntary disclosures. Given the association of corporate governance with other variables, the above table indicates that governance mechanisms (Gm) are negatively correlated with the size of an enterprise (Fs), the financial leverage (Fl), growth perspective (Gp), and capital adequacy (Ca).While it is positively linked with performance and firm age. In the corporate financial performance (Perf) association with study variables, the above table reveals that is positively associated with all control variables i.e. the magnitude of firm (Fs), financial leverage (Fl), growth prospective (Gp), capital adequacy (Ca), and firm age (Fa). The rest of the variables in the above table are control variables. The first control variable is the firm size (Fs) which has a negative correlation with financial leverage (Fl) and age of the firms (Fa) and is positively correlated with growth perspective (Gp) and capital adequacy (Ca). The financial leverage (Fl) is the second control variable of the present study which is positively linked with growth perspective (Gp) and negatively allied with capital adequacy (Ca) and firm age (Fa). The next control variable was growth perspective (Gp) which has an inverse association with capital adequacy and a positive relationship with the age of the companies.

Results of Pre-Estimation Tests

Normality Test

It is the basic assumption in multivariate data analysis. It is imperative to acknowledge the sample size of data before performing the test of data normality. Hair et al. (2006) claimed that at sample sizes of 200 or more, the negative effects of data non-normality were disregarded. The present study performs the Jarque-Bera test to ensure that the collected data is normal. This test's significant outcome denotes some data deviance from normality. However, the present study contains a sample size of more than 200 firms. Therefore, it is expected that deviation won't affect the outcome of the current study.

Multicollinearity

According to Tabachnick and Fidell (2007), multicollinearity is a condition where two or extra independent variables have a strong connection with one another. The below Table indicates that the tolerance test values are higher than 0.1 and the VIF values are less than 10 for all variables. Therefore, according to Hair et al. (2011) and Khan et al. (2019) the variables of this study are free from multicollinearity problem.

Table 3.3: Multicollinearity statistics

Variables	VIF < 10	Tolerance = 1/VIF > 0.1
Voluntary disclosures	1.03	0.9725
Governance mechanism	1.08	0.9148
Firm size	1.17	0.8388
Financial leverage	1.02	0.9581
Growth perspective	1.02	0.9617
Capital adequacy	1.06	0.9253
Firm age	1.02	0.9763
Mean VIF	1.06	

Heteroskedasticity

Heteroscedasticity represents the situation where the variance of the dependent variable is not identical across the value of an independent variable. Additionally, the regression coefficient is possible in the presence of heteroscedasticity, but these estimates would be ineffectual and their standard errors would be biassed (Baltagi, 2005). Therefore, this study employs the white test for heteroscedasticity to detect the problem of heteroscedasticity. The following Table 3.4 indicates that the p-value of this test is more than 0.05. It ensures the absence of the heteroscedasticity problem from the sampled data.

Table 3.4: White's test for Heteroscedasticity

Chi Square	42.59
Prob	0.1321

Hausman Test

The present study performs this test to decide the suitable model from fixed affect and random affect. The value of this test is 0.00 which is significant. Therefore, this study employs the fixed effect model to analyze the two estimation models (Torres and Reyna, 2012).

Impact of corporate voluntary disclosures on corporate financial performance

Table 3.5 depicts the effect of corporate voluntary disclosures on the company monetary performance of non-financial enterprises listed on the Pakistan Stock Exchange

Table 3.5: Effect of voluntary disclosures on financial performance

Variable	Coe	t-value	p-value
Voluntary disclosures	-0.0073	-1.96	0.050
Governance mechanism	3.6068	3.20	0.001
Firm size	0.2388	5.08	0.000
Financial leverage	-0.2772	-3.70	0.000
Capital adequacy	0.9398	11.72	0.000
Growth perspective	0.2076	7.53	0.000
Firm age	0.3020	2.27	0.023
Constant	-2.3754	-7.03	0.00
R – Square	13.78		
Prob	0.000		
N	2664		

Table 3.5 demonstrates the influence of corporate voluntary disclosures on the sampled firm's performance. This Table exhibits the R-square value of 13.78. It shows that a 13.78 % variation in corporate financial performance is owing to corporate voluntary disclosures, governance mechanisms, and other controlled variables employed in this model. The p-value of this Table is 0.000 which is lower than 0.05. It confirms the model's overall significance as well as its significance of the link between variables and company fiscal performance. The Table displays that the coefficient value of voluntary disclosures is -0.0073 with a p-value of 0.05. It confirms the significant negative influence of corporate voluntary disclosures on corporate financial performance. It denotes that the companies with higher value of corporate voluntary disclosures have lower corporate financial performance. Consequently, this study meets its first objective and rejects the first hypothesis. The outcomes of the present study supports the results of studies led by Mathuva and Kiweu (2016) and Friedman (1970) as discussed in the literature section of the present study. The rationale behind the negative effect of corporate voluntary disclosures on company financial performance is the extra cost that companies has to bear due to disclosing more information. This extra cost led to lower corporate financial performance. Moreover, Crisostomo et al. (2011) reports that some stakeholders may assign less weightage to the social information voluntarily disclosed by the companies and due to the extra cost of this information, firms reveals negative financial performance. Furthermore, the firm financial performance is significantly improved by the good governance system. These findings are justified with the study of Ahmad and Khatak (2018). The rest of the variables irrespective of financial leverage like the size of firms, capital adequacy, the perspective of growth and the firm's ages have a significant positive impact on company's fiscal performance. The Financial leverage has a significant negative influence on company fiscal performance in the context of non-financial sector enterprises registered on the Pakistan Stock Exchange.

Moderation impact of corporate governance between corporate voluntary disclosures and corporate financial performance

Following Table 3.6 validates that how governance system moderates between corporate voluntary disclosures and financial performance association of sampled firm.

Table 3.6: Moderating role of corporate governance for full sample

Variables	Coef	t-value	p –value
Voluntary disclosures	-0.0070	-1.87	0.061
Governance mechanism	3.8173	3.38	0.001
Governance*V. Disclosures	0.2414	2.58	0.010
Firm size	0.2441	5.19	0.000
Financial leverage	-0.2752	-3.74	0.000
Capital adequacy	0.9363	11.69	0.000
Growth perspective	0.2000	7.22	0.000
Firm age	0.3429	2.56	0.011
Constant	-2.4661	-7.27	0.000
R – Square	14.78		
Prob	0.000		
N	2664		

Above Table 3.6 exhibits the outcomes of model 1 (B). The value of the R-square in the above Table is 14.78. It illustrates that a 14.78 % variation in the company's financial performance is owing to the company's voluntary disclosures and the moderating impact of governance mechanism between corporate voluntary disclosures and corporate financial performance. The model's p-value is lower than 0.05. It clarifies the whole significance of the model. It indicates that by including the governance mechanism as a moderator in the estimation model, the value of R-square shifts from 13.78 to 14.78 which justifies the significant moderating impact of the governance mechanism between corporate voluntary disclosures and company fiscal performance. Moreover, the coefficient value of moderator 0.2414 with a p-value of 0.010 is also the justification of this relationship. The moderating role of the governance mechanism weakens the inverse link between corporate voluntary disclosures and company fiscal performance. Thus, the present study meets its second objective and also accepts its second hypothesis. Furthermore, the coefficient value of firm size shifts from 0.2388 to 0.2441, financial leverage shifts from -0.2772 to -0.2752, capital adequacy shifts from 0.9398 to 0.9363, growth perspective shifts from 0.2076 to 0.200 and the coefficient value of firm age changes from 0.3020 to 0.3429 also indicates the substantial moderating effect of governance mechanism between voluntary disclosures and corporate performance.

SUMMARY AND CONCLUSION

The present study was conducted to guess whether the voluntarily disclosed information influences the performance of non-financial enterprises listed on the Pakistan Stock Exchange. Moreover, the moderating role of corporate governance between voluntarily disclosed information and enterprises' fiscal performance was also guessed in the present study. By performing the fixed effect models on the 12 years of secondary data from 2008 to 2019, the study found a significant negative effect of voluntary disclosures on enterprises' financial performance. Whereas corporate governance significantly weakens this relationship of voluntary disclosures with enterprises performance as moderator. It implies that some stakeholders might assign less weightage to the social information voluntarily disclosed by the companies and due to the extra cost of this information, firms exhibited negative financial performance. Moreover, the present study suggested that non-financial enterprises should focus on to develop the good governance system in the company to enhance the corporate finance performance and to divert the inverse role of voluntarily information.

Limitation of the Study

1. The results of present study were only applicable to non-financial enterprises registered on the Pakistan Stock Exchange and could not be generalized to financial sector registered firms due to their exclusion from the sample of this study.
2. The present study analyzed the influence of corporate voluntary disclosures on company fiscal performance. There might be some other variables that influence the corporate financial performance of firms and researchers could identify those variables in their future studies.

Future Research Direction

This study offered some suggestions to the researcher for their future research.

1. This study could be replicated on the financial companies registered on Pakistan Stock Exchange. The financial firms include mutual funds, commercial and investment banks, asset management companies, etc.
2. The same study could be conducted by considering the different voluntary disclosures index of corporate voluntary disclosures to check their impact on corporate financial performance.

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