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The Effect of Voluntary Financial Disclosures on the Stock Returns of Firms Quoted On the Nairobi Securities Exchange

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Abstract

Purpose: The main purpose of this study is to establish the effect of voluntary financial disclosures on the stock returns of companies listed at the Nairobi Securities Exchange.

Methodology: The main purpose of this study is to establish the effect of voluntary financial disclosures on the stock returns of companies listed at the Nairobi Securities Exchange. This study used a descriptive study design. The population of the study was all the 61 firms listed at the NSE as at December 2013. The sampling technique was purposive or judgmental, as the study purposively chose the 20 companies consistently making up the NSE –20 share index between 2009 and 2013 (five years) because they are rich in information and are blue chip. The study used secondary data from the Capital Markets Authority (CMA). The selected period was year 2009 to year 2013 (5 years).The particular secondary data was extracted from financial statements of sample firms and from the Nairobi Securities Exchange handbook for the five years period of study, from 2009 to 2013.The researcher used frequencies, averages and percentages in this study. The researcher used Statistical Package for Social Sciences (SPSS) version 20 to generate the descriptive statistics, trend analysis and also to generate inferential results. A multivariate regression model was used to link the independent variables to the dependent.

Results: The study findings indicated that corporate governance, corporate social responsibility, environment accounting, human resource accounting, financial services sector, divided pay out and firm size had a positive relationship with stock returns.

Unique contribution to theory, practice and policy: The study recommended that firms should embrace voluntary financial disclosure as it posits them to many privileges/advantage. These advantages may include; easy access to external financing, securing a good name with governmental and non-governmental organizations, having a good public image. In addition, the study recommends that firms should ensure a balance of their debt to equity as increased debt is seen to cause a reduction on the stock returns.

Keywords: *Financial disclosures, stock returns, corporate social responsibility*

1.0 INTRODUCTION

Business organizations have become aware of the importance of presenting information about the broader range of activities including both their financial performance and non-financial performance such as socially responsible performance (Akisik & Gal, 2011). After corporate scandals and financial crises, regulators, academicians, investors and other stakeholders called for greater corporate transparency from the business world. Greater corporate transparency means decreasing information asymmetry between managers and stakeholders by better information disclosure via various media such as press releases, corporate web sites, prospectuses, and annual reports (Kothari, Li& Short, 2009). Regulations on mandatory supply of financial information through statements are not the only reason why organizations provide financial information (Healy & Palepu, 2001). Healy &Palepu, (2001) argues that financial information is provided before installation of the regulatory bodies; firms not under regulatory brackets still provide statements; firms provide financial statements more frequently than is required by the regulations and many organizations provide substantially more information than is required by the regulators.

Stock market returns is sometimes synonymous to stock prices (Leuz & Verrecchia, 2000). A strong market is one that impounds new information to stock prices and hence making the stock prices for the firms stable and accurately valued. Due to misevaluations of firms by public capital markets, managers provide the information known by them alone to the capital markets to correct the misevaluations, since stocks value is dependent on information (Velashani & Mehdi, 2008).Walter (2006) noted that since organizations in the same industry tend to mimic one another, voluntary disclosure by one organization is mimicked by other firms, hence more information released to the market tending the capital markets towards efficiency. The information asymmetry and agency conflict can adversely impede the allocation of resources in capital markets of an economy (Velashani & Mehdi, 2008).The regulatory bodies, standards setters, auditors, and capital market intermediaries seek to facilitate and enhance the credibility of management disclosures hence playing an important role in mitigating the problem of information asymmetry and agency conflict (Healy &Palepu, 2001). Deegan(2010) posits that corporate disclosure is critical for the well functioning of an efficient capital market, furthermore, companies exercise voluntary disclosures for capital market reasons.

In light of the increasing focus on the Nairobi Securities Exchange as an important avenue for attracting foreign investments and to encourage local residents to invest in shares, Kenyan companies may engage in voluntary disclosures as a means to enhance the value of their stocks hence investor confidence (Barako, 2007). Ensuring investor confidence enhances investors' participation in the market activities and encourages saving and channeling of savings into productive real investment, therefore fostering capital accumulation and efficiency in investment and real sector development. It is however debatable whether protection of investors promotes market efficiency. To enhance the customers' confidence, a market needs to be fair in which customers have complete confidence, a market in which the public interest and the interest of investors rather than immediate profits is the primary aim of those concerned (Shiller, 2000).

The key aim of voluntary disclosures is to inform the public more about the company. In turn, the management hopes that the stakeholders of the company will respond favorably to the company. Whether strategic, non - financial or financial voluntary disclosures, Meek, Roberts, & Gray1995), posits that most organizations gain some benefits by virtue of disclosing more than is expected if the issued information is strategically availed to the important parties who are likely to act in favor of the company. The disclosures are sometimes not periodic while others are periodically released including voluntary disclosures released together with annual reports of an organization.

1.2 Problem Statement

Investment in securities of companies listed at the Nairobi Securities Exchange by the local investors has steadily gained momentum over the last few years (Wanyonyi & Olweny, 2011).The effect of voluntary financial disclosure on stock returns is a controversial issue that has been widely discussed in the accounting and financial literature (Zareian, 2012). Quality of financial information can be measured either by the level of disclosure (Botason, 1997) or by the level of earnings management (Bhattacharya, Ecker, Olsson & Schipper, 2007).

Ponnu & Maurice (2009) in their corporate social responsibility disclosure in Kenya noted that CSR disclosure received only modest attention and the theme most commonly disclosed was community involvement, which had little relationship to stock returns. Lopokoiyit (2012) investigated the effect of corporate governance practices on the share prices of companies listed in the NSE. He noted that there is a direct relationship between corporate governance practices and share prices. Hail (2012) study concluded that there exists a negative relationship between cost of equity capital and voluntary corporate disclosure. Studies on the effect of voluntary disclosures are inconclusive since some find a negative relationship (Hail, 2012;Ponnu& Maurice, 2009) while some revealed a positive relationship (Wanyonyi&Olweny, 2011;Lopokoiyit, 2012).

Bruslerie and Gabten (2011) sought to determine if the process of filtering out financial information voluntary disclosed by firms was modified by the introduction of the IFRS. Results revealed voluntary communication policies did not change with the introduction of the IFRS. Laswad, Fisher and Oyelere (2001) examined the voluntary internet financial reporting practices of local authorities and found out that only size and type of council are associated with the quantity and type of financial disclosure on the Internet. The above studies failed to address the effect of voluntary financial disclosures on the stock returns of companies since they only concentrated on the factors that increase the likelihood of making voluntary disclosures by a company.

Few studies have addressed voluntary financial disclosure and specifically the effect of voluntary financial disclosure on stock return of firms listed in the NSE. This study therefore wishes to address the effect of voluntary financial disclosure on stock return of firms listed in the NSE. The question that the study wishes to address is: What is the effect of voluntary financial disclosure on stock return of firms listed in the NSE?

1.3 Research Objective

To establish the effect of voluntary financial disclosures on the stock returns of companies listed at the Nairobi Securities Exchange.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

Voluntary Disclosure Theory

The notion of voluntary disclosure supports the idea, even in the absence of regulation, managers still wish to disclose additional information. The study base this idea on considerations found in agency theory, which assert agency costs are borne mainly by agents (Jensen & Meckling, 1976).

Therefore, agents try to reduce their agency costs to maximize their wealth. As described in agency theory, agency costs are a product of information asymmetry, whereby the agent has more private information about the firm's performance than the principal.

Theoretical and empirical studies in accounting focus on the informational role of voluntary disclosures for the capital markets (Healy &Palepu, 2001; Verrecchia, 2001). In USA, the SEC and the FASB provide guidelines for mandatory disclosures; the disclosure literature in accounting refers to voluntary and discretionary disclosures, interchangeably, as information management releases itself. In Kenya, the reporting framework is regulated by CMA and the IASB. The underlying assumption in the disclosure literature is the manager possesses superior information to all outsiders. The result is managers' trade-off between making accounting choices and providing disclosures to "communicate their superior knowledge of a firm's performance to investors, and to manage reported performance for contracting, political, or corporate governance reasons" (Healy &Palepu, 2001).

Theoretical studies related to disclosure suggest full disclosure of information will occur due to investors' belief non-disclosing firms have the worst possible information (Grossman, 1981). Such studies also assume credible disclosures and zero disclosure costs. However, Verrecchia (1983) suggests, in the presence of fixed, positive disclosure costs, only firms whose information provides economic benefits above such costs will disclose. In addition, disclosure policies are influenced when disclosures provide information to competitors. Theoretical studies in accounting related to disclosure are most concerned with what types of disclosures might occur, instead of disclosures actually made by firms (Healy & Palepu, 2001).

Efficient Market Hypothesis Theory

In finance, a stock price reflects or contains financial information. The efficient market hypothesis (EMH), also called Joint Hypothesis Problem, asserts that financial markets are informational efficient (Barako, 2007). Consequently, one cannot consistently achieve returns in excess of the average market returns on a risk-adjusted basis, given the information available at the time the investment is made since before any investor acts on the information, the market will have adjusted the stock prices to reflect new information (Fama & French, 1992).The three major versions of the hypothesis include weak form, semi-strong form, and strong form. The weak-form EMH claims that prices on traded assets including stocks, bonds, or property already reflect all past publicly available information. The semi-strong-form EMH claims that prices reflect all publicly available information. The strong form EMH asserts that prices instantly reflect even hidden or insider information.

Critics argue that it is pointless to search for under-valued stocks or to try to predict trends in the market through either fundamental or technical analysis (Zareian, 2012) while academics point to a large body of evidence in support of EMH, many dissensions have been raised. Critics have blamed the belief in rational markets for many of the late 2000s financial crisis. For example, investors, such as Warren Buffett have consistently beaten the market over long periods of time, which by definition is impossible according to the EMH (Feng & Li, 2007).

Detractors of the EMH also point to events, such as the 1987 stock market crash when the Dow Jones Industrial Average (DJIA) fell by over 20% in a single day, as evidence that stock prices can seriously deviate from their fair values. In response, proponents of the hypothesis have stated that market efficiency does not mean having no uncertainty about the future. Market efficiency is a simplification of the world which may not always hold true, and that the market is practically efficient for investment purposes for most individuals.

Financial Intermediation Theory

Current financial intermediation theory builds on the notion that intermediaries serve to reduce transaction costs and informational asymmetries (Diamond, 1984). As developments in information technology, deregulation, deepening of financial markets, etc. tend to reduce transaction costs and informational asymmetries, financial intermediation theory shall come to the conclusion that intermediation becomes useless. This contrasts with the practitioner's view of financial intermediation as a value-creating economic process. It also conflicts with the continuing and increasing economic importance of financial intermediaries. From this paradox, we conclude that current financial intermediation theory fails to provide a satisfactory understanding of the existence of financial intermediaries.

Different participants in financial markets firms, financial intermediaries, rating agencies, and investors typically have varying amounts of information about, or differing abilities to determine, the value of securities offered in the market. Two types of asymmetric information problems commonly arising for nonfinancial firms include the following: a firm issuing a security has more information about the potential cash flows associated with the security than do investors; some investors have more information about a security's value (or better ability to value the security) than other investors; i.e., some investors are "informed" whereas others are "uninformed" (Hirschleifer& Riley, 1979).

2.2 Empirical Review

Oyugi (2007) sought to determine whether or not there exists a relationship between frequency of financial disclosure and security returns. Secondly to establish whether or not there exists a relationship between frequency of financial disclosure and volume of shares traded at the Nairobi Stock Exchange (NSE). The study used data covering a five year period from 2001 to 2005 derived from the NSE. Security returns were determined using the market model on monthly basis. Trading volumes were determined by shares traded divided by outstanding shares for each month. The study revealed that security returns for firms reporting on quarterly basis were higher compared to those of firms reporting semi-annually. Trading volumes of firms reporting on quarterly basis were found to be higher compared to trading volumes of the firms reporting semiannually. The study concluded that there exists a strong relationship between frequencies of financial disclosure and trading volume of firms quoted at the NSE. On the other hand, there is a weak relationship between financial disclosure frequency and share returns of companies quoted at the NSE.

Onkoba (2008) sought to investigate the effect of selected accounting variables on stock liquidity for firms listed at the Nairobi Securities Exchange. In particular, the study examined the effect of debt to equity ratio on stock liquidity, the effect of dividend yield on stock liquidity, the effect of asset turnover ratio on stock liquidity and the effect of earnings per share on stock liquidity for firms listed at the Nairobi Securities Exchange. The study used a descriptive design model. The population of this study comprised of all the listed firms at the Nairobi Securities January 2008to December 2012. The sample constituted all the firms that comprise Exchange from the NSE 20 Share Index. Analysis was conducted through the use of regression analysis and ANOVA. The results indicated that accounting variables, as represented by the predictor variables only influenced ten percent of variations in stock liquidity as indicated by the adjusted R square statistic.

Mwirichia (2008) examined the actual corporate governance disclosure practices in the listed public limited companies by considering 45 disclosure items. A sample of 35 listed companies was used. To facilitate the analysis, a Corporate Governance Disclosure Index (CGDI) was computed and a number of hypotheses tested. The mean and standard deviation of CGDI were found to be 74.967 and 7.305 respectively. Compared to other emerging economies it was apparent that NSE listed companies report more comprehensively and gap between the good and poor reporters is narrower. In addition, only a mild difference was found to exist among the CGDI of various sectors. Financial sector was found to make more intensive corporate governance disclosure than the non-financial sector. In general, companies were found to be more active in making financial disclosures rather than non - financial disclosures. Multiple regression result showed that corporate governance disclosure index is significantly influenced (at 5% level of significance) by whether or not the company is in the finance sector, the size of the board of directors, and the age of the company. Local ownership, the size of the company, whether or not the company is a multinational, and size of the company were not found to have any significant impact on corporate governance disclosure.

Iatridis (2009) sought to analyze the financial characteristics of firms that provide extensive disclosures, and assess the financial impact of their motives. The study examined the financial attributes of firms that disclose information about key accounting issues including risk exposure, changes in accounting policies, use of international financial reporting standards and hedging practices. Results showed that in order to raise finance in the capital and debt markets, firms tend to provide extensive accounting disclosures. Firms that provide informative accounting disclosures appear to display higher size, growth and leverage measures. The findings also showed that the disclosure of sensitive accounting information has not adversely affected firms' profitability. In fact, firms that provide detailed accounting disclosures tend to exhibit higher profitability. The implementation of international financial reporting standards enhances the quality and the comparability of financial statements; hence, it promotes consistency and reliability in financial reporting and facilitates companies' in raising capital internationally.

Rahman (2010) examined the impact of Internet Financial Reporting (IFR) on stock prices in Indonesia Stock Exchange. This study also investigates whether IFR companies have better financial condition than non IFR companies as predicted by signaling hypothesis. This study investigated all public companies incorporated in Kompas 100 index. The results showed that the degree of information disclosed in website has significant positive impact on abnormal return. The t-test used to test any significant difference between IFR companies and non IFR companies showed insignificant result. Finally, the hierarchical regression test used to examine the impact of moderating variable, corporate governance, on IFR companies' stock prices also showed insignificant result.

Suka (2011) examined the information content of profit warning announcements at the Nairobi Stock Exchange. This was achieved by studying fourteen companies that had issued profit warning between the periods 2002 to 2010.The study made use of the stock returns and market returns data to determine whether profit warning announcement elicit any reaction in the Kenyan stock market. The study made use of daily adjusted prices for sample stocks for the event window of 31 days, consisting of 15 days before and 15 days after the profit warning announcement. The event study methodology was employed in the determination of the effects of the profit warning announcement. Abnormal returns were calculated by use of the market model and tests are

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conducted to test the significance. The study found out that the Kenyan Stock market reacts negatively to profit warning announcements as shown by a general decline in mean abnormal returns around the profit warning announcement period. This is consistent with the hypothesis that profit warnings have information content which is associated with a negative revaluation of the firm. The study equally found out that there are negative abnormal returns that are statistically significant at 5% level, around the profit warning announcement date.

Muthamia (2013) sought to estimate the financial distress in the firms quoted in the Nairobi Securities exchange. The study applied descriptive correlation design involving a total of 26 firms selected from the population of 61 quoted firms. It excluded the firms in the banking, insurance and manufacturing sectors to which the chosen model was not applicable. The study applied secondary data from audited financial reports for nine years to estimate financial distress using the Altman's Z" -score model. The study found that financial distress was prevalent among the sampled firms but the estimates obtained from the sample were not significant enough to be generalized on the population. The results suggested that the firms quoted in Nairobi Securities Exchange did experience financial distress from time to time to which there was minimal reaction from market observable in terms of movement of stock returns

Jouiroua and Chenguel (2014) highlighted the level of voluntary disclosure of Tunisian companies. In addition, they sought to identify the determinants on this disclosure. The study used a descriptive research design. The study used primary data collected from annual reports of listed Tunisian firms relative to the year 2007. The empirical results showed that the size of the company (as measured by the number of employees), the independence of the board of directors and audit firm size had a positive and significant influence on the level of disclosure, while the age of the firm, had a negative influence on the level of disclosure.

3.0 RESEARCH METHODOLOGY

This study used a descriptive study design. The population of the study was all the 61 firms listed at the NSE as at December 2013. The sampling technique was purposive or judgmental, as the study purposively choose the 20 companies consistently making up the NSE –20 share index between 2009 and 2013. The study used secondary data from the Capital Markets Authority (CMA). The researcher used frequencies, averages and percentages in this study. The researcher used Statistical Package for Social Sciences (SPSS) version 20 to generate the descriptive statistics, trend analysis and also to generate inferential results. Regression analysis was used to demonstrate effect of voluntary financial disclosure on the stock returns of NSE- 20 share index firms. A multivariate regression model was used to link the independent variables to the dependent variable.

4.0 RESULTS AND DISCUSSIONS

4.1 Descriptive Statistics

The table 1 below indicates the descriptive statistics of the variables that were used in the study. The results indicate that the stock returns (capital gains) of the NSE- 20 share index firms had a minimum of -8 and a maximum of one (1) and its reported mean was -0.2 which deviated by 1.218. Similarly the results of corporate governance indicate that the minimum and maximum values in this case were 5.42 and 8.64 respectively with a mean value of 7.161 deviating by 0.602. Corporate social responsibility indicates that the minimum and maximum values were 4.06 and 8.64 respectively. Results also indicated that the environmental accounting had minimum and maximum values of 4.06 and 6.75 respectively, a mean value of 5.511 and a standard deviation of 0.664. Further, result show that human resource accounting had a minimum and maximum values of 5.19 and 7.38 respectively, a mean of 6.11 and a standard deviation of 0.546. Financial service sector had a minimum and maximum value of zero (0) and one (1) respectively, a mean of 0.25 and a standard deviation of 0.435. Dividend payout ratio had a mean and standard deviation values of -0.829 and 0.652 respectively. Among the other variables adopted in the study was firm size whose reported mean and standard deviation were 16.37 and 3.074 respectively.

Table 1: Descriptive Statistics

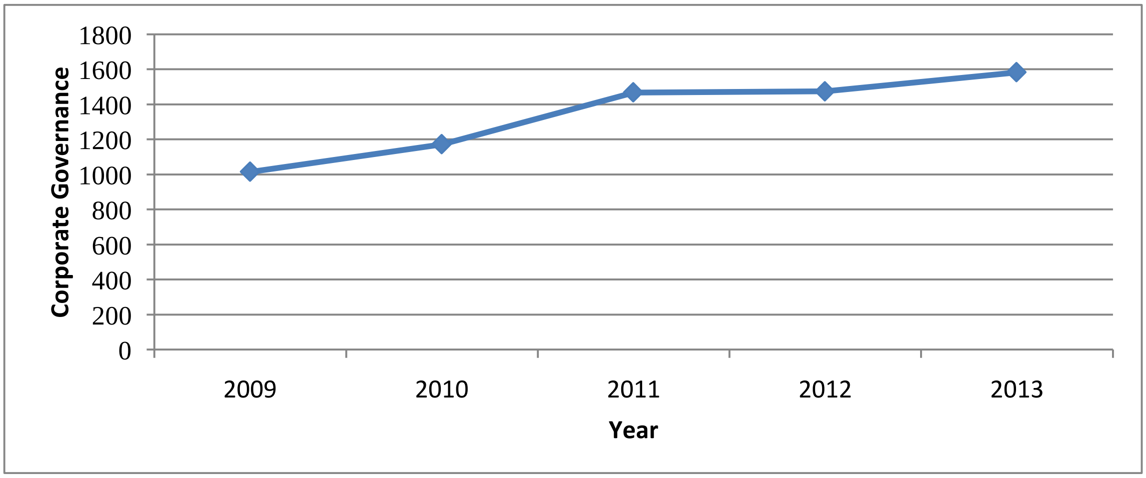
	Minimum	Maximum	Mean	Std. Dev
Stock Returns	-8.000	1.000	-0.200	1.213
Ln corporate governance	5.420	8.640	7.161	0.602
Ln corporate social responsibility	4.060	8.350	6.641	0.789
Ln environmental accounting	4.060	6.750	5.511	0.664
Ln human resource accounting	5.190	7.380	6.110	0.546
Financial Services Sector	0.000	1.000	0.250	0.435
Ln dividend payout ratio	-2.210	0.980	-0.829	0.652
Firm Size	0.000	20.000	16.370	3.074

4.2 Trend Analysis

4.2.1 Trend Analysis of Corporate Governance

The fiqure 1 below shows the corporate governance disclosure of the NSE- 20 share index firmsfor the period 2009 to 2013. The fiqure indicates that corporate governance disclosure of the NSE- 20 share index firms used in the study over the 5 year period was increasinglinearly between 2009 to 2013. This implies that the firms have realized the importance of voluntary disclosure of corporate governance as this places them at a better position of acquiring external favours such as easy access to external financing without difficulties.

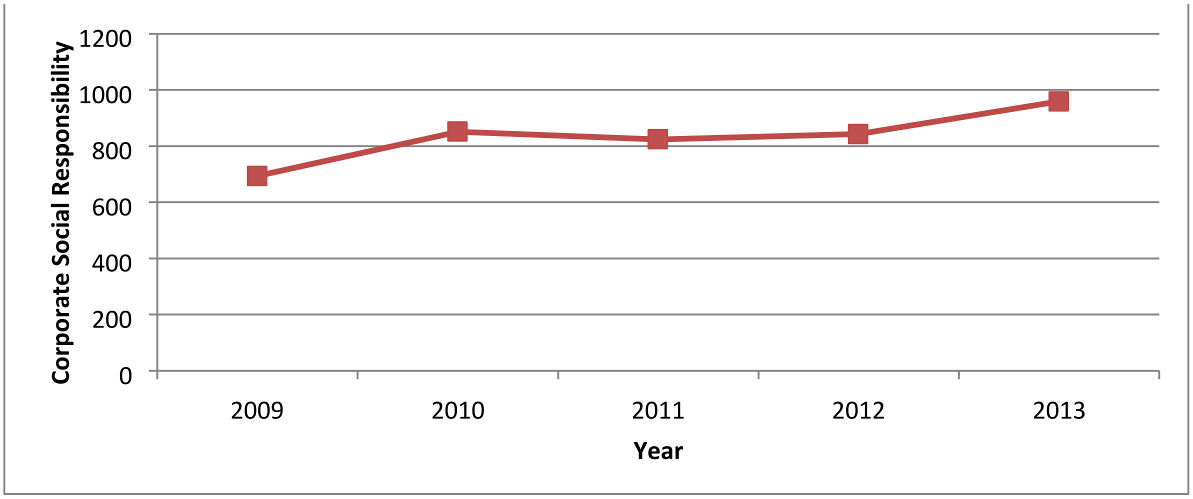
Figure 1 Trend Analysis of Corporate Governance



4.2.2 Trend Analysis of Corporate Social Responsibility

The fiqure 2 below shows the corporate social responsibility disclosure of the NSE- 20 share index firms for the period 2009 to 2013. The fiqure indicates that corporate social responsibility disclosure of the NSE- 20 share index firms used in the study over the 5 year period was increasing linearly between 2009 to 2013. This implies that the firms have realized the importance of voluntary disclosure of corporate social responsibility as this places them at a better position of acquiring external favours such as easy access to external financing and government related favours without difficulties.

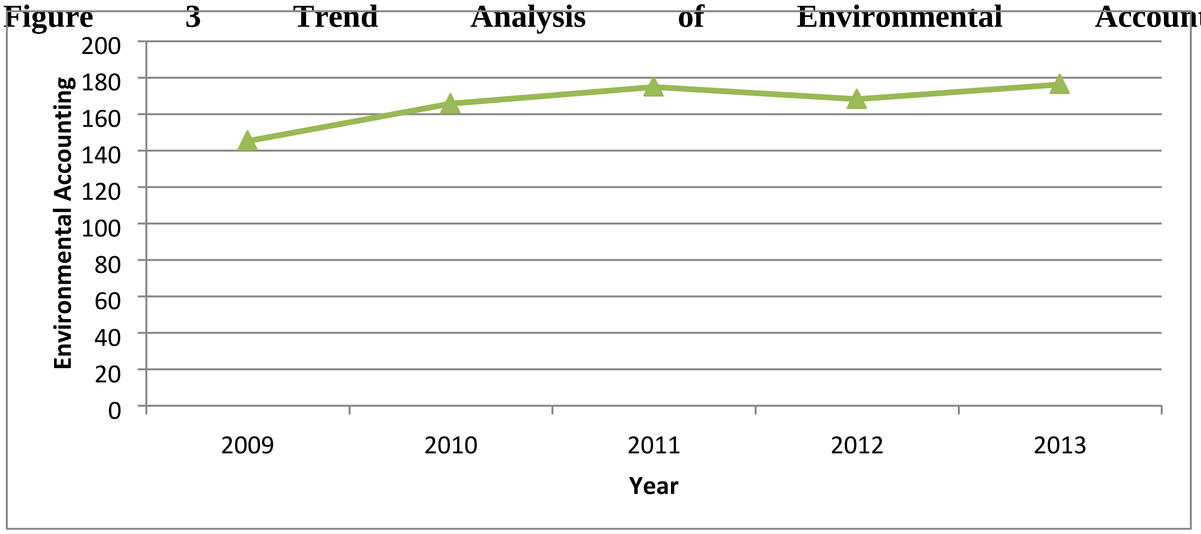
Figure 2 Trend Analysis of Corporate Social Responsibility



4.2.3 Trend Analysis of Environmental Accounting

The fiqure 3 below shows the environmental accounting disclosure of the NSE- 20 share index firms for the period 2009 to 2013.

Figure 3 Trend Analysis of Environmental Accounting

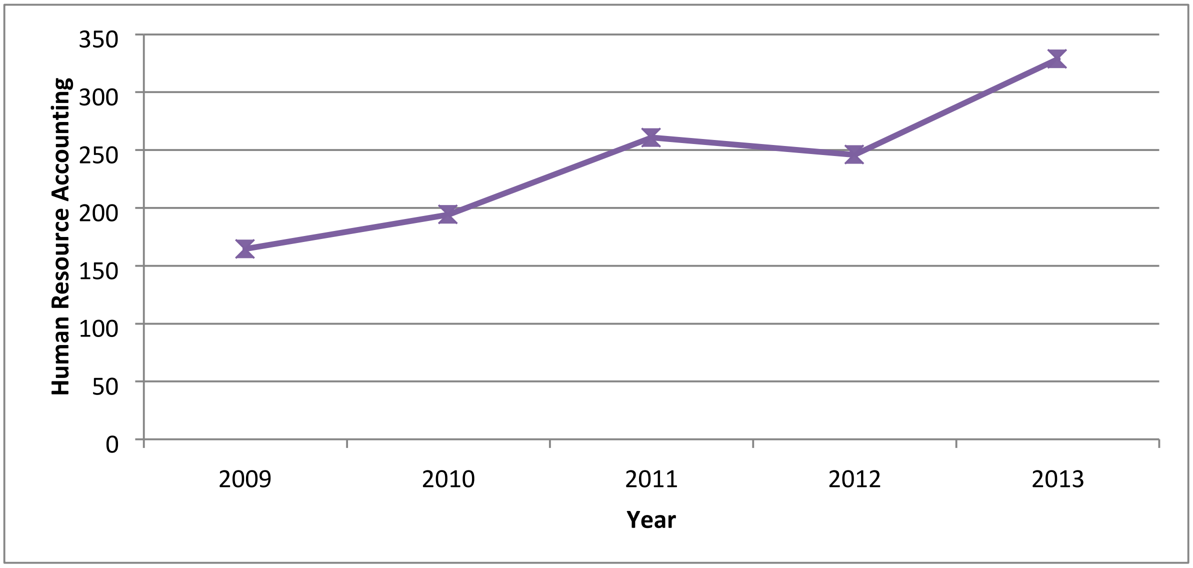


The fiqure indicates that environmental accounting disclosure of the NSE- 20 share index firms used in the study over the 5 year period was increasing linearly between 2009 to 2013. This implies that the firms have realized the importance of voluntary disclosure of environmental accounting as this places them at a better position of acquiring external favours such as easy access to external financing and recognition by environmental based organizations such as NEMA without difficulties.

4.2.4 Trend Analysis of Human Resource Accounting

The fiqure 4 below shows the human resource accounting disclosure of the NSE- 20 share index firms for the period 2009 to 2013. The fiqure indicates that human resource accounting disclosure of the NSE- 20 share index firmsused in the study over the 5 year period was increasing linearly between 2009 to 2013. This implies that the firms have realized the importance of voluntary disclosure of human resource accounting as this places them at a better position of acquiring external favours such as attracting qualified personell during recruitments without difficulties.

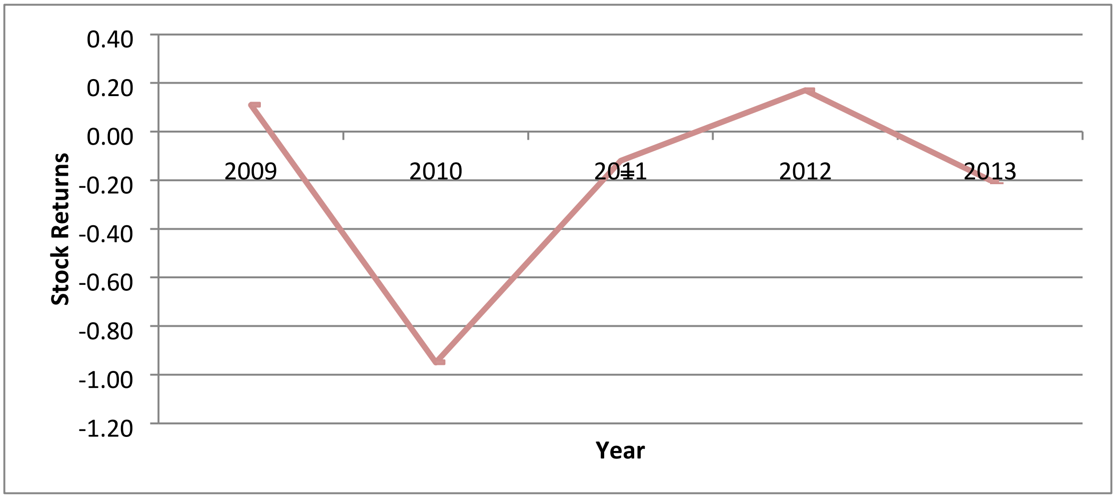
Figure 4 Trend Analysis of Human Resource Accounting



4.2.5 Trend Analysis of Stock Returns

The fiqure 5 below shows the stock returns of the NSE- 20 share index firms for the period 2009 to 2013. The fiqure indicates that the stock returns of the NSE- 20 share index firms used in the study over the 5 year period was negative for the largest part of the study period (2009 to 2013). This implies that despite the reported increase in voluntary financial disclosure, the firms have been on a down hill trend with regard to their performance (profitabilkity) as they may have increased the levels of external financing compared to previous years and thus taiting their image to the public.

Figure 5 Trend Analysis of Stock Returns



4.3 Inferential Data Analysis

4.3.1 Regression Analysis

The regression equation took the following form.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \mu$

Where;

Y = Actual stock returns, (capital gains).Defined as the appreciation in price divided by the original price of the stock

An actual stock return was calculated as follows;

$$\frac{\text{stock Price in year}_t - \text{stock Price in year}_{t-1}}{\text{stock price in year}_{t-1}}$$

X_1 = Number of items voluntarily disclosed with respect to corporate governance (Table 3.1)

X_2 = Number of items voluntarily disclosed with respect to corporate social responsibility (Table 3.1)

X_3 = Number of items voluntarily disclosed with respect to environment accounting (Table 3.1)

X_4 = Number of items voluntarily disclosed with respect to human resource accounting (Table 3.1)

X_5 = Dummy for financial services sector

X_6 = Divided pay out

X_7 = Firm Size (Log of Total Assets)

Table 2 shows the fitness of the model identified above in determining the relationship between voluntary financial disclosure and stock returns of the NSE- 20 share index firms. The coefficient of determination also called the R square was 70.9%. This means that the combined effect of the predictor variables (corporate governance, corporate social responsibility, environment accounting, human resource accounting, financial services sector, divided pay out, firm size) explains 70.9% stock returns.

Table 2: Model of Fitness

Indicator	Coefficients
R	0.842
R Square	0.709
Adjusted R Square	0.589
Std. Error of the Estimate	0.558

The results on analysis of variance in Table 3 indicate that the overall model was significant. This shows that the combined effect of corporate governance, corporate social responsibility, environment accounting, human resource accounting, financial services sector, divided pay out and firm size were statistically significant in explaining stock returns. This was demonstrated by a p value of 0.001 which is less that the acceptance critical value of 0.05.

Table 3: Analysis of Variance (ANOVA)

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	12.891	7	1.842	5.918	0.001
Residual	5.29	17	0.311		
Total	18.181	24			

The results in Table 4 present the regression of coefficients of the study. These results shows that there is a positive relationship between stock returns and corporate governance, corporate social responsibility, environment accounting, human resource accounting, financial services sector, divided pay out and firm size as supported by beta coefficients of 6.019, 1.432, 1.319, 0.438, 0.834, 0.111, 0.28 and 0.137 respectively. This means an increase in the independent variables will increase the stock returns. The analysis also yields results that show that corporate governance, corporate social responsibility, human resource accounting and firm Size were statistically significant as the probability (p) values were 0.003, 0.016, 0.02 and 0.027 respectively which were lower than the conventional value of 0.05. Similarly, environment accounting, financial services sector and divided pay out were not statistically significant as the probability (p) value was 0.074, 0.778 and 0.228respectively which was higher than the conventional value of 0.05.

Table 4: Regression of Coefficients

Variable	Beta	Std. Error	t	Sig.
(Constant)	6.019	2.493	2.414	0.027
Ln corporate governance	1.432	0.409	3.5	0.003
Ln corporate social responsibility	1.319	0.495	2.666	0.016
Ln environmental accounting	0.438	0.23	1.907	0.074
Ln human resource accounting	0.834	0.325	2.564	0.02
Financial Services Sector	0.111	0.388	0.286	0.778
Ln dividend payout	0.28	0.224	1.25	0.228

Firm Size	0.137	0.057	2.412	0.027

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

5.1 Findings

The study findings indicate that corporate governance, corporate social responsibility, environment accounting, human resource accounting, financial services sector, divided pay out and firm size had a positive relationship with stock returns as shown by a beta coefficient of 6.019, 1.432, 1.319, 0.438, 0.834, 0.111, 0.28 and 0.137 respectively (t=2.414, 3.5,2.666,1.907,2.564,0.286,1.25 and 2.412 respectively). These findings agree with those of Laohapolwatana, Smith and Howieson (2005) who investigated the impact of voluntary disclosure on sell-side analyst stock recommendations. The findings revealed that the quantity of disclosure is positively related to the number of recommendations and that disclosure with favourable signals or with price sensitive contents are significantly related to the direction and type of financial revisions. The study findings further indicated that corporate governance; corporate social responsibility, human resource accounting and firm Size were statistically significant in explaining stock returns as supported by p values of 0.003, 0.016, 0.02 and 0.027 respectively.

5.2 Conclusions

It can be concluded that increase in corporate governance evoluntary disclosure results to increase in the levels of stock returns. It can also be concluded that increase in corporate social responsibility voluntary disclosure results to increase in the levels of stock returns. Further, it can be concluded that increase in human resource accounting voluntary disclosure results to increase in the levels of stock returns. Finally, it can be concluded that increase in firm size voluntary disclosure results to increase in the levels of stock returns.

5.3 Recommendations

From the findings discussed above the study recommends that firms should embrace voluntary financial disclosure as it posits them to many privileges/advantages. These advantages may include; easy access to external financing, securing a good name with governmental and nongovernmental organizations, having a good public image. In addition, the study recommends that firms should ensure a balance of their debt to equity as increased debt is seen to cause a reduction on the stock returns. To the government, the study recommends the tax levies should be reviewed in a bid to improve the performance of the firms. As a result the stock returns of these firms would increase.

5.4 Suggestions for Further Studies

The study recommended that further research focusing on the specific industries of firms listed at the NSE could perhaps reveal more focused results as different industries may respond differently to certain information releases. An analysis of the effect of voluntary information release on stock returns as soon as it is released can help depict the short-term effect of such information disclosures on stock return. The study also recommends that further research on other factors that affect the level of stock returns.

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