THE IMPACT OF CORPORATE VOLUNTARY DISCLOSURE AND FINANCIAL LEVERAGE ON THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND SHAREHOLDERS' VALUE: PROPOSED FRAMEWORK

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ABSTRACT

Objective: The purpose of this study is to propose a conceptual framework that investigates the impact of corporate governance practices on shareholder value.

Theoretical framework: The proposed framework of this study is established based on agency theory and stewardship theory to establish the interrelationships among the models in this study.

Method: In line with previous research, corporate governance practices have been shown to improve information disclosure through voluntary disclosure.

Result and conclusion: This leads to maximizing the shareholders' value, as discussed in this paper. Financial leverage as a moderator factor is found to be a potentially significant factor in strengthening the effect of voluntary disclosure of information on the shareholders' value.

Conclusion: Corporate governance practices play a pivotal role in enhancing shareholder value, especially when considering the influence of voluntary disclosure and the moderating effect of financial leverage.

Originality/Value: The unique contribution of this research lies in its comprehensive analysis of the relationships between corporate governance practices, voluntary information disclosure, financial leverage, and their combined influence on shareholder value.

Keywords: corporate governance practice, board size, board independence, CEO duality, audit committee, ownership structure, board diversity, financial leverage, corporate voluntary disclosure, and shareholders’ values.

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O IMPACTO DA DIVULGAÇÃO VOLUNTÁRIA E DO EFEITO DE ALAVANCA FINANCEIRO SOBRE A RELAÇÃO ENTRE O GOVERNO DAS SOCIEDADES E O VALOR DOS ACIONISTAS: QUADRO PROPOSTO

RESUMO

Objetivo: O objetivo deste estudo é propor um quadro conceitual que investigue o impacto das práticas de governança corporativa no valor acionário.

Estrutura teórica: A estrutura proposta deste estudo é estabelecida com base na teoria da agência e teoria do manejo para estabelecer as inter-relações entre os modelos neste estudo.

Método: Em linha com estudos anteriores, verificou-se que as práticas de gestão melhoram a divulgação de informação através da divulgação voluntária de informação.

Resultado e conclusão: Isso leva à maximização do valor dos acionistas, como discutido neste documento. A alavancagem financeira como fator moderador é considerada um fator potencialmente significativo no reforço do efeito da divulgação voluntária de informações sobre o valor dos acionistas.

Conclusão: As práticas de governo das sociedades desempenham um papel fundamental no reforço do valor para os acionistas, especialmente quando se considera a influência da divulgação voluntária de informações e o efeito moderador da alavancagem financeira.

Originalidade/valor: A contribuição exclusiva dessa pesquisa está na análise abrangente das relações entre práticas de governança corporativa, divulgação voluntária de informações, alavancagem financeira e sua influência combinada no valor acionário.

Palavras-chave: prática de governança corporativa, tamanho do conselho, independência do conselho, dualidade do CEO, comitê de auditoria, estrutura de propriedade, diversidade do conselho, alavancagem financeira, divulgação voluntária corporativa, valores dos acionistas.

1 INTRODUCTION

Corporate governance (CG) is the broad term that describes the processes, customs, policies, laws, and institutions that direct the organizations and corporations in the way they act, administer, and control their operations. It works to achieve the goal of the organization and manages the relationship among the stakeholders including the board of directors and the shareholders. CG is vital for economic development and the establishment of financial market stability. In the past few years, increasing global financial crises have highlighted the significance of CG (e.g., financial crisis of 2007–2008). Thus, this study focuses on CG practices to investigate the importance of these practices in Saudi Arabia. However, in the Arab world, CG structure literature is relatively limited and inadequate (Zaid et al. 2020). This study performs a literature review to identify CG practices. From the literature review, the study finalized board size,
board independence; CEO duality, audit committee, ownership structure, board diversity, and board diversity are significant determinants of CG practices. Furthermore, the study includes corporate voluntary disclosure (CVD) as a function of accountability and transparency practices that could affect stakeholders' value in the organizations. For instance, 60% of the S&P index100 companies adopted CVD policies in response to shareholder demand for information about corporate political spending (Dhaliwal et al., 2011). According to Alotaibi (2014), CVD can also be used to prevent the possible harmful impacts of a shortage of data to avoid litigation brought by shareholders. This factor has seen the importance to improve stakeholders' value that comes from CG practices in the organizations. Additionally, CVD is the provision of information by a company's management that is not required by generally accepted accounting principles or Securities and Exchange Commission rules but is believed to be relevant to users' decision-making in annual reports (Al-Akra and Ali, 2012). CVD includes any financial and non-financial information disclosed by management in addition to the required financial reports. It may include strategic data such as product, competitor, and customer information; financial data such as management earnings forecasts and stock price; and non-financial data such as environmental, social, and governance sustainability performance (Li and Yang, 2016). Thus, this study includes CVD as a mediator factor that could improve corporate performance.

Disclosure is a challenge in a secretive society. That is true of developing nations such as Saudi Arabia. The level of voluntary corporate disclosure is insufficient. Saudi Arabia aims to diversify its assets and economy, moving away from reliance on oil exports and growing its foreign investment during the next ten years. The significance of Saudi Arabia as a foreign investment market is rising (Boshnak, 2021). By voluntarily disclosing information, any organization will pursue benefits, which must exceed the expected costs to opt for this strategy. The voluntary nature requires the necessary favorable improvement of the associated cost-benefit ratio. The disclosure of voluntary information entails costs such as direct costs, competitive advantage, legal, political, negotiation, the uncertainty of the future or the costs of personnel necessary to disclose this information. Regarding direct costs, authors such as Dawd (2018) and Basuony, Samaha, and Mohamed (2018) consider that every organization will incur costs to obtain and process all the information disclosed, being an unavoidable cost of it. Furthermore, Waweru (2020) highlight the costs derived from the negative effect that the publication
of additional information to that required by law on the competitiveness of companies can cause.

The Saudi Vision 2030 was established in 2016 with the goal of realizing a development vision that includes financial and capital markets, as well as their accessibility from other nations across the world, allowing for investment and economic progress. The Vision also aims to encourage ongoing stock investment and trading access to Saudi Arabia's stock markets, as well as private and state-owned businesses (e.g., Aramco). According to Belloumi and Alshehry (2018), Saudi Arabia is a favorable nation to invest in because it has a fertile business environment with a high level of competitiveness, nearly no taxation, a well-developed judicial system, and a stable investment climate. In addition to the foregoing, Saudi Arabia is regarded as the most powerful country in the Middle East in terms of size, with a large-scale market economy, generating 25% of the region's total gross domestic product (GDP) (Jawadi, Jawadi, and Cheffou, 2018).

In summary, there is little concern in the Saudi stock market about corporate governance practices (Al-Faryan, 2020) and voluntary disclosure (Al-Tawil & Younies, 2020), particularly among non-financial companies. Hence, the business environment within non-financial sectors in the Saudi stock market becomes less attractive, as paying less attention to governance practices lowers the future prospective of these companies in terms of cashflow and risk. Shareholders are aware of information provided by companies, which allows them to make decisions, either in holding their investment or shifting to financial sectors. This behavior affected the economy's diversification, as most of the investment was concentrated in the financial sectors, with a low level of investment in non-financial sectors such as industry and services.

In this regard, the government's resources and emphasis were directed to the promotion and determination of investment prospects as a result of the Gross National Product (GNP's) assisted expansion. Furthermore, according to a research by the FTSE Global Markets (20060), Saudi Arabia is the highest-income country in the Arab area, with substantial budget surpluses allowing the country to support financial reserve investments for economic growth that leverages both domestic and foreign enterprises (Al Matari and Mgammal, 2019). As a result, it is critical to implement CG practices and to promote and sustain high-quality reporting. Furthermore, the Saudi stock market is one of the few in the developing world that has continuously shown strong growth, notably
in the Middle East and Asia. Its quick expansion in terms of firms and volume has given it the motivation to become the Arab region's market leader. Nonetheless, achieving such a position necessitates overcoming market system difficulties.

This study aims to propose a framework that illustrates the impact of corporate governance on shareholders' values, as well as the mediation role of corporate voluntary disclosure and the moderation role of financial leverage for the relationship between corporate governance and shareholders' values. For this purpose, the first section will explain the theoretical framework related the factors used in this study. While the proposed factors are discussed in a separate section followed, a subsection is specified for each factor. The proposed relationships are illustrated in a framework diagram. A conclusion will be included in the end of this paper.

2 THEORETICAL FRAMEWORK

The philosophy of the Agency suggests that firms willingly report additional details to minimize the expense of the agency resulting from conflict between management and investors (Alves et al., 2012; Zayoud et al., 2011; Watson et al., 2002; and Lambert, 2001). According to agency theory, where one is a principal and the other is the agent, a business organization is in partnership between two parties; here the investor serves as the principal, while senior management are the agents. Agency theory developed the necessary structures to protect shareholders against the conflict of interests of the management (Fama and Jensen, 1983). Daily and Dalton (1994) argue that the board ought to have external and independent representatives in the roles of chairman and CEO, otherwise that the risk of the agency will rise and the organization will struggle in the stock market. According to Jensen and Meckling (1976), the agency dilemma entails three main problems. The first problem is the conflict of interest between the agent and the principal, which is the perfect situation for the agent (management) who will operate and run the business in the best interests of the principal (shareholders), which is not always the case, and a conflict of interest may occur. This conflict of interest was related by Fama (1980) to self-interest and opportunistic actions by agents (managers). The dilemma of data asymmetry (Jensen and Meckling 1976) is the second problem that an agency partnership presents.

Schroeder, Clark and Cathey (2009) define the cost of the agency as the amount of the principal's supervision expenses, the agent's bonding expenses, and the residual
loss. Corporate governance, among other surveillance methods (Haniffa and Hudaib 2006; Solomon 2010; Sharma and Singh 2023), is an effective monitoring strategy. For this cause, the present research explores a number of variables as determinants of company voluntary disclosures in corporate governance structures. This study will help determine if the practices evaluated are successful in lowering agency expenses and growing accountability by voluntary corporate disclosure.

Another portion of the agency expense is the 'bonding expense'. Bonding expense applies to the efforts and investments of the agents (the executives) to prove to the principal (stockholders) that he or she (the agent) acts for the greatest interests of the principal (Jensen and Meckling 1976). Voluntary corporate disclosure may also be part of the expense of bonding (Hossain, Perera and Rahman 1995; Watson, Shrives and Marston 2002; Eddy et al. 2023). Lastly, the 'residual expense' is another element of agency cost, which relates to all disparities between agent and principal in judgments and behavior, even in the presence of control and bonding costs (Schroeder, Clark and Cathey 2009). Instances of residual expenses are the exposure of data that may help competition and risk management behaviors, and the agency is responsible for these costs.

The theory of the agency introduces another concern in that it only pays heed to the financial knowledge requirements of financial stakeholders (shareholders and creditors) and neglects the wishes of other stakeholders (such as staff and the public) to have interests in business fiscal reporting so they do not have links with management. In the perspective of transparency, material unevenness has also been recognized as one of the motivations for intentional disclosure decisions (Healy and Palepu, 2001; Singh and Kumar 2023). It is mentioned that the non-financial incentives to avoid disclosure are not clarified by this theory. In the literature on corporate governance and corporate transparency and its determinants, agency theory has been generally applied (Allegrini and Greco 2013; Barako, Hancock and Izan 2006b; Muttakin, Khan and Belal 2015; Donnelly and Mulcahy 2008; Eng and Mak 2003). In this research, agency theory would explore how practices to minimise agency expenses, eliminate data asymmetry and improve monitoring by corporate voluntary disclosure may be various facets of ownership structure, board structure and accounting principles.

Davis et al. (1997) proposed the theory of stewardship as an alternative to corporate governance agency theory. Another effort to define and justify the arrangement between managers and shareholders (agent and primary arrangement) is called the
stewardship principle (Davis, Schoorman and Donaldson 1997). It is well known from the study of Hoskisson, Eden, Lau, and Wright (2000) that there are still several opponents of agency theory, since there is a constraint on the sociological and psychological practice of the interaction between the principal and agent to describe in depth. Strangely, sociology and psychology had their history in this theory (Benn and Bolton 2011; Donaldson and Davis 1991; Van Puyvelde et al. 2012). Psychology and sociology were alluded to by Boyd (1995), Donaldson and Davis (1991) and Donaldson (1990) as the origins of stewardship theory, which is related to organizational theory as well. Donaldson and Davis (1991) claimed that, according to the desires of their stockholders, the stewards must behave and the purpose is to follow the prevailing condition. Schoorman and Donaldson (1997) characterize the stewardship conduct of managers as follows: A steward whose action is ordered to have greater usefulness than individualistic, self-serving activities for pro-organizational, collectivistic activities (Harjono et al., 2023). Provided a preference between self-serving actions and pro-organizational actions, the conduct of a steward would not deviate from the needs of his or her organization.

The concept of stewardship is built on a variety of concepts. The basic idea is that stewards’ function in the best interests of the organization. The management are so effective according to this theory that they do not want to make hidden benefit at the disadvantage of the interest of the stakeholders and want to reveal further details to prevent conflict of interest with the company's properties. The company's shareholders select the directors, and the directors are kept accountable at the AGM for their exercise of authority. Adams (2002) claimed that this idea persists at the starting point owing to excessive regulations and laws. The philosophy of stewardship promotes the view that executives have numerous motives rather than self-interest and a tendency to participate in opportunistic actions (Davis, Schoorman and Donaldson 1997). It implies that the action of a manager is influenced by moral assumptions that match the desires of customers with other desires, such as those of the manager himself or of community (Donaldson and Davis 1991). It may now be said that the main subject of stewardship theory is to establish positive confidence and collaboration between stewards and principals.

The success of a business is closely linked to the integrity and cooperation association between management and principals, according to Tian and Lau (2001). This
theory should be used to prevent the data asymmetry concern of agency theory, since it provides an important method for exchanging information. Conyon and He (2011) suggest that executives are willing to preserve their integrity and reputation and that any wrongdoing or abuse of business capital may have a detrimental effect on them. As a result, the philosophy of stewardship stresses the principle that administrators are fair, trustworthy stewards acting for the needs of the principal and that all sides have needs in alignment (McWilliams, Siegel and Wright 2006). This research suggests that it is impossible to fully avoid the issue of the agency and to disregard all potential conflicts of interest, although it can be suggested that the hiring of competent career leaders with expertise of organizational supervision can minimize the issue of the agency (Muth and Donaldson 1998). In addition, it is debatable that ideologies, values, norms, and community may bring influence on decision-making managers and their need to recognize the needs of other stakeholders above their own (Azhar 2009; Opwis 2005); this can result in further disclosure. Ultimately, it has been suggested that directors prefer to share more details to clarify their stewardship with regards to focused ownership (Alnabsha et al. 2018).

2.1 TYPE OF CORPORATE GOVERNANCE PRACTICES

CG practices have an impact on shareholders’ value. Countries that have adopted excellent corporate governance frameworks have witnessed tremendous development in the business sector and so attract more capital (Zaid et al. 2020; Kimani et al. 2021). However, in the Arab world, CG structure literature is relatively limited and inadequate (Zaid et al. 2020). CG standards are critical to keep an organization, particularly oil and gas firm, competitive in the market. According to Zaid et al. (2020), Alfraih and Almutawa (2017) and Alareeni (2018) board size, board independence, and CEO duality are significant determinants of CG effectiveness. Safari (2017), Al-Tawil and Younies (2020), and Areneke, Yusuf, and Kimani (2019) on the other hand, emphasized that an audit committee is a corporate governance practice that contributes to maximizing the shareholders’ value.

Udin et al. (2016), Baraibar-Diez, Odriozola, and Sánchez (2018), and Cardoso, Carr, and Rogers (2019) emphasize the significance of ownership structure as a CG practice that influences shareholders’ value. Furthermore, research by Jebran et al. (2020), Chanda, Burton, and Dunne (2017), and Naciti (2019) discovered that
organizations with more diversity on their boards perform better in terms of sustainability and obtains higher shareholders’ value. Board diversity, according to Rahman and Saima (2018), Doni, Corvino, and Bianchi Martini (2021), and Elzahaby (2021) is a CG approach that has also led to improved shareholders’ value. Thus, the study considered board size, board independence, CEO duality, audit committee, ownership structure, and board diversity as crucial CG practices.

2.1.1 Board Size

The size of a board of directors refers to the total number of board directors characterized as an effective practice of governance and an appropriate surveillance instrument (Bhuyan 2018; Giannarakis 2014; Lee and Chen 2011). As ownership and management of listed firms are independent, the board of directors will help to minimize the expense of the agency (Rao, Tilt and Lester 2012; Ntim and Soobaroyen 2013). It is also relevant in the strategic decision-making phase, which involves decisions on transparency policies, alongside the oversight position that the board of directors plays (Alotaibi 2014; Boshnak 2017; Xie et al. 2003). It was mentioned that directors represent stakeholders and that, because they were chosen by them, they could safeguard the rights of the stakeholders (Healy and Palepu 2001; McWilliams, Siegel and Wright 2006).

A limited board of directors can collaborate more easily, helping to improve the degree of collaboration between members of the board (Alhazmi 2017; Bennedsen et al. 2008). In addition, weak directors’ coordination may contribute to slowing down the decision-making practice and ultimately reducing the productivity of the board (Cheng and Courtenay 2006; Kholeif 2008; Shehata 2013). Abdel-Fattah (2008) suggests that further participation of directors is expected for a successful board of directors and that directors sitting on wide boards will be less interested in decision-making, even those on transparency policies. He claims that a broad decision-making committee may be difficult and suffer from a lack of fair involvement and conflicting engagement.

2.1.2 Board Independence

The ratio of the total number of independent non-executive directors to the total number of directors is referred to as board independence (Prabowo and Simpson, 2011). It was also described as the proportion of independent directors or non-executive directors on the board (Abdullah and Nasir, 2004). More recently, board independence has drawn
more academic interest as a corporate governance tool (Albassam 2014; Johanson and Østergren 2010; Lee and Chen 2011) while the structure of boards of directors has attracted a significant amount of consideration in relation to business quality (Klein 1998). Independence of the Board is a control practice that affects the conduct of managers (Rosenstein and Wyatt 1990; Shehata 2013). It has been described as a crucial element influencing the decision-making process of managers and a practice for monitoring the processes and procedures of a corporation (Dalton et al. 1998). Thereby, board independence is allowed to advance economic decisions and therefore drive company disclosure (Bhuyan 2018; Eng and Mak 2003; Ho and Wong 2001; Khan, Muttakin and Siddiqui 2013). Particularly those in developing worlds (Ezzine 2011; Mahadeo, Oogarah-Hanuman and Soobaroyen 2011), where board independence is now an issue, interest is increasing.

Through evaluating board independence according to the amount of non-executive directors on the board, this thesis aligns with previous researches (Cheng and Courtenay 2006; Ibrahim and Hanefah 2016; Samaha, Khlif and Hussainey 2015). It is proposed that, instead of relying solely on the rights of investors, non-executive directors would balance the expectations of all stakeholders (Alkayed 2018). In addition, it has been suggested that the board's non-executive directors increase the performance of the board and strengthen control activities (Haniffa and Cooke 2005).

2.1.3 CEO Duality

According to agency theory, boards with CEO duality establish a strong individual power base, limiting the board's capacity to exercise monitoring and governance functions (Fama and Jensen, 1983). CEO duality arises when, at the same time, one individual performs two positions in the same company. Usually, these positions are those of the CEO and chairman of the company (Alhazmi 2017; Alkayed 2018; Boyd 1995; Rechner and Dalton 1991). CEO duality has been studied as a determinant of corporate voluntary transparency. Compared with non-executive directors, an executive chair has more access to the data of a business, and by keeping two roles, he or she can benefit from concentrated authority. The positive impact of CEO duality on corporate voluntary transparency has been seen by a variety of studies (Andersson and Daoud 2005; Boshnak 2017; Haniffa and Cooke 2002; Hassaan 2013a; Ho and Wong 2001). It has been asserted that the drawbacks are balanced by the gains of CEO duality (Hidalgo, García-Meca and Martínez...
As a consequence of the united direction between the management and the board, and the rise in CEO benefits that emanate from good stewardship, this beneficial partnership of CEO duality and corporate voluntary transparency is clarified.

2.1.4 Audit Committee

The impact of an audit committee’s existence as a strong corporate governance instrument and its independence from the board on financial reporting appears to be contested and is the topic of continuing study. Although Osma and Noguer (2007) found no connection between earnings management and the presence of an independent audit committee in their sample of Spanish companies, prior research has generally found a positive effect of having non-executive directors on an audit committee on financial reporting quality. The independence of audit committee directors has frequently been linked to lower levels of earnings management and higher earnings quality (Ben Barka and Legendre, 2017; H. Zhou, Owusu-Ansah, and Maggina, 2018).

Al Farooque, Buachoom, and Sun (2020), Al-Okaily and Naueihed (2020), and Detthamrong, Chancharat, and Vithessonthi (2017) investigated the size of an audit committee and its efficacy in enhancing earnings quality. According to Al Farooque et al. (2020), there is no link between audit committee size and earnings management. Al-Okaily and Naueihed (2020) assesses audit committee quality based on size, independence, and expertise, contending that audit committee independence and expertise reduce the risk of internal control issues. Similarly, Detthamrong et al. (2017) discover that businesses having an independent audit committee are less likely to participate in fraudulent operations. According to (H. Zhou et al., 2018), a bigger audit committee size, as well as the financial skill of its members, is related with improved profits quality.

2.1.5 Ownership Structure

According to agency theory (Jensen and Meckling, 1976), in a dispersed ownership structure, the separation between ownership of resources and control and management of those resources creates agency conflict between the agent (one who manages and controls resources) and the principal (one who owns the resources), whereby the self-interest agent expropriates the resources for the benefit of the principal. As a result of the dispute, agency costs rise, resulting in a loss in company value.
Higher ownership (i.e., cash flow right) by the largest shareholder(s) can lower agency expenses since the largest shareholder has an incentive and means to supervise the agent and ensure that expropriation does not occur (Gao et al. 2017; Yeh, 2019). According to Rashid (2020), larger cash flow rights offer a greater incentive for the largest owners to maximize overall shareholder value (i.e. alignment effect). In addition to protecting shareholders against expropriation by managers or controlling shareholders, CG can be used to protect shareholders, including non-controlling shareholders, from expropriation by managers or controlling shareholders (Alabdullah, 2018). According to agency theory, CG provides a method to supervise the agent and highlights the need of transparency in order to decrease asymmetric knowledge between the principal and the agent (Yeh, 2019).

2.1.6 Board Diversity

Board diversity is defined by Fernández-Temprano and Tejerina-Gaite (2020) as a "various combination of qualities, attributes, and skills offered by individual board members in connection to board procedure and decision making." Several theories have been suggested to explain the influence of diversity on corporate governance, the most well-known of which are the agency theory and the resource dependency theory. A varied board, according to agency theory, can improve management oversight since heterogeneous boards include directors from various backgrounds. As a result, organizations with diverse boards communicate more information, which may minimise information asymmetry, agency costs, and contribute to a stronger reputation (Aggarwal, Jindal, and Seth, 2019; H. J. Song, Yoon, and Kang, 2020). Prior research has divided board diversity into several qualities based on their ability to capture various views such as experiences, talents, and demographics (Ozdemir, 2020; Shehata, Salhin, and El-Helaly, 2017). Characteristics such as educational background, functional, and industry-related experience are strongly correlated with job-related attributes, but demographics such as gender, age, and race are less so.

Previous research has yielded conflicting results about the impact of board diversity on company performance (S. Song, Van Hoof, and Park, 2017). Jensen (1993) stated that smaller boards are preferred since they are more efficient, while Naciti (2019) favour a lower board size. Similarly, no correlation was discovered between board size and company performance (Darko et al., 2016).
Gender diversity in board diversity has garnered a lot of attention in recent years. Firms with a larger proportion of female board members and female senior management perform better (Ahmadi et al. 2018). The benefits that may be achieved by having gender diversity on a board of directors, where women directors may have a greater understanding of certain market situations than males, allowing for more innovation and quality in board decision-making. Indeed, greater gender diversity on the board of directors may improve the firm's public image and value. Investigating board diversity in terms of gender, the study of Ahmadi et al. (2018) that covered a sample of 36 companies from seven sectors found that a mean of 24% proportion of female diversity within the board of directors led to higher share value indicators.


The gender diversity factor received less attention within the literature review, specifically in the case of Saudi Arabia. This is due to the national culture within Saudi Arabia that dominates the organizational culture in terms of female work (Issa & Fang, 2019). As a result, previous studies in the context of Saudi Arabia ignored the role of board diversity, as males dominate board gender diversity. The new vision of Saudi Arabia 2030 encourages gender diversity and gives a fair opportunity for women to be part of Saudi Arabia's transformation. This study tests the board's diversity in terms of gender due to the latest transformations within the Saudi organizational culture.

3 METHODOLOGY

The quest to develop a robust conceptual framework examining the interplay between corporate governance, shareholders' values, corporate voluntary disclosure, and
financial leverage necessitated a thorough, literature-centric methodology. Anchored in a systematic literature review, this study's methodology ensured an exhaustive exploration of the prevailing academic discourse on these constructs. Following a structured and replicable approach, this design served as a lens to identify themes, patterns, and critical insights from a multitude of academic sources (Tranfield, Denyer, & Smart, 2003). To achieve comprehensive coverage and depth, this research predominantly drew from peer-reviewed articles from esteemed academic journals, supplemented by insights from seminal books, industry reports, and relevant conference proceedings. Renowned databases, including Google Scholar, JSTOR, and EBSCOhost, facilitated the identification and collation of pertinent literature. Upon collating a rich repository of literature, a meticulous synthesis process was initiated. This entailed dissecting each source to extract defining perspectives on corporate governance, corporate voluntary disclosure, and financial leverage. Equally pivotal was the task of elucidating the relationships between these constructs. Relying on both empirical findings and well-argued theoretical stances from the literature, a coherent and holistic understanding of these relationships was crafted. This synthesis subsequently culminated in the proposition of a visual conceptual framework, encapsulating the hypothesized interrelationships.

4 RESULTS AND DISCUSSION

4.1 EFFECT OF SHAREHOLDERS' VALUES

In recent years, one of the primary goals of organizations has been to create value for their shareholders. When making financial choices, financial managers keep the interests of shareholders in mind. Several organizations have realized the significance of shareholder value and are taking measures to maximize it (Venugopal et al. 2019). Shareholder value is the value given to a corporation's equity owners as a result of management's capacity to improve sales, profitability, and free cash flow, resulting in increased dividends and capital gains for the shareholders. Increasing shareholder value has emerged as a critical strategic decision-making factor. Many firms have recently begun to apply shareholder value concepts, from strategy formulation to performance evaluation, and these ideas are now being implemented throughout all business areas.

Shareholder value entails managers prioritizing the interests of a single stakeholder, the investor, rather than attempting to balance the interests of numerous stakeholders, as in conventional company theories, or to maximize management
incentives, as in revisionist interpretations (Martin, Casson, and Nisar, 2007). According to Blair (2003, pp.56), the shareholder value principle of corporate governance incorporates or implies the following set of fundamental beliefs: (a) maximizing value for shareholders is the right social goal for corporations because it is equivalent to maximizing the overall wealth created by a corporation, (b) financial markets do a good job of assessing the true value of financial assets, and (c) financial markets do a good job of assessing the true value of financial assets, (d) managers and directors will do a better job of maximizing share value if they are given powerful incentives in the form of compensation packages tied to stock price performance, such as stock options; (e) for the full discipline of financial markets to work, outside investors must be free to take control of companies in hostile takeovers, and managers and directors should not be able to enter into hostile takeovers.

4.2 MEDIATION OF CORPORATE VOLUNTARY DISCLOSURE

For several factors, the CVD's function as accountability and transparency practices are essential at the business level, which could affect investors and stockholders' decisions (Al-Asiry 2017; Cannizzaro and Weiner 2015; Chau and Gray 2010; Naser et al. 2006). CVD can also be used to prevent the possible harmful impacts of a shortage of data to avoid litigation brought by shareholders (Alotaibi 2014). CVD offers free information, which eliminates the asymmetry of information between internal and external users and organization managers, which in turn helps market continuity (Francis, Khurana and Pereira 2005; Shehata 2013). With the rising uncertainty of business processes, the knowledge requirements of stakeholders have become more demanding and advanced. Another reason why voluntary disclosure is important for the company is that it appears to provide detailed disclosure that compulsory disclosure alone cannot provide (Hassan and Marston 2010).

The knowledge dissemination networks and the availability of information flowing between companies and investors are essential indicators of the health and safety of the stock market because voluntary transparency drives the development of economies and capital markets (Meek, Roberts and Gray 19they are 95). They are attracting foreign and international investment to the emerging market by increasing the level of transparency in the financial report through a tool that is rising corporate voluntary disclosure (Chau and Gray 2010; Shehata 2013). One kind of voluntary corporate
disclosure is to improve the sense of social responsibility of the firms by increasing the interests of all stakeholders. While many also believe that direct owners are the internal objective of corporate responsibility, some argue that a company's overall aim should be to increase the interest of all stakeholders (Friedman 1970; Karagiorgos 2010; Nguyen and Truong 2016). The social contract between the company and society is by voluntary corporate voluntary disclosure of social responsibility and helping the broad community because companies should not only be motivated by profit and self-interests to the directors (Dowling and Pfeffer 1975). Volunteer corporate disclosure has become considered an effective practice for growing corporate activities that help sustain social contracts.

4.3 MODERATING EFFECTS OF FINANCIAL LEVERAGE

Leverage is the use of borrowed cash as a funding source while investing to increase the firm's asset base and earn returns on risk capital. Leverage is an investing technique that involves borrowing money (particularly, the use of different financial instruments or borrowed cash) to maximize the possible return on an investment (Rajkumar, 2014).

The notion of leverage is extensively documented in corporate finance literature (Kapil, 2011), where the term "leverage" is used to characterize the usage of certain fixed expenses (they function as a "lever") that impact the company's performance, i.e., its considerably improved profitability. Financing operations relate to financial leverage. If the business's capital structure includes fixed cost funds (debt or preferred capital) that need a fixed interest rate or fixed preferred dividend payments, the company is considered to employ financial leverage (Kapil, 2011). Because debt is more commonly used in reality than preferred capital, financial leverage generally refers to the use of debt in capital structure. A firm that has debt on its balance sheet is considered to be leveraged, whereas a company that funds its operations only with equity is said to be unleveraged (Graham and Smart, 2011). Financial leverage is utilized to boost a company's profits by utilizing fixed-cost loans (Kapil, 2011; Graham and Smart, 2011). Based on the discussion above this is a non-experimental study in which the researcher determines the statistical relationship between several variables. The approach to this study is through a quantitative assessment to establish a statistical relationship between variables of interest. Figure 1 illustrates the concept of this study.
5 CONCLUSION

This paper presented the related theories and previous studies that interpret the interrelationship among corporate governance practices, voluntary disclosure of information, financial leverage, and shareholder values. The corporate governance practices in Saudi Arabia are explained in the second section of this paper. The types of corporate governance practices adopted by this study were explained. The dependent factor represented by the shareholders is discussed. The mediation factor, corporate voluntary disclosure, and financial leverage were also discussed. The corporate governance practices derive from two main theories: the agency theory and the stewardship theory, where each theory has its own perspective on the level of control within the organization, as discussed in this paper. The corporate governance practices have proven their relationship toward improving the voluntary disclosure of information. This leads to maximizing the shareholders’ value as discussed in this paper. The financial leverage as a moderator factor is found to be a potential significant factor in strengthens the effect of voluntary disclosure of information on the shareholders' value.
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