USEFULNESS OF VOLUNTARY DISCLOSURES IN ANNUAL REPORTS OF LISTED COMPANIES IN NIGERIAN: AN EXAMINATION OF USERS' PERCEPTION

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ABSTRACT: *In spite of the increase in firms disclosing information beyond mandatory information to meet the broad range of users' information needs, there is limited knowledge from Nigeria as a developing economy on whether voluntary disclosures are useful for the user's judgments and decisions. That is, research validating that additional disclosures enhance users' decision making is limited. The purpose of this study is to evaluate whether users in Nigeria perceive voluntary disclosures in annual reports to be useful when making investment decisions. To measure users' perception, survey research design was employed. Relevant data were obtained from survey of seven user groups (Investors, Accounting Practitioners, Regulators, Financial analysts, Academics, Customers and Students) in South East Zone of Nigeria to test the hypothesised usefulness. Empirical results were obtained through one sample t-test using SPSS software. Results revealed that voluntary disclosure of forward looking information is reliable for detecting earnings management. Voluntary disclosure of sustainability, environmental and social issues provide better understanding of companies' long term performance. Based on the findings, it was recommended among other things that companies in Nigeria should adopt voluntary disclosures to supplement the conventional reporting model, since the new forward looking reporting framework create longer term value, and also drives quality capital market decisions*.

KEYWORDS: Voluntary disclosure, usefulness, reliability, perception, forward looking information, earnings management

INTRODUCTION

Investors and other stakeholders in Nigeria and beyond demand holistic view of a business through corporate reporting as it enhances firm's public image, and gives firm unique comparative advantages (Sarıoğlu, Dalkılıç & Durak, 2019; Oyewumi, Ogunmeru & Oboh, 2018; Frias-Aceituno, Radriguez-Ariza & Garcia-Sanchez, 2013). Unfortunately, current corporate reporting model has failed those whom it intends and ought to serve best (Eccles, Herz, Keegan & Phillips 2001). It has been criticised for its inability to portray a rounded picture of companies, not covering all significant information, unable to address the interests and concerns of a broader range of stakeholders in the modern economy, and a declining

proportion of the information inputs for stakeholders' judgments and decisions. Simply put, the present reporting framework does not offer users with broad data about their actions, which are critical drivers of a company's value (Opanyi, 2019; Adams, Fries & Simnett, 2011; Osasu & Okunbor, 2011; Tackett, Wolf, & Kinsley, 2007; Crow, 2003; Elliott, 1995). Thus gap often exists between stakeholders' information requirements and the information that is actually made available to them by companies (Mohamed, Allini, Ferri & Zampella, 2019; Alsan & Hermansson, 2014; Arnold, 2008; Institute of Chartered Accountants Australia 2014; Kass, 2012; Adams & Simnett, 2011; Everingham and Kana, 2008).

Attempts have been made in the past to address the above shortcomings of traditional financial reporting. Companies experimented with different types of information disclosure. This saw the emergence of interim reporting, comprehensive income statement, segmental reporting, quarterly earnings announcements etcetera. (Oladipupo & Izedomi, 2013; Okougbo, 2011; Adeyemi & Fagbemi, 2010; Kanagaretnam, Lobo and Whalen, 2007; Okoye and Ofoegbu, 2006; Schadewitz & Blevins, 1998). Adekunle and Asaolu (2013:158) specifically noted that Nigeria recently align all corporate reports to the International Financial Reporting Standards (IFRSs) as a means of enhancing full disclosure and strengthening stakeholder confidence.

These emergent reporting frameworks were somehow futile as they focus on conformity and compliance with little regard to the actual information requirements of different stakeholder groups. (Everingham and Kana, 2008). Their core elements of reporting are typically based on the accounting records of a company and are mostly quantitative and based on past events. Being published periodically it is difficult to provide timely signals to the capital markets. It has been challenged for some time on the grounds that financial figures alone cannot fully represent and reflect the impact a corporation has on other stakeholders and society (Arnold, 2008; Damagum & Chima, 2013). Implicit in the above statement is that the old reporting framework cannot report performance on all the measures that companies use internally (financial and nonfinancial, quantitative and qualitative), which limits investors' decisions on companies' overall performance. Meanwhile economic, regulatory, and global forces associated with information technology are demanding higher-quality reporting while standards are in continual flux. This has resulted in numerous regulations being published within short periods, making corporate reports even more complex and difficult to analyse. Standard setters struggle to keep pace with these changes so that financial statements reflect underlying economics of transactions and events and that reporting is comparable among firms and within firms' overtime.

This calls for firms to supplement regulatory efforts to lessen information asymmetry between company management and outside investors by disclosing relevant information voluntarily. Thus to overcome the limitations of conventional reporting and meet the stakeholders' demands for corporate transparency, companies were encouraged to improve stakeholder reporting (Bananuka, Tumwebaze & Orobia, 2019; Kaptein & Van Tulder,2017; Chima, Ibikule & Ahmed 2015; Adamu, 2013; Global Accounting Alliance - GAA 2009; Boesso and Kumar, 2009; Financial Accounting Standard Board - FASB, 2001). It created

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opportunities for new reporting models and institutional innovations. Growing number of organizations now disclose information on how their entities interact with local communities, employee and other stakeholders' in financial and non financial form apart from that statutorily required. Leading reporters integrate them fully, rather than just including a small section containing additional information. In this context, those disclosures not governed by accounting standards or applicable rules of law or by conceptual frameworks are regarded as voluntary disclosures (Van Staden, 2004).

Voluntary disclosure practice involves disclosing information beyond that stipulated in the regulatory frameworks. It constitutes majorly non-numerical part of the corporate report and therefore, the clarity of this part is crucial to fully convey information (Hesarzadeh & Rajabalizadeh, 2019). Voluntary disclosures came as a response to the recommendations for an enhanced business reporting model which, if implemented, would make corporate reports more relevant, reliable and reduce information asymmetry between management of firms and investors. Voluntary disclosures are primarily descriptive in nature with minimal quantitative data. The essence is to distil large amount of complex information into a relevant and readily understood form. Voluntary disclosure practices complement accounting numbers in producing more accurate pictures of firms' economic, environment and social position. No wonder nowadays voluntary disclosure of accounting information is prevalent practice in leading worldwide companies (Dibia & Onwuchekwa, 2015; Bonson & Escobar 2002).

Literature abound on voluntary disclosures and the association between firm-specific characteristics, corporate governance variables and extent of voluntary disclosures (Kılıç & Kuzey, 2018; Alkhatib, 2014; Athanasios, Antonios, and Despina, 2013; Uyar, and Kilic, 2012; Iatridis, and Alexakis, 2012; Adelopo, 2011; Htay, Aung, Rashid & Adnan, (2011); Kang and Gray, 2011; Akhtaruddin, Hossain, Hossain and Yao 2009; Chen, Chen, and Cheng, 2008; Matoussi and Chakroun, 2008; Brammer and Pavelin, 2006; Nasir, and Abdullah, 2004; Spiegel and Yamori, 2004 among others). There are also studies on impact of voluntary disclosures on firm value (Hassan, Romilly, Giorgioni and Power, 2009; Gu and Li, 2007; Banghøj and Plenborg, 2008; Gelb and Zarowin, 2002; Botosan and Plumlee, 2002; Healy, Hutton and Palepu, 1999). However, the empirical evidence provided inconclusive results regarding the direction of this association. Also usefulness of the voluntary disclosures in corporate annual report and views of users regarding those disclosures have not been given adequate attention in Nigeria

Thus basic research question of this study is whether voluntary disclosures provided in annual reports are perceived as useful by external users' category in Nigeria. The study investigates whether voluntary disclosures resulted in improved reliability and better understanding for external users in Nigeria. Specifically, the paper evaluated whether voluntary disclosure of forward looking information is reliable for detecting earnings management; determine the extent to which sustainability, environmental and social disclosures provides better understanding of companies' long term performance. This study is in line with call made by Oluwagbemiga (2014). that it is important to evaluate how effective

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an information signal is actually helping investors make correct inferences concerning long-run performance implications. Also Johansen and Plenborg (2013) suggested on the need for studies to examine how expansion in the number and scope of annual report disclosures are utilized by users.

Evidence about how financial statement users perceive voluntary disclosure is very important to both preparers and regulators as useful information contributes to the efficient functioning of the capital markets and the economy. Stakeholders' perception on the voluntary disclosures is very important as favourable perceptions positively guide their future actions toward the company as well as relationship with the company. No wonder Coebergh (2011) noted that a prerequisite for attaining favourable relationships with stakeholders is managing favourable stakeholders' perceptions of the organisation. In line with this view about eliciting sustainable support from the stakeholders through communication, Myburgh (2001) noted that to satisfy the information needs of the users in the 21st century through corporate disclosures, emphasis should be placed on the usefulness of such information. Also the stakeholder theory suggested that, an organisation's management is expected to take on activities expected by those groups who can affect and who are affected by the achievement of an organisation's objectives. Also Healy and Palepu (1995) hypothesize that investor' perceptions of a firm are important to corporate managers expecting to issue public debt or equity or to acquire another company in a stock transaction. Implicit in this statement is the need to consider the users' perception in assessing the usefulness of increased disclosure by companies, because it is an antecedent to their satisfaction.

Research in other domains has shown that people's perceptions directly influence their decision-making (Slovic & Weber, 2002). So understanding how financial statement users perceive voluntary disclosures is a necessary prerequisite for understanding their reactions to such disclosures. Knowledge on what users think about voluntary disclosures have important economic and policy implications for regulators and preparers to discern whether disclosures are working as intended and for managers to disclose information that alleviate the worries of financial statement users. The study is timely given the recent call for improved disclosures to increase the usefulness of financial reporting.

Usefulness of information is a function of its relevance and its reliability. Users obviously need information that is most relevant for their purposes. They also need information to be as reliable as possible and to enhance their understanding. Usefulness has been defined as the degree to which people believe that using a specific strategy would help them accomplish their work more effectively (Davis, 1989). Thus usefulness can be evaluated by measuring its advantages over alternative solutions based on specific criteria (Aubin, Atoyan, Robert & Atoyan, 2013). Thus accounting information is useful in so far as it assists users in making investment, credit, and similar resource allocation decisions and this implied that it must be reliable and relevant. Relevant information is such that influences the economic decisions of users by helping them evaluate past present and future events. Reliability is the faithfulness with which measure represents what they purport to represent. Understandability is referred to, when the quality of information enables users to comprehend their meaning (IASB, 2008).

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This study is divided into different sections with the first section being the introduction. Second section reviews the concepts used in the study and develops hypotheses. Third section discusse the design and methodology. Fourth section presents empirical analyses, test the hypotheses formulated and present summary of findings. Fifth section presents the conclusions, while recommendations is presented in the sixth section

Conceptual, theoretical and Empirical Review

Related works on corporate reporting, voluntary disclosure, forecast, earnings management, sustainability, environmental and social disclosure, previous theoretical and empirical studies on voluntary disclosure and methods for assessing usefulness of voluntary disclosures are discussed under this heading.

Conceptual Review

Corporate Reporting

Corporate reporting is a way of disseminating accumulated company knowledge concerning developments and events that occurred during the year in question. Corporate reports are the key tool for disseminating neutral information about a company in an informative, structured, and cost-effective manner. Investors, creditors, regulators, and other financial report users utilize financial statements to make business and economic decisions (Emeka-Nwokeji & Okeke, 2019). The process of disclosing an organization's financial state to users of financial reports is known as financial reporting. Corporate reporting is a source of firm-specific information that plays a critical role in determining a firm's informational efficiency, particularly in emerging markets where company disclosure standards are less stringent than in large capital markets (Hesarzadeh & Rajabalizadeh, 2019). Corporate reporting practices are representation of how a firm sees itself and, which in turn shape what it will become (Eccles et al 2010). One of the basic tools for communicating the information with all agents that compose the market is the financial statements (Apostolou, 2000).

Objective of financial statements according to is to provide information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Also Financial Reporting Council of Nigeria (FRCN), formerly known as Nigerian Accounting Standards Board (NASB) stipulated in its Statement of Accounting Standards (SAS) number 2 that all accounting information about a business entity, quantitative or qualitative in nature that will assist their users in the assessment of the financial liquidity, profitability and viability of a reporting entity should be disclosed and presented in a logical, clear and understandable manner.

Basic financial statements of companies are statement of financial position, statement of profit or loss and other comprehensive income, Statement of cash flow, Statement of changes in equity, notes to accounts. These traditional reporting approach is mostly historical financial

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information, and ignores to communicate necessary information about the future performance of a company for investors and other stakeholders' decision making. There is little doubt that such approach is generally inadequate for users to make informed decision, and not meeting the changing needs of the society.

Financial statements as currently structured, according to Lewis and Young (2019), provide limited insights, either because they do not allow one to infer nuances that may be contained in verbal discussions of financial performance, or because key aspects of organizational performance and value are not reflected in financial statement results in a timely manner. When firms focus mainly on production of regulated information, gap exists between what managers provide and what users required (Kumar, 2013; Crow, 2003), making the statements less useful. This implies that financial reports as currently structured if not seriously addressed will simply be prepared and published to fulfill all righteousness – compliance documents. In the face of such all-encompassing change, there is growing recognition in business of the need to go beyond current financial framework to provide a more transparent simplified but holistic picture of a firm's health performance and prospects.

The new approach to corporate reporting must take into account the complexities of modern business, particularly the impact of information technology, as well as financial and non-financial indications of a company's state and potential. This will also aid in the prevention of everything from minor financial irregularities to massive systemic breakdowns that contributed to the global financial crisis and subsequent economic turmoil. The reporting model that will address the deficiencies of traditional reporting approach will focus on the stakeholders instead of shareholders; provide strategic, forward-looking and nonfinancial, information. Since it is difficult to provide standards and regulations for all that the stakeholders needed for overall assessment of performance, it means that some information must be provided beyond statutory requirements. The model that fit into the above description is voluntary disclosures.

Voluntary Disclosure

Publication of information by a company outside generally accepted accounting standards and Securities and Exchange Commission rules where the information is thought to be significant to the decision-making of users of the company's annual reports is referred to as voluntary disclosure. Voluntary disclosure simply means providing much more information than are required by law. That is, disclosing information about corporate activities in addition to the minimum requirements (Boesso & Kumar, 2007). In the view of Nyahas, Ntayi, Kamukama and Munene (2018), any material in annual reports that is mostly outside the requirements of International Financial Reporting Standards (IFRSs) or the Nigerian Company and Allied Matters Act is considered voluntary disclosure. Unregulated communications between firms and their stakeholders are known as voluntary disclosures (Cotter, Lokman & Najah, 2011). Voluntary disclosure of the information by the firms means the explanation of information outside the limits of the previously established financial reporting system. Voluntary disclosures are not required by law but they provide the users

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with more timely and relevant information on different perspective of the company's activities instead of complying strictly with the disclosure requirements and failing to achieve the objective of financial reporting. It is a means of communications with stakeholders, to describe, not just with numbers, but also with narrative, what goals we have set and what steps we are taking to address our role in that crisis (Fullerton, 2010). Voluntary disclosures are information primarily outside of the financial statements that are not explicitly required by accounting rules or standards (FASB, 2000). It represents free choices on the part of company managements to provide accounting and other information deemed relevant to the decision needs of users of their annual reports (Meek et al., 1995). Voluntary disclosures are provided through such channels as annual reports, press releases on the internet or shareholders e-mail, conference calls, interim reports (Rimmel, 2004). Thus there is growing expectation for information relating to a wide range of non-financial issues including: environment, products, strategies, plans, employee safety, labour practices, intellectual capital, forecasted performance of the firm etcetera.

Voluntary disclosures arise from the recognition that reporting more broad-based information that is important The awareness that reporting more broad-based information that is essential to and valuable to stakeholders is in the public interest leads to voluntary disclosures. Companies go above and above what is needed by law in order to improve relations with shareholders and the general public. High-quality business reporting is essential for stakeholders to analyze organizational performance and make educated decisions about an organization's ability to produce and protect value, which is why it is at the heart of successful and sustainable companies, financial markets, and economies. Firms that provide more information have a better chance of obtaining benefits such as lower costs capital costs, gain investor confidence, and improve marketability of their shares (Abeywardana & Panditharathna, 2016). As organizations fully depend on their stakeholders for sustainable success, it is in their interest to provide them with high-quality reports. Effective high-quality reporting reduces the risk for lenders and may lower the cost of capital (IFAC 2014). Though they are concerns about the incentives of entities to self-servingly provide the information. This concern arises from the fear that managers sometimes disclose additional information simply as a public tool to build their reputation and are subject to be questioned for credibility (Alsan & Hermansson 2014). However, organizations that use a voluntary disclosure method have experienced significant benefits, and stakeholders are better equipped to evaluate an entity's performance over a longer period of time since they have access to the big picture.

Importance of voluntary disclosure in the corporate reporting landscape cannot be overstated. Discretionary disclosures enable entities include information factors that may affect the company's future performance for instance risk, information security, future business ambiguity, analysis and evaluation, agency relationship, operations, and general relevant information about the company (Alkhatib 2014; Uyar & Kilic 2012; Gordon, Loeb & Sohail, 2010). On the benefits of improved disclosures, Everingham and Kana (2008) noted that it provides an indication of where a company is going and how it is going to get there which strengthen stakeholder and general public trust and confidence in the reporting organisation. Préfontaine, Desrochers, and Godbout, (2009) opined that improved public disclosures

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regarding conditions, operations, performance, as well as value related and risk management information lead to increased transparency and should foster more effective market discipline. In the view of Kass (2012), without adequate measurement and reporting tools, better decisions and actions are difficult to take. Also improved disclosure reduces the entrepreneur's ability to extract private benefits, secures funding for new investment and provides existing claimholders with a windfall gain (Ostberg 2006). Firms are inclined to disclose additional information to meet the information needs of their stakeholders. Also to raise finance in the capital and debt markets, firms tend to provide extensive accounting disclosures. Latridis (2008) opined that firms with detailed accounting disclosures tend to exhibit higher profitability due to reduced information asymmetry. Also according to efficient capital market theory, a capital market is categorized as efficient, if the value of particular equity share shares reflect all necessary information (Sugiharto, Inanga & Sembel 2007).

Forecast (forward Looking Information)

Forecast are forward-looking information or projections about a company (Menicucci & Paolucci, 2018; Celik, Ecer & Karabacak 2006). Forecasts reveal firms' expected future performance and are critical for investors and portfolio managers, as well as for maintaining a level of efficiency in the financial markets. Voluntarily disclosing management earning forecast are important source of information for investors beyond financial statement required by regulations. The more accurate the forecast, the easier it is for shareholders to monitor management actions. Traditional accounting figures have limited value in helping investors assess future earnings, thus companies increasingly invest in other ways to communicate the value of the company, for instance through forward looking statements (Coebergh 2011). Firms applying voluntary disclosure strategies exhibit smaller analyst forecast errors.

Earnings Management

Earnings management are management's discretion over accounting choices. Managers can take accounting actions and real economic actions to maintain accounting appearances (Graham, Harvey & Rajgopal, 2005). In the view of Emeka-Nwokeji, Ojimba and Edeh (2019), earnings management entails recognizing or measuring transactions and other events in the incorrect accounting period, as well as documenting false transactions, both of which are potentially fraudulent. Various proxy has been used for measuring earnings management including discretionary accruals. Dutta and Gigler (2002) opined that if investors have sufficient resources, incentives, or access to relevant information to monitor mangers action, the level of earnings management will be reduced. Managers have considerable discretion in measuring firms' economic events, as allowed within accounting regulations. Voluntary disclosure limits managerial discretion relating to accounting alternatives provides lesser opportunity for firms to manage earnings, thereby increasing accounting quality.

Sustainability, Environmental and Social Disclosures

The issue of sustainability, environmental and social disclosures in firms' annual report has become a growing concern globally. Sustainability, environmental and social disclosures include the social objectives of the companies and the description of its engagement toward employee, customers and community, description of charity gifts, subventions, financial

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helps, description of the engagement toward the community through social specific project and the description of the activities that reduces the pollution linked to the firm activities. Sustainability disclosure in the view of Emeka-Nwokeji and Osisioma (2019) is all about reporting on how a company portrays itself responsibly in terms of environmental, social and governance issues.

Usefulness of Voluntary Disclosures

Concept of information usefulness is commonly viewed as comprising a number of qualitative characteristics of information. To assess the quality of disclosure, a variety of methods have been employed, the most prevalent of which is content analysis. Some studies have supplemented content analysis with annual report users' judgements as a basis for determining disclosure quality (Clarkson, Fang, Li, & Richardson, 2010; Barron, Kile & O'Keefe 1999; Gelb, 2000). Usefulness is the degree to which people believe that using a particular information would help them execute their work better. Cholvy and da Costa Pereira (2019) defined usefulness of information as a measures how strongly the user interests are included in an information. In the view of Mohamed et al (2019), usefulness of information should be reflected on the investors decision making. Thus usefulness of voluntary disclosures depends on the extent to which information disclosed voluntarily contributes to the enhancement of user's decision making and judgments. It is worthy to emphasise that usefulness cannot be measured in isolation, it has to be evaluated by assessing its advantages over alternative solutions based on specific criteria (Aubin et al., 2013). Measuring usefulness is problematic considering that different user groups will have different preferences. Mohamed et al (2019) supported this view when they opined that because investors have unique expectations and information demands, the value of different types of data is likely to be viewed differently. No wonder Van Beest, Braam, and Boelens, (2009), noted that even users within a group may also perceive the usefulness of similar information differently given its context.

Operationalizing Usefulness

This study assesses the usefulness of voluntary disclosure in terms of the underlying fundamental qualitative characteristics (relevance and reliability) and one of the two enhancing qualitative characteristics (understandability) as defined in (IASB 2008). These variables were operationalised by modifying the measurement tool of Van Beest, Braam and Boelens (2009), which use five-point rating scales to assess the scores of the items. Relevance is operationalised using six items relating to predictive, confirmatory, diversity, and informative value among others. Reliability is measured using five items referring to neutrality, completeness, freedom from material error, and verifiability (Dechow Sloan & Sweeney, 1996; McMullen, 1996; Beasley, 1996; Rezaee, 2003; Cohen, Krishnamorthy, & Wright, 2004; Sloan, 2001; Jonas & Blanchet, 2000; Maines & Wahlen, 2006; IASB, 2008). Understandability is measured using five items that emphasize the transparency and clearness of the information. Understandability will increase when information is classified, characterized, and presented clearly and concisely.

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Theoretical Framework

There is no single theory that explains voluntary disclosure of information. As a result, previous research has used a variety of theories to explain voluntary disclosure practices. The type of information disclosure being investigated and the information users of interest influence the theory used to underpin research on voluntary disclosure (Cotter et al, 2011). Verrecchia (2001:97) shared the same view when he asserts that “there is no comprehensive or unifying, theory of disclosure or at least one that worth identifying as such”, thus voluntary disclosure is based on combination of theories. Voluntary Disclosure is based on the assumption that disclosure is used as a tool for reducing information asymmetry between managers and investors. Management control over critical information complicates the agency problem. It makes it difficult for stakeholders to identify if management is acting in their interests (Coebergh, 2011). Thus maintaining good relationships with the stakeholders through communication is a step in the right direction towards meeting the information needs of the diverse stakeholders.

The concept of voluntary disclosure can be explained by agency, legitimacy, signaling, stakeholder, proprietary cost, political economy theories which attempt to reason why companies accept certain responsibilities for additional information (Khanna & Chahal, 2019; Ntim, Soobaroyen & Broad, 2017; Suttipun & Stanton, 2012; Cotter et al. 2011). Thus that firms, are voluntarily providing valuable additional information to the market, beyond that provided by financial statements so to reduce information asymmetry (agent knowing more than the owners) is based on a well-established agency theory. Also based on stakeholder theory, increased voluntary disclosures convey commitments to greater accountability and transparency, which may be an important way to win the support of powerful stakeholders such as students, parents, funding bodies, research councils, government, employers, and employees whose contributions are critical to a firm's long-term viability.

Previous Studies (Theoretical and Empirical)

Previous studies on voluntarily disclosed items have shown the following:

Voluntary Disclosures of Forecast (forward looking information) and Earnings Management

The expectation is that forward looking information would increase investors ability to forecast future earnings, to assess future cash flows and to make better investment decisions. This indicate absence of earnings management as earnings is more predictable. In one of the earliest study on whether managers who make yearly earnings forecasts manage reported results in line with their projections, Kasznik (1996) found that managers that release earnings forecast that are inaccurate takes deliberate steps to manage reported earnings for fear of loss of reputation for accuracy and costly legal actions by disgruntled investors. Companies voluntarily disclose management and analyst forecasts and this influences a manager’s reputation for transparent and accurate reporting. Payne and Robb 2000) investigated whether managers use of earnings management to meet earnings expectations set in forecasts. The study provided evidence that earnings are managed to align with market expectations as determined in the forecasts. Dutta and Gigler (2002) examined how voluntary

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management earnings forecasts in an agency setting affect the degree of earnings management. Earnings management is modeled as a window dressing action that can increase the firm's reported accounting earnings but has no impact on the firm's real cash flows. The study discovered that it is easier to prevent the manager from managing earnings if he is asked to forecast earnings. This indicate that management is more likely to manage earnings when they do not provide earnings forecast than when they do.

In the context of initial public offers (IPOs) in France, Cormier and Martinez (2006) examined whether forecasting firms are more likely than nonforecasting firms to manage earnings. Results indicate that earnings management is substantially larger for forecasters than for nonforecasters in the year after an IPO. The results also suggest that earnings-forecast deviation has an impact on a firm's accrual behavior. According to study by Chen (2008) managers tend to reduce earnings management when investors have more detailed information.

Voluntary disclosure of relevant information aimed at reducing information asymmetry between managers and stakeholders, and more importantly reduce the potential of earnings manipulation (Latridis & Alexakis, 2012:74). Their findings revealed that voluntary disclosure tend to exhibit lower discretionary accrual that is accruals over which the manager can exert some control, and confirm the notion that higher disclosure reduces the potential for managers to divert cash flows to themselves which eventually adds value to the firm. With voluntary management forecast disclosure, it will be easier to notice differences between anticipated and realized figures, as well as provide suggestions and indications of earnings management and, as a result, send unfavorable signals to investors. (Latridis & Alexakis, 2012). This may spur the user to investigate the case and may increase the probability of detecting earnings management. Bozanic, Roulstone and Van Buskirk (2018) identify forward-looking statements in firms' disclosures to distinguish between forecast-like (quantitative statements about earnings) and other non-forecast-like forward-looking statements. The study indicates that other forward looking statements generate significant investor and analyst responses. Kılıç and Kuzey (2018) investigated the nature and extent of forward-looking disclosures of 55 non-financial companies whose reports are available in the Integrated Reporting Database for the year 2014. According to the study, majority of the organizations tended to make qualitative rather than quantitative forward-looking disclosures. Gender diversity and business size are positively connected to forward-looking disclosures, whereas leverage is negatively related to forward-looking disclosures, according to the study. Hassanein, Zalata & Hussainey, (2019) examined the impact of forward-looking disclosures on the values of nonfinancial firms in UK. the study finds that forward-looking disclosures have no effect on the values of high-performing firms, though they positively enhance investors' valuation of low-performing firms. Result of the study also indicates that forward-looking information in UK narrative reporting statements is seen as credible for firms that are audited by a large auditor. Veltri, De Luca and Phan (2020) examined the disclosure of nonfinancial information by listed Italian companies by focusing on both the extent of disclosure and its usefulness for investors. Through a modified Ohlson model, the study used value relevance approach to see if disclosure nonfinancial risk information influences the

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levels of share prices. The findings suggest a link between the level of non-financial risk information disclosed and a company's market value. Recently, Salem, Ezeani, Gerged, Usman and Alqatamin (2021) examines the influence of voluntary disclosure on earnings management. Analyses revealed that in the context of developing economies in general, and the MENA region in particular, firms that make voluntary disclosures are less likely to manipulate earnings and instead provide more transparent and truthful information.

Voluntary Disclosures of Sustainability, Environmental and Social Issues and its link with understanding of companies' long term performance

There is increasing demand for better disclosure and reporting to show social and environmental impacts of corporate activities (Emeka-Nwokeji & Osisioma, 2019; Arnold, 2008; Godschalk, 2012). Environmental and social issues are under the strategy dimension of business reporting information. Companies do not yet seem to sufficiently recognise the business implications of environmental information or issues. This hampers integration of environmental and social issues in core business reports in emerging economies. Alsayegh, Rahman and Homayoun (2020) examine impact of the aggregate of environmental, social, and governance (ESG) practices disclosure on the components of corporate sustainability performance among Asian corporations. The findings show that implementing and revealing a robust structure including the three pillars of ESG in the organization increases corporate sustainability performance (EES) among Asian enterprises by increasing accountability, transparency, and stakeholder trust. This implies that a firm's economic value and its ability to create value for society are intertwined. Wasim (2019) in a theoretical discourse discovered that investors are increasingly at risk of making uninformed investment decisions based on inadequate and, in some cases, intentionally misleading statements by companies about their vulnerabilities to the effects of climate change which is an aspect of environmental issues. Opanyi (2019) investigate the methodology employed in previous studies to look at the economic outcomes of corporate voluntary disclosure and, as a result, the relationship with company value. Based on the analyses, dominant theory supports the idea that increasing information disclosure has an impact on firm value via direct and/or indirect effects on the cost of capital and/or cash flow. Furthermore, CVD improves a company's reputation in the marketplace, which can help it gain a competitive advantage and boost its worth. Waweru (2018) investigated impact of voluntary accounting disclosures on the market performance of non-financial companies listed on the Nairobi Securities Exchange. In the analysis, descriptive and inferential statistics were used. According to the results, value added statement disclosure, forward-looking information disclosure, human resource accounting disclosure, social accounting information disclosure, and management discussions and analysis disclosure had a significant positive effect on firm market performance measured by Tobin's Q. Khanna and Chahal (2019) looked into the relationship between voluntary disclosure and value of Indian pharmaceutical companies listed on the stock exchange by creating a disclosure checklist. Descriptive statistics and panel regression analysis were employed. Results revealed that voluntary disclosure has no effect on the Weighted Average Cost of Capital WACC, but has a negative impact on stock volatility and the Price to Book Ratio, both of which are used as measures of firm value. Nevertheless, Emeka-Nwokeji and Osisioma (2019) and Lo and Sheu (2007) found a significant positive

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relationship between corporate sustainability and market value. Clarkson et al. (2010), found environmental disclosures to be incrementally informative over an alternative measure for environmental performance. Aerts, Cormier and Magnan, (2008) discovered that enhanced environmental disclosures provided by European and North American companies in 2002 are associated with more precise analysts' earnings forecasts, suggesting a reduction in the cost of capital. Recommending that entities provide sustainable report, Soyka (2012:98) noted that:

> Taking appropriate steps to actively manage and report company's environmental, social and governance issues will enable firms to enhance the perspectives and skills of key employees across a number of important business functions. It will become ever more important for them to be able to attract and retain the best talent. Companies, and their leaders, that do not avail themselves of this perspective may soon find themselves running organisations that seem to increasingly be one step behind the competition in addressing the expectations of major stakeholders and society at large.

A report by Ernst & Young (2012) found that a number of stock exchanges throughout the world, have implemented a report or explain requirement relating to the reporting of environmental, social and governance issues. Solomon and Maroun (2012) noted that the driving force behind organisations' engagement in social and environmental reporting is the desire to have a reputation as a company with good social and environmental credentials. Lo and Sheu (2007) also discovered that firms with superior social and environmental performance to their peers have a reduction in the cost of their equity capital, and these firms also attract more dedicated institutional investors and analyst coverage; these analysts in turn have lower absolute forecast errors and dispersion. Thus environmental and social disclosures place firms on competitive edge over non reporters. Supporting the competitive edge benefit, Arnold (2008) observed that corporate responsibility disclosure enable companies communicate how best they balance the needs of meeting both shareholder value maximization and the wider requirements of other stakeholders. This he noted has been used to enhance their corporate brands and re-position the company, its activities, brands and products or services into a more attractive position in the marketplace, which they hope will result in improved sales revenues. Voluntary disclosures framework can help in communicating a company's economic, environmental, and social opportunities and efforts in a way far superior to simply responding to stakeholder information requests (GRI, 2002).

Assertions of the Study

Above paragraphs of this study demonstrate that there is a growing literature on both financial and nonfinancial information disclosed voluntarily by firms through such channels as annual reports, press releases on the internet or shareholders e-mail, and interim reports. The studies revealed contradicting results about voluntary disclosure There is need to confirm the studies using data from Nigeria. The following assertions in their null form guide the study.

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H_{o1}: Voluntary disclosure of forecast (forward looking information) is not significantly reliable for detecting earnings management.

H_{o2}: Voluntary disclosure on sustainability, environmental and social issues do not provide better understanding of companies' long term performance.

METHODOLOGY

This section is devoted to description of the research design. Survey research design was used in this study as questionnaire and interview was used in eliciting response from external users of accounting information. This survey design apart from the difficulty related to measuring something which is not directly quantifiable provided a useful quantification of criteria related to quality and usefulness of voluntary disclosure. Survey and interview offers opportunity to ask users specific qualitative questions about the usefulness of voluntary disclosure practices. Taking into consideration such limitations as respondents misunderstanding the survey questions, survey method is best in this type of study. This align with the assertion by Johansen and Plenborg (2013) that surveys and interviews are the most relevant methods that could be used in assessing the usefulness of accounting information by users.

Population of this study consists of the users of Corporate Reports in the South East Zone of Nigeria. There are two categories of users: Internal – management and employees; External – Investors, Practitioners, Regulators, Financial Analysts, Academics, Customers and Students. External users were considered appropriate for the study because they do not participate in preparation of firms' voluntary disclosures, thus their assessment will provide information that will be helpful in evaluating the usefulness of voluntary disclosures of forward looking and sustainability issues in Nigeria. Since the population of external users of corporate report in South East of Nigeria cannot be determined directly it was estimated as one percent (1%) of the literate population figure according to National Population Commission (NPC) report of 2016. Thus estimated population of users in the South East Zone of Nigeria 114,885.

Considering that the target population determined as described above for the study is large, there is need to take a sample. This was done using Taro Yamane's formula: $n = N/ 1+N(e)^2$ where n= sample size, N = Population size e = margin of error (5%). Applying this formula, a sample size of 400 was determined and used. This was randomly distributed to different categories of users of corporate reports in the five (5) states of South East Zones of Nigeria as shown in the table below.

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Table 3.1 Sample data

S/No	States in the South East Zone	Literate Population Based on NPC Data and the Percentages(%)	Estimated Users of Corporate Reports (1%)	Total No. of Users Sampled
1	Abia	2,089,266 (18%)	20,893	72
2	Anambra	3,136,092 (27%)	31,361	108
3	Ebonyi	1,153,001 (10%)	11,530	40
4	Enugu	2,172,486 (19%)	21,725	76
5	Imo	2,937,619 (26%)	29,376	104
	Total	11,488,464 (100%)	114,88	400

Source: ***Developed by the Researches for this Research***

A pilot test for validity and reliability of the research instrument was done on one member from each category. The questionnaire was adjusted to suit the target respondents. A structured questionnaire consisting of 12 questions was developed to elicit respondents' perception on the variables under study. The questions were designed base on the objectives of the study using 5 point likert summation rating scale with a choice of strongly agreed to strongly disagree. The value ranking of the choice ranges between maximum of 5 and minimum of 1, thus a mean value of 3 and above is considered significant. The questionnaires were distributed and collected through the help of research assistants from the sampled States. Out of 400 questionnaires distributed, 378 were properly filled and returned representing response rate of 95%. Data collected were presented and analyzed using mean and standard deviation. One sample t-test was used to test hypotheses.

Data Presentation and Analysis

Research Question 1: Is voluntary disclosure of forecasts reliable for detecting earnings management?

Table 1. Survey responses, Mean and standard deviation scores on reliability of voluntary disclosure of forecasts for detecting earnings management

Reliability of Disclosure of forecasts for earnings management	N	Mean	Std. Deviation
1. analysts' information about company's future prospects is free from material error	378	3.95	.91
2. forecasts extensively disclose projected company's cash flow revenue	378	3.93	.92
3. spur investigations on deviations between forecasts and actual figures	378	4.03	.83
4. analysts forecast reveal managerial discretion relating to accounting alternatives objectively	378	3.83	.78
5. exhibit any discretionary accruals	378	3.75	.93
6. reveal delay in the recognition of losses	378	3.75	.97
7. promote reputation of accurate reporting	378	4.01	.88
Overall Mean	378	3.89	.88

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The overall mean response of 3.89 in table 2 shows that voluntary disclosure of forecasts is reliable for detecting earnings management. The item by item analysis indicates that all the seven (7) items are reliable for detecting earnings management as their mean ranges from 3.75 to 4.01.

Research Question 2: To what extent does environmental and social disclosures provides better understanding of companies' long term performance?

Table 2. Survey responses, Mean and standard deviation scores on the extent to which environmental and social disclosure provide understanding of company's long term performance.

Environmental and social disclosures and Understanding Performance	N	Mean	Std. Deviation
1. provides broader perspective of the impact of corporate activities	378	4.07	.88
2. provides clear information in assessing prospects for attraction and retention of high caliber employees	378	3.81	.86
3. reinforces compliance to environmental regulations which indicate company's comparative advantage	378	3.80	.96
4. integrate environmental and social issues into the business process which is incrementally informative	378	3.83	.90
5. describe commitment towards the society in an organized way	378	3.93	.85
Overall Mean	378	3.88	.89

The overall mean response of 3.88 in table 3 which fell with the high extent category shows that environmental and social disclosures provides better understanding of companies' long term performance to a high extent.

Hypotheses Testing

Hypothesis one: Voluntary disclosure of forecasts is not reliable for detecting earnings management.

Table 3. t-test analysis on reliability of voluntary disclosures of forecasts for detecting earnings management.

Measures	Mean	SD	df	t-cal	t-crit	Decision
analysts' information about company's future prospects is free from material error	3.95	.91	377	83.95	1.96	Rejected
forecasts extensively disclose projected company's cash flow revenue	3.93	.92	377	83.63	1.96	Rejected
spur investigations on deviations between forecasts and actual figures	4.03	.83	377	93.63	1.96	Rejected
analysts forecast reveal managerial discretion relating to accounting alternatives objectively	3.83	.78	377	95.31	1.96	Rejected
exhibit any discretionary accruals	3.75	.93	377	77.99	1.96	Rejected
reveal delay in the recognition of losses	3.75	.97	377	74.98	1.96	Rejected
promote reputation of accurate reporting	4.01	.88	377	88.60	1.96	Rejected

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The t-test analysis presented in table 3 shows that voluntary disclosure of forecasts is reliable for detecting earnings management. This was shown by the fact that all the calculated t-values in the above items were greater than the critical t- value of 1.96. This is an indication that all the observed mean values were greater than the test values (3.00). Therefore, the null hypothesis is rejected.

Hypothesis two: Sustainability, environmental and social disclosures do not provide better understanding of companies' long term performance.

Table 4. t-test analysis on whether sustainability, environmental and social disclosures provide better understanding of companies' long-term performance.

Measures	Mean	SD	df	t-cal	t-crit	Decision
provides broader perspective of the impact of corporate activities	4.07	.88	377	89.47	1.96	Rejected
provides clear information in assessing prospects for attraction and retention of high caliber employees	3.81	.86	377	85.29	1.96	Rejected
reinforces compliance to environmental regulatio which indicate company's comparative advantage	3.80	.96	377	76.81	1.96	Rejected
integrate environmental and social issues into the business process which is incrementally informative	3.83	.90	377	81.97	1.96	Rejected
describe commitment towards the society in an organized way	3.93	.85	377	89.17	1.96	Rejected

The t-test analysis presented in table 4 shows that environmental and social disclosure do provide better understanding of companies' long term performance as all the observed mean ratings were greater than the test value (3.00). This was shown by the fact that all the calculated t-values in the above items were greater than the critical t- value of 1.96. This is an indication that the respondents perceived voluntary disclosures as useful in the understanding of companies' long term performance. Therefore, the null hypothesis is rejected.

Summary of Findings

Result indicated that disclosure of forecasts is reliable for detecting earnings management. Such forecasts objectively reveal managerial discretion relating to accounting alternatives. Specifically, analyst information about company's future prospects is free from material error and extensively discloses company's cash flow. Voluntary disclosure of forecasts spurs investigations among users on deviations between forecasts and actual figures and this helps promote reputation of accurate reporting.

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Sustainability, Environmental and Social disclosure which at the moment is done voluntarily by firms in Nigeria provides better understanding of companies' long term performance. Users agreed that integrating environmental and social issues into the business process is incrementally informative. Result revealed that such disclosures provide broader perspective of the impact of corporate activities. Such disclosures reinforce compliance to environmental issues; describe company's commitment towards the society in organized ways which indicate company's comparative advantage. Also disclosures like training policy provides clear information that help users in assessing prospects for attraction and retention of high caliber employees.

CONCLUSION

Voluntary disclosures enable companies close the gaps and barriers associated with the current statutory reporting. It is relevant for users' capital market decisions, detecting earnings management and provides better understanding of companies' performance. With key non-financial information on sustainability, environmental and social issues being identified and reported through voluntary disclosure, stakeholders would be provided with valuable information regarding the ability of the company to survive in the future.
The findings of this study do not suggest that financial statements should be scrapped and replaced with a fundamentally different means of organizing financial information. No it is suggesting that financial statements be improved and supplemented with additional information such as corporate strategy, description of projects and technology, forecasts, employee's health and safety policies, sustainability, environmental and social disclosures to serve the increasing need of the users.

Voluntary disclosures have the potential to increase predictability of company's future prospects, reveal quality of management and corporate governance, reveal managerial discretion relating to accounting alternatives which increase competitiveness and increased level of transparency in the capital markets.

Voluntary disclosure provides an excellent means of reaching a wide range of external stakeholders. It enables companies to shift from reporting that which is aimed exclusively at their shareholders to reporting that give further details about the directors' claimed belief in stakeholder accountability. It enables companies construct and present the information so that the demands and needs of shareholders and other stakeholders is communicated efficiently.

Recommendations

Companies should adopt voluntary disclosures to supplement the conventional reporting model, since the new forward looking reporting framework create longer term value, and also drives quality capital market decisions.
Users of corporate reports should be more attuned to and informed about the trend in corporate reporting in order to maximize the benefits of voluntary disclosures.

Regulators of the Nigerian capital market should implement policies that encourage or mandate companies listed on its platform to embrace voluntary disclosure framework. With oversight from coordinating bodies, pattern and best practices will emerge.

Academics should, can and do play an important role in educating potential managers and users in voluntary disclosures through university and professional education in which they are involved.

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