CORPORATE TRANSPARENCY AND FIRM VALUE OF QUOTED NON-FINANCIAL FIRMS IN NIGERIA

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Abstract

Due to issues with corporate transparency in Nigeria, the Securities and Exchange Commission decided to include disclosure and transparency in its code of governance framework in 2018 in line with global best practices to improve investors' confidence and help resuscitate declining firm value due to lack of investors' confidence that results from lack of detailed information. Hence, the study examined the effect of corporate transparency among public listed non-financial firms with specific focus on financial, governance, operational and social transparency. The study population consist of 107 non-financial firms quoted on the Nigeria Exchange Group as of December 31st, 2021 of which 67 were sampled. Secondary data obtained from the companies' annual reports spanned through 2011 to 2021 and was analysed using panel data regression technique. The findings revealed that financial transparency, operational transparency and social transparency are of positive and significant effect on firm value while governance transparency have negative and insignificant effect on firm value. The study then concluded that regulators of the Nigeria capital market could make it more efficient and attractive for investors by enforcing transparency, which is an important underlying aspect that can affect value of firm and improve its overall market capitalization. It recommended that regulators should insist on more transparency to help investors seeking capital gain assess true financial status of the company and improve the firm value.

Keywords: *Corporate transparency, financial transparency, firm value, governance transparency, market capitalization*

Introduction

Firm value worldwide has significantly declined in the past decade, even though the severity varied between nations and businesses. This trend is more visible in countries where the practice of good corporate governance and disclosures is at management discretion and weak (Nguyen *et al*., 2021; Aziz & Abbas, 2019). High standards of transparency will promote effective corporate governance framework because corporate transparency allows investors to monitor the management's execution of its duties in maximizing the wealth of their owners, which is synonymous with creation of firm value (Esan *et al*., 2022). Researchers have established that the firm value is one of the primary justifications for business reporting and the value generated from it depends on how the business model interacts with a variety of internal and external factors to reflect the success of the shareholders' investment (Esan *et al*., 2022; Oyedokun *et al*., 2019; Emeka-Nwokeji & Osisioma, 2019). The decrease in firm value is attributable to the typical Nigeria company reports, which does not take into consideration many value drivers (Emeka-Nwokeji & Osisioma, 2019). Transparency been considered as one of the value drivers has raise concerns about how the current corporate reporting system lacks this rudiment which is necessary for stakeholders to evaluate the value and performance of the corporation (Edogbanya & Kamardin, 2016). This problem is more aggravated due to investors' lack of confidence in management practices as the companies' falls short of transparency disclosure criteria expected in line with global business practice.

The advent of transparency as one of the pillars of corporate governance has brought to the fore strategies requested from companies to demonstrate ethical business practices (Zarefar *et al.,* 2020; Fung, 2014). It is assumed that corporate transparency disclosure has potential for improving and reinforcing the loyalty of business stakeholders' towards management and obtaining value for the company's equity in the capital market (Firth *et al*., 2015). Also, in order to preserve a level playing field with other market participants, transparency is essential because it guarantees that other market participants and even regulatory bodies can impartially evaluate the business practices based on reporting using a variety of criteria (OECD, 2020).

Evidences in literature in advanced countries indicates that corporate transparency regarding economic, social and governance information has favorable relationship with company efficiency (Albu & Flyverbom, 2019; Xie *et al*., 2019). However, there are no existing studies to validate these claims in Nigeria or similar developing countries. Likewise numerous scholars have been drawn to investigate the few aspects of corporate transparency and how it affects management and business operations (Bhimavarapu *et al.,* 2022; Janning, *et al.,* 2020; Schnackenberg & Tomlinson, 2016; Suman, *et al*., 2015; Firth, *et al*., 2015), the effectiveness of operational transparency level on firm value is overlooked. Hence, this study will contribute to this discussion by clarifying the current state of corporate transparency among public listed non-financial firms on Nigeria Exchange group (NXG) and further examine the effect of financial transparency, governance transparency, operational transparency and social transparency on firm value of listed non-financial companies in Nigeria.

Other sections of the study covers literature review, which detailed the conceptualization of the study variables, theoretical underpinnings of the study, and empirical review. The third section consist of data and methods used in achieving the study objectives by specifying research design and criteria for selecting sample size. The fourth section present the data analysis and discussion of findings while the last section consist of conclusion, recommendations and policy implication of findings.

Literature Review

Conceptual Review

Firm Value

Firm value is the sum of the rewards investors receive through their ownership of the company's shares (Esan *et al*., 2022). It is the reflection of the public's assessment of firm's performance through market value (Iskandar, 2021). Firm value is the price placed on a company by a buyer (Sucuahi & Cambarihan, 2016). According to Suteja *et al*., (2023), the effectiveness of management in accomplishing the duties that shareholders have delegated to them with relation to the management of the company is a strong determinant of firm value (Suteja *et al*., 2023).

In summary, firm value is describe as the market assessment of the management performance and this is the reason why the value of the firm is the most important factor to consider while evaluating firm financial status for takeover. According to Sudiyatno *et al*., (2020), variations in share market prices indicate changes in firm value since the market price of a share is the price per share that investors are willing to pay and because this price reflects the market value of the company. In summary, it is evident that the firm value influenced by multiple internal and external factors such as debt policy, voluntary disclosure, risk management, financing decision and sustainability practices, which can all have a direct or indirect impact on a company's value. The investors approached a firm's value in a variety of ways having measurements like price to book value (PBV), the quality of earnings, and the price of stocks are their indicators for firm value. However, market capitalisation is the measurement of firm's value in the study. The market capitalisation of a firm is its estimated value as decided by the stock market and it is characterize as the totality market value of all outstanding shares (Issar, 2017; Balakrishnan, 2016).

Corporate Transparency

According to Albu and Flyverbom (2019), corporate transparency indicates information exchange and in formativeness quality of company's report. It is also describe as the accurate dissemination of corporate information to multiple stakeholders, including customers, potential investors, and the local community, as well as the coverage of the transparency of decision-making processes within a corporation (Kim *et al*., 2013). Likewise, information disclosed in order to understand a firm's exposures and risks without distortion is define as transparency disclosure (Koufopoulos, 2008). In summary, corporate transparency is view as a gauge of the appropriateness and speed with which a corporation communicates its internal information to interested third parties. Hence, management should disclose key areas of that has substantial financial and non-financial information about the company in accordance with the highest standards of corporate disclosure recognized worldwide.

The insistence on corporate transparency by shareholders and other stakeholders who require greater accountability and disclosure from the management is born out of the intention to ensure a standard for achieving systematic trust and professional practice that is open to public scrutiny (Janning *et al.*, 2020). According to Schnackenberg and Tomlinson (2016), the resultant effect of corporate transparency disclosure on firm value are embedded in their alleged capacity to reestablish stakeholder confidence in the company and the functioning of the financial market system since it is counted as a remedy for corporate misbehavior. It is equally observed that a lack of transparency from an organization can have a detrimental effect on many areas, most especially firm valuation (Bhimavarapu *et al.,* 2022).

There is a debate on whether the benefits of transparency outweigh its consequences. Although corporate transparency reduces information gaps between businesses and financial markets, it comes at the expense of information leaks to competitors (Brown & Martinsson, 2019). Furthermore, the wisdom of audience effect is use as a justification for transparency because it may result in greater buy-in. However, one of the issues with corporate transparency is speed deficiency because so many stakeholders may be interested and voice contrary opinions to management, which may take a longer time for management to make concrete choices that will improve the firm's value (Fung, 2014). Also, it is opined that the availability of firm-specific information to those outside publicly traded firms may impair the company legitimacy once the information is not satisfactory and this can cause reduction in the value of the firm ((Suman, Masulis & Pal, 2015).

Financial Transparency and Firm value

Financial transparency include the quantity, promptness, interpretation, and media dissemination of financial disclosures (Kim, *et al*., 2013). Investors require management to publish more and better financial information so they may make informed choices (Gek & Lok, 2019). In today's environment where financial performance, integrity, and accuracy is question, transparency, information accessibility, and business acumen are crucial for raising capital and wooing investors (Koufopoulos, 2008). It is established in literatures that the transparency disclosure on the firms' assets, its liquidity, profitability, leverage and other financial factors can all affect firm is value. Although many research have produced contradictory results (Endri *et al.,* 2020).

According to Dwi *et al.* (2018), the efficiency of disclosing equity increases with increasing returns on equity and this will make the company to gain more investors' confidence, which will increase its value. Furthermore, the disclosure on the usage of firms' resources when in order to meet operating expenses have fundamental theories for firm value. The Modigliani-Miller theory suggests capital structure does not influence business value, while the legitimacy theory suggests

transparency boosts public support. Myers' trade-off hypothesis suggested that debt financing can enhance firm value up to a certain point before losing value if debt is used again (Lokuwaduge & Heenetigala, 2017; Myers, 1984).
According to the previous studies discussed above, we propose that financial transparency for non-financial firms in Nigeria will improve their market value because it makes them align with international best practices and opening them up for foreign investment. It is then hypothesized in a null form that
Ho1: *financial transparency does not have significant effect on firm value*

Social Transparency and Firm Value

Social transparency disclosure is any information that a company releases to the public about its performance, standards, or endeavors that fall under the purview of corporate social responsibility, generally in or alongside its annual reports or in a separate report (Brooks & Oikonomou, 2018). Social disclosure is strongly motivated by a company's credibility because it is a tool for impression by management that as the ability to preserve and improve a company's reputation under the scrutiny of stakeholders and the pressure of social media (Xie *et al.*, 2019). Numerous scholars have emphasized the significance of social transparency for the long-term sustainability of the company. This is due to the fact that its absence may lead to low quality of goods and services, a concentration on maximizing shareholder profit to the detrimental and effectiveness of satisfying the customer's pleasure (Kim, Lee, & Yang, 2013). It is also, believed, that corporate transparency helps businesses attract more customers, increase customer happiness and value, and ultimately position themselves favorably in the market and this may translate to higher firm value (Gek & Lok, 2019).

The study suggests that social transparency in Nigerian non-financial firms can enhance their market value, sustainability, and growth by fostering a good reputation and aligning with international best practices, thereby potentially boosting their overall business. It is then hypothesized in a null form that;
Ho2*: social transparency does not have significant influence on firm value*

Operational Transparency and Firm Value

Operational transparency is a window into and out of the organization processes that are purposely design to let stakeholders understand and appreciate the value added by firms' management (Buell, 2019). According to conventional belief, a business will operate inefficiently the more interaction it has with its stakeholders. Stakeholders' are less likely to completely comprehend and appreciate the work done behind the scenes when they are unaware of the operational process, which lowers their opinion of the value of the goods or services provided (Buell, 2019). Furthermore, investor confidence in a company will increase if it provides more details on which operations or initiatives that produce more revenue and how the company allocate their resources. This will then encourage investors to buy firm stock due to increased demand, then, the share price will rise resulting to high firm value (Gek & Lok, 2019).

According to the previous studies and theories assumption discussed above, we propose that operational transparency in Nigerian non-financial firms can enhance their market value by demonstrating the soundness of management's economic judgment, leading to higher firm value ratings. It is then hypothesized in a null form that;

Ho3: *Operational transparency does not affect significant effect on firm value*

Governance Transparency and Firm Value

Governance transparency disclosure is the heart of corporate culture (Fung, 2014). Companies must report on the steps they take to address governance issues in order to pique the growing interest of investors throughout the world. In order to pique the interest of the agencies and draw possible investors (García-Sánchez, *et al.*, 2020) pertinent and high-quality material on corporate contributions to the SDGs must be prepared and disclosed. Due to listing requirements, applicable securities regulation, and/or applicable corporate governance codes, a publicly traded firm or one that issues debt on capital markets will arguably have stricter standards for transparency and disclosure (OECD, 2020). The legal structure of the organization, the requirements outlined in pertinent legislation, the quality of information disclosure, and the quality of the audit will all have an impact on how robust and comprehensive the disclosure and transparency standards are. According to the previous studies and theories assumption discussed above, we propose that governance transparency for non-financial firms in Nigeria will improve their market value because it show case their adherence to code of corporate governance and signaling of management commitment to maximize shareholders wealth. It is then hypothesized in a null form that;

$H_0$4*: Governance transparency does not significantly affect firm value*

Theoretical Review

Information Asymmetry Theory

George Akerlof (1970) propounded the asymmetric information theory in his book titled the market for lemons. Michael Spence in (1973) and Stiglitz (1981) improved on the theory by popularizing the idea of information asymmetry. The theory assumes that lack of information between buyers and sellers might cause market to fail which imply that there is an ineffective distribution of services in a competitive market where prices are determine by law of demand and supply. The implication of the theory is that because investors lack detailed information, both high-quality share and low-quality share is value at unmatched value causing unbalanced effect on firm value.

Muslim and Setiawan (2021) investigates whether information asymmetry theory is consistent with the circumstances of the Indonesian stock market by looking at how assumptions of the theory affect the ownership structure and the value of an equity. The results revealed that institutional and foreign ownership structures have an impact on the price of equity capital due to information asymmetry. Huynh *et al*., (2020) investigates how information asymmetry have consequential effect on firm value in Vietnamese businesses. The results shows that information asymmetry in Vietnamese enterprises essentially has a detrimental consequence on firm value. Likewise, Fosu *et al*., (2016) analyze how information asymmetry affect firm value prior to and following the 2007–2009 financial crisis, as well as for companies with high and low growth potential. The result shows that non-transparency on relevant information has a negative impact on business value and debt greatly mitigates this negative impact.

Asymmetric information theory is relevant to this study in the sense that when management is not transparent due to insufficient disclosure, it will possess more information than is generally available about the potentials and performance of their company and their forecast may be more accurate than the market's (Fosu *et al*., 2016). Thus, new equity issues are probably underpriced causing a shift in market value and transfers wealth from existing owners to new ones. Corporate transparency aims to reduce the information gap between principal and agent while lowering agency costs. However, less transparency may lead to riskier investments, contradicting investors' desire for higher returns and affecting firm value (Chiyachantana, *et al*., 2013).

Empirical Review

Petrasek (2012) investigates firm transparency and shareholders’ reward policy using a sample of 755 companies that cross-list shares overseas. The results revealed that after listing on exchanges with strict transparency and shareholder protection requirements, businesses raise cash dividend payments to shareholders by around 9% of earnings. This change is more noticeable when businesses are under management's control. No change is observe if shareholder protection is already high in the host exchange or no further disclosure is required. Pattnaik *et al*., (2013) investigates business groups and corporate transparency in emerging markets. It discovered that companies with business group affiliations are less transparent than companies without affiliations and the mistake including the dispersion of expert forecasts increase when there is a lack of transparency.

Zaman, *et al*., (2014) conducted an empirical analysis of corporate performance and transparency and disclosure. The study focuses in-depth on the level of the proxies which are disclosure of ownership structure, disclosure of board and management structures, and disclosure of financial transparency. According to empirical analysis using the OLS regression model, it revealed that financial performance positively correlated with transparency and openness. Firth *et al*., (2015) investigates how corporate transparency contributes to the explanation of the sensitivity of stock prices to overall investor sentiment using China's stock market as the testing ground. It discovered that businesses with little corporate transparency on state of ownership—have a higher occurrence of third-party transactions. Investor sentiment has a greater impact on companies with minimal transparency especially one with many transactions suspected to be earnings management, and unclear audit views. The study submitted that corporate transparency is crucial for reducing the impact of market sentiment on stock prices.

Sumatriani *et al.* (2020) assessed how shareholder rights, disclosure, and transparency affect firm value. The Indonesian, Malaysian, and Thai stock exchanges provided secondary data for this study. A sample of 142 businesses make up the study, and includes four years of data from 2012 to 2015. Tobin's Q represents firm value, while ASEAN scorecard is use to evaluate the transparency, disclosure, and shareholder rights. The outcome of this study demonstrates that shareholder rights have a sizable favorable impact on firm value while transparency has unfavourable effect. Liu and Zhang (2017) explored the connections between corporate governance, social responsibility information disclosure, and market capitalization. The study examines Chinese enterprises in high-pollution industries listed between 2008 and 2014. The outcome indicates that firm with less social responsibility disclosure influence corporate governance variables. Furthermore, we discover that disclosures on societal obligation can raise an enterprise's long-term value but has no positive effects on a company's short-term profits. Aboud and Diab (2018) considered how firm values relates to environmental, social, and governance (ESG) practices disclosure in the Egyptian setting. This examined how the Egyptian Corporate Responsibility Index rankings and listing affects corporate value between 2007 and 2016. The results of univariate and multivariate studies support the notion that ESG disclosures have economic advantages.

Rajakulanajagam and Nimalathasan (2020) examined the effects of corporate transparency and firm value. The research hypotheses tested using multiple regression shows that three components of corporate transparency, including financial transparency, board and management structure disclosure, and shareholders' rights disclosure are corporate transparency disclosure that increases the value of companies in Sri Lanka. Sumatriani *et al*. (2021) assessed how shareholder rights, disclosure, and transparency affect firm value. The Indonesian, Malaysian, and Thai stock exchanges provided secondary data for this study. The study sample is 142 businesses, which includes four years of data from 2012 to 2015. The outcome of the findings demonstrates that shareholder rights have a sizable favorable impact on firm value. Yet, business value does not significantly impacted by disclosure and transparency.

Nguyen *et al*., (2021) explores corporate information transparency and its effect on the crash risk of stock prices on the Vietnamese market. The study employs GMM estimation for panel data and the results reveals that information asymmetry causes considerable issues for company potential in the context of a growing market by exhibiting how the low degree of information disclosure, or the crash risk of the stock price, has a significant adverse effect on firm value. Bahraini *et al*., (2021) objectively demonstrate the financial transparency factors that affect business value as determined by Price to Book Value (PBV) in the food and beverage (F&B) sector listed on the Indonesia Stock Exchange (ISE). Sample of 17 F&B enterprises from 2015 to 2019 is consider as the research sample and data analysed using panel regression technique. According to the study's findings, an increase in TATO, CR, and Size leads to decrease in firm value, however the impact of ROE and DER variables causes PBV to rise. All of the predicted drivers have an impact on company value when combined. Liu *et al*., (2022) examined whether market competition has an impact on the interaction between corporate transparency and company value in the United States. The findings indicate that greater transparency increases business value and market competition strengthened the relationship more. Bhimavarapu, *et al* (2022) evaluates how disclosures and transparency affect the valuation of non-financial enterprises in India. The study's data was analysis through panel data regression. Data of 76 non-financial enterprises obtained over a ten-year period (2011–2020). The market capitalization is the stand-in variable for the firm valuation. According to the study's findings, disclosures and transparency (TD) have a negative and significant impact on a company's value. Implying that a greater TD lowers the firm's worth. The interaction term between TD and ESG also exhibits a substantial positive correlation.

Gap in Literature

There is a wide gap in conceptualization of corporate transparency in the previous studies. Existing studies like Edogbayan and Hasnah (2015); Edogbayan and Hasnah (2016) conceptualized corporate transparency as transparency of ownership structure, financial transparency, board and management structure transparency. Liu *et al*., (2022) has narrowly measured corporate transparency focusing on financial transparency and governance transparency. Bahraini *et al*., 2021; Sumatriani *et al*., 2021 and Firth, *et al*., 2015 focused on ownership structure transparency, financial transparency and governance transparency. In all of these studies, other corporate transparency variables such as operational transparency and social transparency was sparingly discussed and this study considers them important and hereby include it in the study to replicate the measurements of Kim, Lee and Yang (2013) and few others that considers all of facets of corporate transparency. Moreso, the outcome of corporate transparency in relation to business performance measures like returns on equity, earnings per share and other measures of profitability has been the order but the study will consider its effect on firm value proxied by market capitalization.

The low disparity in geographical scope of existing study was been noted as many of these studies are carried out in the advanced countries. Brown and Martinsson (2018) considered al European union countries, Trim *et al* (2018) was focused on Sydney, Firth *et al*., (2015) scope is focused in China, Kim *et al*., (2013) focused on Korean firms. Edogbayan and Hasnah (2015) scope focused on Malaysian firms. However, it is still not apparent how the effects explained is in relation to the Nigeria capital market as the topic is devoid of substantial empirical evidence in Nigeria. Likewise, there is an observed gap in the methodology of previous study. Osho and Adesanya (2018) used survey research design by sourcing data from questionnaire and adopted Krejcie and Morgan's formula in determining its sample size while examining banks transparency, financial disclosure and its effect on firm performance in Nigeria. It is equally observed that the empirical support for asymmetric information theory and its application to corporate transparency is scarce in existing studies as many studies that considered corporate transparency are anchored on agency theory (Brown & Martinsson, 2018; Trim *et al*., 2018; Osho and Adesanya, 2018), Signalling theory (Edogbayan & Hasnah, 2016; Kim *et al*., 2013). Hence, the study intends providing evidence of the link of firm value's responsiveness to corporate transparency and the application of asymmetric information theory in inducing corporate transparency.

Methodology

The study employed quantitative approach using logititudinal research design and ex-post facto designs is also employed because the researcher does not tamper or interfere with the sample data because it is of past events of a group of population which in this case is the quoted non-financial firms in Nigeria. Data used were been collected from secondary sources through the published annual accounts of the firms for a period of eleven years covering 2011 to 2021. The population comprised the entire 107 quoted non-financial firms listed on the Nigeria Exchange Group Market as at December 31, 2021. The study chose sixty-seven non-financial firms as sample size and to determine this, few criteria are set. First, firms listed after issuance of the 2003 code of corporate governance were removed from the population because they have not witnessed the series of adjustment to the code of governance that will ensure adequate improvement in their transparency. Second, firms in the Alternative Securities Market (Asem) Board is excluded from the list because it is a specialized board for startup firms, which are small- and medium-sized businesses and may not have what it takes to uphold a good corporate governance. Lastly, growth board firms is exempted because they are primarily SME-focused businesses that are exempt from post-listing duties by capital market regulators since they fall short of the Nigerian Exchange's strictest corporate governance and legal requirements.

Model Specification

Ohlson (1995) proposes the value relevance model adopted in the study. The fundamental Ohlson (1995) model states that other information is value relevant if it contains information on potential future revenues. More specifically, if such knowledge significantly and favorably related to future earnings, it raises the firm's market value. The basic model is;

$P_{it} = \alpha + \beta_1 BV + \beta_2 EPS + u_{it}$………………………… (1)

In the extension of the basic model, transparency parameters is added as new variables to the model since they provide evidence that may help to explain rising earning potential. The model employed goes thus:

$MKC_{itt} = \alpha + \beta_1 FTD_{i,t} + \beta_2 GTD_{i,t} + \beta_3 STD_{i,t} + \beta_4 OTD_{i,t} + \beta_5 FSZ_{i,t} \quad e_{i,t}$ …….. (2)

Where, MKC = Market Capitalisation;

FTD = Financial Transparency Disclosure

GTD = Governance Transparency Disclosure;

STD = Social Transparency Disclosure

OTD = Operational Transparency Disclosure;

FSZ = Firm Size

Results and Discussion of Findings

Descriptive Statistics

The descriptive analysis of variables in Table 1 reveals that the average market capitalization of sampled firms in Nigeria is 16.05 million, with a standard deviation of 2.524. The financial transparency (FTD) rate is about 65 percent, with a standard deviation of.1266. The least level financial transparency is 40 percent, while the maximum is 90 percent. The data normality test shows that the data for financial transparency disclosure is not normally distributed. The extent of governance transparency disclosure (GTD) is 45 percent, with a standard deviation of.10580. The least governance transparency is 20 percent, and the maximum is 80 percent. The data suggests that the market capitalization, financial transparency, and governance transparency are not normally distributed across the sampled firms. Furthermore, the study reveals that operational transparency disclosure (OTD) in Nigeria is about 50%, with a standard deviation of.13196. This indicates low variability in financial transparency across the sampled non-financial firms. The sample mean is a reflection of the actual population, with a small value close to zero. The average social transparency (STD) is 67%, with a standard deviation of.12087. The firm size of listed non-financial firms in Nigeria is 6.6605, with a standard deviation of 1.66810. The least firms' size is.69, while the maximum is 9.31. The

Jarque berra test shows that data for governance transparency and social transparency disclosure is normally distributed.

Table 2: Descriptive Statistics

Variables	MktCap	FTD	GTD	OTD	STD	FMZ
Observations	737	737	737	737737	737	
Mean	16.0527.65807	.45563	.50189	.67829	6.6605	
Std. Deviation	2.52458	.12669	.10580	.13196	.12087	1.66810
SE(Mean)	.092994	.00466	.00389	.004861	.00445	.061443
Minimum	10.8317	.4	.2	.2	.2	.69
Maximum	22.8925	.9	.8	.9	.9	9.31
Sum	11830.9	485	335.8	369.9	499.9	4908.83
Skeweness	.362299	-.02717	.01384	.43007	-.41896	-.40555
Kurtosis	2.37963	2.40663	3.1535	2.8262	3.05699	5.6592
Jarque-Berra	15.715210	.6843	0.81967	6.5569	5.6739	282.394
Probability	0.0003	0.0047	0.66375	0.0376	0.0586	0.0000

Researcher's Computation (2023)

Note: MKC = Market Capitalisation; FTD = Financial Transparency Disclosure; GTD = Governance Transparency Disclosure; STD = Social Transparency Disclosure; OTD = Operational Transparency Disclosure; FSZ = Firm Size

Correlation Analysis

The pairwise correlation coefficient was used to test the linear relationship between transparency disclosure and market capitalization. Table 2 indicates that the relationship between the market capitalisation (Mkt.Cap) and financial transparency for the non-financial companies is positive and significant, with a coefficient value of 0.20 and a probability of 0.00 means that if there is an increase in the level of financial Transparency of the companies, their firm value will increase. Furthermore, there is a negative correlation between governance transparency (GTD) and the market capitalisation (MKC) for non-financial companies with a coefficient value of 0.11, indicating the existence of a direct relationship as increased disclosure of data in governance would increase the market capitalisation by 11 per cent. Table 3 also shows a positive and significant linear relationship between the disclosure of operational transparency and market capitalisation for the listed non-financial companies, with a coefficient of 0.26 and a probability of 0.00, suggesting that if the operating transparency of the companies is increased, their firm value will increase by 26 per cent and is of significance at 5 percent. Table 2 also shows that there is a positive and significant relationship between the market capitalisation and social transparency, where coefficient value is 0.12, a significant at 5 per cent with p-value of 0.00. Table 2 also shows that the firm size has coefficient value of -0.36 and the probability value is 0.00, which means that there is an inverse and significant relationship between firm size and market capitalisation. All explanatory variables are positive to each other. The overall implication of the findings is that the transparency disclosure on the market capitalisation of listed firms in Nigeria is direct as it seems the market reacts based on the information provided by the firms by using it as signal to their commitment to maximize shareholders wealth and commitment to ethical business practices that is of international standards.

The overall implication of this relationships is that the function of transparency disclosure on the market capitalisation of listed firms in Nigeria is direct as it seems the market reacts based on the information provided by the firms by using it as signal to their commitment to maximize shareholders wealth and commitment to ethical business practices that is of international standards. It is also observed that the larger the size of the firms, the lesser its level of transparency and this could imply that bigger firms are not transparent in disclosing their corporate strategy and means of achieving growth.

Table 3: Correlation Analysis of Study Variables

Variables	**Pairwise Correlation**	**Mkt Cap**	**FTD**	**GTD**	**OTD**	**STD**	**FMS**
Mkt. Cap	Coefficient	1.0000					
	Sig.	-					
FTD	Coefficient	0.1995*	1.0000				
	Sig.	0.0000	-				
GTD	Coefficient	0.1154 *	0.2383 *	1.0000			
	Sig.	0.0017	0.0000	-			
OTD	Coefficient	0.2579*	0.4463*	0.4469*	1.0000		
	Sig.	0.0000	0.0000	0.0000	-		
STD	Coefficient	0.1203*	0.1924*	0.1052*	0.1040*	1.0000	
	Sig.	0.0011	0.0000	0.0043	0.0047	-	
FMS	Coefficient	-0.3619*	-0.1716*	-0.2285*	-0.2736*	-0.0806*	1.0000
	Sig.	0.0000	0.0000	0.0000	0.0000	0.0312	-

Source: Researchers' Computation (2023)

Post-Estimation Tests

Error test for model specification using Ramsey RESET test done is to evaluate the suitability of the functional model specified for the regression. We assess if a non-linear version of the connection between the dependent variable and the independent factors would be more suitable. The results shows probability of 0.2826 and this indicate that the model has no omitted variable bias and misspecification. The heteroscedasticity test was done using Breusch-Pagan/Cook-Weisberg test revealed there is absence of heteroscedasticity given the probability value of 0.67 which is higher than 0.05. Likewise, variables for the study tested for auto-correlation using Wooldridge test for autocorrelation in panel data. The result is presented in table 4 and it shows the probability of 0.00 which is significant indicating that there is problem of Auto-correlation hence the null hypothesis that there is no first-order correlation is rejected.

Furthermore, the cross-sectional dependence test result indicate that null hypothesis which implied there is no cross-sectional dependence is strongly rejected as the statistics shows 10.53 with probability value indicated 0.00 and the average absolute correlation of the residuals as obtained by using the abs parameter shows 0.46 which is considered a very high number. Hence, there is sufficient evidence to conclude that transparency disclosure under random effect condition exhibits cross-sectional dependence. However, the observed estimation problem are to be corrected using panels corrected standard errors (PSCE) with the option that the standard error is independent- corrected. The Hausman test conducted to specify the appropriate model between fixed-effect model and random effect model shows a result that favour the fixed effect model as the probability shows 0.00 implying that difference in coefficient is not systematic.

Table 4: Summary of Post Estimation Test Results

Ramsey RESET test		
Null Hypothesis	F-Statistics	Probability
Ho: model has no omitted variables (P>0.05)	1.27	0.28
Tolerance and VIF Value		
Null Hypothesis	VIF	Mean VIF
There is no multicollinearity among the variables (1/VIF >0.10)	-	1.24
Breusch-Pagan / Cook-Weisberg test for Heteroscedasticity		
Null Hypothesis	Chi2 Statistics	Probability
Constant variance across the variables residuals (P>0.05)	0.18	0.67
Wooldridge test for autocorrelation		
Null Hypothesis	F-Statistics	Probability
No first-order autocorrelation (P>0.05)	282.26	0.00
Pesaran's test of cross sectional independence		
Null Hypothesis	Statistics	Probability
There is no cross-sectional dependence (P>0.05)	10.53,	0.00
Hausman Test		
Null Hypothesis	Statistics	Probability
Difference in coefficients not systematic (P>0.05)	29.58	0.00

Researcher's Computation (2023)

Corporate Transparency and Firm Value

The model specification test revealed that fixed effect model is more appropriate for interpretation. However, in order to correct statistical problem that made the model negate the assumption of linear regression, the effect of corporate transparency disclosures proxied by governance transparency, financial transparency, operational transparency and social transparency on market capitalisation inferred from the result of Prais-Winsten regression. This is a panel corrected standard error regression computed after correcting observed statistical problems identified in the pre and post estimation tests. The regression corrected the autocorrelation problem and cross-sectional independence problem making it suitable for interpretation. Probability value and Z-statistics are the indices of interpretation for the linear relationship.

The overall result shows that corporate transparency disclosure have significant effect on firm value. This is evident by Wald chi2 that is significant and this imply that the model analysed is significant at 5 %. The variance caused in firm value by corporate transparency is 17%. The regression result shows that financial transparency have positive and significant effect on market capitalization having z-statistics of 1.99 and probability of 0.046. The implication of the result is that the ability of management to ensure that the financial transactions that could influence the earnings of the company that is very transparent and it will help the investors place a good value on the company shares and this will improve the company value. More so, the companies' extent of compliance to accounting standards and policy in the preparation of the financial report needs disclosure as part of financial transparency that can improve firm value. The result presented on table 5 shows that governance transparency disclosure have z-statistics of -1.32 and P-value of 0.19 and this indicate negative effect on market capitalization. The effect is of no significance having probability higher than 5 percent and this may imply that there is a shortfall in the governance mechanism disclosure among non-financial companies in Nigeria. Most especially the aspect of shareholders right.

Furthermore, on table 5, the effect of operational transparency shows positive and significant effect on market capitalisation. It has z-statistics of 3.72 and probability value of 0.00. This imply that companies are transparent about their corporate strategy, competitive position in the industry and operating risk they encounter and how it is been managed. In addition, social transparency has positive and significant effect on market capitalization showing z-statistics of 2.04 and probability value of 0.04. The implication of this is that, the company relations with its stakeholders is of positive influence and the significance is positive and felt by these firms. Apart from the CSR activities, its ethical behavior, employment policy and whistle blowing policy have been engaged to achieve increase in their firm value. Likewise from table 5, it is shown that firm size have z-statistics of -8.88 and probability value of 0.00 and this means that the size of a firm can control corporate transparency disclosure of the non-financial firms in a negative way that could reduce their achieve firm value.

The findings of the study corroborates the results of similar studies in China where Firth *et al.*, (2015) explains how corporate transparency contributes to sensitivity of stock prices and it was found out that corporate transparency reduce the impact of sentiment on stock prices. It also aligns with the study of Rajakulanajagam and Nimalathasan (2020) which examine the effects of corporate transparency and firm value and the findings suggest that the corporate transparency positively affects enterprises' value in Sri Lankan. It equally support the results of Liu *et al*., (2022) which examined whether market competition has an impact on the interaction between corporate transparency and company value in the United States. The findings indicated that greater transparency increases business value.

Furthermore, from some existing studies, transparency causes decrease in business value for some companies in foreign countries. Bhimavarapu, *et al* (2022) which studied how disclosures and transparency affect the valuation of non-financial enterprises in India provide empirical evidences that disclosures and transparency (TD) have a negative and significant impact on a company's value as greater transparency disclosure lowers the firm's worth. The study findings negates the results of Nguyen *et al.,* (2021) which explores corporate information transparency and its effect on the crash risk of stock prices on the Vietnamese market. The results reveals that information asymmetry on salient issues causes considerable issues for company potential in the context of a growing market by exhibiting crash of the stock price which has a significant adverse effect on firm value. Likewise, it contradicts the study of Sumatriani *et al.* (2020) which assessed how shareholder rights disclosure, and transparency affect firms' value of firms listed in Indonesian, Malaysian, and Thai stock exchanges. The outcome of the study demonstrates that business value does not significantly impacted by reporting and transparency.

Table 5: Panels Corrected Standard Errors Regression

MktCap	Coef.	Indep-corrected Std.Err.	Z	P>z
FTD	1.530775	.7684422	1.99	0.04
GTD	-1.195268	.9037965	-1.32	0.19
OTD	2.938747	.790033	3.72	0.00
STD	1.458055	.7159903	2.04	0.04
FMZ	-.4732369	.0533067	-8.88	0.00
_cons	2.465289	.8263246	2.98	0.00
Number of obs = 737	Number of groups = 67			
R-squared = 0.1705				
Wald chi2(5) = 151.52	Prob > chi2 = 0.0000			

Source: Researcher's Computation (2023). Note: MKC = Market Capitalisation; FTD = Financial Transparency Disclosure; GTD = Governance Transparency Disclosure; STD = Social Transparency Disclosure; OTD = Operational Transparency Disclosure; FSZ = Firm Size

Conclusion

Corporate transparency viewed from the aspect of governance, operational, financial and social transparency were examined by the study examined and its effect on the firm value of quoted non-financial firms in Nigeria. The study is necessitated from the fact that the non-financial firms in Nigeria have less regulation guiding their disclosure unlike the financial firms that are highly focused on by regulators and guided by several regulations like CBN Act and BOFIA apart from the Companies and Allied Matters Act (CAMA) and code of corporate governance meant for all public limited companies. The findings shows that corporate transparency have positive and significant effect on firm value of firms in Nigeria. The empirical results supports previous researchers who admit the positive effect of corporate transparency on firm value especially studies carried out in developed countries.

The study concluded that corporate transparency disclosure is a significant underlying factor that can influence the value of firms and improve its overall market capitalization as the results found out that financial transparency, operational transparency and social transparency positively improve the firm value and while governance transparency disclosure have negative and insignificant effect on firm value.

The study recommended that;

i. Regulators should insist on more financial transparency to help investors seeking capital gain assess true financial status on the company and improve the firm value.
ii. Board of directors should ensure that relevant governance disclosures like the shareholders' right and other governance mechanism as prescribed by the code of corporate governance are adhered to in order increase their firm value.
iii. Management should be more transparent with their operational strategy as this will help them to gain higher market value
iv. The management of non-financial firms should improve on their social transparency focusing on stakeholders' relationship and business ethics to make significant improvement on firm value

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Appendices I

Financial Transparency Index

1. Does the company report basic earnings forecast in detail?
2. Does the company give characteristics of assets employed?
3. Does the company provide efficiency indicators (ROA, ROE, and so forth)?
4. Does the company disclose its plans for investment in the coming years?
5. Provide financial information on a quarterly basis?
6. Does the company discuss its accounting policy
7. Does the company disclose accounting standards it uses for its accounts?
8. Does the company provide accounts according to the local accounting standards?
9. Does the company produce consolidated financial statements
10. Does the company disclose the name of its auditing firm?

Governance Transparency Index

1. Provide a description of share classes?
2. Provide a review of shareholders by type?
3. Provide the number of issued ordinary shares?

4. Provide the number of authorized but non-issued ordinary shares?
5. Does the company disclose the voting rights for each class of shares?
6. Shareholders owning more than 10% are disclosed.
7. Does the company disclose percentage of cross-ownership?
8. Review of shareholder meetings (could be minutes)?
9. Does the annual report publish Corporate Governance Charter or Code of Best Practice?
10. Provide a list of affiliates in which it holds a minority stake?

Operational Transparency Index

1. Is there a discussion of corporate strategy?
2. Report details of the kind of business it is in?
3. Does the company give an overview of trends in its industry
4. Report details of the products or services produced/provided?
5. Provide a segment analysis, broken down by business line?
6. Does the company disclose its market share for any or all of its businesses?
7. Does the company provide any industry-specific ratio?
8. Does the annual report include business operation and competitive position?
9. Does the annual report disclose operating risks?
10. Is there a list of major buyers of the company?

Social Transparency Index

1. Does the company have its own domestic language website about itself?
2. Does the company have an "Investor Relations" section on the website?
3. Does the company have an explicit (clearly worded) public policy statement that emphasizes strict ethical behavior?
4. Does the company have an action plan for enhancement of corporate transparency and business ethics?
5. Does the company have protection instruments of "whistle-blowing"?
6. Does the company do any CSR activity?
7. Does the company have an explicit equal employment policy?
8. Does the company have an explicit environmental policy?
9. Does the company explicitly mention the safety and welfare of its employees?
10. Does the company explicitly mention the role of key stakeholders such as customers or the community?