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CORPORATE VOLUNTARY DISCLOSURE AND THE VALUE OF THE FIRM: A CRITICAL LITERATURE REVIEW

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ABSTRACT

There has been mounting academic interest in corporate disclosure and in specific corporate voluntary disclosure (CVD). Mandatory financial disclosure has been criticized as having inherent limitations and does not provide important drivers of firm's value in critical areas of the business. CVD has been viewed as being able to mitigate traditional financial reporting inherent shortcoming. This desk review investigates the economic benefit of CVD. The objective of this study paper is to explore the methodologies used in prior studies in investigating the economic outcomes of CVD and subsequently understand the relationship between CVD and firm value. From the review of finding, the prevailing theory supports the hypothesis that increased information disclosure has impact on company value through direct effects on organisation's cost of capital and/or indirect effects on organisation's cash flow. In addition, CVD enhances firm reputation in the marketplace that can be a basis of competitive edge and increase firm value. Theoretical literature supports the relation between CVD, information asymmetry and firm value. However, a confusing disclosure rage exist among academic about the economic benefit of CVD. The study recommends more research efforts in bridging the knowledge gap by exploring the causality link between CVD and company's value, and by addressing methodological issues. Also, recommends future research efforts to consider convergence between the financial and management accounting systems and thus explore study towards integrated reporting and its value relevance.

Keywords: Financial Reporting, Corporate voluntary disclosure, Firm value, Asymmetric Information

INTRODUCTION

Financial reporting has evolved continuously throughout its history and there is no obvious limit to its growth in future. The history of accounting disclosure has seen the change from corporate voluntary disclosure (CVD) to compulsory disclosure and then to a combination of both (Zhang, Z. and Zhang, J., 2014). There has been increased attention and academic discourse in the

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present corporate reporting practice and in particular as to the economic consequence of CVD in the past decades. CVD has grown tremendously as organisations recognise their responsibilities for matters outside those of strictly financial nature. Moreover, a number of progressive companies acknowledge the importance of a more holistic approach to firm's performance. CVD has gradually gain acceptance as part of the corporate external reporting.

This increased interest stems from the existence of asymmetric information as described by the principal-agent problem (Healy and Palepu 2001). Moreover, there are other global development like globalization, transition towards a knowledge economy, technological evolution, financial crisis and corporate scandals, growth of stakeholder's awareness, failure of governance system etc. that has increased pressure on companies and their management, to be more accountable and enhance disclosure of informative information to their stakeholders. However, voluntary accounting disclosure does not at present benefit from universally recognized standards and has seen widely varying disclosure strategies resulting in confusing discourse rage among academics about the economic consequences of CVD. Additionally, there is a risk that growth in the bulk of information disclosure has not produced a proportionate increase in the value of the information disclosed and that important information may be getting lost in a disclosure forest (Beattie et al., 2000). But the claim that financial disclosure has become too long and complex is not a new one (ICAEW, 2013).

Accounting as a service activity, need to react to changes in the environment in which it operates (Beattie et al., 2000). Managers exercise discretion with regard to engaging in corporate voluntary disclosure, based on the costs and benefits from such disclosure. Mandatory financial reporting has been criticized as having inherent limitations and does not provide key drivers of firm value in crucial areas of the company operation (Islam, 2017). The accounting literature on CVD indicates that commitment to higher disclosure level can mitigate the traditional financial reporting inherent shortcoming and is regarded as being pertinent to stakeholders. A rich information environment and reduced information asymmetry have several desired outcomes. However, many companies are still hesitant to disclose more information. There is a lot of ambiguity, varied levels and randomness in corporate voluntary disclosure practice among firms despite CVD seen as determining factors that play a key part in influencing a firm's value. As such the effect of CVD on a firm's value is still a controversial issue and it is not easy to quantify the net benefit of CVD.

According to Urquiza et al., (2010) financial disclosure is a difficult phenomenon that cannot be described by unique theory. Consequently past research has identified various theories that explain the motivations for enhanced disclosure. These includes, innovation diffusion theory, socio-political theories (political cost theory, legitimacy theory, stakeholder's theory and

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institutional change theory: coercive, mimetic, normative isomorphism and organizational culture) and economic-based theories (i.e. agency theory, signaling theory and capital need theory). These theories are employed to explain corporate voluntary disclosure choices and disclosure practice.

Nature of voluntary disclosure

Financial reporting consists of two broad processes (i.e. accounting measurement and disclosure) which are interrelated. Measurement symbolises company operation in order to understand inter relationship among the perceived business operation. Disclosure is the communication of description of such relationship to the financial report user groups for the purpose of demonstrating firm's financial position and its business environment. According to Gibbons et al., (1990) company disclosure "is any deliberate release of financial (and non-financial) information, whether numerical or qualitative, required or voluntary, or via formal or informal channels". As such, accounting measurement and disclosure together provide corporate reporting its essence (Islam, 2017). Disclosure plays a central part in the accomplishment of the financial reporting objectives.

According to Meek et al (1995), corporate voluntary disclosure refers to a "free choices on part of companies management to provide accounting and other information deemed relevant to the decision needs of users of their annual reports". Also, FASB (2001), defines CVD as "disclosure, primarily outside the financial statements that are not explicitly required by accounting standards or regulations". Voluntary information disclosure implies additional information that depends on the management's discretion, the external pressures from various stakeholders, the specific legislation and the cultural factor. It is not easy to define corporate voluntary disclosure because of its abstract nature, as it does not follow a definite or recognized time pattern (Wallace, 1988, Owusu-Ansah, 1998). This results in diverse understanding of corporate voluntary disclosure. From these definitions, corporate voluntary disclosure is the presentation of information to the public beyond the level required by standards and legal reporting requirements. And in contrast to mandatory disclosure, relies completely in management's hands. Typically, managers 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.

It is recognized that a number of parties to a company transactions may possibly have more superior information than others. As a result, the economy is assumed to be characterized by information asymmetry (Healy and Palepu 2001). Consequently, over time, the significance of communicating the most pertinent business information and the firm's operation to the market led to the enactment of particular codes of financial disclosure (within accounting rules, security

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laws and company laws) meant to regulate the content, levels and timeline of the mandatory disclosure by every company (Giorgino et al., 2017).

Despite the global significance of accounting standards, mandatory financial reporting has been criticized as having inherent limitations and does not provide important drivers of firm value in crucial business operations. As a result, prior scholars have developed framework for additional information disclosure. Even though it is clear, that there is no reliable basis that can provide accurate and with precision the future performance of the organisations. Islam (2017) states that in a dynamic, globalizing world, information for investors and other stakeholders in economic decision-making are gradually becoming more diverse and dynamic. When compulsory disclosure is inadequate or regulations are ambiguous and hard to interpret, organisations have motivations to disclose. However, mandatory disclosure is just a minimum standard of disclosure, as such organisations are free to disclose more (Owusu-Ansah, 1998). Moreover, organisations operate in free market economy where demand and supply forces should determine level of information needed in the market. As such corporate voluntary disclosure should be the norm and the key typology of corporate disclosure practice. The question posed here is why mandatory disclosure in the fast place, this question will not be addressed in this study paper.

The modern corporate reporting has evolved through different phases from time to time. These phases include; Stewardship reporting (Jensen and Meckling 1976), Decision-oriented reporting (Laughlin and Puxty, 1985), and Expanded disclosure reporting (Easley and O’Hara, 2000). Corporate financial reporting has more than ever strived to communicate all pertinent business information (for example publically disclosing past, present and future effects of the business behavior). There has been increased effort to develop corporate voluntary disclosure framework for example FASB and IASB are intermittently undertaking efforts to embrace different types of non-financial information in financial statements. Schuster and O’Connell (2006) summarizes framework of corporate voluntary disclosure that have been developed to close the information gap in corporate reporting.

They include; the AICPA and FASB’s Business-Reporting Framework, Price Water Cooper’s Value Reporting Framework, Labhart’s Business-Reporting Framework and Shareholder Value Reporting. Despite these frameworks for corporate voluntary disclosure being diverse and controversial, they promote provision of supplementary information to the mandatory financial statements and may aid stakeholders to better recognize value driving company activities (Schuster and O’Connell, 2006). As a result, a part from providing the required mandatory disclosure, more and more organisations are increasingly disclosing information on a voluntary basis (Meek et al., 1995).

Corporate voluntary disclosure Strategies

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Eccles and Mavrinac, (1995) defines business disclosure strategy as "the process of developing and implementing a disclosure level that includes quantitative and qualitative communications of retrospective and of prospective nature". Corporate voluntary disclosure does not at present benefit from universally recognized standards and has seen widely varying disclosure strategies. Different firms carry out CVD, but the extent and the type of voluntary information disclosed differs significantly (FASB, 2001). According to Farvaque et al., (2009), a firm can increase its level of disclosure in different ways.

First, the disclosure may be more frequent for example by managers giving more interviews, organize meeting with financial analysts or releasing information on interim basis. Second, the information disclosed may be more easily available, by disclosing on company websites and on all other media. Third, the quantity of information disclosed may be higher for example to include management forecast, corporate social responsibilities, environmental disclosure, corporate governance, research and development, intellectual property etc. Finally, the quality of information disclosed may be enhanced, as stated in Sarbanes-Oxley Act objectives. The disclosure strategies identified by prior researchers are summarized below;

First, mode and frequency of communications, there are difference means of communication for organisations to disclose accounting information for example conference calls, annual accounts statements, financial analyst's presentation, interim reports, investors' relations, websites, press release etc. (Kavitha and Nandagopal, 2011). Prior studies have classify disclosure moment into various classification for example annual (e.g. annual financial statements or shareholders' annual meeting), schedule infra-annual (quarterly financial statements or interim) and ad hoc (press releases, conference call or respond to telephone questions etc.). AIRM (1993) summarizes the channel of communication in terms of, Annual reports, other official publications and investors' relation activities. The firm can select among varieties of direct modes to communicate with investors and other stakeholders by optimizing the use of different mode so as to realize the benefits of disclosure.

Second, classification of corporate voluntary disclosure, financial reporting is affected by a diverse set of users as classified by IASB 1997 and complex set of supply and demand (Foster, 1986). Sukthomya (2011), comments that it is not easy to quantify and rank the information and items that need to be disclosed as they vary across different user groups. Prior studies have address clearly the content of the CVD items and observed that there was widespread accounting information disclosures choices that have been classified in several categories as impartial part of CVD (Latridis and Alexakis, 2012). As such Jeewantha (2015) concludes that there was no standard way to classify voluntary information disclosure because of dynamic and variety of

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interpretation of what is voluntary information. Some of corporate voluntary disclosure classifications identified by prior researchers are as follows;

Forward looking information; according to Hussainey (2004), refers to “information that captures current plans and future forecasts to enable financial statement users assess the company’s future performance”. Mandatory financial reports should be supplemented with more forward-looking perspective, for example management plans, business opportunities and risks, as suggested by special committee on financial reporting under the auspices of AICPA. Users of financial reports find information on opportunities and risks of a firm critical to their analytical analysis.

Financial and Capital Market Disclosures; is the additional financial information disclosed beyond the mandatory information by firm's management (Waweru, 2018). Corporate financial and capital market information related disclosure consist of value added statement (Chow and Wong-Boren, 1987), segmental information (meek et al., 1995) and financial analysis (Chow and Wong-Boren, 1987, Ho and Taylor 2013). According to Jeewantha (2015) financial and capital market information is also considered as most important information for investor’s decision making and investors pay higher attention to this information.

Corporate and Strategic Information; is the revelation of information about strategic direction of an organisation (Coebergh, 2011). Information relating to company background, industry competitiveness and industry trends, market and competition and prevailing political and economic situations are included to corporate and strategic information category (Ho and Taylor, 2013). Ho and Wong (2001) mentioned that voluntary strategic information has become the fabric of a company's disclosure in their financial reports. Despite, strategic information being relevance for investors, its disclosure may represent a cost, as it can potentially reveal proprietary information (Achoki et al., 2016).

Corporate Governance Disclosures; is “the system by which companies are directed and controlled” (Cadbury 1992). The World Bank (2003) indicates that the structure of corporate governance should be based on four "pillars" of Transparency, Accountability, Responsibility and Fairness. Corporate voluntary disclosure of corporate governance information consist of board structure, ownership concentration, minority shareholders' information and related party transactions (Wang et al., 2013) and CEO role duality, the existence of a compensation committee, board compensation and audit committee. Corporate governance disclosure is nowadays essential elements of financial reporting. Also, the increasing importance on the CVD refers to a direct link between firm value and its governance.

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Sustainability Disclosures; is "the 'linking of economic, social and environmental issues pertaining to societies in a balanced way' and taking a long-term perspective 'about the consequences of today's activities" (OECD, 2001). According to Lima et al., (2011), corporate sustainability reporting (CSR) consist of three dimensions, stakeholder dimension (interact with employees, customers and suppliers), environmental dimension (company operations worried about the environment) and social dimension (how the business contribute to the better society).

Intellectual capital disclosures; is the "knowledge that can be converted into value" (Edvinsson and Sullivan 1996). Recently, increased emphasis on intellectual capital has created a debate on the future of corporate reporting, particularly in a knowledge-based economy. According to Vandemaele et al. (2005) the value creation of today's companies increasingly rely on intellectual capital of the company.

The Value of the Firm

The thorny issue in accounting literature concerning corporate disclosure is the measurement of economic benefit. Shareholder value is a phrase that is overused but it is, perhaps, not widely understood. This is due to differences in shareholder value measures that capture different aspects of firm performance. Firm value is the overarching summary variable that impound all costs and benefits, whether directly or indirectly. Shareholders value can be enhance if the company consistently, over long run, generates a return on capital than exceeds its cost of capital. Company value is "an economic measure reflecting the market value of a whole business" (Kurshev et al., 2005). On other hand, Ehrhard and Bringham (2003), refers to enterprise value as "the sum of claims of all claimants" i.e. equity shareholders and creditors. Therefore, higher firm value signals better financial position of the firm, as result potential investors have superior investment prospects. The question that is raised here is what is the determining factors that play a key part in affecting market price of firm?

According to Zeff (1978) and Scott (2012), financial reports apart from reflecting the results of business operation, can affect the economic decisions of managers and other stakeholders. Albrecht (2010), reiterates that all communication is persuasive, financial information cannot be an exception as there is no such thing as neutrality and objective in financial reporting. Foster (1986), comments that there is some evidence to suggest that issues other than regulatory requirements persuade the supply of financial reports. First, financial information were disclosed to public before the installation of regulatory bodies for example SEC. Secondly, firms not under regulatory brackets still provide statements. Thirdly, firms provide financial statements more frequently than is required by the regulations. Fourthly, many organizations provide substantially more information than is required by the regulators. Question that is posed here is what

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motivates managers to change the amount of voluntary accounting disclosure and whether these changes have effects on value relevance of corporate voluntary disclosure?

According to IASB (2010) financial reporting aims to meet its objective by providing accounting information about reporting entities to various users for sound economic decision making in making decisions (Opanyi, 2016; IASB, 2008). Disclosures are essential tools that are used by management to communicate enterprise financial performance to stakeholders (Healy and Palepu, 2001). Agency theory assumes that, the objective of corporate reporting is to monitor the efficiency of managers. Consequently, the management's performance is assessed by accounting information. Efficient information disclosure reduces information asymmetry which leads to low firm cost of capital (Verrecchia, 2001). Consequently, it is assumed in accounting research that commitment to higher disclosure level can reduce the problem of information asymmetry (Diamond and Verrecchia, 1991; Sukthomya, 2011).

Increased corporate voluntary disclosure aims at communicating firm’s value to its stakeholders and enable them identify the value and predict future firm performance, reducing the risk of the investment. It also, increases their willingness to invest in a firm especially if it viewed as good business opportunity. CVD aims to improve fluidity of capital market and enhance efficient allocation of capital, reducing the cost of capital (Healy and Palepu, 2001; Meek at al., 1995). Higher disclosure quality will result in more complete and positive communication with its stakeholders. As a result, it may have a positive effect on companies’ images, enhance firms’ investor’s relations and other stakeholders.

In general, the rationale is that CVD is influenced by the costs and benefits of such disclosure. According to FASB (2001), the difficulty in measuring objectively or quantifiably the net benefits of CVD makes it hard to ascertain the impact of CVD on company value. As a result, different financial report users will disagree whether enhance disclosure can result in positive net benefit to the company or to the economy as a whole.

Corporate voluntary disclosure and Firm Value

According to Scott (2012), financial reports apart from reflecting the results of business operation, can affect the economic decisions of managers and other stakeholders. Similarly, Foster (1986), argued that issues other than regulatory requirements induce the supply of financial reports. Rapid changes in broader business environments calls for increased disclosure which enhance transparency and enable identification of material influences. According to Schuster and O’Connell (2006), CVD is likely to have critical influence on the quality and quantity of publicly disclosed information. They argue that enhance transparency and credibility

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of financial information, creates a new phase in the realm of investor relations. Prior scholars have followed two stream of research in exploring the benefits of CVD.

The first research stream suggest that CVD increases company value through exploring the link between the constituents of company value through reduced cost of capital and /or increased in the cash flows that accrues to shareholders (see Hassan et al., 2009; Plumlee et al., 2008; Rikanovic, 2005; Bushman et al., 2004; Botosan and Plumlee 2002; Healy and Palepu 2001; Verrecchia 2001etc.). Accordingly, increasing shareholder values. This proposition is based on the basic assumptions that a rich information environment and reduced information asymmetry have several desired outcomes such as; first, increased stock liquidity. Improved liquidity consequently reduces the firm's cost of capital (Rikanovic 2005; Verrecchia 2001; Healy and Palepu 2001 etc.). CVD leads to better transparency by disclosing informative information to less informed investors thus levelling the "playing field" in the investment community (Rikanovic 2005; Leuz and Wysocki 2015). CVD enables increased information in the public domain which reduces the expected losses from trading with investors with superior information. Thus reducing information asymmetries and adverse selection, component of bid-ask spread and transaction cost thus prevent volatile share prices on the market, higher volume of trading and reduces the cost of equity (Leuc & Wysocki, 2015; Rikanovic, 2005; Verrecchia 2001).

Second, reduced estimation risk. Investors in making investment decision, have to make estimate of required cost of capital based on information available to them about firm's performance. CVD increases informative information to the public domain which reduces the perceived level of investors' uncertainty about the company's future earnings, reducing the estimation risk and leads to lower required returns on investment. Uncertainty about firm performance implies a higher expected cost of capital and a lower firm value. Thus enhanced disclosure reduces the magnitude of periodic surprises about a firm's performance (Coles et al 2001). Third, increased analyst following and forecast. CVD increases informative information that reduces information acquisition and processing costs by financial analysts. Increased information intermediation facilitates the information acquisition of investors. This leads to more attention from analysts, thus better analysts coverage and accurate forecast of future cash flows, increases the credibility of management and companies. Better information intermediation consequently reduces informational differences across investors and ultimately decreases the cost of capital (Rikanovic 2005).

Fourth, better long-term decision making. A key goal of corporate disclosure is the identification and attraction of loyal and dedicated stakeholders such as institutional investors. Firms concentrate their investor relation activities on institutional investors with long investment horizons that reduces the expected firms cost of capital because of long term stable ownership.

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Institutional investors are likely to be sophisticated and provide essential firm monitoring (Skinner, 2003). According to Leuz and Wysocki, (2015) CVD facilitate monitoring of firm by outside parties which in turn can reduce inefficiencies in managerial decisions. CVD enable better long-term decision making that increases firm's cash flow and further contribute to firm value. Finally, better picture of firm's ability to create value over long term. CVD enables linking of non-financial to financial results. With transition towards a knowledge economy, intangibles assets are increasingly forming a major part of firms' resources that drives firm's value creation (Juma et al., 2019; IFAC 2018; Coebergh 2011). According to IFAC (2018) CVD leads to better transparency that enable provision of fuller and better picture of firm's ability to create value over long term.

The second research stream demonstrates that CVD increases company value through exploring the effect of enhanced stakeholder engagement that boost firm's reputation. As results enable firm's to have superior business position/competitive advantage in the market and increases corporate value (Armitage and Marston, 2008; Eccles et al., 2006; Graham et al., 2005; Hutton et al., 2001 etc.). Companies will enhance their reputations by disclosing more information to the users, which will help them to achieve more attention, support and legitimacy from stakeholders and society as whole (Armitage and Marston, 2008). It is therefore regarded as an "intangible assets" with the potency to create value for a firm. Elliot and Jacobson (1994), argues that disclosure may be used as a means of public relations and a cogent evidence of management creditability. Further, CVD may increase trust leading to less transaction costs (through reduced resources needed to create, enforce and monitor contracts to successful execution). A reputable firm has competitive edge over the other firms, as the firm is presented with better business opportunities from which to select.

Nevertheless, provision of accounting information is not without cost (Hassan and Marston, 2010). The costs of disclosing accounting information include; the direct costs of accounting information disclosures, indirect costs (i.e. proprietary cost) caused by information provision to security market participants who can utilize it in their favour (Hassan and Marston, 2010; Armitage and Marston, 2008; Healy and Palepu, 2001). Furthermore, litigation costs may be incurred through law suits against the company if disclosed information afterwards turns out to be misleading (Skinner, 1994). On other hand, Field et al. (2005) argued that CVD can avert litigation, which is viewed as an advantage from information disclosure in that, it decreases anticipated lawsuit costs. According to Elliott and Jacobson (1994), financial statements users do not neatly share the net benefit of disclosure, shareholders pay for corporate disclosure whilst potential investors considering ownership are free riders who pay nothing at all. There are many factors influencing manager's perception and incentives regarding CVD. There is a push to managers to share all the internal information. On the other hand, put the red light in firm

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manager's mind and block their willingness to disclose private information (Graham et al., 2005; Healy and Palepu, 2001).

RESEARCH PROBLEM

CVD is the presentation of information to the public beyond the level required by standards and legal reporting requirements. Over time, the significance of disclosing most pertinent business information and the firm's operation to the stakeholders has led to the enactment of particular codes of financial disclosure within accounting rules, security laws and company laws (Giorgino et al., 2017). Despite, global significance of accounting standards and the increasing mandatory requirements, companies continue to provide voluntary information. This is due to presence of information asymmetry and rapid changes in the broader business environment that has raised concerned over mandatory disclosure continual fulfillment of financial reporting objectives and necessitated the development of CVD (Juma et al 2019; Islam 2017; Beattie et al 2000; Coerberg 2011; Healy and Palepu 2001 etc.). Indeed, accord appear to be building up that mandatory disclosure by itself can no longer present a complete picture of firms' affairs and is inadequate to reflect intangible and non-financial value drivers (IFAC 2018; Coles et al 2012). The interconnection between "financial and non-financial aspects" of a business is becoming more extensively recognized (FEE, 2015). As such, CVD have gradually gained acceptance as part of corporate external reporting.

CVD has attracted considerable interest from international community, many of them developing guidelines for CVD. However, the results has been different layers of guidelines due to wide scope of CVD. Some countries and region are mandating non-financial reporting for listed companies or those above a certain size for example EU countries, South Africa, Brazil and Japan (IFAC, 2018). Kenya has had its share of failed corporations due to mismanagement, misrepresentation in financial statements and outright fraud in big enterprises (Jacob, 2014; Barako, 2007). These has increased scrutiny by stakeholders on firms' activities and has called for increased transparency and accountability in Kenyan companies. ICPAK, CMA and NSE have been in forefront in encouraging listed firms to go beyond full standard disclosure and expands their CVD to investment community and build trust in the security market. This has seen some companies like Safaricom, Kenya Commercial Bank, Sameer Africa etc. adopted integrated reporting. However, there is no requirement under any of the legislation or regulations, it is only conducted on voluntarily basis as a best practice.

Commitment to higher disclosure (CVD) enhances transparency, stewardship obligations and effective decision-making process. Prior studies have showed that a rich information environment and reduced information asymmetry have several economic benefits such as lower cost of capital, increased market liquidity, better prediction of future expected cash flow and

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improved corporate reputation that further contributes to firm performance (Dhahiwal et al., 2012; Hassan et al., 2009; Plumlee et al. 2008; Rikanovic 2005; Graham et al. 2005; Healy and Palepu, 2001; Leuz and Verrecchia, 2000). Empirical studies does not invariably support positive relationship between CVD and firm performance and findings are conflicting (Urquiza et al., 2010; Hassan and Marston 2010). For example studies by Waweru, 2018; Achoka et al 2016; King 2016; Leuz and Wysocki 2015; Coebergh 2011; Plumlee et al. 2008; Verrecchia and Weber, 2006; Watson et al., 2002; Leuz and Verrecchia, 2000; etc. reports a positive relationship between CVD and firm performance. Studies by M'ithiria et al., 2017; Haggard et al., 2008 etc. document a negative effects of CVD on firm performance. Whereas study by Khanna and Chahal 2019; Urquiza et al., 2009; Rikanovic, 2005 and Botosan and Plumlee 2002) report a mixed result. Most studies about economic benefits of CVD are mostly researched in developed countries with strong enforcement mechanism, rich and stringent disclosure system. Therefore, the impact of increased information disclosure may not be significant (Hassan et al, 2009; Leuz and Verrecchia 2000). There are limited studies in developing nations like Kenya on economic benefits of CVD. Further, provision of CVD is not without cost, there are direct costs (cost of disclosing information) and indirect costs (proprietary cost) and it is not easy to quantify with precision the costs and benefits of CVD (Hassan and Marston 2010). This paper therefore aims to evaluate the potential cost-benefit tradeoff that impacts company value in the long-run as results of CVD.

OBJECTIVES OF THE STUDY

The general objective of this critical literature is to review the literature done by other researchers on economic benefits of corporate voluntary disclosure.

The Specific objectives are:

i. To review literature on the link between CVD of corporate and strategic information disclosure and firm's value

ii. To review literature on the link between CVD of financial and capital information disclosure and firm's value

iii. To review literature on the link between CVD of forward-looking information disclosure and firm's value

iv. To review literature on the link between CVD of corporate governance information disclosure and firm's value

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v. To review literature on the link between CVD of Sustainability information disclosure and firm's value

vi. To review literature on the link between CVD of Intellectual capital information disclosure and firm's value

THEORETICAL FRAMEWORK

Theoretical framework delineates the financial reporting practices and the rationale for expanded disclosure reporting. CVD is explored in the accounting literature through several theories. Prior researchers have argued that, "disclosure is a multi-dimensional complex concept that cannot be explained by single theory" (Cormier et al., 2005). Prior researchers have identified three broad set of theories that explain the motivations for increased disclosure. These includes: innovation diffusion theory, socio-political theories (stakeholder's theory; legitimacy theory; political cost theory; and institutional change theory:-coercive, normative, mimetic isomorphism and organizational culture), and economic based theories (i.e. agency theory, signaling theory and capital need theory). However, internal and external contextualized aspects mostly linked with different types of firm characteristics affected the decision to use a certain theory to support expanded disclosure practice. The theoretic arguments on the determinants of CVD are summarized below:

Innovation diffusion theory

According to Rogers (2003) "an innovation is an idea, practice, or project that is perceived as new by an individual or other unit of adoption". According to Clarke (1999), innovation diffusion theory describes how a new innovation, for example CVD is embraced and becomes successful. Clarke (1999), indicates five phases through which an invention-decision process passes: knowledge, persuasion, decision-making, implementation and confirmation. Through this process a firm managers passes from gaining knowledge about the CVD notion to forming an attitude, then decide whether to or to engage in additional information disclosure. The idea of CVD has becomes more widely adopted as a new framework of corporate financial reporting by more progressive corporations. Consequently, corporate voluntary disclosure has emerged as best platform for disclosure management and critical issues in the business environment.

The idea of CVD is a new innovation that increases the publically available disclosed information to wider audience that is pertinent to firm value drivers such as disclosure of sustainability, strategic, intellectual, forward-looking information etc. CVD is used as intangible assets with the potency to create value for firm by boosting firm reputation, competitiveness and image thus enabling it to have superior business position over the other business. However, by adoption of CVD as new innovation, managers must recognize that this information may lead to

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proprietary costs that may affect firm competitive advantage. In addition, CVD on its own may not add business value. According to Graham et al., (2005) CVD does not inevitably lead to shareholders having better knowledge of the company's ability to create value. Unlike other theories of change, innovation diffusion theory view change as unfolding process or "reinvention" of idea, products, practice and behaviors so as they turn out to be better fits for the needs of users.

Political cost Theory

Political costs are costs forced to a firm as a result of various actions by particular groups external to the organization. Foster (1986), refers to political costs as "the costs associated with government expropriating wealth from corporations and redistributing it to other parties in society". According to Watt and Zimmerman (1978), politically sensitive organizations tend to change accounting policy or engage in CVD to minimize the political costs that might be faced by them. They therefore, concluded that bigger organisations are politically visible and are prone to have additional wealth transfers imposed on them. The way out to minimize political costs and government interference is through CVD. Therefore, increased disclosure enables firms to avoid legal obligation and thus enhances firm value. Other than, increasing voluntary information disclosure, management inclines to reducing political cost by changing in the timing or content of disclosures (Foster, 1986).

However, the government will only interfere in the firm's operation if the firm violates the government regulations and not because the firm is big or has high profitability level. Moreover, the recent development of the idea that competition is the best regulator has gained adherents even on what used to be left side of the political spectrum and government are now focusing on other areas such as what is best for its citizens. More regulation now are focusing on enhancing competition. Also, firm value can only be enhanced if the political cost avoided is higher than the disclosure cost.

Legitimacy Theory

According to Hossain and Taylor, (2007) "legitimacy theory is based on the hypothesis that business operates via a social contract between a company and the society in which it operates". Through implicit agreement, organisations align their business behavior with social aspiration so as to get support of its objectives, for survival and for greater social benefit (Guthrie and Parker, 1989). Dowling and Pfeffer (1975), recommend that companies could augment their legitimacy through symbolic communication. As such, Preston and Post (1975), argue that shifting perceptions of the organisations and fiduciary communities induces accounting disclosures. Consequently, legitimacy theory has also been invoked to explain corporate reporting practices.

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According to Elliott and Jacobson (1994) accounting disclosure partly serve to signal firm's accountability obligations to the community, as corporate citizen. CVD is viewed as able to generate social value as a consequence, this would benefit the company and the society as well. For example, sustainability disclosures are hypothesized to change perceptions about the legitimacy of the company. Consequently, organizations are obliged to increase information disclosure that would change the society's perception about the firm (Cormier and Gordon, 2001). However, such disclosure might be due to public pressure and increased media attention. In addition, society consists of diverse groups having different capacity to influence firms and other groups. As such, it is not ease to quantify the concepts of society's values. Despite, social values affecting the manner in which organisations operates and report their performance (Gray et al. 1995).

Stakeholder Theory

It entails recognition of the relationship between the organisation and anyone affected by the organization's behavior and its operation (Ansoff 1965). The theory assumes that all stakeholders have customer-like power to engage or not to engage with a firm and that the contribution of each stakeholder to the firm system of value creation influences the total value created in the system. For the companies to benefit in long-run it must recognize and work for all stakeholders and not only shareholders. This is achieved by providing extra information, especially CVD, to gain the backing and endorsement of these stakeholders. Subsequently, company owners will benefit, as the foremost stakeholder, in the long-term. Like legitimacy theory, stakeholder theory view firms' financial reporting as a reaction to the demands and expectations of different stakeholders.

However, Sternberg (1997); criticizes stakeholder theory arguing that the theory does not agree with business model and corporate governance framework. It goes against the objective of business of wealth maximization for shareholder and implies that managers should be accountable to everyone affected by the firm operation. Thus, inspires management to infringe on their initial duty to shareholders. Besides, he indicated that meeting information needs of different stakeholders and harmonizing stakeholders benefit is an impracticable and unjustifiable objective and that the theory undermines private property and accountability. There are also concerns about the cohesiveness of the report, as firms seeks to meet the information demand of different stakeholders. The emphasis is often placed on simply the disclosure of the information and less on the total cohesiveness of the report. Consequently, CVD can be viewed as a stand-alone report with no link to the financial part or the other elements of the financial report.

Institutional Change Theory

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Institutional theory sees the economic system as sub-system of the larger social or cultural system. It recognizes that societies are affected by, and function in an evolving cultural process (Gruchy, 1984). According to North (1990) institutions refers to "the rules of the game in a society, or more formally, are the humanly devised constraints that shape human interaction". According to the theory, organisations will observe the institutional norms. Company may mitigate the risk of litigation and inspection from internal and external constituents by adopting institution norms. Therefore, financial reporting has been viewed as a management respond to institutional pressures.

The theory of isomorphism explains the "constraining process that drives one unit in a population to resemble other units that face the same set of environmental conditions" (Nyahas et al., 2017 and Opanyi, 2016). Therefore, organisations may opt to resemble other organisations for the sake of uniformity and compatibility. This will maintain and increase firm's legitimacy through abiding by the pressure arising from their external environment. The Isomorphism can be classified as follows; coercive Isomorphism (Stems from political influence and the problem of legitimacy), Mimetic Isomorphism (Stems from standard responses to uncertainty), Normative Isomorphism (is attributable to professionalization) and company culture that centres on flexibility, internal climate, concern for shared goals and teamwork (Nyahas et al., 2017). Prior studies support the relationships between institutional pressures and CVD (Nyahas et al., 2017; Qu et al., 2013). However, unless a firm opens its doors to these institutions changes, there is little that can happen to suit the surrounding environment. Moreover, these institution changes must focus on value drivers to enhance information environment and to extend the firm value.

Agency Theory

Agency theory attempts to explain the relationships and self-interests in business organisations as results of separation of business ownership and control. According to Jensen and Meckling, (1976) managers have advantage of more information than the owner, resulting in information asymmetry problem. The rationale for agency theory is dissension in the preferred targets of principal and agent, both acts in their own best interest. Consequently, CVD is used to alleviate the agency problem, by decreasing the agency costs, through lowering information asymmetry element of cost of capital (Barako et al., 2006) and by convincing the business owners and other stakeholders that managers are performing in an optimum way to meet company objectives (Watson et al., 2002).

However, Tinker et al. (1982) argue that agency theory does not consider the institutional context and only oversimplify complex business relationships. Consequently, there are concerns as to the ability of agency theory to cope with complications and ambiguities in the use of accounting information. In addition the underlying assumptions of agency theory have been criticism as

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being unrealistic. For example the main premises of agency theory that principals and agents act in self-interests has been criticized. Ashton (1991), claims that that the problem has been overstated and there are internal and external pressures, which could equally fulfil the aspiration of agents serving the interests of principals and also manager's own interests.

Signaling Theory

Spence (1973), developed the concept of signaling based on Akerlof (1970), the seminal paper. The signaling theory deals with the problems of information asymmetry in markets and shows how parties with more information if shares with others can reduce asymmetry. Investors and other stakeholders do not have specific information about the organisations but only have a general views. In this case, investors will value all firms at the same share price, which is an average of their general opinion. Consequently, companies signal informative information about the company to investors to show that they have superior investment prospects than other enterprises in the market and enhance a positive firm status (Verrecchia, 1983). For example, when shares are undervalued, a company would signal by disclosing more financial information so as to correct the share price reflect its "true" value in the stock market (Hossain and Taylor, 2007).

However, signaling might have robust effect on share price, thus persuading managers to provide misleading information. But, the benefit from such misleading disclosure can only be for short-term as it can turn out to be a disaster to a company if detected, damaging the creditability of all future company information disclosure. This would ultimately reduce the demand for the firm's signals in the future and affect the firm share price. As such, there is concern about credibility of the CVD of a corporate manager's imperfect, private, unverified information. Disclosures can convey information only when they are perceived as credible. Jennings (1987), notes that the stock market reaction to corporate disclosure depends on the new information contained in the disclosure and the believability of the disclosure. Contrarily to agency theory, signaling theory focuses on the behavior of managers in well performing organisations who signal this superior performance by enhance information disclosure.

Capital need Theory

The theory describes disclosure practice for companies that aims to attract extra capital from external financing. The theory try to explain how CVD decreases the cost of capital by reducing information asymmetry, lowering projected risks allied to anticipate future returns, and increasing publicly available financial information to wide users (Diamond and Verrecchia, 1991). In addition, CVD aims to improve fluidity of capital market and enhance efficiency allocation of capital (Meek et al., 1995, Healy and Palepu, 2001), consequently, reducing the cost

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of capital. According to Choi, (1973) voluntary information disclosure assists companies to raise additional capital at a low cost. Globalization and increased competition for raising finances from security market has led to additional voluntary information disclosure. Prior studies argue that a company's cost of capital contain a premium for investors' uncertainty about firm's economic prospect and the accuracy of the publicly available information. Therefore, enhance disclosure quality enable investors to interpret with certain degree of accuracy the company's economic prospects (FASB, 2001).

However, it is possible that the company disclose voluntary information in a very complex way, to make it more difficult to interpret the information provided. Voluntary disclosure is also a responsibility of managers and in utilizing CVD, market participants are likely to recognize that management has an incentive to portray a self-serving assessment of past corporate performance and future outlook (Kothari, Li & Short, 2009). Moreover, because of the heterogeneity of investor's ability to process information, it is possible that information asymmetries are increased between shareholders (Kim and Verrechia, 1994).

EMPIRICAL LITERATURE REVIEW

Corporate voluntary disclosure and Firm Value

The effects of corporate voluntary disclosure on firm's value was studied by Waweru (2018) who examined the impact of additional accounting disclosure on firm performance of non-financial firms quoted on NSE in Kenya. The study deployed descriptive cross-sectional research design. The study utilized secondary panel data from annual report for period 2011 to 2015 complimented by semi structured questionnaires for 42 listed companies on NSE. The results found that there was a significant positive effect of CVD and firm market performance. However, the advantages and disadvantages of using questionnaires as research instruments may affect the result obtained.

Achoki et al., (2016) studied the impact of voluntary disclosure on company's performance of commercial banks in Rwanda. They used descriptive research design and analyzed annual report for 14 commercial banks from 2011 to 2015. The study used disclosure index to measure disclosure level. The study revealed the existence of a strong relationship between additional information disclosure, company size and company performance measured in term of Return on Equity. However, disclosure index as measures have limitations that may affect the finding. For example researchers generally capture the existence of particular disclosures, rather than their quality, the construction of a single index requires the assignment of particular weights to the different disclosure items and the selection and coding of the relevant disclosures is subjective.

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Mutiva et al., (2015), studied the link between CVD and firm performance of quoted companies on NSE. They used a descriptive research design and they analyzed financial reports of 10 listed companies for period 2011 to 2013. The study finds positive correlation between voluntary disclosure and corporate performance in term of Return on Investment.

Esfesalari and Zarei (2013) explored the impact of voluntary information disclosure changes on corporate's value of Tehran stock firm. The disclosure used content analysis to measure disclosure level. The study used 420 firm-year observations for the period from 2006 to 2011. The finding indicated that firms whose value is undervalued by investors, management have incentives to increase information disclosure. The study used computerized content analysis that is viewed as "economic" tools in terms of time, effort, and resources and able to cover larger samples. However, the tool cannot take into account the possible words that are repeated in the financial report, explain those which cannot be found or a determining parameter that cannot be calculated for.

Haggard et al (2008) in their study aimed to establish whether voluntary information disclosure improve stock price informativeness. They sampled 2084 firm-year observations from the year 1982 to 1995. Disclosure level was determined using disclosure survey (AIMR Scores). The finding revealed a negative correlation between stock prices and CVD. The study used disclosure survey that has the advantages of utilizing the expert opinion like financial analyst, managers etc. Also, the disclosure scores constructed are not labor intensive allowing the use of sizable sample. However, Lang and Lundholm (1993) argued that the subjectivity of those responsible for assigning the rating, as they may have a different perspective from other users and express a judgment that may not represent the level of disclosure issued directly by the company.

Botasan and Plumlee (2002) investigated the association between disclosure level and cost of equity capital, found enhanced disclosure against their expectations is related with a higher cost of equity capital. The study showed a negative correlation between annual financial reporting and the cost of capital and a positive relationship between quarterly financial report and cost of capital. On the other hand, the study did not shows any linkage between investor's relations and the cost of capital.

Armitage and Marston (2008) in their study of company disclosure cost of capital and reputation in United Kingdom. The study applies semi-structure interviews of 16 senior executives of listed UK companies. The results showed senior executives (63%) believe that there is unclear relationship between organisation disclosures and the cost of equity, beyond a good disclosure practice. Only one quarter believes that CVD decreases cost of equity capital. They observed that majority of executive describe benefits of disclosure in term of improved transparency,

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confidence, integrity, good citizenship and understanding. As such these effects could results in a reduced cost of equity capital as end result.

Hutton et al. (2001) in their study used the amount of expenditure on organisation communication to determine whether increased disclosure has any impact on firm reputation. They observed that relatively larger expenditure on disclosure may offer a kind of reputation insurance for big companies, by benefiting from greater visibility. The study shows no strong correlation between reputation and costs of increased information disclosure. Hutton et al., (2001) argues that more charitable organisations tend have higher reputation. They observed that this relationship valid for executive outreach, investor relations, and media relations. Consequently, proactive channels of communication seem to relate well with company standing than routine channels. Somewhat reactive channels of communication such as corporate advertising, investor's relations and social responsibility activities even appear to correlate negatively with reputation (Hutton et al., 2001).

Forward-Looking Information Disclosure and Firm Value

Past researchers have examined the effect of forward-looking information on company value Urquiza et al., (2012) study aimed to establish the influence of forward-looking disclosure on the cost of capital. The study sample consisted of 36 companies during the period of 2000 to 2004 making 108 firm-year observations. The study applied ordinary least square regression model and measured disclosure using content analysis. The results showed that only particular information (for example information on programs, actions, decisions and /or quantitative accounting information) led to reduction in cost of capital. In manual content analysis, more resources in terms of time, as well as human resources is required. This inevitably leads to the analysis of a smaller sample.

Mathuva (2012), examined the causes of forward-looking disclosures for non-financial organisations quoted in NSE. The study used interim report to collect data from the year 2009 to 2011 consisting of 91 firm-year observations. The results showed that cross-listed companies have lower forward-looking disclosure compared to non-cross listed companies.

Kristandl and Bontis (2007), investigate the association between the CVD and cost of equity capital within the European Union. The study applied ordinary least square on 95 listed companies. The results revealed a negative relationship between forward-looking information and cost of equity capital and unexpected positive association between compulsory financial reporting and cost of equity capital.

Corporate and strategic information disclosure and firm's value

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According to Gioia and Chittipeddi (1991) reputable organisation have a tendency to use disclosure of strategy as a ‘‘sense giving’’ device, to aid management efforts to sway how financial analysts interpret the organization’s strategy regarding to its competitive context.

Sieber et al., (2014), examine the economic outcomes of CVD of strategy information on the cost of equity capital. The study sample consisted of 100 German quoted organisations from 2002 to 2008. The study used management reports to collect data on strategic information disclosure using hand-collected disclosure scores. Results shows that enhanced disclosure of strategic information on average, related to lower cost of capital.

Coebergh (2012) research paper on voluntary strategy information disclosure, causes and outcomes, analyzed various channels of communication (for example financial reports, CSR reports, internet and press release). The study sampled 70 largest quoted firms in the Netherland from 2003 to 2008. The study adopted quantitative approach and used disclosure index to measure disclosure. Results shows voluntary strategic information disclosure significantly influence corporate reputation and stock liquidity.

However, while some prior studies (Miller and Cardinal, 1994; Coebergh, 2012) reveal that strategic information disclosure positively impacts company value, others (Mintzberg et al., 2005) note that strategy does not largely benefit firm’s performance. For example (Weick, 1995) comments that strategy absence need not be linked with organizational failure.

Financial and capital information disclosure and firm’s value

Investors are paying higher attention to the financial and capital market information for sound economic decision making.

Bagien’ska (2016) examines the value relevance of “value added statement” as a key tool for integrated reporting. In this comparative study, the researcher analysed the methods of presenting the added valued statements in the financial reports and use of GRI indicators. The study adopted a desk study review method. The study results revealed that value added statement supplements the informational value of the mandatory financial report for stakeholders.

Ianniello (2010) investigates CVD of the “value added statement” of listed firms in Italy. The study used 211 annual financial reports for period 2003. The study results revealed that disclosure of value added statement has marginal effects on firm performance. This is because value added statements provide informative information, but it utilizes information or figures already disclosed in financial statements.

Corporate governance information disclosure and firm’s value

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Disclosure in financial statements or information circulars is the normal way of disclosing the present of corporate governance devices to the stakeholders but, paradoxically, not all firms invest the same efforts in disclosing them. In practice, most of the corporate governance information are contained within the corporate governance section in the annual reports.

Kamau et al., (2018) look at the link between CVD of corporate governance information and firm performance of financial institutions in Kenya. The research adopted cross sectional survey design, using structured questionnaire to gather data from 108 financial institutions. Results demonstrates that corporate governance has significant impact on the firm performance.

Ertugrul and Hedge (2018) investigates company's governance rating and its performance by three premier U.S rating agencies. The study analyzed 4546 year-observation from 2003 to 2006. Results reveal that corporate governance scores cannot predict future company performance. However, some corporate governance sub-categories that centres on the key dimension of dynamic governance structures have information content that can predict the future company performance.

M'ithiria et al (2017) examine corporate governance by specifically focusing on disclosure practice and firm value of firm listed on NSE. The study used annual reports to collect panel data from 39 listed firms for period from 2003 to 2013 (429 year-observations). Results found a negative link between corporate governance disclosure practice and firm performance.

Wanyama and Olweny (2013) examine the correlation between corporate governance and company performance of insurance firms listed at NSE. The study adapted descriptive research design. Result shows a strong association exist between corporate governance practice and firm's value.

Sustainability information disclosure and firm's value

According to Davis (1960) corporate social responsibility is in line with firm objective of shareholder wealth maximization. Thus, organisation need to acknowledge that they operating within a larger global community, and adhere to sustainability guideline as the global economy expands.

King (2016) investigate whether companies can deliver across multiple objectives. The study used Dow Jones sustainability index to measure disclosure and looked at shareholders returns for a group of sustainability leaders compared with their peers for the period 2001 to 2014. The results show that sustainability organisation outdo the market average performance and a basket of their peers.

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Qiu et al., (2014) study investigates the relationship between environmental and social disclosure on organisation's 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 whilst it indicate no significant correlation between environmental information disclosure and firm value.

Makori and Jagongo (2013) studied the link between environmental accounting and firm profitability of quoted firms in India. The study utilized data from 14 financial reports of randomly selected listed organisation on Bombay security exchange. The study revealed significant negative association between environment accounting and financial performance measured in term of return on capital employed and earning per share and significant positive association between environmental accounting and net profit margin and dividend per share.

Connelly and Limpaphayom (2004) study investigated the link between environmental reporting and firm performance. The study analysed 120 largest firms using annual corporate governance survey by Tai Institute of Directors. Results showed no link between environmental activity reporting and financial information. The study also observed non-linear relationship between environmental activities and firm value (i.e. there is an optimum level of environmental activities that maximizes company performance).

Intellectual capital information disclosure and firm's value

Empirical studies had been done in various countries to explore the corporate reporting practices on Intellectual Capital. Most of these studies utilized different Intellectual Capital indicators and measurement approaches.

Kariuki and Kiambatik (2017) investigate intellectual capital, corporate culture and company performance quoted at NSE. The study used a cross-sectional survey to collect data of 50 head of human resource for period 2009 to 2012. Results show no significant impact of intellectual capital on corporate performance.

Zeglat and Zigan (2013) examine the effect of CVD of intellectual capital on firm performance. The study collected data from 116 managers of 53 hotels of four to five star levels. Results show all significant positive correlation between CVD of intellectual capital and company performance of Jordanian hotels.

Chauvin and Hirschey, 1993), comments that increased research and development (R&D) disclosure, leads to greater shareholder's reaction. On the other hand, they note that there is difficulty in evaluating R&D information due to asymmetric information and uncertainty

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concerning R&D investments. The shareholders are in the position to translate the economic benefits from R&D investment into stock prices (Nagar et al., 2003). Consequently, there is no link between R&D disclosure and the company's value that can be expected.

METHODOLOGICAL ISSUES

One of the reasons why there is such diversity in the "answer" to the economic benefit of corporate voluntary disclosure is the diversity of empirical methods. According to Kavitha and Nandagopal (2011) corporate disclosure studies have been to a larger extent done but there is still no definite definition of the term "disclosure" and doubtfulness exists as to the measure of disclosure levels.

Marston and Shrives (1991), state that despite, many studies having been undertaken there is still no solid reason or guideline for the classification and selection of items to measure the level of voluntary information disclosure. Wallace and Naser (1995), argued that "disclosure" is an abstract concept whose intensity or quality is not easy to determine as it does not have its own inherent characteristics. IASB gives the explanation of what constitutes high quality accounting information that is meaningful to the investors (see "Qualitative characteristics of useful financial information of Conceptual Framework"). Otherwise, use of qualitative characteristics of financial statements still causes challenges for scholars and practitioners in practice.

Prior studies have argued that accounting information disclosure plays a fundamental role and must be measured in some way. However, these studies have adopted different methodology in determining the disclosure levels. One of the key issues in disclosure literature is how to evaluate the disclosure level in quantitative terms a phenomenon that is abstract in nature and thus hard to measure directly (Hassan and Marston, 2010) and it is obtained from the use of different methodologies. Prior studies have identified a variety of possible proxies that claim to measure information disclosure levels.

Scaltrito (2015), summarizes the tools used to assess corporate information disclosure levels as follows; First, subjective tools (for example Disclosure survey; - questionnaire, interviews, analyst opinion and external rating); which do not depend directly on the examination of the original information source. (Welker, 1995; Hassan and Marston, 2010); second, objective tools (for example content analysis, event frequencies, disclosure index etc.); these classes of tools depend on direct examination of the original information source (Krippendorff, 1980; Lang and Lundholm, 2000). These tools are briefly discussed as follows;

Disclosure Survey (interviews and questionnaires); this call for the inherent insight of definite categories by report users (for example managers, analysts investors etc.) on the corporate's disclosure practices which will give evaluation reports of information disclosure level. This

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approach determines the CVD level by examining perceptions of various financial report users (for instance firm managers, financial analysts, investors etc.) about company's disclosure levels through interviews or questionnaires. The most possible example of using disclosure survey adopted by prior scholars include the Financial Analysts Federation (FAF) previously known AIMR; Standard and Poor Transparency and Disclosure score and Credit Lyonnais Securities Asia (CLSA).

Analysts following are a subjective tool that has also been extensively used in disclosure study. The amount of financial analysts following the organization is directly proportional to future supply of financial forecast; as a result strengthen the business information environment. Past research indicates that significant amount of analysts following the company with more accurate forecasts show that a firm has a better information environment. However, according to SEC, disclosures of firms employing abusive earnings management procedures show evidence that managers can manipulate earnings toward financial analysts' forecasts (Mulford and Comiskey, 2002). In this case, attributes of analysts' forecasts might not be a good reflective measure of firms' disclosure level.

Content analysis, according to Beattie (2005), is "an objective tool that is rooted on the qualitative study of the vocabulary used in financial reports to understand the content and standardize the same". It is a tool that is increasingly being used in corporate disclosure literature. According to Marston and Shrives, (1991), Hackston and Milne, (1996) this tool measures the amount of information disclosure in terms of category or per organisation by counting the data items, (i.e. the number of words, the number of sentences and the number of pages).

Event Analysis; another objective tool used to decide the corporate voluntary disclosure level by studying of the frequency with which CVD disclosed and analysis of the effect of positive and negative news has on the level of disclosure (Lang and Lundholm 2000).

Disclosure Indexes; according to Beattie, (2004) is "an objective tool that transforms natural language text data into a number that can be used for quantitative statistical analysis". A disclosure index represents the level of accounting information disclosed by the organization, calculated on the basis of particular elements observed depending on one or more specific sources of information. The index comprises of items set in advance which, when scored, gives the rate that indicates corporate voluntary disclosure level.

SUMMARY OF LITERATURE REVIEW AND RESEARCH GAPS

Most research studies on corporate voluntary disclosures and firm performance do not specifically identify the content making the disclosure items. For instance, (Haggard et al., 2008,

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Esfesalari and Zarei 2013, Francis et al., 2008) studied CVD in financial reports and firm performance. None of the studies made an effort to elaborate on the specific disclosure items, instead the researchers generalized the corporate voluntary disclosures. This research study tried to elaborate all the categories of corporate voluntary disclosure.

Prior studies in Kenya (for example Mutiva et al., 2015), have 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, 2007; Hatem, 2014 etc) which found firm size has significant explanatory variable of firm performance. Moreover, the period covered by those studies and small sample size raises issues of the extent to which the finding can be generalized.

Waweru (2018), in his study focused on 45 non-financial firms at the Nairobi Security Exchange from 2011 to 2015. Financial firms are considered to have specific characteristics because they operate under strict regulatory regulations framework by government bodies. However those that fall under mandatory disclosure thus should not affect financial firms from being analyzed for corporate voluntary disclosure. Also, the study examined only human capital as part of intellectual capital instead of all component as classified by prior studies as structural capital, human capital and organizational capital (see Striukova et al., 2008).

On the global scene, prior studies about CVD and firm value are mostly conducted in developed nations, where there is strong enforcement mechanism and rich stringent disclosure system. Therefore, the effect of increase information disclosure might be small (Leuz and Verrecchia, 2000). Furthermore, there has been controversy in the studies finding for example Chauvin and Hirschey (1993), concluded that CVD and firm value are not correlated, whereas Waweru (2018) and Mutiva et al (2015), concluded that market performance is positively associated with CVD in terms of stock market returns. Moreover, Botosan and Plumlee (2008) find mixed results.

This chapter covers emphatically the empirical literature review in related areas of the study. Empirical evidence does not regularly support corporate disclosure theories and the findings are inconsistent (Urquiza et al 2010). Disclosure is a multi-dimensional concept that incorporates different attributes (Beattie et al., 2004; Urquiza et al., 2010). Consequently, it is probable that the determining factor of disclosure of particular information features will be different to those other attributes. In summary, the theoretical literature supports the corporate voluntary disclosures, information asymmetry and firm value. However, it is remarkable that, although numerous studies have been done on economic benefits of CVD, there is no real consensus on the link between CVD and company value. This is due, in part to the wide variety of methods used to investigate the main question, the multidisciplinary nature of the study area and the diversity in knowledge about corporate voluntary disclosure.

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SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

Mandatory financial reporting has been criticized as having inherent limitations and does not provide important drivers of company value in essential areas of the company operation. As such CVD has been viewed as pertinent to stakeholders by mitigating traditional reporting inherent shortcomings, as managers engage in additional information disclosure to enlighten user groups more about the enterprise. However, the demand for CVD is from different parties and there is no universally recognized standard for CVD in relations to extent, scope, channel and timeline of CVD and it depends on the research contexts and the researchers' choices. As results, it has seen diverse information disclosures categories that are viewed as impartial part of CVD. Consistent with Haniffa (1999), various theories have been used to underpin CVD practices, but not any can be endorsed as the preeminent theory to explain CVD and disclosure practice. In addition, the matter is further complicated in that prior studies use different approaches to evaluate the disclosure levels. Thus, varying conclusions have been reached by prior scholars notwithstanding that there is even lack of agreement amongst some studies that used same or very similar research design, but ambiguity, extensiveness and randomness of CVD exist.

Despite, continual discourse and controversies concerning the CVD strategies, underlying theories and methodology issues, this study review agrees with prior scholars for example Plumlee et al., (2008) that organisations might benefit from provision of additional corporate voluntary disclosure to investors to utilize the net-benefits of such disclosure. Corporate voluntary disclosure choices influence corporate's value through direct effects on organization's cost of equity capital, and/or indirect effects on organization's cash flow and through corporate reputation. However, the influence of CVD on company value is still a disputed issue and it is often hard to quantify the costs and benefits of information disclosure. Empirical evidence does not invariably support corporate disclosure theories and findings are conflicting (Urquiza et al 2010).

Conclusion

This paper aims to review the economic benefit of CVD and in particular firm value. The review of the literature draws the following observation and suggestions for future research. First, there are diverse information disclosures categories that are viewed as impartial part of CVD. There is no standard way to classify corporate voluntary disclosure because of dynamic and variety of interpretation of what is voluntary information from wide users of CVD. Second, present theory strongly supports the hypothesis that enhanced information disclosure has effect on corporate value through direct effects on organization's cost of capital and/or indirect effects on

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organization's cash flow. Also, through corporate voluntary disclosure firm reputation can be enhanced in the market place that increases firm's competitive advantage and as result increased economic value.

However, it still remains to be answered, the exact value relevance of CVD. There exist debates and controversies on the economic outcomes of addition information disclosure. As a result, the exact link between voluntary information disclosure and firm value is therefore considered unclear. The obstacles in measuring CVD level is one of the most important problems and the key cause of controversies encountered by empirical researchers in the disclosure studies.

Recommendation for other Studies

Further studies on the realm for establishing a link between economic benefit of CVD should consider the following recommendation. Firstly, it suggests that a research instrument be developed to empirically test the CVD variables. Such a study will shed more light on the corporate voluntary disclosure categories, sub-categories and may provide more conclusive results on the impact of CVD on firm value. Second, additional information disclosure has seen information generated management accounting system now being provided to the public. Further research should consider convergence between the management accounting and financial accounting systems and thus explore study towards integrated reporting and its value relevance. In general, this study recommends future research efforts to bridge the knowledge gap by exploring the causality link between corporate voluntary information disclosure and company value, and by addressing methodological issues.

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