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Forward Looking Disclosure and Its Determinants: Empirical Evidence from the Listed Banks of Bangladesh

Abstract

Forward looking information is an emerging issue in academic and corporate arena. Today's dynamic and competitive business world, the disclosure of forward looking information gives competitive advantages. The main objective of the study is to empirically find out the extent of forward looking disclosure and its determinants in the banking sector of Bangladesh. To conduct the study total 120 firm years are considered as sample from 30 listed banks from DSE as sample during the period 2017 to 2020. The average mean value of forward looking information is 38% which indicates poor quality of forward looking information in the most regulated sectors of Bangladesh. The results using multivariate regression analysis shows that board independence, audit firm size and firm's profitability have positive and significant relationship with forward looking disclosure index (FLDI). This study also finds that foreign ownership, board size and audit independence have significant negative relationship with FLDI. But this study didn't find any significant association of forward looking information with firm size, female board members, sponsor /directors in the banking sector of Bangladesh. To the best of our knowledge, there is scarcity of research that has been examined the disclosure of forward looking information and its determinants in banking sector of Bangladesh as well as very limited work is done in other sectors. The study will contribute to the existing scarce literature and may influence the policymakers and regulators to incorporate regulations to increase the quality and extent of forward looking disclosure.

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1. Introduction

It is mandatory for any listed company to publish annual reports. Firms usually disclose forward and backward looking information in the annual report (Kılıç and Kuzey, 2018). The backward looking information presents on the previous financial performance and their disclosure but the forward looking information highlights on the future forecasts along with the current plans (Hassanein and Hussainey, 2015). Today's dynamic and competitive business world, the disclosure of forward looking information gives competitive advantages. It is also the demand of shareholders, investors and other users of financial reports to know about the future forecasts about a company along with their current position. Not only backward information but also the forward looking information is necessary to get proper understanding about a firm

and take investment or other decision. Forward-looking information indicates the disclosure of business predictions about possible events, circumstances or financial performance which provide valuable insights to the stakeholders about the future prospects of the company. Forward-looking information presents future oriented financial information (FOFI) and financial outlook that can be easily founded on Chairman's report and Management Discussion and Analysis of annual report. Forward looking information disclosure includes both financial (revenue prediction, sales volume, cash flow) and non financial forecasts (future performance for example risk, analysis and evaluation, future business ambiguity, operations, agency relationship and general relevant information about the company) (Uyar and Kilic, 2012; Aljifri and Hussainey, 2007; Beretta and Bozzolon, 2004). Shareholders are interested to know about the future performance of the company and they ask frequently to the management about the future prospect of the company but it is difficult for the manager to give actual prediction or forecast about the future events. Management stands in a better position to oversee most latest market trends and performance and then present to the stakeholders with sufficient explanations of what the company intends to do. In most of the cases, forward looking information disclosure plays an important role to reduce the information asymmetry between shareholder and companies that helps interested users for making better informed decision for investment (Alkhatib, 2012; Uyar and Kilic, 2012; Alkhatib and Marji, 2012). The inclusion of forward looking information in the annual reports is an emerging issue in academic and corporate arena. Very few numbers of studies have been conducted on disclosure of forward looking information in developing as we as south-east countries (Dey et al., 2020). In Bangladesh the quality and extent of forward looking information is not sufficient in the annual reports and its an emerging context to conduct corporate research. To the best of our knowledge, there is scarcity of research study that has been examined the disclosure of forward looking information in banking industry of Bangladesh. An empirical examination of forward looking information disclosure will be conducted based on following research questions:

RQ1: What is the extent of forward-looking information disclosures in annual reports of the listed banks of Bangladesh?

RQ2: What are the determinants of forward-looking disclosures in annual report?

The main objective of this research study is to investigate the extent of forward looking disclosure and the influential factors that affect the forward looking disclosure information in the listed banks of Bangladesh. In this study, self-structured forward looking disclosure index will be developed based on prior research and practice in the listed banks of Bangladesh. Firm size, profitability, board size, gender diversity, sponsor/director, foreign ownership, board independence, audit size and audit independence will be considered as determinants of forward looking information.

The economy of Bangladesh is growing day by day and banking sector is contributing a significant part in the development of the economy. Banks are very much concerned about future outlook to ensure the profitability as well as growth. Banks

always try to retain existing customers and attract potential investors through highlighting their future prospect in coming days. Investors and creditors are very much concerned about their risk and return and they want to assess the future prospect and growth through the forward looking statement of the annual report. Thus, forward looking information is very essential to the stakeholders. Prior studies on forward looking disclosure is mainly based on developed and developing economies. But there is scarcity of research to what extent Bangladeshi firms especially listed banks disclose forward looking information in the annual report. Thus, there is gap of research of extent of forward looking information in the annual report and its determinants. Moreover, credibility issues of the banks are more important as banks work with people's money and the required information is available here. The key data is available from annual report, website, press release, magazines or direct contact with analyst and so on. But we mainly focused on annual report as annual report is the most standard report of communication of information in compare to website, press, magazines among others. This study will add value to the current deficient literature and may influence the policymakers and regulators to incorporate regulations to increase the quality and extent of forward looking disclosure. It will assist investors to make more credible decisions when they will deal with banks in case of depositing, lending, auditing, investment etc. The study will assist in conducting further research on that issues by addressing the present research gap on that area.

The entire research study has been divided into five sections. In the first section, the introductory part is discussed. The second section includes theory and third section presents literature review and section four shows hypothesis development. In section five, the methodology that was used to conduct the study are described in details. The section six shows the analysis and finding. Finally the last section concludes the paper.

2. Theoretical framework

Several theories have explained the motivation for forward looking disclosure. By concentrating on information asymmetry, previous studies on forward looking disclosure have used various theories such as Agency Theory, Signaling Theory, and Stakeholder Theory. Elzahar and Hussainey (2012) study states that both Signaling theory and Agency theory better clarify the factors that influence forward-looking disclosures. According to agency theory, the assumption of knowledge asymmetry between principals (shareholders) and agents, causes to agency costs when ownership and management are separated (Jensen and Meckling, 1976). Since agents are involved in the day-to-day operations of the company, they have more superior information than the owner, resulting in information asymmetry. To avoid this, the company may reveal more information. Voluntary disclosure is often used in agency theory to minimize information asymmetry. Firms deliver a greater level of FLID to ensure a stronger evaluation of the firms' future efficiency to lessen this asymmetry (Kılıç and Kuzey, 2018). Thus, forward looking disclosures minimize information asymmetry and as a result, cost of capital and agency cost both can be reduced. Along with agency theory, signaling theory (Spencer ,1973) can also explain the factors affecting forward looking disclosure. According to this theory, in order to increase firm value and lower capital costs, managers may

reveal more information so that it can be regarded as a good signal in the capital markets (Elzahar and Hussainey, 2012). As a result, in order to eliminate information asymmetries, firms may transmit signals to their users by giving forward-looking information.

O'Dwyer (2002) study states that firm should equally and fairly treat all stakeholders based on the stakeholder theory. But in reality, management act differently to the stakeholders due to their differential power on the firms (Van der Laan Smith et al., 2005). Stakeholders need diverse information to take decisions and they can collect the information from forward looking information about the future performance and prospects.

3. Literature Review and Hypothesis Development

Prior research studies tried to identify the motives for disclosing voluntary information in the annual report.

Mahboub (2019) study states that researchers have examined the association between firm characteristics and forward looking disclosure and its impact on firm performance (Hassanein et al., 2019). Hassanein et al. (2019) study showed a positive impact of FLD on firm performance and forward-looking information as narrative reporting is considered as reliable source of information for large and/or low-performing firms.

Mahboub (2019) analysing 29 Lebanese commercial banks of 2008-2017 showed profitability, liquidity, and capital expenditure positively impacted FLD. There have been a number of studies in the past that have concentrated on the correlation between forward-looking disclosure and the volatility of stock return. Bravo (2016) study on US company investigated whether or not there is a correlation between the disclosure of financial forward-looking information and the volatility of stock returns. The finding of the study was that company disclosing financial FLD with higher reputation has significance influence in share volatility.

Krause et al (2017) study on 160 companies listed in Frankfurt Stock Exchange showed Share return volatility has significantly negative relation with FLD. Several research looked into the association between corporate governance factor and FLD level.

Qu et al. (2015) using Chinese listed company concluded that efficient corporate governance mechanisms are one of the most important aspects to improve the quality of information and to lessen information gap.

Ho and Taylor (2013) study on 100 companies demonstrated that effective corporate governance mechanism enhance forward looking disclosure, financial data, and disclosure of firms strategy. Along with them other researchers contribution in that sector are summarized in the following table.

Aljifri and Hussainey (2007) study examined the determinants of forward looking information in annual reports of UAE companies using the 46 companies listed in Dubai securities market or Abu Dubai securities market and found that firms profitability and debt ratio have significant impact on forward looking information.

Table 1: Summary of Literature Review

Study	Sample	Time Period	Method	Dependent variable	Independent Variable	Result
Aljifri and Hussaine y (2007)	46 companies listed in Dubai financial market or Abu Dubai securities market	2004	backward regression analysis	Forward Looking disclosure	Sales, leverage, profitability, audit type	Profitability and debt ratio variables have significant effects on the disclosure level. Sector type, size and auditor size are found to have an insignificant relationship with the level of disclosure
Alkhatib (2014)	125 companies listed on the Jordanian stock exchange	2011	regression analyses	forward looking disclosed items	Sector, Size, Leverage, Profitability, Auditortype	Auditor type and the total assets found to a significant impact on forward looking information disclosure only inthe industrial sector. Profitable companies tend to disclose more information. Large sized companies and who are audited by internationally affiliated audit firms disclose are likely to disclose more information
Mathuva (2015)	45 firms listed on the Nairobi Securities Exchange	2009-2010	backward regression analysis	Forward Looking disclosure	Leverage, Profitability , Size, Liquidity , Capital expenditure investment, Institutional ownership, Cross listed dummy	Leverage, Profitability, Capital expenditure, Institutional ownership have positive and significant relation with FLD. Cross listing status has negative and significantrelation with FLD.

Krause etal (2017)	160 companies listed in Frankfurt Stock Exchange	2005-2009	Panel regression, Sensitivity analysis	Quality FLD index (weighted) Quantity FLD index (the totalword count)	Crisis year, Firm size, Insider shareholder, Leverage, Profitability , share return volatility, Audit firm,Cross listed firm , Industry	Size has significantly positive relation with Quant FLD index. Profitability has significantly positive relation with QuantFLD index. Share return volatility has significantly negative relationwith quality FLD index.
Kılıç and Kuzey (2018)	55bnon-financial companies available in the Integrated Reporting Examples Database	2014	multivariate ordinary least squares regression	Total forward-looking disclosure (FLDI), Quantitative forward-looking disclosure , Qualitative forward-looking disclosure .	Board size, Board composition , Board gender diversity, Firm size,Return on assets, Leverage,Industry	Gender diversity and firm size are positively related toforward-looking disclosures. Leverage is negatively relatedwith forward looking disclosure. No significant impact created by board size, board composition, profitability or industry on forward-looking disclosures.
Bravo and Alcaide-Ruiz(2019)	companies included in the Standard and Poor's 100 Index	2016	Multivariate regression analysis	Financial forward looking disclosure level (Numberof sentences with financial forward-looking information)	Female financialexpert in AC , Female accounting financial expert in AC, Female non- financial accounting expert in AC, Size, Leverage, Profitability , Audit Committeesize , Gender diversity in AC.	Female financial expert in AC, Female accounting financial expert in AC, Female non-financial accounting expert in AC, Size has significantly positive relation and with FFLD level and FFLD coverage. Profitability has significantly negative relation with FFLD level and FFLD coverage.

Mahboub (2019)	50 commercial bank in Labenon bank	2008-2017	Multivariate OLS regression	Forward Looking disclosure	Profitability , Size, Leverage, Liquidity, Firm age, Capital expenditure	Size, leverage and age have an insignificant association with the level of forward- looking informationdisclosure. Profitability, liquidity, and capital expenditures are foundto have a positive effect onthe level of this disclosure.
Buertey and Pae (2020)	50 firms listed on the Zimbabwe Stock Exchange	2013	Multiple regression analysis	Forward looking information disclosure score of 19 item	Board size, Board independence, Institutional ownership, ROE, Leverage, Audit firm, Size, industry dummy	Board size, leverage, audit firm and institutional ownership are not statistically significant Size, Board independenceand ROE is positively significant with FLD.
Dey et al (2020)	DS30 index	2013-2017	Multivariate OLS regression	average score of self-constructed FLID index	Size, Board size, BOD independence, Gender diversity, Leverage, Profitability , Age	Board size, audit firm, Leverage, Profitability, havesignificantly positive relation with FLD. Gender diversity, Firm age, Firm size have significantly negative relation with FLD.

Based on the above discussion and summary of literature review (Table 1), it is evident that prior research on forward looking information is mainly based on developed and developing economies. Forward looking disclosure (FLD) is an emerging issue in academic research nowadays. But very few research are conducted on forward looking disclosure (FLD) in any sectors especially in the context of Bangladesh. On the other hand, the economy of Bangladesh is growing day by day and banking sector is contributing a significant part in the development of the economy. Banks always try to retain existing customers and attract potential investors through highlighting their future prospect in coming days. Investors and creditors are very much concerned about their risk and return and they want to assess the future prospect and growth through the forward looking statement of the annual report. Thus, forward looking information is very essential to the stakeholders. But there is scarcity of research to what extent Bangladeshi firms especially listed banks disclose forward looking information in the annual report. Thus, there is gap of research of extent of forward looking information in the annual report and its determinants. To fill up this research gap is the motivation

of this study and the research findings will add value to the academic literature. That's why this study is conducted in the context of Bangladesh as the quality and extent of forward looking information is not sufficient here and it's an emerging issue in academic research in the context of Bangladesh.

The following hypotheses have been developed to determine the factors that contribute to FLID:

3.1 Firm size

Size of the firm is one of the most frequently applied variables for determining the scope of firm disclosures. Prior studies shows a positive association between firm size and FLD (Kılıç and Kuzey, 2018; Buertey and Pae, 2021). Aljifri, K., and Hussainey, K. (2007) study states that large firms usually provide forward looking information because they have adequate resources to generate the information and meet the demand of the users, get the competitive advantage in compare to small firms, and various users have the interest about the larger firms.

But Dey et al. (2020) and Mahboub (2019) study demonstrates that forward looking disclosure is negatively associated with firm size. They argues that small businesses with limited resources should disclose more corporate information to attract investors and creditors. The possible reasons might be : firms may loss the competitive advantage, future is always uncertain and it is difficult to predict with accurate information; stakeholders may sue against the inaccurate prediction or forecasting. Field et al. (2003) study stated that large firms usually disclose less forward looking information to reduce the litigation costs. Thus, the hypothesis developed as :

H1: There is a negative association between firm size and FLD.

3.2 Profitability

Previous studies (Alkhatib, 2014; Mahboub, 2019, Dey et al., 2020) demonstrate a positive association between profitability and FLD. It is assuming that firms will assess the future risk and minimize the risk at its level best to ensure better profitability and growth. Moreover, profitable firms will focus on future prospect of the company to attract and retain potential investors and creditors. Investors and creditors will also assess the company's current performance, future growth, potential risk, future prospect before making their final investment and credit decision. Thus, it is very common that profitable firms will disclose more forward looking information in the annual report. Singhvi and Desai (1971) study stated that highly profitable firms disclose more forward looking information and boost up the confidence of the investors.

On the contrary, Kılıç and Kuzey, (2018) study finds that forward looking disclosure is not associated with firm's profitability. However, it is assumed that profitable firm discloses more voluntary information to attract potential investor.

H2: There is a positive association between profitability and FLD.

3.3 Board Size

Regarding the relationship between board size and company forward looking disclosures, the existing research provide a mixed findings. Dey et al. (2020) study on DSE 30 index show that size of board of director is positively correlated with FLD. Larger board have diversified expertise and experience personnel and they know

how to get competitive advantage by disclosing forward looking information. Large boards provide the forward looking information with more accuracy as more expertise members are involved to predict the future information. Gandia (2008) study states that a larger board size allows members to have a broader perspective and experience, which can increase BOD's monitoring capacity and improve voluntary disclosure. However, due to the problem of bureaucracy, a larger board size can result in a slower decision-making process. In the some of the previous studies, an insignificant relation between FLD and BOD size has been examined (Buertey and Pae, 2021; Kılıç and Kuzey, 2018). So the following hypothesis is –

H3: There is a positive association between FLD and board size.

3.4 Gender diversity

Kılıç and Kuzey (2018) study finds that forward looking disclosure is positively associated with gender diversity. Female members are very hardworking, sincere and active in business operation and they predict the future with accuracy. Female directors are more cautious about future uncertainty and want to assess and manage the future risk within their capacity.

But Dey et al. (2020) study shows that gender diversity is negatively associated with forward looking disclosure in Bangladesh. It could result from family oriented boardroom as a significant portion of firm in Bangladesh in family firm. In some cases, female board members are the family members of chairman, directors and CEO. Female members participate in the board room as silent performer and most of the cases they don't argue about any issue in board meeting. It is observed that female directors in the board most often hold the position of directors based on their family relationship rather than professional and academic qualification. Thus, it is assuming that the hypothesis would be:

H4: There is a negative relation between FLD and gender diversity.

3.5 Sponsor / Director

Sponsor / director owners are the key players of the firm. They mainly lead the business from the font. Sponsor /director want to disclose more forward looking information to attract and retain potential investors. They highlight the future prospect, growth, introduce innovative and diversified product based on the market demand, predict the future risk and risk management strategies to overcome all the risk factors and ensure profitability. This argument is consistent with prior study (Celik, Ecer, and Karabacak, 2006) and they found that sponsor / director is positively associated with forward looking disclosure. But Maghfira and Tresnaningsih (2017) study shows that forward looking disclosure is negatively associated with ownership concentration. Sponsor / director may discourage forward looking disclosure to their own benefit. In some cases, sponsor / directors want to avoid forward looking disclosure. The possible reasons are: competitors may capture their innovative idea/plan, and even may launch the product in the market, competitors may gain competitive advantage, stakeholders may sue against the firms due to mismatch between prediction and reality. Thus, it is assuming that sponsor / director in the listed banks of Bangladesh will be reluctant to disclose forward looking information and thus develop the hypothesis as:

H5: There is a negative association between sponsor / director and FLD.

3.6 Foreign Ownership

Foreign investors are very much concerned about their investment and return. They want to assess the future before making any investment decision. They want to get accurate information about future. Most of the foreigner want to keep trust on forward looking information and if they get accurate information they will invest more and more and if the scenario is opposite, they may withdraw their investment. Thus, mangers want to disclosure more forward looking information in the annual report to attract and retain potential investors. Foreign investor can keep pressure on management to disclose more FLD to ensure their credibility cause based on future information they will be interested to invest. Previous study (Celik, Ecer, and Karabacak, 2006)) also documented similar findings that foreign ownership is positively associated with forward looking disclosure. Thus, this study develop the hypothesis as :

H6: There is a positive association between foreign ownership and FLD.

3.7 Board Independence

Independent directors are the outsider of the business. They work to protect the interest of the general shareholders. Independent directors ensure the transparency, accountability, and credibility of the firm. Previous study also documented that the existence of independent director in board increases the clarity and accountability of board and management to the stakeholder for efficient use of corporate resource. Some prior studies (Buertey and Pae, 2021; Dey, 2020) document the positive association between Board independence and FLD. But, Kılıç and Kuzey, (2018) study shows an insignificant association between FLD and Board independence. In Bangladesh, as number of independent director increases as per code of corporate governance 2018, thus, we can assume that independent directors are also playing their effective monitoring role to protect the interest of the general shareholders and thus develop the hypothesis as :

H7: There is a positive association between board independence and FLD.

3.8 Audit Size

Audit committee is an important governance instrument to ensure better governance. The size of audit committee also play a pivotal role in ensuring the true and fair view of the financial statements. Internal audit committee may check the relevance and reliability of the forward looking information in the annual report. Even, internal audit committee may have the authority to inform the regulator, if the board bypass any urgent or conflicting issue. Thus, the size of internal audit committee may play a big role to verify the accuracy of forward looking information. Rifai and Siregar (2021) study finds that forward looking disclosure is positively associated with audit size. Audit committee play an important role to disclose both quantitative and qualitative information although audit is based on past data. Thus, the hypothesis developed as :

H8: There is a positive relation between FLD and Audit Size.

3.9 Audit Independence

As per code of corporate governance 2018, the chairman of internal audit committee

must be an independent director. Moreover, the quorum of the meeting will not be filled without the absence of an independent director. There must be an independent director in internal audit committee. Thus, it is easy to understand the importance of auditor independence in the audit committee who ensure the better transparency and accountability of the firm. Madi (2022) study documents that audit committee independence is significantly positively associated with voluntary disclosure. As forward -looking information disclosure is voluntary, so this hypothesis can be related with:

H9: There is a positive association between FLD and audit Independence.

4. Methodology

4.1 Sampling

Banking sector of Bangladesh has been chosen for conducting this study for its future orientation. The sample consist of 33 listed banks of Dhaka Stock exchange. Due to missing information and unavailability of recent annual report, 3 listed banks have been excluded from the sample size. The final sample includes the remaining 30 banks, with a total of 120 bank-year Observations over 4 year- period from the year of 2017 to 2020. Data of 2021 cannot be taken as sample because some banks have not yet been published their annual report in the website during the data collection time. The information from the annual reports is used to apply a scoring technique which suggests "1" or "0" whether an item of the forward-looking disclosure index is present or not. Data for this study mainly is collected from the annual report of the respective banks. Total 26 items of the FLD index have been identified that can be disclosed by the banks both in qualitative and quantitative way. Forward looking disclosure information is collected from the descriptive sections of annual report like chairman statement CEO statement, director's report, financial and operating overview, governance report, financial summary, financial history and people and environment. For the forward-looking disclosure index, the following 30 listed banking companies of Dhaka Stock Exchange (DSE) are considered for 2017, 2018, 2019 and 2020. The list of the sample banks are given in the below Table 2.

Table 2: List of Sample Banks

No	Banks	No	Banks
1	AB Bank Limited	16	Mutual Trust Bank Ltd
2	Al-Arafah Islami Bank Ltd	17	National Bank Ltd
3	Bank Asia Ltd	18	National Credit and Commerce Bank Ltd
4	BRAC Bank Ltd	19	One Bank Limited
5	The City Bank Ltd	20	Premier Bank Ltd
6	Dhaka Bank Ltd	21	Prime Bank Ltd
7	Dutch-Bangla Bank Ltd	22	Pubali Bank Ltd
8	Eastern Bank Ltd	23	Rupali Bank Ltd

9	Export Import (Exim) Bank of Bangladesh Limited	24	Shahjalal Islami Bank Ltd
10	First Security Islami Bank Limited	25	Social Islami Bank Limited
11	ICB Islamic Bank Limited	26	Southeast Bank Ltd.
12	IFIC Bank Ltd	27	Standard Bank Limited
13	Islami Bank Bangladesh Limited	28	Trust Bank Limited
14	Jamuna Bank Ltd	29	United Commercial Bank Ltd.
15	Mercantile Bank Ltd	31	Uttara Bank Limited

4.2 Data collection

Data is collected from the website of DSE, Lanka Bangla finance Ltd., financial statements, and annual report of the 30 listed companies, and company's website. Data is collected for the purpose of descriptive statistics, correlation matrix and regression analysis.

4.3 Measurement of Variables:

The dependent variable forward looking disclosure is measured as score 1 if the company talks about a certain thing at least once, and a score of 0 otherwise. We have prepared a self-constructed forward looking disclosure index consisting of 26 items based on the prior research and practices of forward looking information. We have considered both quantitative and qualitative information of forward looking information. Forward looking disclosure index is measured by the score of forward looking disclosure by each bank divided by the total number of items of forward looking disclosure and then by multiplying the hundred converted into percentage form. Total item in the index is 26. For each item, value is 2, 1 for quantitative and 1 for qualitative. So, if under 1 item, both quantitative and qualitative disclosure is provided 2 is assigned, any one of the disclosures is provided then, 1 is assigned, if no disclosure is provided, then 0 is assigned. So, for a total 26 item the maximum score could be 52. The forward -looking disclosure index has been given below in Table 3.

Table 3: Forward Looking Information Disclosure Index

No	Items	No	Items
1	Prospectus for economy	14	Financial risk
2	Prospectus for industry	15	Introduction of new products/services
3	Advertising and marketing plan	16	Sales target
4	Product research, innovation and development	17	Expected profitability
5	Investment Project	18	Share price
6	Capital expenditure plan	19	EPS
7	Dividend distribution	20	Dividend per share

8	Quality controls and commercial policies	21	Cash flow
9	Discussion about corporate strategy/ Goal and task in various area of activity	22	Financing / financial structure
10	Development of new markets	23	Elimination of various form of discrimination
11	Growth opportunity	24	Health and safety at work
12	Political risk	25	Social commitment
13	Environmental risk	26	Future CSR guideline

Board size, board independence, audit size, audit independence, gender diversity, sponsor / director, foreign ownership, firm size, profitability, are considered as Independent variables.

Table 4 : List of variables

Variables	Measurements of variables	References
Total forward-looking Disclosure Index (FLDI)	The percentage of total items a firm disclosed to total items in forward looking disclosure index	Kılıç and Kuzey (2018)
Firm Size	The natural logarithm of total assets	Buertey and Pae (2021)
Profitability	((Net income / Total assets)*100)	Alkhatib (2014)
Board Size	The natural logarithm of total members in the board	Kılıç and Kuzey (2018)
Gender Diversity	Presence of Female directors in the board	Kılıç and Kuzey (2018)
Sponsor / director	Percentage of share held by sponsor / director	Celik, Ecer, and Karabacak (2006)
Foreign ownership	Percentage of share held by foreign owners	Celik, Ecer and Karabacak (2006)
Board Independence	Percentage of Independent directors in the board	Buertey and Pae (2021)
Audit size	The natural logarithm of total members in the audit committee	Rifai and Siregar (2021)
Audit independence	Percentage of Independent directors in the audit committee	Madi (2022)

4.4 Model Specification

In this study, multiple regression results have been shown to show the relationship between forward looking disclosure and its determinants in the listed banks of Bangladesh using Pooled cross sectional method. Though the nature of the data set is panel, but due to limited sample size, there must be less variations and as a result, fixed effect, random effect or hausman test result might be biased. As the number of firms is very few, total sample size is very limited and sample includes only one hundred and twenty firm year observations, thus this study applied pooled cross sectional method to get the reasonable variations and maximum sample size. Moreover, this pooled cross sectional method has been applied based on the prior research prior studies (Nahar et al., 2016 and Rahman, 2016).

The available data is analyzed using the following the model:

FLDI score=α + β1firmSIZEit + β2profitit + β3boardsizeit + β4Female directorit + β5sponsor /directorit+ β6foreignit+ β7 board independenceit+ β8 auditsizeit+ β9auditindependenceit + εit

Where,

i refers to a individual firm, t refers to a particular year;

FlDI Score refers to a calculated score of forward- looking disclosure index including both qualitative and quantitative information.

5. Analysis and Findings

5.1 Descriptive Analysis

Table 5 presents the descriptive summary statistics of dependent and independent variables used in this study. The table shows number of observations, mean, standard deviation, minimum and maximum of the observed variables from 2017-2020; where the total firm year is 120.

Table 5: Result of Descriptive Statistics

Variable	Obs	Mean	STD	Min.	Max.
Forward Looking Disclosure Index	120	38.34877	16.09651	0	72.22222
Firm size	120	26.36605	.9155152	20.91905	27.98
Profitability (%)	120	3.38946	31.4605	- 4.24891	34.50154
Board size	120	2.546563	.3321331	1.791759	3.044522
Female director	120	0.6958333	0.5376413	0	1
Sponsor / Director (%)	120	35.99736	15.3033	0	87
Foreign Ownership (%)	120	4.22215	8.292492	0	43.48
Board independence (%)	120	18. 7721	7.25103	5.88235	44.44444
Audit size	120	1.39777	.2488412	0.6931472	1.791759
Audit independence (%)	120	44.23611	15.88047	0	100

From the table above, it can be seen that about 38% of the forward-looking disclosure items have been disclosed by the banks with standard deviation of about 16%. Here the maximum score for forward looking disclosure index is 72.2% and the minimum items disclosed by the banks is 0. This result indicates that there is very poor level of forward looking disclosure in the most regulated sectors of Bangladesh.

The average firm size is 26.36 which is measured by the natural logarithm of the total assets with the standard deviation of 0.9155. It means that there is great variation in the large and small banks. Here profitability (ROA) is 3.39% on average which is very low with the standard deviation of 31.46%. The board size is measured by taking natural logarithm of total members in the board and finds that the board size is 3 on an average using the natural logarithm. Presence of female director on the board on an average is 0.69. The proportion of share hold by sponsor / directors is about 35.99% on average with standard deviation of 15%. The shareholding proportion of sponsor/ directors rages from 0 to 87. From the above table it can also be seen that on average, the proportion of share hold by foreign ownership is about 4.22% which indicates that the shareholding of foreign ownership is very low in the banks. The standard deviation of foreign ownership is 8.29% and foreign ownership ranges from 0 to 43.48%. The descriptive statistics result shows that 18.77% directors are independent in the board with a standard deviation of 7.25%. The board independence ranges from 5.88% to 44.44%. Audit size is measured by natural logarithm of total members in the audit committee. On an average Audit size is 1.39, using the natural logarithm form, with standard deviation of 0.2488. The results above shows that the independent members in the audit committee is 44.23% with a standard deviation of 15%. It is measured by proportion of independent members to the total members in the audit committee.

5.2 Correlation Analysis

Table 6 presents the Pearson correlation matrix of all the variables. The correlation matrix shows that profitability (.1104), board independence (.1507), audit size (.1249) has positive relationship to the forward looking disclosure score. This means banks that has more profit, more independent members in the board and have a proper audit committee, they tend to disclose more forward-looking information in the annual report. On the other hand, firm size (-.018), board size (-.095), female directors (-.148), sponsor /directors (-.02), foreign ownership (-.182) and audit independence (-.095) are negatively correlated to the score. Again, as the correlation coefficient of all the variables are less than 0.70, so it can be predicted that there is no multicollinearity problem in the dataset.

Table 6: Result of Correlation Analysis

	Forward Looking Disclosure Score	Firm size	Profitability	Board size	Female director	Sponsor / Director	foreign	Board independence	Audit size	Audit Independence
Forward Looking Disclosure Score	1									
Firm size	-.018	1								
Profitability	.1104	-.53	1							
Board size	-.095	.3246	.0539	1						
Female director	-.148	-.169	-.069	-.127	1					
Sponsor / Director	-.02	-.186	-.094	-.245	.0357	1				
Foreign ownership	-.182	.2092	-.016	-.101	-.074	-.044	1			
Board Independence	.1507	.0816	-.016	-.438	-.096	.287	.455	1		
Audit size	.1249	-.018	.0803	.57	-.117	-.07	-.095	-.3577	1	
Audit Independence	-.095	.0489	.0978	.153	.0687	-.022	-.163	.0862	-.072	1

5.3 Model Validity

Field (2005) study states that multicollinearity occurs when there is a significant association between or among two or more independent variables. The test of multicollinearity of the data set reveals that there is no problem of relationship among independent variables as the average VIF and specific VIF do not cross the margin of VIF values of 10 (Gujrati 2003; Hair et al. 2006).

Table 7: Checking of Multicollinearity

Independent Variable	VIF	1/VIF
firmsize	2.36	0.423809
Profitability	1.81	0.552907
Board Size	2.53	0.395125
Female Directors	1.12	0.894819
Sponsor / Director	1.28	0.784146
Foreign ownership	1.47	0.68212
Board independence	2.08	0.480098
Audit Size	1.7	0.587966
Audit Independence	1.2	0.834182
mean VIF	**1.66**	

Table 8: Checking of Heteroscedasticity

chi2(1)	0.02
Prob >chi2	0.8807

Breusch-Pagan test has been conducted for checking whether the variance of the residuals is unequal over a range of measured values or not. A lower P value at the 0 percent level demonstrates the prevalence of a heteroscedasticity problem. It can be said that there is no problem of heteroscedasticity.

5.4 Regression Analysis

Table 9 represents the regression results showing the relationship between dependent and independent variables. The regression results shows that firm's profitability has positive relationship with forward looking disclosure which implies that firms usually disclose forward looking information when their internal firm performance is good enough. This result is consistent with the prior studies Buertey and Pae (2008).

This study also finds that there is a negative association of board size and audit independence with forward looking disclosure which implies that more membered board and the number of independence in the audit committee contribute negatively in disclosing forward looking information in the banking sector of Bangladesh. This results indicates that small board is more effective for disclosing forward looking information. The another reason might be members in the board are affecting negatively FLD due to lack of effectiveness in the large board and independent directors in the audit committee are not truly independent rather than dependent on management's decision. These kinds of anomalies are seen previously in prior researches in Bangladeshi context because of poor quality governance (Rahman, 2017).

The regression results also shows that there is a significant negative association between foreign ownership and forward looking disclosure indicating that foreign ownership is playing its negative role in not disclosing forward looking information in the annual reports of banks in Bangladesh. This may happen because foreign owners sometimes demand more conservative disclosure principle (Khalil, Ozkanc and Yildiz, 2019). Moreover, they may want to keep it as confidential to gain competitive advantage in terms of forward looking information.

A positive and significant relationship found between board independence and forward looking disclosure at 1% level of significance which is consistent with prior research of Al-Najjar and Abed, 2014. Another important explanatory variable of forward looking disclosure is audit size which is implying that big sized audit committees can play significant role in disclosing more futuristic information in the banking sector of Bangladesh. This finding is consistent with agency theory because audit committee has independent monitoring role for ensuring more disclosure.

Table 9: Result of Regression Analysis using Pooled Cross Sectional Method

Variable	Coefficient	Significance Level
Firm size	0.0515932	0.148
Profitability	0.1455405	0.109*
Board Size	-0.191933	0.06*
Female Directors	-0.0406059	0.33
Sponsor / Director	-0.0022682	0.148
Foreign Ownership	-0.0130091	0.00***
Board Independence	1.703184	0.002***
Audit Size	0.3208974	0.004***
Audit independence	-0.2522082	0.086**
Constant	-0.8774474	0.427
R square	0.2579	
Adjusted R square	0.1898	

Level of significances are at 1%***, 5% ** and 10% *.

But this study didn't find any significant association of forward looking information with firm size, female board members, sponsor /directors in the banking sector of Bangladesh. The reason might be large firms and sponsor/ directors are not interested to disclose forward looking information in public which may reduce their competitive advantage. Female directors are not more concerned about the forward looking disclosure as most of the female directors are appointed in the board based on the family quota in the banking sector. Sponsor / directors

6. Conclusion

This study examined the forward looking disclosure and it's determinants in the banking sector of Bangladesh using 120 firm years as sample from the listed banks of Dhaka Stock Exchange during the period from 2017 to 2020. This study finds that extent of forward looking disclosure is only 38% which indicates poor quality of forward looking disclosure although listed banks are the most regulated sectors in Bangladesh. The multiple regression results presents that forward looking disclosure is positively and significantly associated with board independence (similar results in prior study of Buertey and Pae, 2021; Dey, 2020), audit firm size (similar result in prior study of Rifai and Siregar, 2021) and firm's profitability (similar results in prior studies of Alkhatib, 2014; Mahboub, 2019; Dey et al., 2020; Singhvi and Desai, 1971). This result implies that independent directors are very serious about the firms forward looking planning, strategy and implementation steps to protect the interest of the general shareholders. In addition, profitable firms are more concerned about the future outlook and ensure the profitability through minimizing future risk factors.

This study also finds that forward looking disclosure is negatively and significantly associated with foreign ownership, board

size and audit independence. This result implies that these variables have not any significant impact on disclosing forward looking information. But this study didn't find any significant association of forward looking disclosure with firm size, female board member, sponsor /director. This result implies that sponsor/director and female board are not interested to disclose forward looking disclosure and firm size has no impact on forward looking disclosure.

The contribution of this research are very significant. First, the results provide a thorough understanding of the existing FLID practices in Bangladesh and can serve as important evidence for financial statement preparers, as there is scarcity of research study in Bangladesh especially in the Banking sector. The research findings will also facilitate the decision- making process for investors. Thus, the FLID procedures of commercial banks listed on the DSE could be enhanced through the actions of regulatory agencies and auditing companies and the need for information from stakeholders. This study provides a general review of the current situation of FLID in Bangladesh's corporations. Therefore, the research suggests that Bangladeshi commercial banks include more FLI in their annual reports to effectively reduce informational asymmetry between the institutions' management and owners.

This research has some limitations. First, the research was done solely on the banking industry, so the findings may not be applicable to other industries, such as the manufacturing, insurance and non-banking financial institutions. Second, the small sample size consequently limits the generalize ability of the results. Finally, this study relied entirely on the annual reports of banks as its information disclosure source; websites, press announcements, and prospectuses were not considered.

This study recommends some areas of future research such as a comparative analysis of forward looking information in banking and manufacturing companies. Moreover, a cross country analysis can also be conducted based on forward looking information. In addition, future research can be conducted by investigating the dissemination of information through various channels, such as newspapers, the media, and websites. Future study may also consider by incorporating some other new variables.

Author Contributions

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