

**UNIVERSITI TEKNOLOGI MARA**

**THE MODERATING EFFECT OF  
GOVERNMENT OWNERSHIP ON THE  
RELATIONSHIP BETWEEN CORPORATE  
GOVERNANCE MECHANISMS AND  
VOLUNTARY DISCLOSURE IN SAUDI ARABIA  
AND UNITED ARAB EMIRATES**

**YASEEN AL-JANADI**

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## ABSTRACT

The main objective of this dissertation is to show the impact of internal and external corporate governance mechanisms on voluntary disclosure. Corporate governance plays an important role as a monitoring system and consequently provides quality reporting not only for shareholders but for stakeholders as well. Additionally, the study aims to examine the moderating impact of government ownership on the association of corporate governance mechanisms with voluntary disclosure. The study also aims to measure the level and quality of voluntary disclosure in Saudi Arabia and the United Arab Emirates (UAE). In this thesis, voluntary disclosure is measured by developing a score that consists of three levels of measurement.

The sample consists of 150 listed companies, 87 companies from the Saudi Stock Market and 63 companies from the two UAE Stock Markets which are the Abu Dhabi Securities Exchange (ADX) with 31 companies and the Dubai Financial Market (DFM) with 32 companies. The data is collected from the annual reports for the available financial years 2006 and 2007. The study uses univariate and multivariate analysis to examine the association of corporate governance mechanisms with voluntary disclosure.

The results of measuring voluntary disclosure indicate that the level of voluntary disclosure is low with an average around 36 per cent for the whole sample of companies. However, the results indicate that voluntary disclosure has been found lacking in most of the items of social and environmental information. In comparing the result of voluntary disclosure between the two countries, it is found that UAE companies have significantly higher voluntary disclosure than Saudi companies with an average around 42 percent in UAE companies and 32 percent in Saudi companies.

Pertaining to corporate governance, it is found that corporate governance mechanisms play a vital role in providing quality reporting. Most corporate governance mechanisms, especially non-executive directors, board size, CEO duality, audit quality, institutional ownership and concentration ownership, have a significant contribution in providing quality voluntary disclosure.

Regarding the moderating impact of government ownership on the association of corporate governance mechanisms with voluntary disclosure, it is found that government ownership has a moderating negative impact on the relationship between several corporate governance mechanisms (e.g. non-executive directors, board size) and voluntary disclosure which indicates that government ownership plays a negative role in the effectiveness of corporate governance. The result also indicates that companies without government ownership are better than companies with government ownership in terms of applying good corporate governance practices to provide sufficient and high quality information.

Generally, the findings of this study provide evidence on the effectiveness of corporate governance as a mechanism of monitoring power to provide users with adequate and sufficient information. Therefore, the findings of this study have important implications for authority regulators, policy makers, shareholders and other users of reports with an interest in best practices of corporate governance.

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