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# Ownership Structure and Corporate Risk Disclosure in Emerging Countries

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## Abstract

The study examines the impact of ownership structure on corporate risk disclosure in African emerging countries. The sample includes 42 firms that are listed on the Johannesburg Stock Exchange and the Nigerian Stock Exchange. The data for the independent variables were taken from the Bloomberg data stream, whereas the data for the dependent variable were taken from annual reports retrieved from the website of the sample companies. The study's time period runs from 2014 to 2018. Regression and content analysis were employed as the analytical tools. We perform text analysis on company annual reports to ascertain the risks that companies disclose, and regression analysis was used to establish the extent to which ownership structure influenced corporate risk disclosure. The result shows that strategic and environmental risk disclosures are dominated by operational risk disclosure. It has become a convention for the firms to divulge considerable positive, past, non-monetary information rather than negative, future and monetary risk information. Moreover, it is discovered that the decision to improve risk disclosure is largely influenced by company size and profitability. In contrast, firms are reluctant to unveil risk information provided the shares of the company are not concentrated in the hands of few individuals. Nonetheless, company risk disclosure practice is unaffected by institutional investors, government, foreigners, insider ownership and leverage. It can be concluded that the enterprises operating in emerging African markets have made improvements to their risk disclosure practices. However, there is still room for further improvement. Monetary, future, and negative risk information are the most important risk disclosures that various stakeholder groups, such as investors, demand to see. Hence, there is a need for regulation that can compel corporations to publish the most pertinent risk information. Even though risk disclosure is voluntary in these two African emerging countries, ownership structure is one of significant predictors of corporate risk disclosure.

**Keywords:** Ownership Structure, Risk and Risk Management Disclosure, Content Analysis, Emerging Countries, Nigeria, South Africa

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# Introduction

The increasing number of scandals involving corporate managers and diverse economic uncertainties, such as financial crises across the world, is amongst the pivotal issues that has motivated stakeholders to clamor for business risk disclosure. The lack of sufficient risk disclosure, using which stakeholders could assess a firm's financial strength or weakness was considered the key factor responsible for the 2007/2008 financial crisis [1]. Despite the above contention, the regulators in various jurisdictions have not mandated firms to unveil their risks [2]. However, businesses are encouraged to understand the benefits associated with unveiling risk information as it enhances corporate transparency [3], reduces cost of capital [4]; upholds investor confidence [1], and reduces corporate uncertainties [5], allowing stakeholders to estimate impending cash flows and stock prices [5]. It is also a risk management procedure, as the firms that divulge their risk to the public have to devise an effective risk management strategy [1]. Notwithstanding these risk disclosure incentives, the style and extent of risk information reveal is principally dependent on the corporate manager's decision [6; 7], as the regulators do not offer a comprehensive framework for reporting corporate risks. Meanwhile, corporate governance and organizational characteristics were identified in the research as the elements that affect the quantity and quality of risk disclosure [e.g. 1; 3; 8–15]. Ownership structure is one of the corporate governance factors that lead firms to release risk information [7]. For example, the previous studies [1; 7; 16; 17] explained that ownership structure could shape companies' risk disclosure behavior. These studies have motivated research of this subject matter in the emerging countries and has recently [7] extensively evaluated this phenomenon; nevertheless, it is limited to the Arab community. To the researcher's knowledge, none of the prior studies have focused on emerging African countries. The goal of the study is to evaluate how ownership structure affects risk disclosure in emerging African countries. Due to cultural differences, and diverse business and regulatory environment, the study will contribute immensely to the global literature. The remainder of the paper is organized as follows: second section reviews the literature; third section – research design; fourth section – results and discussion; and fifth section states the conclusions.

# Literature review

Research concerning corporate risk disclosure has recently received considerable attention in the world of accounting and finance. The regulators' ineffective risk disclosure response is the major aspect that motivates academic scholars to investigate the different factors that may inspire corporate managers to divulge their firms' risks. In the recent years, many studies have confirmed that firms have been expanding their risk reporting over the years. However, the manner in which information is disclosed remains the topic of discussion. For example, the majority of risk information published in annual reports are historical, positive and non-monetary news [3; 18]. This approach has diminished the usefulness of risk disclosure. Stakeholders are clamoring for future, negative news and monetary risk information to make an informed decision. The firm's decision to disclose its risk information appears to be mostly influenced by regulation. However, in the absence of regulation, ownership structure was found relevant in determining the degree of risk information to be revealed by firms. For example, a study conducted by [6] examines 169 publicly traded South African corporations from 2002 to 2011 and found that firms with substantial institutional investors' ownership or ownership concentration tend to decrease corporate risk disclosure. These findings contradict those reported by [19] who found institutional investors and insider ownership insignificant after examining 118 annual reports of Indonesian firms for the year 2013. This conclusion was reinforced by a study [20] that examined 85 annual reports for listed Pakistani firms from 2011 to 2016. In addition to institutional investors and insiders ownership, ownership concentration and governmental ownership are also insignificant. However, [21] evaluated 365 Indonesian companies' annual reports for the year 2015 and reported a significant inverse linearity between ownership concentration and risk disclosure. In addition, government ownership appears to increase the volume of risk information divulged by firms, while conversely, no significant effect is found in foreign ownership. Meanwhile, the theoretical lenses used in this study are dependent on different ownership variables that we used. These theories are discussed in the development of our hypotheses.

# Hypotheses Development

## Institutional Investors Ownership

The growth of the number of institutional investors in recent years is highly alarming as they dominate various emerging market activities [22], and the magnitude of their ownership in corporate financial architecture may influence various strategic business decisions. The agency theory is found suitable in explaining the direct association between risk disclosure and institutional investor ownership [6; 16]. Prior studies have established mixed results. The study [17; 23] confirms a positive association between institutional investor ownership and risk disclosure, while others [6; 7] reported an inverse link among the two variables. According to [19], there is no correlation between the two aforementioned parameters. Nonetheless, the following presumption is advanced and is consistent with agency theory:

*H1:* Firms with greater institutional investor ownership tend to increase risk disclosure.

## Government Ownership

The connection between risk disclosure and government ownership can be predicted using the stakeholder theory because the government is one of the authoritative company stakeholders [7]. Hence, companies are anticipated to unveil diverse information that would meet the stakeholders' expectations. Governments, as policymakers, would

encourage enterprises to strengthen their risk reporting processes in order to send signals to market players, and they are dedicated to policies that are in the best interests of owners [21]. It is impossible for the government to collude with corporate executives and conceal sensitive information. Nevertheless, the government is committed to maintaining social order and income distribution rather than promoting stockholders' interest that could create value for the firms, thus, corporate transparency may not be the preference of government stockholdings [7]. Despite theoretical forecasts, prior studies come to mixed conclusions. The studies [6; 7; 21; 24] uncover that the volume of disclosed risks grows if government ownership increases. In contrast, [25] discovered an inverse link between the two variables. Likewise, [26] reported that risk disclosure has no connection with the extent of government ownership. In reference to stakeholder theory, the following hypothesis is coined:

*H2:* Higher government ownership encourages firms to report more risk information.

### Foreign Ownership

Foreigners with substantial ownership tend to influence corporate strategic decisions. They could exert pressure on management in regard to the magnitude of revealed risk information. The coercive isomorphism theory would be applicable in predicting this relationship [27], which suggests positive linearity between risk disclosure and foreign ownership. Nevertheless, the previous empirical studies [21; 27] did not find any connection between the two variables. Meanwhile, since various nations have different policies on the maximum number of shares that can be owned by foreigners, the studies use the coercive isomorphism theory prediction and suggest the following hypothesis:

*H3:* Foreigners with greater ownership tend to influence higher risk disclosure.

### Insider Ownership

Among the most important stakeholders in the corporation are corporate executives, including directors and managers. These groups are regarded as insiders because they comprise the people who make the majority of business strategic decisions. Despite their position, the law does not prevent these insiders from owning a specific proportion of company shares. As a result, they are able to own sizeable shares of the company by receiving them as bonuses or using their own money to buy shares. When these insiders possess a significant amount of the stock, they tend to provide less risk information in company reports. This claim can be supported by a prior study by [19]. A study [19] argues that there is an inverse relationship between managerial ownership and risk disclosure based on agency theory predictions. This indicates that firms with greater managerial ownership tend to divulge less risk information to outsiders [5]. This is consistent with the management entrenchment theory suggested by research [7]. Higher insider ownership could lead managers to exploit their interests at the expense of other stockholders, as well as to abandon their monitoring functions and conceal relevant information that would benefit them without regard for the interests of other stakeholders [7]. The findings [26; 28] have supported the management entrenchment theory prediction by reporting an inverse association between insider ownership and risk disclosure. Nonetheless, other scholars [5; 7] failed to establish linkage between the two variables. Consistent with the entrenchment theory, the following proposition is made:

*H4:* Insider ownership is inversely associated with corporate risk disclosure.

### Diverse Ownership

It is very common for companies to assign a significant portion of their shares to a small number of shareholders. In this case, business managers might collude with the shareholders to provide only limited information to outsiders. Perhaps this is the reason for corporate governance-mandated disclosure of owners with 5% or more of company stock. In contrast, some businesses implement the strategy of distributing their shares to a wide range of people rather than concentrating them in the hands of a small number of people. Diverse ownership is used to describe a situation in which shares are not concentrated in the hands of few individuals. Firms with diverse ownership structure are prone to greater pressure to release risk information since a substantial number of company shares are in possession of many individuals [27]. The coercive isomorphism theory [27] suggested a positive connection between risk disclosure and diverse ownership. According to coercive isomorphism, the behavior of corporate managers is either influenced by regulation or by monitoring activities. The monitoring activities can be influenced by diverse shareholders through voting at annual general meetings. However, the study conducted by [27] does not find diverse ownership to be a determining factor that influences a firm's risk disclosure. Consistent with coercive isomorphism theory, the following hypothesis is postulated:

*H5:* A corporation's risk disclosure tends to rise when its ownership structure is diverse.

## Research design

### Sample and Data Collection

The study sampled 42 firms, and a total of 210 annual observations from 2014 to 2018 were considered in the study. The companies were chosen from the financial and non-financial sectors, specifically from those listed on the Johannesburg Stock Exchange and the Nigerian Stock Exchange. Because Nigeria and South Africa are major emerging African economies, companies listed on their exchanges are expected to publish more risk information. As a result, these countries were chosen for this study. The total number of listed banks in both nations is included in the initial sample of the financial sector, but we removed all banks with no pertinent data. On the other hand, non-financial companies are randomly selected from the manufacturing sector. According to [8], financial firms need to be stud-

ied independently because the sector is normally regulated by more than one body. Nevertheless, as the study does not aim to investigate corporate compliance with existing rules and regulations, but rather seeks to examine how risk information is communicated to the users, non-financial firms are incorporated in the sample, which is consistent with the prior study [13]. We investigate five years of annual reports spanning from 2014 to 2018. This time frame was chosen because by 2014, both Nigeria and South Africa had fully implemented the international financial reporting standard (IFRS), which has the advantage of requiring the disclosure of risk associated with financial instruments, leading to a trend of greater risk disclosure practices in companies. In order to gather information related to the dependent variable, we obtained annual reports for five years from 42 companies. Data for the independent variables and control variables was simultaneously received from Bloomberg data stream. Moreover, the research is in line with previous studies; we employ manual content analysis in all narrative sections of the sample firms' annual reports, including notes to the account.

# Measurement of variables

## Risk Disclosure

Risk disclosure is measured as the number of risk sentences reported in annual reports. Risk disclosure (RD) is our main dependent variable. Environmental RD, Operational RD, and Strategic RD are the risk disclosure categories that are also used as the remaining three dependent variables. The variables and their definitions are listed in Table 1.

## Content Analysis

Research of risk disclosure frequently uses content analysis, which examines the narrative sections of annual reports. The application of this method is consistent with earlier research [3; 8; 18]. In several studies, risk information was coded during content analysis by counting the pertinent sentences, words, paragraphs, pages, and percentage of pages. Nevertheless, the words and sentences approach was more popular. In comparison, the number of words may be counted with greater accuracy than the number of sentences. However, only the context of a sentence may be used to interpret the words. In light of this, we decided to use the sentence approach. To code the appropriate sentence, we adopt the risk disclosure framework used by prior studies [8]. It is generally believed that the element of subjectivity often appears in content analysis, especially when the "sentence-based approach" is selected in the coding process. However, we adopted the decision rule technique used in prior studies to minimize the extent of subjectivity in our coding process (see Appendix 2). Moreover, based on the checklist (see Appendix 1), risk disclosure is categorized into strategic, environmental and operational risk disclosure. To gain more insight, the disclosure was analyzed to be past or future information, monetary and non-monetary, positive or negative information, this might help many stakeholders to deduce relevant risk information disclosed for informed decisions. In addition, Table 1 shows how our variables were measured.

**Table 1.** Variable Description and measurement

| Variables | Measurement | Source |
|---|---|---|
| Risk Disclosure | Total risk disclosure sentences | Annual reports |
| Environmental RD | Total environmental risk disclosure sentences | Annual reports |
| Operational RD | Total operational risk disclosure sentences | Annual reports |
| Strategic RD | Total strategic risk disclosure sentences | Annual reports |
| Quantitative | Total monetary risk disclosure sentences | Annual reports |
| Qualitative | Total non-monetary risk disclosure sentences | Annual reports |
| Past information | Total number of past risk related sentences | Annual reports |
| Future information | Total number of future risk related sentences | Annual reports |
| Non time info | Total risk sentences that is not related to past or future | Annual reports |
| Good news | Total sentences related to favorable events | Annual reports |
| Bad news | Total sentences related to unfavorable events | Annual reports |
| Institutional Investors | The proportion of shares held by institutional investors | Bloomberg |
| Government | The percentage of shares held by government or its agency | Bloomberg |
| Foreigners | The proportion of shares held by foreign shareholders | Bloomberg |
| Insiders | The proportion of shares held by managers and directors | Bloomberg |
| Diverse | The proportion of ownership held by individuals | Bloomberg |

| Variables | Measurement | Source |
|---|---|---|
| Company Size | Log of total asset | Bloomberg |
| Profitability | Return on equity | Bloomberg |
| Leverage | Debt to equity ratio | Bloomberg |

*Source*: compiled by the author, 2023.

## Research Model

Apart from the risk disclosure practice, the study investigates how ownership structure influences corporate entities to disclose risk information. As a result, five variables related to ownership structure were created in order to conduct our investigation. These include: government ownership, insider ownership, foreign ownership, institutional ownership, and diverse ownership. Likewise, control variables included in the model are company size, profitability, and leverage. The equations are presented as follows:

$$y_{it} = \beta_1 + \beta_2 \bullet IIO_{it} + \beta_3 \bullet GO_{it} + \beta_4 \bullet FO_{it} + \beta_5 \bullet IO_{it} + \\ + \beta_6 \bullet DO_{it} + \beta_7 \bullet CS_{it} + \beta_8 \bullet CP_{it} + \beta_9 \bullet CL_{it} + \beta_{10} \bullet d_{2015} + \\ + \beta_{11} \bullet d_{2016} + \beta_{12} \bullet d_{2017} + \beta_{13} \bullet d_{2018} + \alpha_i + \varepsilon_{it},$$

where $y_{it}$ is the dependent variable (risk disclosure, environmental risk disclosure, operational risk disclosure and strategic risk disclosure), $IIO_{it}$ stands for Institutional investors' ownership, $GO_{it}$ refers to government ownership, $FO_{it}$ is foreign ownership, $IO_{it}$ means insider ownership, $DO_{it}$ is diverse ownership, $CS_{it}$ stands for company size, $CP_{it}$ means company profitability, $CL_{it}$ is company leverage, $i$ is the index for firm and $t$ is the index for year, $d_{2015} - d_{2018}$ are annual effects, $\alpha_i$ are the firm's fixed effects, $\varepsilon_{it}$ is the random error.

## Result and discussion

### Results

Table 2 offers descriptive statistics for the variables analyzed in this research. The minimum of the total risk disclosure was 388, maximum – 3585, with a mean of 2061 sentences. Risk disclosure was classified into environmental, operational and strategic, with mean values, respectively, 738; 967 and 361 risk sentences. Further, the result shows an average of 270 sentences and 1792 sentences that are related to quantitative and qualitative risk reporting, respectively and this analysis would offer users of corporate reporting more insight about the monetary and non-monetary implications of the risk evidence released by firms. Moreover, in considering the risks based on the definition suggested by [8] and propagated by risk disclosure researchers, [18] where opportunity, threat and uncertainty are incorporated in the modern definition of risk, our study permits us to identify the average of 672 sentences related to positive news, whereas negative news and neutral information accounted for 235 and 1156 risk sentences respectively. Moreover, the time horizon of the risk reported by firms is also appreciated by the users of corporate reporting; hence Table 2 reveals 361 sentences reporting about future risk evidence, while 794 sentences and 907 sentences were specific to past and non-time risk evidence, respectively.

**Table 2.** Descriptive Statistics

| Variable | Obs. | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| Risk Disclosure | 210 | 2061 | 765 | 388 | 3585 |
| Environmental RD | 210 | 738 | 296 | 88 | 1501 |
| Operational RD | 210 | 964 | 408 | 142 | 1860 |
| Strategic RD | 210 | 361 | 139 | 74 | 973 |
| Quantitative | 210 | 270 | 101 | 60 | 710 |
| Qualitative | 210 | 1792 | 692 | 253 | 3201 |
| Past information | 210 | 794 | 385 | 99 | 1778 |
| Future information | 210 | 361 | 139 | 74 | 973 |
| Non time info | 210 | 907 | 322 | 124 | 1667 |
| Good news | 210 | 672 | 284 | 81 | 1389 |
| Bad news | 210 | 235 | 104 | 63 | 467 |
| Institutional investors | 210 | 48.62 | 38.41 | 0.00 | 140.20 |
| Government | 210 | 10.97 | 9.03 | 0.02 | 33.64 |

| Variable | Obs. | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| Foreigners | 210 | 46.98 | 30.14 | 0.45 | 99.97 |
| Insiders | 210 | 1.510 | 3.97 | 0.00 | 38.35 |
| Diverse | 210 | 32.68 | 33.56 | 0.02 | 99.98 |

## Pearson Correlation

Before conducting multivariate analysis, we examine the potential connection among our variables. Table 3 depicts Pearson correlation coefficients. Risk disclosure is positively related to institutional investor ownership (0.449), government ownership (0.314), company size (0.605), and company leverage (0.140). In addition, risk disclosure is also negatively correlated to diverse ownership structure (–0.490). On the other hand, Table 3 shows that insider ownership, foreign ownership, and profitability do not induce companies to publish more risk information. Meanwhile, in considering the multicollinearity assumption, it appears that the mutual correlation of our explanatory variables is under 0.8. A value beyond that threshold (0.8) signifies that the multicollinearity problem may arise.

**Table 3.** Pearson Correlation Coefficients

| Variables | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|---|---|---|---|---|---|---|---|---|---|
| (1) Risk Disclosure | 1.000 | | | | | | | | |
| (2) Institutional Investors | 0.449* | 1.000 | | | | | | | |
| (3) Government | 0.314* | –0.016 | 1.000 | | | | | | |
| (4) Foreigners | –0.112 | –0.180* | 0.211 | 1.000 | | | | | |
| (5) Insiders | 0.128 | –0.105 | –0.096 | 0.089 | 1.000 | | | | |
| (6) Diverse | –0.490* | –0.683* | 0.106 | 0.313* | 0.055 | 1.000 | | | |
| (7) Company Size | 0.605* | 0.569* | 0.159 | -0.028 | 0.111 | –0.488* | 1.000 | | |
| (8) Profitability | 0.094 | 0.050 | 0.023 | 0.109 | 0.023 | 0.010 | –0.122 | 1.000 | |
| (9) Leverage | 0.140* | –0.047 | 0.062 | –0.006 | 0.004 | 0.003 | 0.160* | –0.197* | 1.000 |

*** p < 0.01, ** p < 0.05, * p < 0.1.

Table 4 shows the values of the Variance Inflation Factor (VIF) which were computed to authenticate the results revealed by correlation matrix. The results have confirmed our prior findings as the values demonstrated by all our explanatory factors are below the threshold of 10. Hence, our model is free from any noise that may arise due to multicollinearity. Likewise, we computed Breusch-Pagan and White's tests in order to know the position of our error term. After the computation of the Breusch-Pagan test, the result shows a chi-square value of 3.35 and a p-value of 0.0671. Since the p-value was not significant at 5%, we have assumed that heteroskedasticity does not exist in our model. This result was confirmed after we conducted the White's test for homoscedasticity, on which its chi-square reveals 45.81, and p-value reveals 0.3970. Therefore, our error term is homoscedastic, because the p-value is greater than 5%.

**Table 4.** Variance Inflation Factors

| Risk Disclosure | VIF | 1/VIF |
|---|---|---|
| Institutional Investors | 1.750 | 0.573 |
| Government | 1.670 | 0.599 |
| Foreigners | 2.840 | 0.353 |
| Insiders | 1.250 | 0.803 |
| Diverse | 3.940 | 0.254 |
| Company size | 1.950 | 0.512 |
| Profitability | 1.290 | 0.777 |
| Leverage | 2.480 | 0.403 |

Furthermore, the result of the regression has been presented in Table 5. The joint effect of the first model, where risk disclosure is a dependent variable, is statistically significant at 1% (0.0000) and the F-statistic is 8.388. The R-squared is 0.499; while R-squared adjusted is 0.469. This indicates that the explanatory factors included in the model have explained risk disclosure by approximately 47%. Nonetheless, as for the discrete explanatory factors, the company size coefficient is significant at 1%, while diverse ownership and profitability are significant at 10%. Additionally, the second model in Table 5 (where environment stands as dependent variable) has an R-squared of 0.359 and an adjusted R-squared of 0.321. The F-statistics is 5.042 and p-value is 0.000. Therefore, the null hypothesis that the values of all coefficients for the explanatory variables are simultaneously zero cannot be accepted. This means that the joint effect of explanatory variables explains environmental risk disclosure by 32%. Besides, company size is significant at 1%, while profitability is significant at 5%, and the remaining model variables are not statistically significant.

**Table 5.** Results of Regression Analysis

| | Risk Disclosure | Environmental RD | Operational RD | Strategic RD |
|---|---|---|---|---|
| Institutional investors | −1.019 | −0.534 | −0.203 | −0.277 |
| | (2.716) | (1.216) | (1.300) | (0.387) |
| Government | 8.337 | −0.246 | 4.446 | 4.973* |
| | (8.747) | (3.815) | (4.120) | (2.482) |
| Foreigners | 1.381 | 0.561 | 0.769 | 0.099 |
| | (2.711) | (1.110) | (1.329) | (0.409) |
| Insiders | 16.453 | −0.857 | 11.447 | 5.908*** |
| | (16.823) | (8.051) | (8.233) | (1.755) |
| Diverse | −6.633* | −2.116 | −3.437** | −1.030** |
| | (3.342) | (1.421) | (1.596) | (0.496) |
| Company Size | 192.858*** | 69.185*** | 93.189*** | 30.194*** |
| | (38.836) | (15.895)** | (19.835) | (5.855) |
| Profitability | 3.194* | 1.181 | 1.537 | 0.455 |
| | (1.812) | (0.565) | (1.026) | (0.295) |
| Leverage | 8.919 | 3.959 | 3.134 | 2.004 |
| | (10.914) | (4.784) | (4.272) | (2.370) |
| $d_{2015}$ | 80.056 | −23.091 | 83.415** | 21.863 |
| | (64.498) | (36.379) | (38.981) | (19.635) |
| $d_{2016}$ | 69.217 | −22.882 | 83.593** | 8.218 |
| | (55.199) | (35.235) | (32.206) | (15.577) |
| $d_{2017}$ | 53.025 | −28.812 | 56.632 | 32.045* |
| | (73.231) | (36.211) | (42.902) | (16.759) |
| $d_{2018}$ | 154.131* | 24.607 | 92.883* | 38.499** |
| | (90.470) | (45.709) | (53.581) | (18.028) |
| Constant | 374.197 | 180.518 | 108.618 | 79.634 |
| | (381.453) | (154.146) | (194.872) | (57.127) |
| R-squared | 0.499 | 0.359 | 0.465 | 0.498 |
| R-squared Adjusted | 0.469 | 0.321 | 0.432 | 0.468 |
| Observations | 210 | 210 | 210 | 210 |
| F-statistic | 8.388 | 5.042 | 8.224 | 10.974 |
| P-value | 0.000 | 0.000 | 0.000 | 0.000 |

Standard errors are in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

The results of the third model, which also used operational risk disclosure as a dependent variable, are similarly displayed in Table 5. According to the outcome, R-squared is 0.465, adjusted R-squared 0.432. The calculated F-statistic and the p-value are 8.224 and 0.000, respectively. The joint effect of the model is statistically significant because the p-value (0.000) is less than the 1% level of significance. The factors included in the model have contributed 43.2% to the explanation of operational risk disclosure. When it comes to covariates and control variables, diverse ownership coefficient is significant at 5%; while company size coefficient is significant at 1%. After all, the results of the fourth model, which has strategic risk disclosure as a dependent variable, is also included in Table 5. The R-squared is 0.498, adjusted R-squared is 0.468, the p-value is 0.000 and the F-statistic is 10.974. The joint effect of the model is statistically significant at 5%, and the model's variables described 46.8% of the strategic risk disclosure based on the adjusted R-squared. In terms of covariates and control variables, government, insider and diverse ownership are statistically significant at 10%, while the company size coefficient is significant at 1%.

In the meantime, we conduct a comparison between the firms listed on the Nigerian stock exchange (100 observations out of 210) and those listed on the Johannesburg Stock Exchange (remaining 110 observations out of 210). This comparison will enable us to comprehend how various ownership structures affect risk disclosure practices in the respective countries. Table 6 displays the comparison outcome. The findings for companies listed on the JSE in South Africa reveals the R-squared of 0.324, and the adjusted R-squared of 0.309. The F-statistic is 3.87, while the p-value is 0.000. According to the findings, corporate risk disclosure is described by explanatory factors by 30.9%, and the joint effect of the model is statistically significant at 1%. As for the explanatory variables, foreign ownership and company size are statistically significant at 1%. On the other hand, the results of companies listed on the NSE are also presented in Table 6. According to the result, the R-squared is 0.785, and the adjusted R-squared is 0.756, which shows that the explanatory factors account for 75.6% of the variance in risk disclosure. As for the individual independent variables, institutional investor ownership is significant at 10%, while foreign, insider, diverse ownership, company size, profitability are significant at 1%.

**Table 6.** Results of Comparative Analysis

| Risk Disclosure | South Africa | Nigeria |
|---|---|---|
| Institutional investors | 1.341 | −4.363* |
| | (2.458) | (2.300) |
| Government | 8.130 | −14.367 |
| | (7.268) | (9.813) |
| Foreigners | −9.906*** | 5.306*** |
| | (2.858) | (1.132) |
| Insiders | −4.694 | 56.803*** |
| | (11.965) | (17.020) |
| Diverse | −0.158 | −4.615*** |
| | (4.309) | (1.476) |
| Company Size | 167.546*** | 360.394*** |
| | (30.240) | (36.174) |
| Profitability | 2.271 | 6.386*** |
| | (1.380) | (1.468) |
| Leverage | 5.583 | 18.700 |
| | (6.358) | (15.565) |
| $d_{2015}$ | 59.588 | 57.405 |
| | (95.247) | (131.724) |
| $d_{2016}$ | 54.885 | 80.632 |
| | (77.683) | (131.182) |
| $d_{2017}$ | 109.282 | −39.319 |
| | (111.699) | (130.389) |
| $d_{2018}$ | 203.904 | 85.592 |
| | (152.131) | (131.035) |
| Constant | 838.582** | −1214.341*** |
| | (365.706) | (300.256) |
| R-squared within | 0.324 | 0.785 |
| R-squared Adjusted | 0.309 | 0.756 |
| No. of observations | 110 | 100 |
| F-statistic | 3.869 | 26.535 |
| P-value | 0.000 | 0.000 |

Standard errors are in parentheses.

*** p < 0.01, ** p < 0.05, * p < 0.1.

## Discussion

The study evaluated how corporations doing business in emerging African countries disclose their risk-related information. Based on content analysis, the findings imply that the risk disclosure trend has been growing over the years of study. Operational risk disclosure is the most frequently disclosed risk information as its appearance dominates strategic and environmental risk disclosure. This result is anticipated as general statements concerning corporate governance, internal control and employee health and safety, etc. were mandatorily categorized as operational risk disclosure. The results are in line with earlier research [3]. Moreover, it would be in the interests of annual report readers to understand the monetary implication of a business's risk exposure to the extent that can facilitate their forecast and decision-making process. Neverthe-

less, the findings show that quantitative/monetary risks are more rarely disclosed than qualitative/non-monetary risks. Hence, the disclosure's relevance to stakeholders is substantially impaired. This finding supported and solidified the results of prior studies [27; 29].

Besides, many stakeholders attributed risks to the occurrence of negative events. Hence, they expect corporate managers to release any bad news that could help them to make their decision. Limiting the definition of risk to the occurrences of negative incidents is considered a pre-modern perception of risk. However, the inclusion of business prospects and opportunities among risks in the modern era have inspired directors to divulge more positive news rather than negative news. The more frequent appearance of positive news rather than negative news has affected the standard of risk disclosure anticipated by different stakeholders. This assertion is justified by our results, which are similar to the previous findings [18]. Likewise, future risk information is more desirable and relevant as stakeholders can quantify the effect of risk and uncertainty on their future earnings. However, it appears that corporate managers always tend to reveal more past risk information than data regarding the future. This can be proven by the results of our investigation and offers strong support for the findings revealed by earlier empirical evidence [18; 27].

On the other hand, ownership structure is described as the determining factor of corporate risk disclosure. For example, the influence of institutional investors in any business cannot be overemphasized. It appears that corporate managers would find the means of improving risk information disclosure provided that the major shareholders are institutional investors. Our results established a positive association between institutional investor ownership and risk disclosure; nevertheless, it is not statistically significant. Consequently, Hypothesis 1 is rejected. This finding is in line with previous studies [19]. Moreover, when the government is among major stakeholders of a company, its ownership may build up public confidence and trust in the company. Government, as policymakers, would urge firms to improve their risk reporting processes in order to convey signals to market participants, and they are committed to policies that benefit stakeholders. We anticipated a positive relationship between risk disclosure and government ownership. This association has been proven; however, the government coefficient is statistically insignificant. This finding is similar with previous research [26], which found that risk disclosure is unrelated to the degree of government ownership. As a result, Hypothesis 2 is rejected.

Meanwhile, in recent years, foreign direct investment has become very common since globalization has offered foreigner investors a wide range of opportunities to invest on different stock exchanges across the globe. It appears that corporate managers are reluctant to release much risk information provided the foreign stake in a company is substantial. However, our findings corroborate the results of previous research [21; 27], which found no link between the two variables. Hypothesis 3 is rejected since our coefficient is not significant. Moreover, corporate managers are reluctant to release much risk information provided the insider stake in a company is substantial. Our findings failed to establish a connection between insider ownership and corporate risk disclosure, as the coefficient is not statistically significant. The findings are consistent with previous studies [5; 7], thus our Hypothesis 4 is rejected. Likewise, the results suggest a positive linear relationship between risk disclosure and diverse ownership. This indicates that firms with a diverse ownership structure are prone to greater pressure to release risk information since a substantial number of company shares are not concentrated in the hands of few individuals. Diverse ownership has a negatively significant coefficient, indicating that because company shares are not concentrated in the hands of a few persons, the company's directors will disclose little risk information. This conclusion contradicts previous investigations [27], which found no link between the two variables. However, the findings are not consistent with the coercive isomorphism theory and do not support Hypothesis 5, hence it is rejected.

Moreover, the study also looks at how ownership structure affects risk disclosure categories (strategic, operational, and environmental). First, we have started with the effect of ownership structure on environmental risk disclosure. The study found that the combined effect of institutional investor, government, foreigner, insider, and diverse ownership, company size, profitability, and leverage had a considerable impact on environmental risk disclosure. In terms of individual effects, only company size and profitability have significant coefficients. This suggests that only large and profitable corporations can affect environmental risk disclosure. Secondly, the study also examines the effect of ownership structure on operational risk disclosure. According to the findings, the combined effect of institutional investors, government, foreigners, insiders, diverse, company size, profitability, and leverage had a significant influence on operational risk disclosure. As for the individual effect, diverse ownership and company size each have a significant coefficient. This indicates that large companies and companies that have not concentrated their ownership structure in the hands of a few persons affect the operational risk information to be disclosed. Similarly, the findings indicate an inverse relationship between operational risk disclosure and diverse ownership. This suggests that organizations with a diverse ownership structure are more likely to face less pressure to provide operational risk information since a significant portion of the company's shares are not concentrated in the hands of a few individuals. This result is similar to that of prior studies [27].

Thirdly, the study examines the effect of ownership structure on strategic risk disclosure. The research shows that strategic risk disclosure is inversely connected to diverse ownership. This demonstrates that when company shares are not concentrated in the hand of few individuals, corporations tend to disclose strategic risks less frequently. In

addition, the coefficient of government ownership is also significant. This indicates that as the government ownership increases, corporations tend to disclose more strategic risk information. The finding supports the previous studies [6; 7; 21; 24] that reveal that the volume of risk disclosure upsurges if government ownership increases. Furthermore, insider ownership coefficient is also statistically significant. This finding suggests that corporate management tends to disclose more information about strategic risks as insider ownership rises. This tendency exists because the majority of information disclosed under strategic risk disclosure is favorable. This type of information can entice prospective investors. This result is inconsistent with other research [26; 28], which discovered an inverse association between insider ownership and risk disclosure. Additionally, in terms of comparative analysis, key ownership structures that affect corporate risk disclosure in South Africa are foreign. Nevertheless, in Nigeria, institutional investor, government, foreign, insider and diverse ownership are all among the main factors that affect corporate risk disclosure.

## Conclusion

Research intends to empirically assess the influence of ownership structure on the corporate risk disclosure practice in emerging African countries from 2014 to 2018. The findings unveil that operational risk disclosure is the most frequent risk disclosure practice. Moreover, positive news, non-monetary and historical risk information are more commonly disclosed than negative news, monetary and forward-looking risk information. Furthermore, empirical findings demonstrate that firms with more diverse ownership are likely to divulge less risk information. In contrast, as company size or profitability of the company increases, corporate risk disclosure tends to increase. However, institutional investor, government, foreign, or insider ownership have no individual effect on corporate risk disclosure. The findings of this study reveal vital implications and seek to inform shareholders, regulators and other stakeholders about the relevant factors that influence the dynamics of risk disclosure practice in the emerging African markets. Potential investors and other interested parties would be in a good position to appraise risk disclosure behavior of the firms operating in these markets and make informed decisions. However, the results could not be generalized to all the existing emerging markets in Africa as the study has a small sample size and is limited to the Nigerian Stock Exchange and the Johannesburg Stock Exchange. The sample size could have been bigger, but the dearth of data in the Bloomberg data stream forced us to limit the scope of our analysis exclusively to companies with pertinent data. Future studies could increase the sample size and include more countries in the African region. There is a unanimous assertion that various theories do not work in the African region, hence there is a need to intensify the studies in the African region that may prove or refute this strong assertion.

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## Appendix 1. Risk Disclosure Checklist

1) Operational risk is the likelihood of losses occurring in the core business operations of the company. Operational risk includes things like:
   - Product failure;
   - Internal control and risk management policies;
   - Infrastructure risk;
   - Liquidity and cash flow;
   - Project failure;
   - Operational disruption;
   - Operational problem;
   - Employment practices and workplace safety (H &S);
   - Environment risk (risks arising from the impact of companies' operations on the natural environment);
   - Compliance and reputation;
   - Legal risk.
2) Environmental risk is a result of variables that are fundamentally out of the organization's control and includes disclosure relating to the following:
   - Economic risk (e.g., interest rate, currency risk, price and commodity, inflation, taxation, credit risk);
   - Political risk;
   - Social risk;
   - Regulation and Legislation;
   - Industry sources (e.g., competition, potential entrants, suppliers, substitutes, strategic partners,
   - customers (e.g., changes in demand, changes in clients requirements and customers preferences);
   - Climate and catastrophic.
3) Strategic risks are linked to the company's future business objectives and strategies and result from operating in a specific industry. Among the strategic hazards are
   - Research and Development
   - Product market
   - Intellectual property right
   - Acquisitions, alliances, joint ventures
   - Management of growth
   - Derivatives
   - Investment
   - Technology.

## Appendix 2. Decision rules for risk disclosures

1) A new risk definition perfective has been established to help detect risk and classify it as risk disclosures.
2) The definition of risk is, "if the reader is informed of any opportunity or prospect, as well as any risk, danger, harm, threat, or exposure, that has already had an impact on the company or that may have an impact in the future, or of the management of any such opportunity, prospect, risk, harm, threat, or exposure" Linsey and Shrive.
3) The definition of risk that has just been given must be considered to include both good and bad risks as well as uncertainties.
4) Even if risk is broadly defined, disclosures must be made explicitly; they cannot be implied.
5) The risk disclosures must be categorized using the risk categories presented in the Appendix 1
6) General policy statements relating to corporate governance, employee health and safety, and internal control and risk management systems are to be categorized as "non-monetary/neutral/non-time".
7) General statements of risk management policy that do not refer to money or specific dates or times are categorized as non-monetary, neutral, or non-time.
8) Financial risk disclosures are risk disclosures that either directly disclose the financial impact of a risk or provide enough information to allow the reader to determine the financial impact of a risk.
9) Information will be categorized into the category that is most highlighted in the sentence if a sentence has more than one possible categorization.
10) Risk information may occasionally be given in tables. In this case, it should be understood that one line corresponds to one sentence, and the classification should be done as such.
11) It is common for a disclosure to be made more than once. In that case, any repeated disclosures must be recorded as a risk disclosure sentence.
12) A disclosure shall not be recorded as a risk disclosure if it is vague.

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