

Empirical Evidence on the Reality of Corporate Governance Practice in the Kingdom of Bahrain

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ABSTRACT

This study aims mainly to examine the extent to which listed companies in Bahrain Bourse (BHB) comply with corporate governance (CG) disclosure requirements in the light of the Bahraini CG Code. The study extends prior studies accomplished in this area of accounting research. A CG disclosure index of 45 information items is developed and used. Data needed for the empirical study is gathered for 42 listed companies covering two years, 2019 and 2020. The main dependent variable is the extent of CG disclosure, while four board factors are used as independent variables, including board size, board independence, board number of meetings and board gender. Findings indicate that most listed companies in Bahrain highly involve in GC practices and comply with CG disclosure requirements of the Bahraini CG Code and the level of CG disclosure is generally high. Hierarchical Multiple Regression (HMR) shows significant positive impacts of board independence and board number of meetings on the dependent variable; while none of board size and board gender is found as a determinant of the extent of CG disclosure by listed companies in BSE. This study might contribute to the existing literature on board factors determining CG disclosure in Bahrain. It provides an understanding of determinants of CG disclosure practices which may offer a new dimension for this area of accounting research.

Keywords: Bahrain bourse, Corporate governance disclosure, Board independence, Board number of meetings, Board gender.

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دليل تجريبي عن واقع ممارسة حوكمة الشركات في مملكة البحرين

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ملخص

تهدف هذه الدراسة بشكل أساسي إلى فحص مدى امتثال الشركات المدرجة في بورصة البحرين (BHB) لمتطلبات الإفصاح المتعلقة بحوكمة الشركات في ضوء كود حوكمة الشركات البحريني. تعد الدراسة الحالية امتداداً للدراسات السابقة التي تم إجراؤها في هذا المجال من البحوث المحاسبية. تم تطوير واستخدام فهرس إفصاح للحوكمة، يتألف من 45 عنصر معلومات، وتم جمع البيانات اللازمة للدراسة الميدانية لعينة الدراسة التي تشمل 42 شركة مدرجة تغطي عامين (2019 و2020). المتغير الرئيسي التابع هو مدى الإفصاح عن ممارسات حوكمة الشركات، بينما تم استخدام أربعة عوامل لمجلس الإدارة كمتغيرات مستقلة، بما في ذلك حجم المجلس، واستقلالية مجلس الإدارة، وعدد اجتماعات مجلس الإدارة، ونوع (جنس) أعضاء المجلس. تشير النتائج إلى أن معظم الشركات المدرجة في البحرين تمارس بشكل كبير ممارسات حوكمة الشركات وتلتزم بمتطلبات إفصاح حوكمة الشركات طبقاً لكود حوكمة الشركات البحريني، وأن مستوى الإفصاح عن ممارسات حوكمة الشركات مرتفع بشكل عام. وأظهرت نتائج تحليل الانحدار المتعدد (HMR) تأثيراً إيجابياً كبيراً لاستقلالية مجلس الإدارة وعدد اجتماعات المجلس على المتغير التابع؛ بينما لا يوجد تأثير للمتغيرات الأخرى على المتغير التابع. **الكلمات الدالة:** البورصة البحرينية، الإفصاح عن حوكمة الشركات، استقلالية مجلس الإدارة، عدد اجتماعات مجلس الإدارة، نوع (جنس) أعضاء مجلس الإدارة.

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INTRODUCTION

Financial scandals and global financial crises alerted the world to search for causes of these scandals and crises. Many researchers pointed out that one of the main reasons is the weakness of transparency and disclosure of companies, which is seen as a bad corporate Governance (CG) practice (OECD, 2009). International organizations, such as the International Finance Corporation (IFC) and the Organization for Economic Co-operation and Development (OECD), play a key role in spreading the culture of governance and good practice to achieve the best level of stability of financial markets and protect investors in different countries, including the Gulf Cooperation Council (GCC) countries (Abdallah and Ismail, 2017).

There is growing interest in CG in the GCC countries by various organizations, regulators and financial markets (Pillai and Al-Malkawi, 2018). Therefore, all GCC countries have a CG code. The Kingdom of Bahrain is a unique example for CG practice, where CG is a major concern of the Bahraini government. The CG Code of Bahrain seeks to transfer international CG standards to be adopted by public firms. It is characterized by unique features, which are constantly changed according to international and local variables.

Moreover, the key pillars of CG in Bahrain are based on four main concepts. First, to “ensure” means that the company provides all necessary information which is disclosed transparently to regulators, shareholders, and investors, as well as all other stakeholders. Second, “accountability” means that members of the board of directors (BOD) are responsible for managing the company and making decisions that are intended to maximize the benefits of shareholders and protect their interests. Third, “equity” means that all stakeholders of the company shall receive fair and equal treatment by the company. Finally, “responsibility” means that the members of BOD must manage their responsibilities with honor and integrity towards their society. They shall be responsible for the

application of moral responsibility in the performance of their functions, where their priority is in the interest of the company and not their personal interests (CG Code of the Kingdom of Bahrain, 2010 & 2018).

The main purpose of this study is divided into the following: First, to highlight the profile of the Kingdom of Bahrain and Bahrain bourse. Second, to provide background on CG in Bahrain and the components of the governance code. Third, to investigate the extent to which companies comply with the disclosure requirements according to the Bahraini CG Code. Finally, the study seeks to examine the impact of some board characteristics; namely, board size, board independence, number of board meetings, and board gender, on the extent of CG disclosure.

The accounting and CG literature present many studies providing evidence on CG practice and the impact of CG on different firm aspects, such as firm disclosures, firm performance, firm dividend payout, firm earnings management, ... etc. These studies were achieved in both developed and developing countries, including Bahrain (Hamdan and Al Mubarak, 2017; Aktan et al., 2018; Alareeni, 2018); Canada (Ben-Amar and Boujenoui, 2006); Egypt (Dahawy, 2007); GCC (Al-Malkawi et al., 2014; Al-Hadi et al., 2017; Qurashi, 2017; Pillai and Al-Malkawi, 2018); India and the US (Kanojia and Bhatia, 2022); Jordan (Albawwat and Basah, 2015; Al Shaar, 2022; Haifawi et al., 2022); KSA (Grada, 2022); Kuwait (Al-Shammari and Al-Sultan, 2010); Mauritius (Ronoowah and Seetanah, 2022); and Pakistan (Ullah and Kamal, 2022).

This study is likely to contribute to the accounting and CG literature in the following grounds: (1) the focus of the study, the Kingdom of Bahrain as an emerging capital market, has relatively few CG practice research studies. The current study may improve our understanding of the recent practice of CG in Bahrain and the association between board characteristics and the extent of CG disclosure. To the

best of the researcher's knowledge, this study is one of the first studies in Bahrain to investigate board characteristics including female directors as a GC variable and their impact on CG disclosure. The findings of this study may be useful for regulators in Bahrain and other GCC countries who play a vital role to improve the efficiency of capital markets, protect investors and enhance confidence in these markets and may be of great interest for listed firms to improve their CG disclosure. The study attempts to fill the gap in the existing CG literature, because there are few published studies directly investigating this important area of research in developing countries in general and in Bahrain in particular. Since the Bahraini CG Code was modified in 2018, the current investigation is of particular importance.

The current research includes several sections. In addition to the introduction, the current section, the next section provides the profile of the Kingdom of Bahrain and its code of CG. Then, related literature review and hypothesis formulation are presented, by providing the research design (sample, data collection, and the study's variables). Thereafter, the findings are presented and discussed. Finally, conclusions, limitations and future research directions are presented in the last section.

The Profile of the Kingdom of Bahrain¹

The Kingdom of Bahrain is a country of 33 natural islands located in the Arabian Gulf in Southwest Asia. It is characterized by a flat and rugged geography. In the past, Bahrain was called "Delmon", and this name dates to the Great Island. It is believed that it has such a name because of the presence of fresh spring water, called planets, in the middle of the salt water. The capital of Bahrain is Manama city. The Bahraini Dinar is the currency of Bahrain.

The Kingdom of Bahrain has various natural resources,

such as oil and natural gas. Pearls and shipping industries are the most famous industries in Bahrain. It has also gained an international reputation in the manufacturing of aluminum. Bahrain has a diversified economic structure as a strategic option to encourage local capital and attract foreign investment. Such strategy is based on advanced legislation, an integrated infrastructure and economic freedom to enhance its position as a leading financial, commercial and tourism center in the Middle East. Bahrain maintains balanced economic and trade relations with various parts of the world. It also joined the United Nations (UN), the World Trade Organization and is a founding member of the GCC.

Moreover, Bahrain is characterized by a unique residential structure characterized by religious and cultural diversity. According to the 2010 Census issued by the Central Informatics Organization² (CIO), the population of Bahrain is expected to reach 2.128 million people in 2030. Bahrain has presented a historical model of tolerance and peaceful co-existence between the followers of all civilizations, cultures, religions and sects in the context of the consolidation of the rights of citizenship and respect for human dignity.

Bahrain Bourse³

The Bahraini capital market is a multi-asset financial market that seeks to provide investors and dealers with reliable information and a range of services, such as trading, brokerage, settlement, deposit and other services. The Bahrain Stock Exchange (BSE) dates to 1987 and the government of Bahrain is keen to continue the progress and success of

1 Source of all information in this section on the Kingdom of Bahrain is (<http://www.mia.gov.bh/ar/Kingdom-of-Bahrain/Pages/Achievements.aspx>).

2 For more details on population and demographics in the Kingdom of Bahrain (see; (<http://www.mia.gov.bh/kingdom-of-bahrain/population-and-demographics/?lang=en>))

3 Source of all information in this section on Bahrain bourse is (www.bahrainbourse.com.bh)

the BSE. Consequently, in 2010, BSE was replaced by a shareholding company named Bahrain Bourse (BHB) and it is a licensed institution subject to the supervision of the Central Bank of Bahrain (CBB), operating within a legal framework consisting of various laws, such as Law No. (57) of 2009 and Decree No. (60) of 2010.

Moreover, there are different rules and procedures, such as Money Laundering Regulations, Clearing, Settlement, and Central Depository. There are three indicators tracking BHB (Bahrain for all stocks, the Dow Jones Bahrain Index, and the Import Index). BHB includes six sectors; namely, commercial banks, investment, services, industrial, hotel & tourism and insurance sectors. The year 2020 ended with a total of 42 listed companies, 9 mutual funds, 14 bonds/sukuks, and 34 treasury bills and short-term Islamic Ijarah Sukuk (BHB's annual report, 2020).

Foreigners can buy, own or sell bonds, mutual fund units and notes from local shareholding companies. Foreigners who reside in Bahrain for one year or more are entitled to buy, own and / or trade up to 49% of the shares of a local joint stock company. In Bahrain, there are no taxes on profits for both foreigners and citizens. Listed securities with some exceptions must be traded on the land through registered brokers.

Background on CG in Bahrain

The importance of CG in the local and international markets is a matter of great interest for all dealers and other stakeholders in these markets. CG involves "a set of relationships between a company's management, its BOD, its shareholders, and other stakeholders. It provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined" (OECD, 2004: 17). It can be argued that CG is a set of relationships that bind many parties to the decision-making process within the company. Therefore, a particular group does not control the

decision-making process.

At the same time, all information about the company's performance and activities is disclosed in a transparent and clear manner. One of the most prominent applications of CG is related to the quality of accounting information. CG improves human resource efficiency, maximizes the value of companies, and strengthens their market competitiveness, enabling them to attract local and international sources of finance to expand, thereby enabling them to create new jobs (OECD, 2004 & 2009).

The Corporate Governance Code in Bahrain 2018⁴

The new CG Code 2018 contains eleven fundamental principles of CG, while only 9 principles were included in the old CG Code in 2010. Each of these principles includes several guidelines and directives to be applied by companies. Furthermore, the new CG Code 2018 includes 5 appendices; namely, "Independent Director", "Audit Committee", "Nominating Committee", "Remuneration Committee" and "Corporate Governance Disclosure" (MICT, 2018: 3). It aims at guiding to the best ways to manage, lead, control and monitor companies through a group of policies and procedures.

The Principles of the CG Code 2018

The new CG Code 2018 has eleven principles as follows (MICT, 2018: 1-3):

- Principle 1: The company shall be headed by an effective, qualified, and expert board.
- Principle 2: The directors and executive management shall have full loyalty to the company.
- Principle 3: The board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.

⁴ Source of all information in this section on the Bahraini CG Code 2018 is Ministry of Industry, Commerce and Tourism, Kingdom

of Bahrain. Available at: <https://www.moic.gov.bh/en/Tiles/BusinessServices/Commercial/Code.pdf>

- Principle 4: The company shall have effective procedures for appointment, training, and evaluation of the directors.
- Principle 5: The company shall remunerate directors and senior officers fairly and responsibly.
- Principle 6: The board shall establish a clear and efficient management structure for the company and define the job titles, powers, roles, and responsibilities.
- Principle 7: The company shall communicate with shareholders, encourage their participation, and respect their rights.
- Principle 8: The company shall disclose its corporate governance.
- Principle 9: Companies which offer Islamic services shall adhere to the principles of Islamic Shari'a.
- Principle 10: The board shall ensure the integrity of the financial statements submitted to shareholders through the appointment of external auditors.
- Principle 11: The company shall seek through social responsibility to exercise its role as a good citizen.

It should be noted here that there are 7 principles related to BOD, 1 principle addresses the corporate disclosure, and 1 principle is related to Islamic services. Moreover, the new two principles that are added in the new CG Code 2018 are 1 principle related to external auditors and the other related to corporate social responsibility.

On the other hand, there are some requirements for CG by the Ministry of Industry, Trade and Tourism as follows:

1. "Appointing a corporate governance officer".
2. "The existence of guidelines and written procedures for corporate governance".
3. "An independent corporate governance report is included in the company's annual report".
4. "A special item for governance is included in the agenda of the General Assembly of the company".

In a recent study, Qurashi (2017) conducted an exploratory investigation in GCC countries to explore the extent to which the codes of CG in the GCC countries match the guidelines issued by UN as a good CG disclosure practice. He used the content analysis technique to check

each CG code of six GCC countries under 5 main titles (ownership structure and exercise of control rights, financial transparency, auditing, board and management structure and process and corporate responsibility and compliance) and 52 sub-titles from the UN guidance in 2011. The main result of this study is that the CG Code of Bahrain has the maximum convergence with the UN guidance on CG. It has 75 percent (39 out of 52) convergence with the UN guidance on CG.

Literature Review

The financial crisis in East Asia in 1997 and the collapse of many companies clearly demonstrated the urgent need for a good practice of CG. Many analysts and writers pointed out that one of the most important reasons for this crisis is due to weak disclosure and lack of transparency by companies (Claessens et al., 2000). CG can play a unique role in protecting investors and traders in financial markets by providing greater transparency and disclosure, which can alleviate the information asymmetry problem between managers and owners and reduce agency costs (Ho and Wong, 2001; Mitton, 2002). OECD (2004: 49) pointed out that "CG framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company".

In addition, the literature presents a large number of studies that have provided evidence on the association between CG and corporate disclosures. Firms with an effective CG structure have greater overall transparency and disclosure (Al-Hadi et al., 2017). Al-Malkawi et al. (2014) used an un-weighted CG Index to measure CG practices in GCC countries for non-financial firms. The index includes thirty internal CG attributes that are grouped into three categories (11 attributes are disclosures; 11 are board

effectiveness, and 8 are shareholder rights). The results of Al-Malkawi et al. (2014) showed that GCC companies achieve up to 69% of the CG Index attributes.

In Egypt, Dahawy (2007) used a checklist developed by UN consisting of five broad subject categories with 53 sub-titles to measure the extent of CG disclosure for 30 firms representing the Cairo and Alexandria Stock Exchange (CASE) and 30 firms in the Egyptian capital market. These categories are “financial transparency; ownership structure and exercise of control rights; board and management structure and process; corporate social responsibility and compliance; and auditing” (Dahawy, 2007: 7). The main findings suggested low rates of CG disclosure among the CASE 30 firms compared with UN checklist, where the compliance rate is 22% as an average. In Canada, Ben-Amar and Boujenoui (2006) examined CG disclosure quality for a large sample of Canadian listed firms (2002-2004). Their results reported a negative relationship between inside ownership, CEO duality, and CG disclosure quality.

Moreover, in Kuwait, Al-Shammari and Al-Sultan (2010) investigated the impact of four CG characteristics including percentage of family members to total board members; audit committee; non-executive directors' percentage to total board members; and role duality on corporate disclosure for a sample of 170 listed firms in the Kuwait Stock Exchange in 2007. They used a self-disclosure index to measure the voluntary disclosure and reported an improvement in the level of corporate disclosure by Kuwaiti companies. In addition, they reported a significant positive relationship between the level of corporate disclosure and audit-committee existence. Also, in Kuwait, Alotaibi (2014) used a self-constructed index to examine the relationship between the level of corporate disclosure and a group of CG characteristics in a sample of 155 listed firms. He found negative significant associations between voluntary disclosure and both board size and role duality. Ownership structure had an insignificant association with voluntary disclosure.

In Jordan, Albawwat and Basah (2015) measured the

impact of CG characteristics and structure of ownership on the level corporate disclosure in interim financial reports for 72 listed firms in Amman Stock Exchange (ASE) from 2009-2013. The authors found that firms with a high level of CG have shown greater disclosure than other firms. Some variables, such as government ownership, board compensation, and audit-firm size, have a significant effect on corporate disclosure.

Moreover, CG can help in reducing market risks by providing greater transparency and quality disclosure. For example, Al-Hadi et al. (2017) used a sample of financial firms in GCC countries to examine the association between CG factors and market-risk disclosure in the period from 2007 to 2011. The main finding of their study showed a significant positive relationship between the strength of a firm's CG structure and the level of market-risk disclosure, where an increase in market-risk disclosure of 3.5% took place. The findings showed that the quality of risk disclosures was declined by two CG variables; namely, role duality and board independence.

In Mauritius, Ronoowah and Seetanah (2022) investigated the impact of CG mechanisms and ownership structure on CG disclosure by listed Mauritian companies. The empirical study was based on a sample of 42 Mauritian listed companies, covering the period from 2009 to 2019. Multi-variate regression analysis showed that board meeting frequency, board size, audit-committee meeting frequency and CG-committee meeting frequency are main factors of CG disclosure, while ownership-structure variables including institutional ownership and managerial ownership do not affect CG disclosure.

On the other hand, the literature has documented different relationships between corporate performance and CG factors. For example, Hamdan and Al Mubarak (2017) explored the impact of board independence on firm's performance from the

stewardship theory perspective. They used a sample of 162 firms listed in both Bahrain and KSA covering the period from 2013 to 2015. Hamdan and Al Mubarak (2017) reported a converse impact of board independence on firm performance and concluded that internal directors are more effective in improving firm performance than independent directors. Besides, Aktan et al. (2018) examined the association between CG mechanisms and corporate performance (using two proxies: return on assets and return on equity) in the period from 2011 to 2016 using a sample of financial firms listed in Bahrain. Aktan et al. (2018) found that board size, ownership concentration and auditor's reputation have significant positive impacts on corporate performance when measured by return on assets, while board independence and number of board meetings have negative and significant impacts on corporate performance when measured by return on equity. In this regard, Naushad and Abdul Malik (2015), in GCC countries, reported a positive association between corporate performance of a sample of 24 banks and CG.

Further, Pillai and Al-Malkawi (2018) investigated the effect of several CG factors on firm performance of 349 listed firms in the stock exchanges of the GCC countries (from 2005 to 2012). They found that several CG factors; namely, audit type, corporate social responsibility (CSR), board size and government ownership, have significant effects on firm performance in most GCC countries. Ullah and Kamal (2022) investigated the association between CG and firm financial performance of 150 non-financial listed firms in Pakistan. They found that CG is a crucial predictor of firm financial performance in Pakistan.

On the other hand, Grada (2022) examined whether the presentation of the 2006 Code of CG of the KSA and its subsequent amendments constrain earnings management practices amongst listed companies in the KSA. CG data was collected for a sample of 108 Saudi listed companies from 2007 to 2019. Discretionary accruals were regressed against CG factors required in the CG Code of the KSA. Grada (2022) found evidence that the Saudi Arabia Code of CG

does not deter EM practices in public companies. A similar study was conducted in Jordan by Haifawi et al. (2022) who examined the effects of board of directors' effectiveness and ownership structure on decreasing earnings management practices in the Jordanian service and manufacturing companies listed in Amman Stock Exchange for the period from 2014 to 2017. Based on data collected from a sample of 87 companies listed in Amman Stock Exchange, Haifawi et al. (2022) reported a statistically significant negative relationship of several variables, including board independence, foreign ownership and type of audit firm, with earnings management.

Furthermore, Kanojia and Bhatia (2022) investigated the association between CG and dividend payout using a sample of Indian and US listed companies. They concluded that companies with good CG pay higher dividends than those with weak CG. Particularly, board size, board independence and institutional ownership are the main CG drivers of dividend payout in listed firms in the USA, but none of the individual CG parameters is significantly correlated with dividend payout in Indian listed firms. Similarly, Al Shaar (2022) investigated the effects of some CG factors, such as board gender diversity and board size, on dividend payout. Based on a sample of 36 service companies listed in Amman Stock Exchange (360 firm-year observations) covering the period from 2009 to 2018, they reported that the level of female representation in the board of directors of service companies in Jordan is still low compared to other countries. Also, the findings showed that board gender diversity and board size impact dividend payout.

In light of previous related studies, especially those accomplished in Bahrain (Hamdan and Al Mubarak, 2017; Aktan et al., 2018), it should be noted that Aktan et al. (2018) concentrated their study on financial firms ignoring other non-financial listed firms in Bahrain.

Also, Hamdan and Al Mubarak (2017) focused on and employed only board independence as a determinant of firm's performance from the stewardship-theory perspective ignoring other board characteristics. However, the current study aims to examine the extent to which listed firms in Bahrain comply with the disclosure requirements according to the 2018 Bahraini CG Code; and to investigate the impacts of four board characteristics (board size, board independence, board number of meetings and board gender) on the extent of CG disclosure. The current study is one of the first studies in Bahrain to include female directors as a GC variable and their impact on CG disclosure.

Hypothesis Formulation

CG literature (Keenan, 2004; Lefort and Urzú, 2008; Al-Shammari and Al-Sultan, 2010; Aktan et al., 2018) has documented that BOD, as one of the internal CG mechanisms, plays a vital and critical role in determining the strategies, policies, and objectives of the company and hence, the relationship between them and the company's CG is essential. Consequently, several studies have addressed the association between some board characteristics, such as CG factors, and CG disclosure (Hermalin and Weisbach, 2003; Singh et al., 2004; Xiao, et al., 2004; Firth et al., 2007; Muttakin et al., 2015; Ronoowah and Seetanah, 2022). The current study examines the association between four board characteristics (board size, board independence, number of board meetings and board gender) and the extent of CG disclosure as follows.

1. Board Size

The size of BOD and its impact on CG disclosure have become a major area of interest of researchers in the accounting literature. Previous studies presented two different views on the size of BOD. Some researchers (Kiel and Nicholson, 2003) argued that the increase in the members of BOD increases the efficiency and effectiveness of the board. Large number of the board members allows for diversity of expertise and cultures within the board, which

increases the efficiency of the board and reduces the problems of the agency (John and Senbet, 1998; Singh et al., 2004), which may be reflected by increasing disclosure in financial reports. In contrast, others (Yermack, 1996; Pye, 2000) pointed out that the smaller the number of BOD members, the more efficient the decisions taken. However, prior studies have presented conflicting results on the association between the size of BOD and CG disclosure. For example, Allegrini and Greco (2011), Xiang et al. (2014) and Ronoowah and Seetanah (2022) reported a positive relationship between board size and voluntary disclosure. Hermalin and Weisbach (2003) and Alotaibi (2014) found a negative relationship. Accordingly, the following hypothesis is formulated.

H1. There is a positive association between board size and the extent of CG disclosure.

2. Board Independence (Percentage of Outside Directors)

When the composition of BOD includes independent members from abroad, this is considered one of the factors of the board's effectiveness. Board independence is one of the means of alleviating the agency's problems; therefore, the independence of BOD is one of the CG factors (Fama and Jensen, 1983; Srinivasan, 2005; Firth et al., 2007). Board independence refers to the number of external members (non-executive members) in the board to the total number of the board members. The OECD Principles of CG (2004: 64) state that: "Independent board members can contribute significantly to the decision making of the board. They can bring an objective view to the evaluation of the performance of the board and management". Prior research on the relationship between board independence and disclosure has shown mixed results. Some studies reported a positive relationship between the two variables (Ben-Amar and Boujenoui, 2006); in

contrast, other studies revealed a negative relationship (Nandi and Ghosh, 2012). Based on the above discussion, the second hypothesis is suggested as follows:

H2. There is a positive association between board independence and the extent of CG disclosure.

3. Number of Board Meetings

The members of BOD meet to exercise their responsibility and manage the activities of the company. Hence, the number of these meetings is one of the characteristics of BOD's efficiency (Khanchel, 2007). According to the agency theory, the number of BOD meetings affects the strength of CG. Ntim and Osei (2011) found that the greater the number of meetings of the board the more efficient and effective the board, which reflects positively on corporate performance and then improves the financial performance of the company. Several researchers, such as Laksmana (2008), Karamanou and Vafeas (2005) and van den Berghe, and Levrau (2004) pointed out that the number of board meetings is one of the determinants of the efficiency of the board. Laksmana (2008) and Ronoowah and Seetanah (2022) found a positive association between the number of board meetings and the degree of voluntary disclosure. However, Xiang et al. (2014) found a significant negative effect of board meeting frequency on disclosure quality. Finally, Nelson et al. (2010) in Australia reported no significant association between this variable and corporate disclosure. Similar results were shown by Cormier et al. (2010). Therefore, the study formulates the following hypothesis:

H3. There is a positive association between the number of board meetings and the extent of CG disclosure.

4. Board Gender

It is expected that BOD, which includes a different elite in culture, customs, experiences, gender, and various disciplines, will play an important role in the company and

in its society as well. The presence of females in the board encourages it to be engaged in social, charitable, and other services (Williams, 2003). In the same venue, Muttakin et al. (2015) and Bear et al. (2010) argued that the higher the percentage of women in the board, the greater the company's involvement in community activities. Empirical investigation on the association between board gender and voluntary disclosures provided inconclusive results. For example, Bear et al. (2010) reported a positive relationship between board gender and voluntary disclosure. On the other hand, Khan (2010) found no significant relationship between board gender and voluntary disclosure in a sample of Bangladeshi banks. This result is consistent with Giannarakis et al. (2014) who reported that board gender does not affect voluntary disclosure. Based on the above discussion, the following hypothesis can be suggested.

H4. There is a significant association between board gender and the extent of CG disclosure.

Research Design

Details on the methodology adopted in the current study are presented in this part of the study. These details could help in explaining where we obtained the required data, how the researchers operationalized the independent and dependent variables, and the statistics being undertaken to test the above research hypotheses.

1. The Sample

By the end of December 2020, 43 Bahraini companies were listed in the BSE. Table 1 shows details on the study sample. According to the BSE classification, the studied companies are classified into 6 main sectors.

Table 1
Companies listed and included in the current study

Sector	No. of listed companies	Excluded companies	Included companies (2 years)	
	No.	No.	No.	%
1- Commercial Banks	07	0	14	16.7
2- Investment	11	0	22	23.8
3- Insurance	05	0	10	11.9
4- Services	11	1	20	26.2
5- Hotels & Tourism	04	0	08	09.5
6- Industrial	03	0	06	07.1
7- Closed Companies	02	0	04	04.8
Total	43	1	84	100

Note: (1) The first and the third sectors, commercial banks and insurance, were merged into one group, Commercial Banks & Insurance. (2) Sectors 5, 6 and 7 were merged into one sector, Others. Accordingly, the sample was reclassified into four sectors as shown in Figure 1.

Table 1 shows the distribution of the sampled companies by sector. Data required for this survey, such as CG disclosure, board's characteristics and company characteristics, was collected from some sources including the paper-based annual reports of sample companies, the BSE's web site, web sites of the sampled companies and other related specialized web sites providing information on Bahraini listed companies (e.g. www.mubasher.net and www.gulfbase.com). Companies' annual reports and each web site were examined in detail to gather the information required. Most of the required data was collected at the beginning of 2021.

2. Definition of Study Variables

As the focus of the current study is to examine the extent to which listed companies in BSE comply with the disclosure requirements according to the 2018 Bahraini CG Code, the dependent variable, the extent of CG disclosure (CGTOTD), is the extent of the CG disclosure provided by these companies. Accordingly, a disclosure index has been

developed for this purpose. As mentioned earlier, the literature provides evidence on the association between some board characteristics and the extent of CG disclosure (Hermalin and Weisbach, 2003; Singh et al., 2004; Xiao et al., 2004; Firth et al., 2007; Muttakin et al., 2015). Therefore, to achieve this study's objectives, several board characteristics, including board size (BSIZE), board independence (BINDEP), board number of meetings (BMEETI), and board gender (BGENDE), were employed as independent variables. Moreover, the accounting literature shows empirical evidence on the association between several firm factors and corporate disclosure (Ettredge et al., 2002; Samaha et al., 2012; Desoky and Mousa, 2013). Consequently, the researcher decided to control for some firm factors as control variables, including firm industry (FINDUS), firm size (FSIZE), firm profitability (FPROFIT) and firm foreign ownership (FFOROW). Table 2 shows all variables and their predicted sign and related proxies.

Table 2
Summary of all the variables included in the study

Variables	Symbol	Predicted sign	Definitions
<u>Dependent Variables:</u> - CG disclosure	CGTOTD		The extent of CG disclosure based on the Bahraini Code of CG (45 items).
<u>Control variables:</u> - Firm industry - Firm size (BD 000) - Firm profitability - Firm foreign ownership (%)	FINDUS FSIZE FPROFI FFOROW	+ or - + or - + or - + or -	The BHB sector classification with some modifications. Firm's total assets. Firm net income/total assets (ROA). % of shares owned by foreigners.
<u>Independent Variables:</u> - Board size - Board independence (%) - Board no. of meetings - Board gender (% female)	BSIZE BINDEP BMEETI BGENDE	+ + + + or -	Number of board members. % of external members to total board members. Number of board meetings (for a year). % female directors to total board members.

Notes: (1) Related data was collected at the beginning of 2021; (2) Information on BSIZE, BINDEP, BMEETI and BGENDE was obtained from the annual reports and firms' websites.

3. The CG Disclosure Index

Consistent with previous research (e.g. Cooke, 1992; Barako et al., 2006; Desoky and Mousa, 2013), the current study uses disclosure index to measure the extent of CG disclosure practice by listed companies in BSE. The index used in this study was developed basically on Index 5 "CG Disclosure" of the Bahraini CG Code issued in 2018. This study adopted an un-weighted CG disclosure index, which deals with all items similarly with a dichotomous procedure which scores one for an item if it is disclosed and zero otherwise. Cooke (1989) followed by several authors (e.g. Desoky, 2009; Ettredge et al., 2002; Hassan et al., 2006) favor un-weighted items, indicating that all CG disclosure items are equal in importance. Because the CG information disclosed is going to be employed by different types of users, each for various purposes, the researcher decided to use an un-weighted index in the current survey.

Index 5 of the Bahraini CG Code includes around 45 CG disclosure items divided over six groups, including: The first group - TOTAL1 "Shareholding", the second group –

TOTAL2 "Company's Board", the third group – TOTAL3 "Directors and Management Committees", the fourth group – TOTAL4 "Corporate Governance", the fifth group - TOTAL5 "Auditors" and the sixth group – TOTAL6 "Other Matters" (See Table 7 and Appendix 1). To fully represent the CG disclosure required in Index 5, it was decided not to do modifications on the 45-item CG-disclosure list in Index 5 of the code. The total score (CGTOTD), the prime measure in this study, was computed according to CG disclosure items found in a company's annual report or website with a maximum value of 45 points (100%) and a minimum value of 0 point (0%) for each company. The total un-weighted index for each company is calculated as the total scores awarded to a particular company divided by the maximum number of applicable items of information.

4. Data Analysis

This study employs the Statistical Package for

Social Sciences (SPSS) to perform descriptive and statistical analysis. The correlation analysis "Pearson correlation" was used to examine the significance and strength of the association between the dependent variable (CGTODT) from one side and the independent variables (BSIZE, BINDEP, BMEETI and BGENDE) and control variables (FINDUS, FSIZE, FPROFI and FFOW) from the other. The study employed the Hierarchical Multiple Regression (HMR) which is a multi-variate analysis (or sequential regression). The HMR was used to eliminate any probable effect of the four control variables on the dependent variable. In HMR regression, variables were entered over two steps; the first, four control variables were entered, followed by four independent variables in the second step.

The two regression models estimated were as follows:

$$\text{CGTODT} = \beta_0 + \beta_1 \text{FINDUS} + \beta_2 \text{FSIZE} + \beta_3 \text{FPROFI} + \beta_4 \text{FFOW} + \varepsilon \quad (\text{Model 1})$$

$$\text{CGTODT} = \beta_0 + \beta_1 \text{FINDUS} + \beta_2 \text{FSIZE} + \beta_3 \text{FPROFI} + \beta_4 \text{FFOW} + \beta_5 \text{BSIZE} + \beta_6 \text{BINDEP} + \beta_7 \text{BMEETI} + \beta_8 \text{BGENDE} + \varepsilon \quad (\text{Model 2})$$

In the above two equations, CGTODT = the extent of CG disclosure (the main dependent variable); β_0 is a constant; $\beta_i, i=1, \dots, 8$, denote the parameters; and ε is the error term. Regression diagnostics were performed to evaluate the chance for multi-collinearity which might happen between any two or more independent variables. The results of HMR showed that multi-collinearity is not seeming to be problematical in the current study; consequently, it is not being a considerable worry in our study.

Findings and Discussion

This part of the study presents and discusses the main results, which is necessary for testing the research hypotheses, divided into three sub-sections, including "descriptive statistics", "correlation analysis", and "multi-variate analysis".

1. Descriptive Statistics

Figure 1 shows the distribution of sampled listed companies in BSE across industries. Among the 84 companies which represent two financial years (2019 and 2020 with 42 companies each), about 28.6% of the total number of companies (24 companies) are commercial banks and insurance; 26.2% (22 companies) are investment companies; 23.8% (20 companies) are services companies and 21.4% (18 companies) represent other sectors.

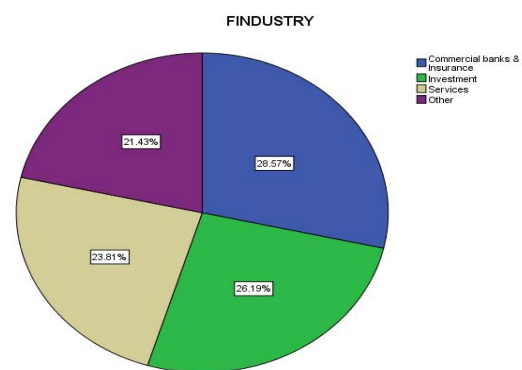


Figure (1)
Details of the sampled companies

Table 3 shows descriptive statistics for all dependent, independent and control variables employed in the current study. It reveals that across listed companies included in the sample, the mean score of the CG disclosure index (CGTODT) is 36.26 of 45 items representing 80.58%, with a standard deviation of 4.80 (10.67%). The highest total score achieved is 44 of 45 items representing 96.9% and the lowest score is 62.22% (a total of 28 of 45 items). These results reveal a relatively high level of CG disclosure practice by listed companies in the BSE in light of the new Bahraini Code of CG. This result was expected for some reasons. First, the first version of the Bahraini Code of CG was issued in 2010 giving listed companies a period of eight years of experience in practicing CG disclosure requirements; second, listed

companies are mandatorily required to follow CG disclosure requirements in both Bahraini CG Codes of 2010 and 2018; third, in addition to CG disclosure requirements by the CG Codes, there are some requirements for CG, including disclosure by the Ministry of Industry, Trade and Tourism in the Kingdom of Bahrain, such as “an independent corporate governance report”.

Furthermore, the above results might suggest that the CG disclosure by listed companies in the BSE is relatively high in the Kingdom of Bahrain (a mean score of more than 80% with a relatively low variation of 10.67%) as compared to other countries in this area. For instance, Al-Malkawi et al. (2014) reported that GCC companies achieved 69% of the CG index attributes, while Dahawy (2007) reported a low level of CG disclosure (an average of 22%) among listed companies comprising the Egyptian Main Index (CASE 30) with UN checklist. Desoky and Mousa (2013) reported lower investor- relation disclosure (a mean score index of 51.14% with a standard deviation of 20.86%) compared to the current study. This refers to some improvements in CG disclosure in the Kingdom of Bahrain in the last few years.

Concerning independent variables, Table 3 shows that the minimum board size (BSIZE) of listed companies in the BSE in both years was 5, while 13 was the maximum, number of

board of directors with an average of about 9 board members. The same table shows that the mean score of the board independence (BINDEP) is 32% with a high standard deviation of 25% and 0% and 90% as the minimum and maximum, respectively. This indicates that, in average, around 32% of the board members are non-executive members. This result indicates that the percentages of independent board members were reduced in the last few years. For example, the reported percentage was higher in two previous studies accomplished in the same stock market, Bahrain (Hussain and Mallin, 2003; Desoky and Mousa, 2013).

Moreover, the minimum board number of meetings (BMEETI) of the sampled companies was 0, while 15 was the maximum. In terms of board gender (BGENDE), Table 3 reveals that across companies included in the sample, 25% is the maximum percentage of female directors to the total number of members of BOD with a mean of 2.45%, indicating that most members of BOD in listed companies in Bahrain are male directors. The above result shows a minor participation of female members in the boards of listed companies in BSE.

Table 3
Descriptive statistics of the dependent, control, and independent variables

Variables	Symbol	Minimum	Maximum	Mean	SD
Dependent Variable: - CG disclosure	CGTOTD	28 (62.22%)	44 (97.78%)	36.260 (80.58%)	4.802 (10.67%)
Control Variables: - Firm industry - Firm size - Firm profitability - Firm foreign ownership	FINDUS FSIZE FPROFI FFOROW	1 7073 -0.754 0.00	4 12532190 0.419 1.00	1555728 0.029 0.367	3180123 0.107 0.360
Independent Variables: - Board size - Board independence (%) - Board no. of meetings - Board gender (% female)	BSIZE BINDEP BMEETI BGENDE	5 0.000 0 0.000	13 0.900 15 0.250	9.01 0.32012 3.94 0.02452	1.954 0.253013 3.231 0.052513

Furthermore, Table 3 shows details on control variables.

For instance, it shows that the minimum firm size

(FSIZE) is BD 7.073 million, while the maximum is BD 12,532 million with an average of BD 1,556 million. Further, the average firm profitability (FPROFI) for the sampled companies is 2.90%, with a minimum of 7.54% and a

maximum of 41.90%. Also, the average firm foreign ownership (FFOROW) for the sample is 36.70 with 0% and 100% as minimum and maximum percentages, respectively.

Table 4
Details on CG disclosure

CG Disclosure groups	Total Items	Min.	Max.	Mean	SD	Rank
TOTAL1	04	2	4	03.60 (90.00%)	03.60	2
TOTAL2	16	11	16	14.17 (88.56%)	14.17	3
TOTAL3	08	3	8	05.33 (66.63%)	05.33	5
TOTAL4	03	1	3	02.86 (95.33%)	02.86	1
TOTAL5	03	0	2	01.10 (36.67%)	01.10	6
TOTAL6	11	5	11	09.21 (83.72%)	09.21	4
CGTODD	45	28	44	36.26 (80.58%)	36.26	

Descriptive statistics on the groups of CG disclosure are provided in Table 4, which reveals that the highest level of information provided by listed companies is on the fourth group (TOTAL4) of Index (5) of the Bahraini CG Code titled "Corporate Governance" with a mean score of 95.33%. It is ranked as first among all the 6 groups of CG disclosure. This result indicates that most listed companies in Bahrain are highly involved in GC practices and complied with CG disclosure requirements of the Bahraini CG Code (e.g. a separate report on corporate governance in the annual report).

Table 4 shows that the second highest level of information provided by listed companies is on the first group (TOTAL1) "Shareholding" with a mean score of 90.00%. This group of information is ranked as the second group of CG disclosure. This result was expected, as most information items in this group are provided in the annual reports of the listed companies. The sampled companies provided a relatively lower level of information on other groups. For example, the average mean score is 88.56%, 83.72% and 66.63% for the second, sixth and third groups,

respectively. Furthermore, listed companies provided the lowest level of CG disclosure on the fifth group "Auditors" with a mean score of only 36.67%.

Table 5 provides a summary of the CG disclosure scores for the sampled companies. The level of CG disclosure is generally high for most groups except for the fifth group. For example, none of the sampled companies scored less than 25% of CG disclosure items in all groups except for the fifth one. For the CG total disclosure (CGTODD), clearly none of the sampled companies scored less than 50%. This supports the argument that listed companies in BSE are practicing more CG and providing more CG information in light of Index (5) of the Bahraini CG Code. As is clear in Table 5, most sampled companies scored above 75% of CG disclosure items in total and in all groups except for the fifth group, the majority of which scored 26%-50% of CG disclosure items. In general, the above results refer to the high level of CG disclosure practiced by listed companies in Bahrain.

Table 5
Disclosure scores for sampled companies

Disclosure Score (%)	TOTAL 1		TOTAL2		TOTAL3		TOTAL4		TOTAL5		TOTAL6		CGTOTD	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%
< 25	0	0	0	0	0	0	0	0	4	4.8	0	0	0	0
26-50	10	11.9	0	0	35	41.7	6	7.1	68	81.0	9	10.7	0	0
51-75	14	16.7	12	14.3	20	23.8	0	0	12	14.2	14	16.7	27	32.2
>75	60	71.4	72	85.7	29	34.5	78	92.9	0	0	61	72.6	57	67.8
Total	84	100	84	100	84	100	84	100	84	100	84	100	84	100

Disclosure score is computed as the total disclosure score obtained by a company expressed as a percentage of the maximum possible score.

Table 6 provides detailed results on the CG disclosure index. It shows the mean score related to each item included in the CG disclosure index. As a general note, 16 items in the first, second, third, fourth and sixth groups were fully disclosed (a mean score of 1.00 with a standard deviation of 0.000) by all sampled companies included in the current study. For instance, item A in the first group “Distribution of shareholding by nationality” was provided by all sampled companies. In the second group, items A, B, C, G, I, J, M, N, O and P were provided by 100% of the sampled companies. Similarly, one item in each of the third and

fourth groups, and three items in the sixth group (Items Sixth E1, Sixth E2 and Sixth E3) were provided by all sampled companies. Other items in different groups were highly disclosed by most sampled companies. For instance, seven items have mean scores above 0.90 and other four items have mean scores between 0.80 and 0.90. Other items, including Items B “Audit fees and Years of service as the company’s external auditor” and C “Reasons for changing or re-appointing the auditors” in the fifth group have very low mean scores of 0.12 and 0.02, respectively.

Table 6
Details on CG disclosure items

Group/Disclosure Items	Minimum	Maximum	Mean	Std. D.	Group Rank	Overall Rank
First A	1	1	1.00	0.000	1	1
First B	0	1	0.81	0.395	4	26
First C	0	1	0.86	0.352	3	25
First D	0	1	0.93	0.259	2	21
Second A	1	1	1.00	0.000	1	1
Second B	1	1	1.00	0.000	1	1
Second C	1	1	1.00	0.000	1	1
Second D	0	1	0.49	0.503	16	43
Second E	0	1	0.96	0.187	11	17
Second F	0	1	0.81	0.395	12	26
Second G	1	1	1.00	0.000	1	1
Second H	0	1	0.76	0.428	13	31
Second I	1	1	1.00	0.000	1	1

Second J	1	1	1.00	0.000	1	1
Second K	0	1	0.50	0.503	15	42
Second L	0	1	0.64	0.482	14	35
Second M	1	1	1.00	0.000	1	1
Second N	1	1	1.00	0.000	1	1
Second O	1	1	1.00	0.000	1	1
Second P	1	1	1.00	0.000	1	1
Third A	1	1	1.00	0.000	1	1
Third B	0	1	0.93	0.259	2	22
Third C	0	1	0.52	0.502	7	40
Third D	0	1	0.63	0.512	6	37
Third E	0	1	0.72	0.408	4	34
Third F	0	1	0.50	0.503	8	42
Third G	0	1	0.64	0.482	5	35
Third H	0	1	0.74	0.442	3	32
Fourth A	1	1	1.00	0.000	1	1
Fourth B	0	1	0.93	0.259	2	21
Fourth C	0	1	0.93	0.259	2	21
Fifth A	0	1	0.95	0.214	1	20
Fifth B	0	1	0.12	0.326	2	44
Fifth C	0	1	0.02	0.153	3	45
Sixth A	0	1	0.96	0.187	4	17
Sixth B	0	1	0.96	0.187	4	17
Sixth C	0	1	0.81	0.395	6	26
Sixth D	0	1	0.74	0.442	9	32
Sixth E1	1	1	1.00	0.000	1	1
Sixth E2	1	1	1.00	0.000	1	1
Sixth E3	1	1	1.00	0.000	1	1
Sixth E4	0	1	0.79	0.413	7	29
Sixth F	0	1	0.79	0.413	7	29
Sixth G	0	1	0.56	0.499	10	39
Sixth H	0	1	0.61	0.491	11	38

Note: 1. The above results are based on 84 firms.

2. For more details on the above disclosure items, see Appendix 1.

2. Statistical Analysis (Correlation Results)

Correlation results are presented in Table 7 which reveals a number of significant correlations (positive and negative) among the dependent, control and independent variables.

These associations suggest the potential for two of the research hypotheses to be supported. Table 7 shows that there is a significant positive association between the dependent variables (CGTOTD) and two of the

independent variables; namely, board independence (BINDEP) and board number of meetings (BMEETI). These two associations are positive and nearly in similar strength which is a relatively strong association with correlation values of 0.539 and 0.534, respectively. However, Table 7

shows that there is no significant association between the dependent variable and the other two independent variables, board size (BSIZE) and Board gender (BGENDE).

Table 7
Correlation coefficients

Variables	CGTOD	FINDUS	FSIZE	FPROFI	FFOROW	BSIZE	BINDEP	BMEETI	BGENDE
CGTOD	1								
FINDUS	-0.254*	1							
FSIZE	0.002	-0.367**	1						
FPROFI	0.073	0.049	-0.068	1					
FFOROW	0.020	-0.398**	0.495**	-0.092	1				
BSIZE	0.156	-0.211	0.267*	-0.084	-0.022	1			
BINDEP	0.539**	-0.204	-0.047	-0.032	-0.081	0.139	1		
BMEETI	0.534**	-0.195	-0.057	0.167	-0.063	0.233*	0.615**	1	
BGENDE	-0.011	0.187	-0.075	0.143	-0.109	0.152	-0.021	0.190	1

Note: All coefficients are based on 84 observations.

Pearson-correlation results verify some significant associations among the independent variables (e.g. BINDEP vs. BMEETI and BSIZE vs. BMEETI). However, these associations, which are 0.615 and 0.233 respectively, do not exceed 0.7 and then do not indicate a serious multi-collinearity problem in our study. Tabachnick and Fidell (2014) declared that we must think cautiously before having two independent variables with a bivariate correlation of, around, 0.7 or more in the same analysis. Accordingly, the problem of inter-correlation among independent variables is not a concern and multi-collinearity should not be a thoughtful worry in this study. The above results support the idea that board independence and board number of meetings

are positively associated with the extent of CG disclosure.

3. Multi-variate Analysis (Regression Results)

The results of HMR are provided in Table 8 which shows the findings of the two regression models. The reason behind using HMR was to remove any possible effect of some firm factors, including firm industry, firm size, firm profitability, and firm foreign ownership (control variables) and to recognize which independent variable(s) contributes (contribute) to the estimation of CG disclosure as a dependent variable.

Table 8
Results of hierarchical-regression models

Model 1				Model 2		
	Standardized Coefficients (Beta)	t-value	Sig.	Standardized Coefficients (Beta)	t-value	Sig.
(Constant)		24.504	0.000		11.154	0.000
FINDUS	-0.304	-2.529	0.013	-0.106	-0.974	0.333
FSIZE	-0.073	-0.575	0.567	-0.033	-0.296	0.768
FPROFI	0.101	0.929	0.356	0.064	0.665	0.508
FFOROW	-0.046	-0.354	0.724	0.049	0.438	0.662
BSIZE				0.045	0.440	0.661
BINDEP				0.272	2.187	0.032
BMEETI				0.352	2.699	0.009
BGENDE				-0.052	-0.525	0.601
Model 1				Model 2		
R²	0.085			0.380		
Adjusted R²	0.038			0.313		
R² change	0.085			0.295		
F value	1.825			5.737		
P value	0.132			0.000		

Note: 1. Both regression models are based on 84 observations; 2. The first regression model (Model 1) includes four control variables (FINDUS, FSIZE, FPROFI and FFOROW) to statistically control these variables, while the second block (Model 2) includes all variables (control and independent variables) used in the study; 3. Significant coefficients are in bold.

Table 8 presents results of Model (1) and Model (2) of HMR. However, only one model, Model (2), is significant. Model (1) which includes four firm factors (FINDUS, FSIZE, FPROFI and FFOROW) as control variables was not statistically significant (p-value of 0.132, F-value of 1.825 and 8.5% as an adjusted R²). Model (1) explains 8.5% of the extent of CG disclosure (the dependent variable). On the other hand, Model (2) includes all variables employed in the current study, four independent variables and the other four control variables. Model (2) is statistically significant (p-value of 0.000, F-value of 5.737 and a total adjusted R² of 31.3%) in explaining the dependent variable, CG disclosure. Table 8 provides the value of R² change in each model (8.5%

for Model (1) and 29.5% for Model (2)). This result indicates that independent variables (BSIZE, BINDEP, BMEETI and BGENDE) explain an additional 29.5% of the CG disclosure.

Table 8 reveals that the HMR results fully support most results of Pearson correlation presented earlier. Model (2) shows that two independent variables; namely, board independence (BINDEP) and board number of meetings (BMEETI) are significantly explaining the extent of CG disclosure of listed companies in BSE. This result is consistent with what was provided earlier in the literature. For instance, the result on board independence (BINDEP) is in line with

what was found by Ben-Amar and Boujenoui (2006) who reported a significant positive association between board independence and disclosure.

The above result supports the argument that board independence has a positive effect on the extent of CG disclosure by listed companies in BSE. Also, the above result is in line with what was reported in Mauritius by Ronoowah and Seetanah (2022) who found an association between (BMEETI) and firm disclosure. In contrast, the above result is not consistent with what was reported by Nandi and Ghosh (2012) who found a negative relationship. The above finding supports accepting the second research hypothesis (H2) which states that “There is a positive association between board independence and the extent of CG disclosure”.

Similarly, HMR result on board number of meetings (BMEETI) supports what was presented earlier that the number of board meetings affects the strength of CG and the greater the number of meetings of the board the more efficient and effective CG. The above result is in line with Laksmana (2008) and Ronoowah and Seetanah (2022) who reported a positive association between the number of board meetings and the level of disclosure. However, it conflicts with what was reported by Xiang et al. (2014) who found a significant negative relationship. Based on this finding, it is possible to conclude that the board number of meetings (BMEETI) of listed companies in BSE is associated with the level of CG disclosure provided by these companies. Therefore, it is possible to accept the third research hypothesis (H3) which states that “There is a positive association between the number of board meetings and the extent of CG disclosure”.

Concerning board size (BSIZE) and Board gender (BGENDE), Table 8 shows insignificant results for both variables which are supporting Pearson correlation results. This means that neither of these two independent variables is a determinant of the extent of CG disclosure by listed companies in BSE. For example, the result on board size (BSIZE) conflicts with results presented by Allegrini and Greco (2011) and Xiang et al. (2014) who concluded that

board size is positively associated with disclosure. The result on Board gender (BGENDE) is also not consistent with what was concluded by Bear et al. (2010) who reported a positive relationship between board gender and disclosure, while it confirms what was concluded by Khan (2010) and Giannarakis et al. (2014) who found that board gender does not affect disclosure. In light of this result, the current study may not support the argument that board gender (BGENDE) can play a serious role in determining the extent of CG disclosure. In light of the above results, it is likely to reject both hypotheses H1 and H4.

In conclusion, the current study provides strong support for research hypotheses on board independence (BINDEP) and board number of meetings (BMEETI), as they significantly explain the extent of CG disclosure by listed companies in BSE. On the contrary, the current investigation provides no support for the other research hypotheses on board size (BSIZE) and Board gender (BGENDE).

Conclusions, Limitations, and Recommendations

The main aim of the current study was to examine the extent to which listed companies in BSE comply with CG disclosure requirements in light of the 2018 Bahraini CG Code. Based on Index (5) of the 2018 Bahraini CG Code, a CG disclosure index was developed for this purpose. The current study extends prior research in this area of accounting research. Data needed for the empirical study was gathered on 42 listed companies in BSE for two years, 2019 and 2020. The main dependent variable, the extent of CG disclosure (CGTOTD), was divided into six sub-dependent variables. Index 5 of the Bahraini CG Code includes 45 CG disclosure items divided over six groups, including: The first group “Shareholding”, the second group “Company’s Board”, the third group “Directors and Management Committees”, the fourth group “Corporate Governance”, the fifth group

“Auditors” and the sixth group “Other Matters”.

Empirical findings indicated that most listed companies in Bahrain were highly involved in GC practices and complied with CG disclosure requirements of the Bahraini CG Code and the level of CG disclosure is generally high for most groups except for the fifth group. The highest level of information provided by listed companies is on the fourth group “Corporate Governance” of Index (5) which ranked first among all the 6 groups of CG disclosure. None of the sampled companies scored less than 25% of CG disclosure items in all groups except the fifth one. Significant positive association was found between the dependent variable (CGTOD) and two of the independent variables; namely, board independence (BINDEP) and board number of meetings (BMEETI). The HMR results fully support most results of Pearson correlation. However, none of board size (BSIZE) and Board gender (BGENDE) was found as a determinant of the extent of CG disclosure by listed companies in BSE. In summary, HMR provides strong support for two research hypotheses on board independence (H2) and board number of meetings (H3), as they significantly explain the extent of CG disclosure by listed companies in BSE. However, no support was found for the other two research hypotheses on board size (H1) and Board gender (H4).

Regarding theoretical implications, the current study might contribute to the existing literature on BOD factors determining CG disclosure in Bahrain, which is perceived as a substantial subject for the community in general and stakeholders of listed companies in particular. About practical implications, this study provides more understanding on determinants of CG disclosure practices. This might offer a new dimension for this area of accounting research. Empirical findings of this study may deliver appropriate knowledge to some stakeholders, especially the

government and regulatory bodies responsible for preparing and updating the CG Code in Bahrain.

Of course, this research is not free of limitations. Our survey was based on a small sample of 42 listed companies in BSE representing 84 firm-year observations in 2019 and 2020. Therefore, carefulness should be considered in evaluating the results. The study focusses only on four board factors as independent variables and ignores other board factors. The index of the CG disclosure is measured depending on the un-weighted checklist of 45 items to avoid a subjective view. Our findings may not be generalized to other countries in different stages of development, or with different business, regulatory and legal environments.

In light of the above findings, the following recommendations are proposed.

1. Future research could overcome the above limitations and enrich previous conclusions by expanding the sample size to cover both listed and unlisted firms in Bahrain; increasing the number of items included in the CG disclosure index and undertaking a comparative study between Bahrain and other GCC countries which have many similarities to the Bahraini environment and/or other countries in the MENA area.
2. It is also recommended to undertake comparative future research between the period before and after the issuance and application of the modified CG code in Bahrain.

As this study addresses a limited number of board characteristics, other characteristics, such as education level and ownership of board members, need to be considered in future research.

Appendix: 1

Details on CG disclosure items according to the Bahraini CG Code (2018)*

First: Shareholding
A. Distribution of shareholding by nationality; B. Distribution of shareholding by shareholder size; C. Shareholding by the government, if any; and D. Names of the shareholders holding 5% or more, indicating the name of the natural person who holds the shares, the final beneficiary.
Second: Company's Board, Directors and Management
A. A precise description of the Board's duties; B. Types of material transactions that require the Board's approval; C. Directors' names, authorities, capacity of representation, detailed information, including directorships of other boards, positions, qualifications and experience, and whether each director is executive or non-executive; D. Independent directors' names and numbers; E. Board's term and the start date of each term; F. Board's activities to induct, educate, direct, orient and train new directors; G. Directors' shareholding; H. Directors' election system and any termination arrangements; I. Directors' trading of shares during the year; J. Dates of meetings (number of meetings during the year); K. Attendance of directors at each meeting; L. Total remunerations, sitting fees and bonuses paid to directors for the year; M. List of senior executives and a profile of each; N. Shareholding by senior managers; O. Total remunerations paid to the key executive officers (the top five employees), including salaries, benefits, allowances, increases, stock options, end-of-service benefits, pensions, ... etc.; and P. Whether the Board has adopted the company's code of conduct on the criteria and determinants of professional conduct and ethical values, mentioned in Chapter Two, Section Two, Paragraph (Fifth), of the Code
Third: Committees
A. Names of the Board's committees; B. Duties of each committee; C. Members of each committee divided into independent and non-independent; D. Minimum number of meetings per year; E. Actual number of meetings; F. Attendance of committees' members; G. Members' remunerations (by member); and H. Activities of committees.
Fourth: Corporate Governance
A. A separate report on corporate governance in the annual report; B. Reference to the Corporate Governance Code and its principles; and C. Actions taken to complete the implementation of the Code.
Fifth: Auditors
A. Clarifications on the auditor and its professional performance; B. Audit fees, and the years of service as the company's external auditor; and C. Reasons for changing or re-appointing the auditors.

Sixth: Other Matters

- A. Related-party transactions;
- B. Process of approval for related-party transactions;
- C. Means of communication with shareholders and investors;
- D. Review of internal control processes and procedures;
- E. The announcements of the company's results, financial statements, ... etc. in the press shall include at least the following:
 - E1. Balance sheet, as well as statements of income, cash flow, and changes in shareholders' equity;
 - E2. Auditors;
 - E3. Auditor's signature date; and
 - E4. Board's approval date.
- F. Statement on the BoD's responsibilities with regard to the preparation of the company's financial statements;
- G. Conflict of interests - any issues arising shall be reported, and any steps, taken by the Board to ensure that directors exercise independent judgment in considering transactions and agreements in which directors or officers have a material interest, shall be described; and
- H. The Board - whether or not the Board, its committees and individual directors are regularly assessed for their effectiveness and contributions.

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