Research on the Influence of Independent Director Scale of Listed Companies on the Quality of Accounting Information Disclosure

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Abstract. There are some issues with the disclosure of accounting information in Chinese listed companies. Accounting information that is not disclosed honestly, promptly, or in sufficient amounts will mislead external investors who rely on accounting data, lead to information asymmetry between corporate management and investors, and have an adverse effect on the stable operation of the capital market. This essay uses the data of Shenzhen Stock Exchange listed companies in 2021 as a research sample, and empirically studies the relationship between the scale of independent directors and accounting related to the quality of information disclosure. To reduce the information asymmetry in the securities market, protect the rights and interests of investors, especially small and medium investors. This paper puts forward suggestions for improving the level of accounting information disclosure of listed companies for reference.

Keywords: independent director · accounting information disclosure · improve the countermeasures

1 Introduction

Whitewashing financial reports and misleading disclosures have occasionally occurred in our nation in recent years, and the caliber of accounting information disclosure is concerning. There is an urgent need to address the issue of how to raise the standard of accounting information disclosed by listed firms and the effect that openness of corporate information has on the growth of the domestic capital market. The capital market in China is still plagued by issues like irregular information disclosure and information fraud at the moment. The growth of the domestic capital market will be directly impacted if these issues cannot be resolved correctly. The competitiveness among businesses is growing along with the rationale of corporate structure and the significance of corporate governance as the country's economic development continues to be prosperous. Independent directors can objectively supervise the management and protect the rights and interests of small and medium shareholders, which is a crucial framework for enhancing corporate governance. Board independence is favorably correlated with

Y. Jiang et al. (Eds.): ICFIED 2023, AEBMR 237, pp. 306–311, 2023.
https://doi.org/10.2991/978-94-6463-142-5_34

corporate performance, according to earlier studies. According to Stephen P. Ferris and Xuemin (Sterling) Yan's [1] 2007 research, the best solution is to have an independent director chair the special committee and at least 75% of the committee members be independent directors. Xiaowang (2011) [2] states that the fact that independent directors might hold more board of director seats and hence have a greater influence on the board's decision-making under the simple majority voting rule is one of the fundamental reasons why the independent director system can have its own effects. Guan Lianyun (2004) [3] was of the opinion that the board of directors may be motivated by the way in which the members of the board of directors own shares in order to increase their excitement and zeal to supervise the management. Fan Haojie's research shows that the proportion of independent directors has a positive impact on the quality of accounting information disclosure. (2018) [4] As a result, this paper will begin by examining the scale of independent directors of listed companies, and on the basis of an analysis of the effect of whether or not the information disclosure of listed companies, will then propose corresponding suggestions and countermeasures to promote the healthy development of the capital market.

2 Theoretical Analysis

The primary goal of the principal-agent theory, which is founded on the theory of corporate governance, is to explain the agency issue brought on by the division of ownership and control. According to Gay (2014) [5], the inclusion of more independent directors to the board should allow for the board to make decisions that may go against insiders' financial interests. This issue also arises between a company's main shareholders and its small and medium stockholders. To monitor the actions of significant shareholders and defend the rights and interests of small and medium shareholders, independent directors voice their independent thoughts to the board of directors. The establishment of independent directors alleviates the agency problem between large shareholders and small and medium shareholders to a certain extent. Owners and operators of a corporation with separate ownership and management rights will have divergent interests and knowledge asymmetry. According to the principle of information asymmetry, different people in the market have different levels of comprehension of pertinent information. Those who are well-informed are frequently in a stronger position in the transaction and stand to gain from it. When there is an issue with information asymmetry, both shareholders and firm management want to reveal information that will benefit them in order to maximize their own interests. This will raise the possibility that retail investors or other investors have false ideas about the state of the company. The problem of information mismatch can be more effectively eliminated by creating independent directors. Independent directors usually supervise the management to protect the rights and interests of investors and small and medium shareholders. Domestic enterprise management usually chooses to vote on various policies and resolutions. Therefore, if the number of independent directors when the company faces risks or major decisions is low, it may lead to distortion of company disclosure information and failure of the company's regulatory mechanism. The internal supervision system is ineffective if there are not enough independent directors. Increasing the proportion of independent directors is consistent with the independent director system's original intent. But on the other hand, independent director system also supports independent directors' increased influence, ensures the board of directors' scientific promotion and logical decision-making.

3 Research Hypothesis

This study systematically investigates how the number of independent directors affects corporate information disclosure with the goal of number of independent directors. According to the essay's claims, the following is an enumeration and analysis of examples of accounting information disclosure of listed companies according to the arguments of the essay. The influence of the number of independent directors on the caliber of corporate financial disclosure is hypothesized. H1: There is a favorable correlation between the number of independent directors and the company's disclosure of accounting information.

4 Research Design

4.1 Data Sources

For the needs of research, this paper selects all A-share listed companies on the Shenzhen Stock Exchange in 2021 for the initial study sample. In addition, the data were screened, and the missing relevant data samples were eliminated, and finally 3040 research samples were obtained. The information disclosure quality indicators in this paper were obtained from the Guotai'an database.

4.2 Variable Definition

Dependent variable. The dependent variable of the model is the number of independent directors. This article uses the information disclosure quality of listed companies. According to the evaluation data of Shenzhen Stock Exchange, the four grades of A, B, C, and D are assigned as 4 points, 3 points, 2 points, and 1 points, which are represented by IDI.

Explanatory variables. The explanatory variable of the model is the number of independent directors within the firm. Indicated by NID.

Control variables. The control variable in this paper is the enterprise performance index, and SIZE represents the size of the enterprise, which is expressed by the natural logarithm of the total assets of the enterprise. The company's return on total assets, expressed as ROA. Earnings per share, expressed in EPS. The asset liability ratio of a company is represented by AL.

According to the explained variables, explanatory variables and selected control variables mentioned above, the following regression models are constructed:

$$IDI = \beta_0 + \beta_1 NID + \beta_2 SIZE + \beta_3 ROA + \beta_4 EPS + \beta_5 AL + \varepsilon$$

β0 is the constant term of the regression equation; ε is the error term.

This essay uses the model to test Hypothesis H. Hypothesis H1 is established, that is, the higher the information disclosure quality of listed companies, the higher the number of independent directors of listed companies.

5 Empirical Results Analysis

5.1 Descriptive Statistics for Each Variable

Table 1 lists the descriptive statistics of the main research variables. It can be seen that the maximum value of independent directors of different listed companies is 8, and the minimum value is 1. This shows that there are large differences in the number of independent directors in listed companies in our country. The maximum value of ROA is 6.3648, the minimum value is −1.9945, and the average value is .0269077, which indicates that there is also a huge difference between the total asset profitability of listed companies in China. According to Table 1, the average number of independent directors is 3.171053, which suggests that this number is still low in the majority of listed companies and that most businesses are not eager to appoint independent directors.

5.2 Regression Analysis

The scale coefficient of independent directors, as shown in Table 2, is.0512532, which is significant at the level of 0.05 significance. This demonstrates that the number of independent directors and the caliber of accounting information disclosure are significantly positively correlated. Which implies that independent directors can improve internal control and lessen the opportunistic behavior of operators to promote corporate governance. The company size coefficient is 0.1827638, which is also significant at the 5% level. It shows that the quality of corporate information disclosure is significantly positively correlated with company scale SIZE and IDI at the level of 5%, indicating that the higher the quality of corporate information disclosure, the larger the scale of the company. The ROA coefficient is 0.1339385, which is also positively correlated with the quality of enterprise information. It shows that the better the utilization effect of enterprise assets is, the better the enterprise has achieved in terms of increasing income and saving funds.

5.3 Further Robustness Tests

In this essay, the explanatory variable is replaced by the proportion of independent directors to board members and re-introduced into the data for testing, and the results

Table 1. Descriptive Statistics for each Variables (Self Drawing)

Variable	Obs	Mean	Std. Dev.	Min	Max
IDI	3,040	2.977303	.6967782	1	4
NID	3,040	3.171053	.6106041	1	8
SIZE	3,040	22.76735	1.59911	18.31638	31.19125
ROA	3,040	.0269077	.1627316	−1.9945	6.3648
EPS	3,040	.4996295	1.619658	−22.826	44.3565
AL	3,040	.479647	.2396092	.015	4.5437

Table 2. Regression analysis (Self Drawing)

IDI	Coef.	Std. Err.	t	P > |t|	95% conf. Interval
NID	.0512532	.0203872	2.51	0.012	.0112792, .0912273
SIZE	.1827638	.0085732	21.32	0.000	.165954, .1995736
ROA	.1339385	.0813011	1.65	0.100	−.0254724, .2933493
EPS	.0456223	.0081351	5.61	0.000	.0296714, .0615731
Assetliability	−.7227519	.0538578	−13.42	0.000	−.8283534, −.6171504
cons	−1.026004	.1696053	−6.05	0.000	−1.358557, −.6934507

are basically consistent with the research in the essay. Subsequent use of accounting information comparability indicators as a proxy for the quality of accounting information disclosure, re-introduction of data twice to test, the results are basically consistent with the results of the article, it can be considered that the model has passed the robustness test.

6 Conclusions and Policy Recommendations

The hypothesis test that the number of independent directors is positively connected with the disclosure of the company's accounting information. The quantity and caliber of corporate accounting information disclosure will improve as a result of the expansion of independent directors in listed businesses. The number of independent directors at listed businesses can still be increased, which has helped to advance the market economy and society. However, not all listed corporations are willing to do so. In order to guarantee the fairness and integrity of accounting information disclosure, further policy support is still required. Comparing China's corporate governance system to those of Western nations, the results of its implementation are currently still somewhat behind. Systematic improvements should be made to policy control and accounting information disclosure in order to further increase market transparency and raise the standard of accounting information disclosure. Increase the number of independent directors, improve their level of professional expertise and social responsibility, and make it clear what their authority entails. Introduce pertinent decentralized equity policies to ensure that independent directors have real authority to oversee the management of the company and to prevent them from being unable to "speak out."

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