Determinants of Risk Disclosure in Pakistan: Evidence from Textile firms listed at Pakistan Stock Exchange

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Abstract

Due to increase in business complexity investors are demanding to provide a higher level of risk. Determinants of risk are more important for stakeholders to know the quality of risk disclosure. Bulk of literature on risk disclosure is exists that financial and over all non-financial companies. In this study, we shift our attention to the textile sector. The purpose of this research work to find the determinants of quantity as well as quality of risk disclosure in annual financial reports of textile sector of Pakistan. The word count approach is employs to measure the quantity of risk disclosure in annual reports, while to measure the risk disclosure quality, an index is developed for various dimensions of risk. Researcher selected a data sample for desired variables a period of 6 years (2011-2016) through 85 textile companies listed at Pakistan stock exchange, in which 50 companies are from textile spanning, 29 are from textile composite and 6 are from textile weaving. Generalized least square model is used to analyze the variables. Overall results confirmed that firm size and profitability are significantly impact on risk quality and quantity. Results of study recommended that SECP should more strict regulations on disclosure of risk to enhance the quality and quantity of risk in their annual reports.

Keywords: Risk Disclosure Quantity, Corporate Governance, Risk Disclosure Quality

Introduction:

Corporations must make essential reports about their financial and economic condition which are mandatory by security and exchange commission of Pakistan (SECP). Companies must make and disclose annual reports to meet the requirements, which establish the core channel of information for stake holders to know the financial situation of the

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company. In this method, the information becomes accessible to the outside stakeholders/users. FASB (1978), tells the main purpose of disclosure of financial information is may be used by stakeholders of the company when taking investment and other decisions. They will use it for financial decision-making purposes. The results of FASB (1978) and AARF (1990) lenders and investors are the main users of the information which is disclose by the firms to take the right decisions about their investment.

An annual report is a comprehensive report on a company's activities throughout the preceding year. Annual reports are intended to give information about the company's activities and financial performance to shareholders and other interested people. Most jurisdictions require companies to prepare and disclose annual reports, and many require the annual report to be filed at the company's registry. Companies listed on a stock exchange are also required to report at more frequent intervals (depending upon the rules of the stock exchange involved). In addition to providing financial information, an annual report serves as a marketing tool for the company. Use of a specific theme, such as a historical landmark or a focus on improving lives through technology. Typical annual reports are including general corporate information, accounting policies, chairperson's statement, balance sheet, profit and loss account, cash flow statement, notes to the financial statements. The purpose of reports to communicate information with stakeholders of the companies. These reports can cover a wide range of topics, but usually focus on transmitting information with a clear purpose, to a specific audience.

Disclosures about the risks of companies have gained importance in recent times due to the increasing complexities of trade and business references that lead to the uncertainty of sustainability companies in the future. Similarly, information about the risks posed for the increased stakeholder in companies' scandals is needed. In recent years risk disclosure gained importance in Pakistan due to increase in business complexity, political instability and economic condition of Pakistan. Corporate scandals are also a cause of importance of risk disclosure. At present time SECP requirement is to disclose information of risk in notes to financial statements in annual reports.

Certain regulatory bodies have issued standard for controlling risk reporting and require managers to provide information. Those standards are information about rules or monetary risks, and other types of non-financial risk, including operational risk, strategic risk, and information reliability are mostly voluntary. But, these risks are of great importance and the provision of information about these types of risk

bins will greatly benefit investors and shareholders and improve their ability to make decisions about the company. In Pakistan, the Securities and Exchange Commission of Pakistan (SECP) determines the provision of information about the risk requirements. At present, it is necessary to provide information about risks in the notes of financial statements at risk arising out of the use of derivative financial tools. Pakistan has accepted International standards for financial reporting (ISFR7). Regulated by International Financial Reporting Standard No. 7 disclosure of information about the risks arising from the use of financial instruments. Pakistani companies are mandatory to report financial risk arising out of the use of money.

The securities and exchange commission of Pakistan (SECP) was set up under the securities and exchange commission of Pakistan Act 1997. The SECP was initially responsible for the regulation of corporate sector and capital market. Over the time SECP has extended to supervision and regulation of insurance companies, non-banking finance companies and private pensions.

Shareholders have various rights under the provision of Companies Ordinance 1984. They have not only rights Ordinance put on them some responsibilities as well. Shareholder participation in company's activities is encouraged to monitor the management activities and to ensure the corporate compliance. There are some rights of shareholders under the 1984 act:

- Right to have access to certain information of company
- Right to have different periodical reports
- Right to receive dividend
- Right to participate and vote in general meetings
- To remove and elect the directors
- Right to offer of shares by the company at the time of further issue of shares
- Right to contest election to the position of director
- Right to appoint auditors and fix their remuneration
- Right to receive residual assets at the time of winding up of the company

Another aspect of risk disclosure, currently involved to investigate the wider perspective of risk disclosure is the focus of an increasing amount of research and involves a defect in construction in many categories. In preliminary studies, Collins et al. (1993) is a large UK listed management discussion for a sample of US companies and analysis that shares a distinguished choice (MD & A) that all companies with the US Securities and Exchange Commission (SEC) reported. Of their American counterparts, tend to reveal more about the risks of the British

company, uncertainty and forward-looking information, suggest that whenever the US companies represent the size of the revelation to fit the SEC reporting rules British companies are the same rules as described in more details, across a variety of risks give (Kajutr and Vinkrr 2003) study non-financial listed 83 in the published reports of German companies for a variety of risk from 1999-2001.

Before determining the risk that the company should be informed, must first define what is the understanding of risks? The present operating situation where companies, who work with a high uncertainty, it is not easy to understand/forecast the company behavior in the future. The number of external and internal factors are currently favorable to the companies whose interests and risks are the factors behind the dangers facing companies today. Therefore, they optimize the company net cash flow in future, and in final analysis of company's share. In this framework, define risk is a possible damage in the company's money arising from the interaction above mention factors. Once define what researcher understand risk, you should ask these questions to analyze how to integrate information about the risk?

- Should this information business or companies voluntarily be compelled to decide for such information?
- Should you inform the company on any type of risk?
- How risk should identify the quantity?

We have come to know that there is no need to report comprehensive consensus risk between authors and institutions. However, there are different ideas on the need for the mandatory disclosure of information about the risk. Although the rules provide liability for force risk, which has entered ICAO. Works also include technical innovations, product marketing and design. The case, according to Gurion (1997), the rational risk for this kind of risk is an internal ability or competitive benefit of the company. In return, strategic risks are linked to fundamental change in political or economy environment. Financial risks associated with potential losses in the financial markets.

Literature:

Empirical Review:

Sharif and Lai (2015) checked the impacts of corporate risk disclosure (CRD) practices on firm performance, dividend policy and risk in public listed companies in Malaysia. Authors use bankruptcy risk, firm's performance, dividend policy and leverage as dependent variable and corporate risk disclosure (CRD) practices as an independent variable. They used a sample of 95 listed firms and developed a transparency disclosure index (TDI) using bootstrapping techniques and partial least square (PLS). They conclude that there is a positive impact of CRD

practices on firm's performance and negative impact on firms leverage. Authors also find there is no relation between CRD and bankruptcy risk and dividend payouts.

Dominguez and Gamez (2014) find that most of the companies listed on (MSE) Madrid Stock Exchange disclose their risks in a general way and does not provide extensive information on risks. They also found that there is no relation between higher risk disclosure quality and presence of independent and external directors on board. They found that corporate size is significantly related only with voluntary risk disclosure. Other firm characteristics like profitability, leverage, and industrial sector are not linked significantly with either voluntary or mandatory risk disclosure. The conclusion of this study is that firms also do not follow a comprehensive and systematic approach to risk reporting and information disclosed is limited.

Herghiligiu (2013) try to find the genuine operational risk disclosure in Romanian banks. The researcher concentrates on the operational risk information that Romanian banks disclose and in case they adjust to the requirements of the National Bank of Romania. The researcher found confirmation that the Romanian business banks don't reveal basic information on operational risk. Thus, the researcher recommends that managers and National Bank of Romania should put pressure on Romanian Commercial Banks to reveal qualitative and quantitative information on operational risk.

Setiyono and Tarazi (2014) examined the effect of the correspondence of disclosure and proprietorship structure on bank risk. The researcher find that disclosure is negatively associated with wage instability, using a sample of 209 business banks from Asia in the midst of the 2004-2010 periods. The results similarly give prove that better disclosure ensures more noticeable strength when measured by individual bank default risk.Ntim et al. (2013) analyzed (CRD) corporate risk disclosure practices in South Africa using multiple theoretical frame work and time series data to find that corporate risk disclosure is mostly focused on past risks, qualitative, and non-financial in nature. They find that quality of (CRD) corporate risk disclosure is driven by corporate governance factors such as board diversity, presence of independent and nonexecutive directors on the board, board size, and Government ownership. They also found that leverage, firm size, level of risk and profitability are significantly associated with (CRD) corporate risk disclosure.

Mokhtar and Mellet (2013) examined the degree of voluntary and mandatory risk reporting and analyzed the impact of corporate governance, competition, and ownership structure on risk reporting in

annual statements of Egyptian businesses, they use propriety costs and agency theory for their research and the result is based on that theories they conclude that competition, board size, auditor size and role duality are the key determinants of risk reporting practice in Egypt. Abid and Shaiq (2015) analyzed the firm's characteristics that are linked with the provision of corporate risk information they also try to find the main risks which are disclosed by largest Pakistani firms. Authors use a sample of 36 non-financial companies listed on (KSE) 100 index. Researchers find that firm`s characteristics and corporate size has a positive and significant relation with corporate risk disclosure (CRD) and there is no significant relation among leverage and profitability and corporate risk disclosure (CRD). They also conclude that effective audit environment enhances the corporate risk disclosure.

Abraham and Cox (2007) investigated the relation between ownership and the quantity of narrative risk information in corporate annual reports, US listing characteristics and governance using content analysis. They find that corporate risk reporting (CRR) is negatively related to share possession by long-term institutions concerning governance, authors find that different types of board director perform different functions, with both the number of independent and the number of executive directors positively related to the level of (CRR) corporate risk reporting, but not the number of dependent non-executive directors.
Linsley and Shrives (2006) tested the narrative risk disclosure (NRD) in annual reports of 79 non-financial companies from Financial Times Stock Exchange (FTSE 100). They disaggregate risk disclosure first according to six risk factors operational, financial, information processing and technology, empowerment, strategy and integrity, and second, according to three narrative categories monetary/non-monetary, upside/downside risk, and past/future. They find a positive association between company size and narrative risk reporting(NRR), and environmental risk and narrative risk reporting (NRR), but no relation is found between narrative risk reporting (NRR) and measures of financial risk, including asset cover, beta, and price to book value.

Lajili and Zeghal (2005) examined voluntary and mandatory risk reporting for a sample of companies listed on the Canadian stock exchange according to 12 risk factors. In bivariate tests, no relationship is found between the quantity of compulsory and voluntary risk reporting and firm size, profit, beta, or leverage. In recent years many studies Sharif and Lai (2015);Dominguez and Gamez (2014);Herghiligiu (2013);Ntim et al. (2013); Mokhtar and Mellet (2013)conducted on risk disclosure and found mixed relationship of risk disclosure with firm size, profitability, leverage, board size, industrial sector etc. There is a limited

work on risk disclosure in Pakistan on financial sector and PSE100. According to my limited knowledge there is limited work on textile sector in Pakistan (Adid and Shaiq , 2015; Ashfaq et al , 2016)

Literature Review:

Agency theory:

This theory explains how the information asymmetry between managers and shareholders can be reduced by the implementation of risk management systems and incentives to managers, in order to monitor their attitudes towards risk and to assure the disclosure of information beyond the strictly necessary about risk factors and their risk management activities (Jensen & Meckling, 1976).

Signaling theory:

This theory explains managers' attitude to voluntarily disclosure more information to the market, than that required by regulations, to signal their behavior of best practice, as tactic to promote transparency with the intention of attracting more investment (Spencer, 1973; Ross, 1977; Morris, 1987). DiMaggio and Powell (1983) find that companies which belongs to same industry try to disclose at least same level of information to avoid the undervaluation by market.

Stakeholder theory:

This theory explains the influence of stakeholders in the firm decisions. If risk management activities are viewed as an effective management activity for dealing with stakeholders, a positive relationship between power, management performance and risk management disclosures is expected (Ullman, 1985).

Research Design: (Methodology)

Data Type and Collection Method:

A sample of 100 companies is selected from the population of 155 companies listed on Pakistan stock exchange. The data will retrieve for this study manually from annual reports which are issued by textile firms, company's website; financial statement analysis issues by SBP, the data will collect 2011 to 2016.

Dependent Variables:

- ✓ Risk Disclosure Quantity
- ✓ Risk Disclosure Quality

Independent Variables:

- ✓ Firm Size
- ✓ Profitability (Return on Assets)
- ✓ Executive management ownership
- ✓ Institutional ownership
- ✓ First shareholding
- ✓ Number of board members

- ✓ Number of audit committee meetings

Endogenous variables

- ✓ **Z-score:**

Z-score is included as endogenous variable which is used to measure the risk factor of firms that represent the stability of the firms. Asfaq et al (2016) used z-score to examine the determinants of risk disclosure in financial sector and find a significant relation with other variables of study. Z score calculated by different proxies (Asfaq et al 2016) calculated z-score by capital asset ratio and return on assets, which is suitable for financial institutions. In this study Z-score calculated by Altman's formula which is purposed by Altman in 1968, which is suitable for manufacturing firms.

Z-score = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1.0X5

X1 = Working Capital / Total Assets
X2 = Retained Earning / total Assets
X3 = EBIT / Total Assets
X4 = Market value of Equity / Total Liabilities
X5 = Sales / Total Assets

Dummy Variables

- ✓ Government ownership
- ✓ Dual leadership board structure
- ✓ Independent non-executive directors on board
- ✓ Big 4 Audit Firms

Computation of Variables:

Variables	Description	Calculation/Formula
Dependent Variables		
RDQ	Risk Disclosure Quantity	Natural log of the total number of words used in risk disclosures in annual financial reports by companies.
RDQI	Risk Disclosure Quality Index	Total points provided for the various dimensions of risk disclosure according to the proposed format.
Independent Variables		
FSIZE	Firm Size	Natural logarithm of total assets
ROA	Return on Assets	Net income/ Total Assets
EOWN	Executive management ownership	proportion of shareholding by Executive Managers
IOWN	Institutional ownership	proportion of shareholding by institutional investors
FOWN	First shareholding	Proportion of the largest, nongovernmental, non institutional, non-managing shareholding
BNUM	Number of board members	Total number of members of the BOD
NACM	Number of audit	Number of audit committee meetings

	committee meetings	held during a year
Dummy Variables		
GOWN	Government ownership	1, if domestic government holds at least 10% of total shareholding; 0 otherwise
DLBS	Dual leadership board structure	1, if the chairman of the board and chief executive officer are two different persons; 0 otherwise
INEDB	Independent non-executive directors on board	1, if there are non-executive members sitting in the board; 0 otherwise
B4AF	Big 4 Audit Firms	1, if the company is audited by any one of the big four audit firms and 0, otherwise

Hypothesis of Study:

H1: There is significant association between firm size and the RDQ.

H2: There is no significant association between profitability and the RDQ.

H3: There is an empirically negative association between the proportion of ordinary shares held by executive managers and the RDQ.

H4: There is an empirically positive association between IOWN and the RDQ.

H5: There is an empirically positive association between the proportion of ordinary shares held by the first shareholder and the RDQ.

H6: There is an empirically positive association between board size and the RDQ.

H7: There is an empirically positive association between the frequency of audit committee meetings and the RDQ.

Model:

In this study multiple stage regression is used to analysis the variables data.

First Stage regression model:

Z-score = $\alpha 0 + \alpha 1$ FSIZE + $\alpha 2$ROA + $\alpha 3$EOWN + $\alpha 4$IOWN+ $\alpha 5$FOWN + $\alpha 6$BNUM + $\alpha 7$NACM + $\alpha 8$GOWN + $\alpha 9$ DLBS + $\alpha 10$ INEDB + $\alpha 11$B4AF + μ

Second Stage Regression Model:

RDQ = $\beta 0 + \beta 1 + \beta 2$FSIZE + $\beta 3$ROA + $\beta 4$EOWN+ $\beta 5$IOWN + $\beta 6$FOWN + $\beta 7$BNUM + $\beta 8$NACM + $\beta 9$GOWN + $\beta 10$DLBS+ $\beta 11$INEDB + $\beta 12$B4AF + E

RDQI = $\beta 0 + \beta 1 + \beta 2$FSIZE + $\beta 3$ROA + $\beta 4$EOWN+ $\beta 5$IOWN + $\beta 6$FOWN + $\beta 7$BNUM + $\beta 8$NACM + $\beta 9$GOWN + $\beta 10$DLBS+ $\beta 11$INEDB + $\beta 12$B4AF + ε

Conceptual Frame work:

FSIZE = Firm Size ROA = Return on Assets
FOWN = Frist Shareholders BNUM = Number of Board Members
GOWN = Government Ownership IOWN = Institutional Ownership
B4AF = Big Four audit firms DLBS = Dual Leadership Board Structure
NACM = Number of Audit Committee Meetings Risk = Z-score
RDQ = Risk Disclosure Quantity RDQI = Risk Disclosure Quantity Index
INEDB = Independent non-executive members in board
EOWN = Executive Management Ownership

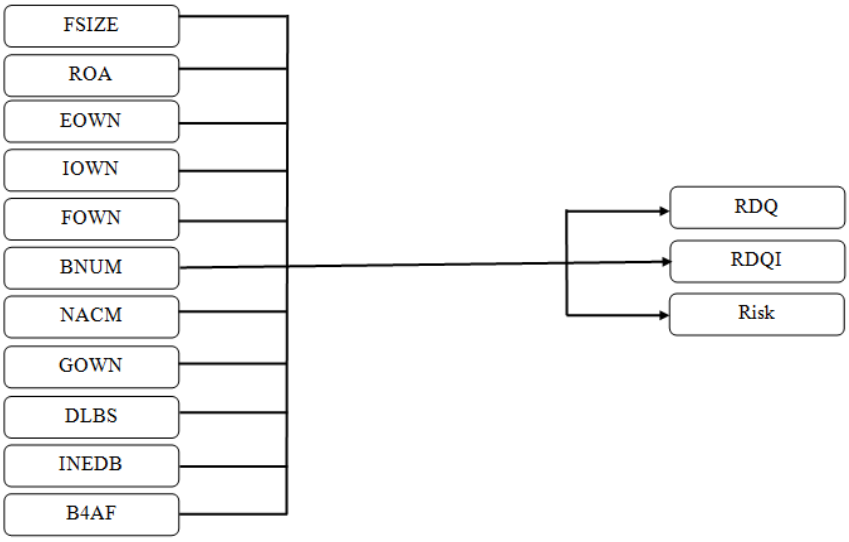

Figure 1 Conceptual framework

Results and Discussion

In this section researcher describe the analysis results of the study. Firstly, discuss each model results separately and then discuss about overall results of study. Researcher use the GLS regression model to analyze (verify) the hypothesis of study. When author run the regression equation in SPSS software and apply the GLS model on the variables, following results are the output of analysis which are discuss below. In this section each variable results are shown, discussed and compared with previous results by researcher.

Descriptive statistics shows the over picture of the data set and support to represents the results in a valuable and simple way. In this study

researcher employed descriptive statistics to calculate mean and standard deviation to check the average and variability of data sample. Table 1 shows descriptive analysis results of all dependent and independent as well as dummy variables of the study. This table consist of mean (average) value, standard deviation, minimum and maximum values of all variables. Table1 also shows total number of observations N. Results shows RDQI have greater mean value then other variables and GOWN have lowest mean value which are 64.99 and .04 respectively. Table also shows that minimum value of ROA is -73 which lowest value in results.

Table 1 shows the results of descriptive statistics of the study. In this study there are 450 observations and 14 variables in which 3 are dependent 4 are dummy variables and remaining 7 variables are independents variable of the research work. In this study researcher analysis, the data to calculate the mean, standard deviation, minimum and maximum for the independent and dependent variables as well as dummy variables. Firstly, explain the dependent variables and then independent afterword explain the dummy variables results from above mentioned table. Risk disclosure quantity (RDQ), Risk disclosure quality index (RDQI) and Z-score statistics results shows they have 3.99, 64. Table1 shows number of board members (BNUM) have 7.31 mean value and standard deviation in BNUM data is 0.628. It means data of BNUM is deviate from their origin almost 63 %, minimum value in BNUM data is 7 and maximum is 10, it means results tells us textile companies has minimum 7 and maximum 10 members in their board. Similarly, other variables have their own statistics, minimum and maximum value of number of audit committee meeting (NACM) is 2 and 8, its standard deviation and mean value is 0.817 and 4.38 respectively. Executive Ownership (EOWN) and Institutional Ownership (IOWN) have same minimum value which is 0 but maximum value of EOWN and IOWN is 99 and 95 respectively, mean value of EOWN is 45.29 and IOWN is 26.13, and standard deviation values are 26.825 and 24.258. GOWN, DLBS, INEDB and B4AF are the dummy variables of the study their mean values are 0.04, 0.66, 0.51 and 0.24 respectively. Dummy variables have same minimum and maximum value which is "0" and "1". Standard deviation of GOWN is 0.196, DLBS is 0.475, INEDB is 0.50 and B4AF is 0.422.

Table 1: Descriptive Statistics:

Variables	N	Minimum	Maximum	Mean	Std. Deviation
BNUM	450	7	10	7.31	.628
NACM	450	2	8	4.38	.817
EOWN	450	0	99	45.29	26.83
IOWN	450	0	95	26.13	24.26

FOWN	450	1	87	28.48	19.16
FSIZE	450	11	18	14.82	1.33
ROA	450	-73	54	1.50	9.742
Z-SCORE	450	-3.25	41.90	2.47	4.06
RDQ	450	3	5	3.99	.448
RDQI	450	25	92	64.99	9.12
GOWN	450	0	1	.04	.196
DLBS	450	0	1	.66	.475
INEDB	450	0	1	.51	.500
B4AF	450	0	1	.23	.422

Correlation Analysis:

Correlation and regression analysis somehow same because both are deals with relationship among different variables of study, Correlation tells as the association of two or more variables with each other, correlation value lies between -1 and +1, -1 means variables have perfect negative correlation and + 1 means perfect positive correlation between variables. Table 4.3shows the results correlation of independent and independent variables as well as dummy variables of study. Higher correlation coefficient value shows that there is a strong relation between variables. Gujarati and Porter, (2009); Groebner et.al, (2005) and Garson (2012) indicates three type of correlation which are measured in statistics these are Kendall rank Correlation, Person Correlation and Spearman correlation. Commonly Person Correlation used to measure the association between variables. This study explains the correlation analysis on the bases of following table which is adopted from Ishtiaq, (2015) study.

Table 2 Correlation Acceptance/Rejection Criteria

Range	Correlation Sensitivity
+ or – 1	Perfect Positive or Negative Correlation
+ or - 0.80 to + or - 0.99	Strong Positive or Negative Correlation
+ or - 0.50 to + or - 0.79	Moderate Positive or Negative Correlation
+ or - 0.20 to + or - 0.49	Weak Positive or Negative Correlation
+ or – 0.00 to + or - 0.19	No Correlation

Table 3: Correlation Matrix:

	BNUM	NACM	EOWN	IOWN	FOWM	FSIZE	ROA	Z-score	RDQ	RDQI	DLBS	INEDB	GOWN	B4AF
BNUM	1													
NACM	-.052	1												
EOWN	.064	.148**	1											
IOWN	.116*	-.070	-.721**	1										
FOWN	-.234**	-.116*	-.482	-.257**	1									
FSIZE	.159**	-.017	-.024	.187**	-211**	1								
ROA	.123**	.053	-.018	.136**	-.138**	.164**	1							
Z-score	.151**	.111*	-.063	.127**	-.071	.290**	.399**	1						
RDQ	.129**	.149*	-.137**	.121*	.031	.315**	.151**	.326**	1					
RDQI	-.014	.075	.070	.022	-.127**	.090	.092	.146**	.280**	1				
GOWN	-.102*	-.038	-.215**	.319**	-.102*	-.134**	-.065	-.027	-.097	.040	1			
DLBS	.107*	-.064	-.027	.219**	-.246**	.194**	.169**	.147**	-.004	.263**	.076	1		
INEDB	.205**	-.084	-.025	.080	-.072	.224**	-.141**	.038	.090	.112*	-.005	.232**	1	
B4AF	.104*	.038	.151**	.040	-.271**	.182**	.187*	.126**	.176**	.404**	-.031	.295**	.041	1

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Table 3 shows the results of correlation of all variables included in study. The correlation coefficient between two dependent variables is 0.280 which is significant at 0.01 level. According to table 2 coefficient value shows that these two variables has weak positive correlation. Further RDQ is positive relation with NACM and IOWN at 0.05 level and negative relation with EOWN and significant at 0.01. BNUM, FSIZE, ROA, z-score and B4AF also have a positive and significant relation with RDQ. Table 3 shows Z-score have weak positive correlation with FSIZE, ROA and RDQ at 0.01 level, results shows there is no negative relation between z-score and other variables of the study. RDQI have a significant negative relation with FOWN and significant positive relation with z-score, RDQ, DLBS and B4AF at 0.01. Coefficients shows that B4AF, DLBS and RDQ has weak positive correlation with RDQI. BNUM have weak negative correlation with FOWN and weak positive with INED at 0.01 level of significance. NACM have some significant impact on other variables of the study but coefficients of correlation show there is no positive or negative relation of NACM with other variables. EOWN have a moderate negative correlation with IOWN and weak negative relation with GOWN. There is a weak positive correlation between IOWN and DLBS and GOWN. Results also show that FOWN have negative correlation at 0.01 level of significance with three variables of study which are FSIZE, BNUM and B4AF. Overall result show most of variables have weak positive and negative correlation with each other. Moderate negative correlation is only between two variables which are IOWN and EOWN and compare with previous literature it is acceptable for further analysis of variables.

Regression Analysis:

Regression analysis applied on data to measure the dependent variable relationship with independent variables or impact of independent variables on dependent variable. This study regression analysis run in two stages, in first stage of regression find the risk factor and at second stage risk is use as independent variable to find the RDQ and RDQI.

First Stage regression results:

In first stage of regression find the risk factor of textile industries to use the all possible variables. Results of first stage analysis is shown in table 4.

Table # 4: Z-score Results Table

Variables	Std. Error	Beta	T-value	Significance
Constant	11.743		-1.404	
BNUM	.290	.088	1.956	.051
NACM	.212	.119	2.787	.006
EOWN	.112	.061	.082	.935

IOWN	.113	.091	.136	.892
FOWN	.113	.131	.245	.807
FSIZE	.141	.221	4.783	.000
ROA	.019	.347	7.667	.000
GOWN	.948	.033	.728	.467
DLBS	.401	.045	.955	.340
INEDB	.371	.022	.479	.632
B4AF	.442	.017	.363	.717
Adjusted R Square	**.216**		Durbin-Watson Statistics	**2.166**
R Square Change	**.236**		F Change	**12.272**
Dependent variable: Z-score				

In table 4 results of first stage regression analysis are shown which are related to risk factor. Results shows that all variables are positively related with z-score (risk), four variables have significant impact on risk which are BNUM, return on assets, NACM and firm size. BNUM significant at 0.05 and other three variables are significant at 0.01 level. Results shows that ROA and Size of Company has 100 % impact on risk factor. All other variables have positive and insignificant impact on z-score. Table show the R square change value which is 0.236, F change value is 12.272 and Durbin-Watson value is 2.166. According to (Barkat and Husainy, 2013; Hassan, 2014; Asfaq et.al 2016) there is a positive and significant impact of size on RDQ.

Second Stage regression analysis:

In second stage of regression researcher check the impact of independent variables on dependent variable of study. Risk factor (z-score) use as independent variable to find the RDQ and RDQI. Results of second stage analysis given below in table 5 and 6.

RDQ Results

Table # 5: RDQ Results

Variables	Std. Error	Beta	T-value	Significance
Constant	1.294		2.838	.005
BNUM	.032	.075	1.666	.096
NACM	.024	.152	3.531	.000
EOWN	.012	-1.061	-1.432	.153
IOWN	.012	-.829	-1.234	.218
FOWN	.012	-.582	-1.093	.275
FSIZE	.016	.223	4.724	.000
ROA	.002	.018	.367	.714
GOWN	.104	-.056	-1.227	.220
DLBS	.044	-.125	-2.671	.008
INEDB	.041	.051	1.117	.265

B4AF	.049	.159	3.478	.001
Z-score	.005	.218	4.577	.000
Adjusted R Square	**.220**	Durbin-Watson Statistics	**2.091**	
R Square Change	**.241**			F Change **11.584**
Dependent Variable: Risk Disclosure Quantity				

Table 5 shows regression analysis results of RDQ with other variables of the study risk disclosure quantity is taken as dependent variable. Standard error, beta, t-value and significance values of each variable is shown in table 5. This table shows the impact of all independent and dummy variables on dependent variable of the study. Results shows that there is a positive and significant impact of no. of audit committee meetings, firm size, big four audit firms and z-score, and dual leadership structure have negative and significant impact on RDQ. These five variables are significant at 0.01 level of significance.Table show the R square change value which is 0.241, F change value is 11.584 and Durbin-Watson value is 2.091. Table 4.5 results also shows that Executive management ownership, first shareholders ownership, governmental ownership and institutional ownership has insignificant and negative association with dependent variable RDQ. Other remaining variables of study (BNUM, ROA and INEDB) has positive and insignificant relation with RDQ. Results shows that accept the hypothesis H1, H2 and H7 and failed to accept other four hypothesis (H3, H4, H5, H6).

Table # 6RDQI Results:

Variables	Std. Error	Beta	T-value	Significance
Constant	26.827		1.394	.164
BNUM	.664	-.086	-1.886	.164
NACM	.489	.059	1.353	.177
EOWN	.256	.915	1.213	.226
IOWN	.257	.787	1.151	.250
FOWN	.258	.651	1.201	.231
FSIZE	.330	-.019	-.395	.693
ROA	.046	-.014	-.290	.772
GOWN	2.163	.046	.989	.323
DLBS	.916	.148	3.093	.002
INEDB	.847	.092	1.973	.049
B4AF	1.007	.366	7.853	.000
Z-score	.109	.097	2.008	.045
Adjusted R Square	**.193**			Durbin-Watson Statistics **1.918**
R Square Change	**.214**	F Change		**9.938**
Dependent variable: Risk Disclosure Quality Index				

Table 6 shows the regression results of the second dependent variable of the study (RDQI), which tells that all variables has positive association with RDQI except firm size, return on assets and board members. These variables have negative association with RDQI. Only four variables (INEDB, DLBS, B4AF and Z-score) has significant and positive impact on risk disclosure quality index, in which INEDB is significant at 0.05 level of significance and other three are significant at 0.01. Results also shows that board members, return on assets and firm size has insignificant negative relation with risk disclosure quality index. All other variable (BNUM, NACM, EOWN, FOWN, FSIZE, ROA and GOWN) have insignificant impact on second independent variable (RDQI). Table show the R square change value which is 0.214, Durbin-Watson value is 1.918and F change value is 9.938. According to results accept the hypothesis H2 and failed to accept hypothesis H1, H3, H4, H5, H6 an H7.

Conclusion

In this study focus is trying to find the relationship of risk disclosure quantity with its determinants, furthermore find the risk factor of the textile firms and find the quality of risk disclosure in annual reports. For this purpose, researcher empirically analyses the ownership structure, governance, board structure, audit committee behavior and profitability variables. Data collect from annual financial reports of textile firms which are PSE listed firms for the period of 2011 to 2016. To analyze the quality of risk disclosure an index is develop which is adopted from (Barkat and Husainy, 2013; and Ashfaq et.al, 2016) after some amendments. Overall results confirmed that firm size and profitability are significantly impact on risk quality and quantity. Results of study recommended that SECP should more strict regulations on disclosure of risk to enhance the quality and quantity of risk.

Every research is unfinished without its limitations, so this study also encountered some limitations. There is a huge literature on risk discloser, but only limited number of studies are used to conduct this research. It is very difficult to collect the all variables data which are related to risk, so researcher restrict on those variables their data is available. This study only focused on textile firms. Only 85 firms are used for analyses propose. Further this research may extend on this topic to include more variables and combine with other sectors.

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