INTRODUCTION

Corporate governance practices are one of the key indicators to boost market confidence and attract good investors in the company. Promoting good corporate governance practices is essential to attracting investment capital, reducing risk and improving company performance. This paper explored the effects of corporate governance on value-relevance of accounting information in Bangladesh. The number of corporate breakdowns worldwide has put considerable pressure on policymakers and corporate management to initiate and implement best corporate governance practices. From a scholarly viewpoint, corporate governance is an extensively researched area in the literature on accounting (Cohen et al., 2004). Nonetheless, the effect of corporate governance on the value-relevance of accounting information remains unexplored. Agency theory arguments support the view that better structured governance mechanisms should result in better quality financial reporting in the market place.

The inquiry for information disclosure in the cutting edge capital market is on the ascent and the contention base from data asymmetry and agency conflicts existing between the managers and investors (Oluwagbemiga, 2014). Absence of strong observing systems on administrative conduct, managers could mislead outsiders by providing financial information that doesn't speak to the genuine key image of the firm. In such cases, accounting information is of unimportant use in esteeming organizations, and no connection between market price and accounting information would be envisioned. Corporate governance instruments are relied upon to compel the executives crafty profit conduct and in this manner, to make accounting information progressively tenable and pertinent to outsiders (Habib and Azim 2008). Taking into account the importance of corporate governance and the job it plays in controlling the connection between management and stakeholders, the securities regulator in Bangladesh previously gave the Corporate Governance Guidelines (CGG) in 2006 for
their spontaneous compliance by the listed companies. The CGG was refreshed and reexamined in 2012 and gave for mandatory consistence. It has additionally been altered in the year 2018 and gave as the Corporate Governance Code (CGC) with required adequacy from the earliest starting point of the year 2019 (Bala, 2018).

The role of accounting information in firms' valuation is of significant enthusiasm to experts, financial specialists, and academicians. Past writing on the value relevance of accounting information, for example, Collins et al., (1997) and Francis and Schipper (1999) has shown that both pay articulation and accounting report data are helpful in deciding value esteems. Richardson et al. (2004) uncovered that much of the accounting-based valuation has concentrated with respect to breaking down chronicled and anticipated accounting numbers (Richardson et al., 2004). The examination of Ohlson (1995) and Feltham and Ohlson (1995) have shown considerable consideration among analysts about the job of accounting numbers in firms' valuation.

Strong empirical evidence on corporate governance appears to demonstrate the high estimation of accounting information for firms with strong corporate governance mechanisms, in spite of the fact that this finding isn't predictable across considers (Vafeas, 2000; Habib and Azim, 2008; and Dimitropoulos and Asteriou, 2010). Along these lines, this paper is an endeavor to work out the value-relevance of accounting information of manufacturing companies listed in DSE and also to assess the effect that corporate governance lends to the degree of value-relevance of accounting information in Bangladesh.

**Literature Review**

This section discusses the literature on ideas relevant to research, e.g. corporate governance and therefore the relative significance of accounting information. Value relevance is defined because the power of specific accounting information to elucidate the variance in share price where greater explanatory power indicates greater value relevance (Anandarajan and Hasan, 2010). Many studies provide meanings that are closely allied to the above meaning (Beaver, 1968; Ohlson, 1995; Barth, 2000; and Barth et al., 2001). By definition, there is no internationally recognized meaning of corporate governance, although Oman, (2001) broadly defined as the set of private and public institutions, including laws, regulations and accepted business practices, that, in a market economy, govern the relationship between corporate managers (“corporate insiders”) on one hand, and those who invest resources in corporations on the other.

Speculators see corporate governance since it is increasingly intrigued by its effect on value creation. Financial specialists are eager to pay more for organizations they believe are all around represented. As indicated by Habib and Azim, (2008) "Compelling corporate administration guarantees the inventory of solid accounting information to spending client bunches by obliging crafty income the executives by directors." They uncovered that organizations with vigorous corporate governance instruments show a higher worth pertinence of accounting information. Their findings also showed that company-specific accounting variables are critical reasons for the worth significance of accounting information.

Studies on corporate governance have gotten gro­wing scholastic and business consideration, and as indicated by Gillan (2006), the quantity of studies has expanded dra­matically in the most recent decade. LaPorta et al. (2000) and Koh et al. (2007) uncovered that the great nature of corporate governance structures makes an incentive by offering some benefit applicable accounting information in the commercial center. There has been another investigation of between firm variety inside one nation where Gompers et al. (2003) for the US, Drobetz et al. (2004) for Germany, Black (2001) for Russia, and De Jong et al. (2005) for the Netherlands and these examinations have created a positive connection between firm value and corporate governance standards.

Throughout the years past writing, (Agoraki et al., 2009; Karamanou and Vafeas, 2005; John and Senbet, 1998; Yermack, 1996; Adams et al., 2010; Anderson, et al., 2004; Vafeas, 2000; Dimitropoulos and Asteriou, 2010; Abdoli and Royaee, 2012; Habib and Azim, 2008; Alkdai and Haneefah, 2012; Alves, 2011; and among others) have gotten huge research enthusiasm on the impact of the board size. Forbes and Milliken (1999) uncovered that board size has a result on board viability in different manners, for example, bigger board has more aptitudes and information to share, in any case, since every one of them has an alternate perspective, it is probably going to fortify subjective clash. While numerous creators (Vafeas, 2000; Ahmed and Duellman, 2006; and Alves, 2011) contend that a little board size can improve the quality of financial reporting as directors can convey better and increment the data substance and this decreases the extension for earnings management. However, Lim (2011) and Alkdai and Haneefah (2012) identified that board size do not affect the companies’ performance.

As indicated by Bushman et al. (2004) and Karamanou and Vafeas, (2005), the quality of information improves by having more external directors on board. The more external directors there are on a corporate board, the more compelling it is in playing out its riches amplification obligations to investors through its ability to screen and control wasteful administrative conduct. Beekes et al. (2004; Firth et al. (2007); Ahmed and Duellman, (2007); Marra and Mazzola (2009); Dimitropoulos and Asteriou, (2010); and Abdoli and Royaee, (2012) likewise saw that more prominent freedom of board is a viewpoint related with a higher caliber of accounting information. Be that as it may, Hermalin and Weisbach, (1991); Pi and Timme, (1993); Adams and Mehran, (2008) distinguished that there are no advantages from having independent directors on boards.

Following previous literature (Anandarajan and Hasan, 2010; Shamki and Alulis, 2016; Jabar, 2012; Shamki, 2012 and 2013) the present study controlled firm size while looking at the value relevance of the accounting information. This is legitimate, on the grounds that large companies have large accounting variables then huge profit, book worth and incomes. As indicated by the financial theory, financial leverage (using the debt capital) will expand the investors’ hazard. Existing literature found a positive connection between the financial leverage and the equity risk (Hamada, 1972; Galai and Masulis, 1976; Karma and Sander, 2006), whereas others found a negative connection between leverage and a firm’s profitability (Rajan and Zingales, 1995; De Jong et al., 2008; Verwijmeren
and Derwall, 2010). Therefore, the present study is used leverage as a control variable since firms’ risk level is expressed to expect a coordinating activity according to the components that impact the value relevance of accounting information (Joos and Lang, 1994).

**MATERIALS AND METHODS**

**Sample and Data Collection**

This paper has concentrated on listed manufacturing companies of the Dhaka Stock Exchange (DSE). The study has chosen those manufacturing companies listed with DSE in the year 2000 or before. This is on the grounds that this study has used information for 18 years from 2000 to 2017. As indicated by these criteria 71 manufacturing companies have chosen for the study.

**Hypotheses Development and Models**

Since this paper intends to inspect whether the earnings, book value and cash flows relevance is influenced by governance mechanisms (board of directors’ size and board of director independency), the connections among study variables are hypothesized as per the stock price as follows:

\[ H_{01} : \text{There is no significant statistical effect of Board of Directors size on the value relevance of accounting information.} \]

\[ H_{02} : \text{There is no significant statistical effect of board of directors’ independency on the value relevance of accounting information.} \]

As per the valuation theory, two valuation models are regularly utilized in in value relevance studies namely the price and return models. Price Model estimates the capacity of accounting information to clarify market values of equity. The Ohlson (1995) Price Valuation Model has been used in the current examination to decide the value relevance of accounting information. This model expresses market price per share (P) as a component of both earnings per share (EPS) and book value per share (BVPS). An exact adjustment of Ohlson's theoretical model has been used widely in the value relevance literature (Barth, 2000; Barth et al., 2001; Ota, 2003, 2010; Siward, 2009; Hadi, 2005; Burgstahler and Dichev, 1997; Collins et al., 1997; Barth et al., 1998; Collins et al., 1999; Easton, 1999; and Easton and Sommers, 2000).

This paper utilizes the valuation framework developed by Ohlson (1995) to inspect the value relevance of earnings per share and book value of equity per share in addition to cash flow per share following Dechow (1994; Ortega (2006); Anandarajan and Hasan, (2010); Khanagha et al. (2011) and Shamki and Abdul Rahman, (2012). In like manner, standard multiple regressions are used to check the connections between dependent variable and independent variables in the wake of controlling firms’ size and leverage, the price model is adopted:

\[ P = \alpha + \beta_1 \text{EPS} + \beta_2 \text{BVPS} + \beta_3 \text{CFPS} + \beta_4 \text{SIZE} + \beta_5 \text{LEVRG} + \epsilon \quad (1) \]

Where, for firm i at the end of a year t;

\[ P = \text{Average annual share price} \]
\[ \text{per share of a company for the financial year (Grabowski and Mueller, 1975; Oyerinde, 2009); EPS = EPS refer to earnings per share of a company at end of the financial year (Bae and Jeong, 2007; Anandarajan and Hasan, 2010; Al Arussi et al., 2009 and Shamki and Alulis, 2016; Shamki and Abdul Rahman, 2012);} \]

\[ \text{BVPS = BVPS refers to book value of equity per share of a company at end of the financial year (Bae and Jeong, 2007; Shamki and Abdul Rahman, 2012; Anandarajan and Hasan, 2010; Al Arussi et al., 2009 and Shamki and Alulis, 2016);} \]

\[ \text{CFPS = CFPS refer to cash flows from operating activities per share of a company at end of the financial year (Shamki, 2013 and Anandarajan and Hasan, 2010);} \]

\[ \text{SIZE = sizerefers to the natural logarithm of total assets of a company at end of the financial year (Hassan, 2004; and Anandarajan and Hasan, 2010) and} \]

\[ \text{LEVRG = Leverage refers to the ratio of debt to total assets of a company at end of the financial year (Anandarajan and Hasan, 2010; and Choi et al., 2011).} \]

In this study, EPS, BVPS, and CFPS are interacted with the selected corporate governance mechanisms (board of directors’ size and board of director independency) to capture the effect of these mechanisms on the value relevance of accounting information. As per Hartmann and Moers (1999), this model is thought to be the reasonable one by including the interaction term of a particular variable on the connection between the dependent and independent variables. To test the effect of the corporate governance on the value relevance of accounting variables, interaction term (accounting variable * corporate governance mechanisms) is included in Price Model.

**Therefore, the general price model is**

\[ P_{it} = \alpha + \beta_1 \text{COV} + \beta_2 \text{EPS} + \beta_3 \text{EPS*COV} + \beta_4 \text{BVPS} + \beta_5 \text{BVPS*COV} + \beta_6 \text{CFPS} + \beta_7 \text{CFPS*COV} + \beta_8 \text{SIZE} + \beta_9 \text{LEVRG} + \epsilon_{it} \]

Where, COV= corporate governance mechanisms (board of directors’ size and board of director independency); COV_{BOD, IND} = corporate governance mechanisms as a dummy variable with value 1 for; BOD = board of directors’ number greater than the median number in the sample IND = board of director independency ratio greater than the median number in the sample, 0 otherwise; and other variables are defined before. To test the hypothesis, the following models are used in this paper:

\[ P_{it} = \beta_0 + \beta_1 \text{BOD} + \beta_2 \text{EPS} + \beta_3 \text{EPS*BOD} + \beta_4 \text{BVPS} + \beta_5 \text{BVPS*BOD} + \beta_6 \text{CFPS} + \beta_7 \text{CFPS*BOD} + \beta_8 \text{SIZE} + \beta_9 \text{LEVRG} + \epsilon_{it} \quad (2) \]

\[ P_{it} = \beta_0 + \beta_1 \text{IND} + \beta_2 \text{EPS} + \beta_3 \text{EPS*IND} + \beta_4 \text{BVPS} + \beta_5 \text{BVPS*IND} + \beta_6 \text{CFPS} + \beta_7 \text{CFPS*IND} + \beta_8 \text{SIZE} + \beta_9 \text{LEVRG} + \epsilon_{it} \quad (3) \]

Coefficients with number 1 represent the value relevance of corporate governance mechanisms in their rights. Coefficients numbered 2, 4 and 6 represent earnings, book value and cash flows relevance respectively without the effect of corporate governance mechanisms. Coefficients 2 + 3, 4 + 5 and 6 + 7 summarize the response of stock price to earnings, book value and cash flows respectively with the effect of corporate governance mechanisms. It is assume that H_{01} and H_{02} as H_{01}: \beta_3 = 0, \beta_5 = 0 or \beta_7 = 0.
**Technique of Data Analysis**

The multiple regression models are broadly utilized in earlier research to analyze the value relevance of the accounting information (Harris et al., 1994; Collins et al., 1997; Pirie and Smith, 2008 and among others). This paper has likewise used pooled regression following the methodology of Pirie and Smith (2008) with a basic empirical model that connect share price.

As per Cavana et al., (2001) as study models incorporate numerous independent variables, balanced $R^2$ which is one of multiple regression outputs helps with evaluating the connection quality among the study variables. To assess study models it needs to consider $F$ statistics significance. Following previous studies on the value relevance (Shamki, 2012 and Pirie and Rahman, 2013), this paper relies upon the measurable estimations of the related coefficients of the pooled test in assessing its hypotheses.

**RESULTS**

This part contains the study results which mean to look at whether listed manufacturing company’s corporate governance mechanisms (board of director size and board of director independency) influence its accounting information relevance and display the study results according to the study hypothesis. To confirm the hypothesis genuineness, multiple linear regression analysis tests were used to identify the relationship between corporate governance mechanisms (board of director size and board of director independency) and value relevance of accounting information.

**Descriptive Statistics**

Descriptive statistics deals with different aspects of measures of a population. Instances of these measures are the mean and median for location measures, standard deviation as measures of scale, and skewness & kurtosis value indicates the distribution symmetry and peakedness respectively (Bickel and Lehmann, 2012). The descriptive statistics provide data’s distribution profile to ensure that the sample is distributed normally. The entirety of the skewness and kurtosis values except share price are within ±2 which ensures the normal distribution of the sample. To wipe out the non-normal distribution of share price, transformation process has to be done by natural logarithm transformation method, following Pallant and Manual, (2007).

### Table 1 Descriptive Measures

<table>
<thead>
<tr>
<th>PRICE</th>
<th>EPS</th>
<th>BVPS</th>
<th>CFPS</th>
<th>SIZE</th>
<th>LEVRG</th>
</tr>
</thead>
<tbody>
<tr>
<td>$N$</td>
<td>1278</td>
<td>1278</td>
<td>1278</td>
<td>1278</td>
<td>1278</td>
</tr>
<tr>
<td>Mean</td>
<td>3.83</td>
<td>6.315</td>
<td>43.88</td>
<td>9.13</td>
<td>20.45</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>1.41</td>
<td>14.25</td>
<td>60.46</td>
<td>27.42</td>
<td>1.501</td>
</tr>
<tr>
<td>Skewness</td>
<td>0.32</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.002</td>
</tr>
<tr>
<td>Std. Error of Skewness</td>
<td>0.068</td>
<td>0.068</td>
<td>0.068</td>
<td>0.068</td>
<td>0.068</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>-0.48</td>
<td>-0.08</td>
<td>-0.08</td>
<td>-0.08</td>
<td>0.43</td>
</tr>
<tr>
<td>Std. Error of Kurtosis</td>
<td>0.137</td>
<td>0.137</td>
<td>0.137</td>
<td>0.137</td>
<td>0.137</td>
</tr>
<tr>
<td>Minimum</td>
<td>-38.96</td>
<td>-148.19</td>
<td>-77.78</td>
<td>14.77</td>
<td>0.00</td>
</tr>
<tr>
<td>Maximum</td>
<td>8.15</td>
<td>51.59</td>
<td>235.96</td>
<td>96.22</td>
<td>25.71</td>
</tr>
</tbody>
</table>

Source: Annual Reports (2000-2017)

Notes: i) Data are derived from output on SPSS 23.0
ii) Data have been compiled by researcher.

Using SPSS, descriptive statistics for stock price measures, accounting information, and control variables are determined in Table 1. The descriptive statistics table shows that the annual share price has a mean and standard deviation of Tk. 3.83 and Tk. 1.4074 respectively. Among the accounting variables, book value per share shows the highest standard deviation while the least is appeared by income per share.

**Multicollinearity Test**

### Table 2 Multicollinearity Test by Tolerance and Variance Inflation Factors (VIF)

<table>
<thead>
<tr>
<th>DV / IVs</th>
<th>Share Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tolerance</td>
<td>VIF</td>
</tr>
<tr>
<td>EPS</td>
<td>0.634</td>
</tr>
<tr>
<td>BVPS</td>
<td>0.657</td>
</tr>
<tr>
<td>CFPS</td>
<td>0.802</td>
</tr>
</tbody>
</table>

Source: Annual Reports (2000-2017)

Notes: i) Data are derived from output on SPSS 23.0
ii) Data have been compiled by researcher.

Multicollinearity assumption can be checked by indicating the values of tolerance and variance inflation factors (VIF) (Pallant and Manual, 2007; Jones, 2010). While tolerance values range from 0 to 1, VIF has a maximum value of 10, which is considered as a critical value for serious multicollinearity (Marquardt, 1970; Hair et al., 1998; O’Brien, 2007). Table 2 illustrates the tolerance and VIF values for IVs. It notes from Table 2 that tolerance values for all independent variables are less than 1, while VIF values are ranged from 1.576 to 1.247, which are less than 10. These outcomes demonstrate the absence of multicollinearity among independent variables. In this manner, no violation of the multicollinearity assumption has been found.

**Value Relevance of Accounting Information**

Table 3 shows that the overall $R$-square is 0.536678. This demonstrates the model has accounted for a 53.67% variation in share price by the independent variables. ‘$F$’ value is significant at 1% level. This implies that independent variables (EPS, BVPS, CFPS, SIZE, and LEVRG) have a significant impact on the market price of the security.

The study has likewise taken a specific hypothesis for testing the significance of independent variables individually. Table 3 shows that EPS has a positive and significant relationship with share prices. The coefficient of EPS is 0.044187 which is significant at a 1% level. It means that a one-unit change in EPS causes 0.044187 units to change in the share price. The book value of equity per share (BVPS) in this model is significant at a 99% confidence level which shows the impact of this variable on the share price. Considering the Beta coefficient, one unit change in BVPS causes 0.003897 units to change in the share price. Table 3 additionally shows that CFPS has a positive and significant relationship with share prices. The coefficient of CFPS is 0.011420 which is significant at a 1% level.

### Table 3 Value Relevance of Accounting Information

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>$t$-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>1.369737</td>
<td>0.422629</td>
<td>3.240992</td>
<td>0.0012</td>
</tr>
<tr>
<td>EPS</td>
<td>0.044187*</td>
<td>0.002400</td>
<td>18.41385</td>
<td>0.000</td>
</tr>
<tr>
<td>BVPS</td>
<td>0.003897*</td>
<td>0.006641</td>
<td>6.076999</td>
<td>0.000</td>
</tr>
<tr>
<td>CFPS</td>
<td>0.011420*</td>
<td>0.001121</td>
<td>10.19173</td>
<td>0.000</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.092230*</td>
<td>0.021195</td>
<td>4.355802</td>
<td>0.000</td>
</tr>
<tr>
<td>LEVRG</td>
<td>0.017029</td>
<td>0.012932</td>
<td>1.316812</td>
<td>0.188</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.536678</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.534850</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual Reports (2000-2017)

Notes: i) Data are derived from output on SPSS 23.0
ii) Data have been compiled by researcher.
For the combined EPS, BVPS and CFPS in the price model all variables individually are value relevant relating to the share price. This is demonstrated by the significant positive coefficients on these variables ($\beta_1$, $\beta_2$, and $\beta_3$), demonstrating an increase in the value relevance of these accounting variables. This outcome is predictable with the previous studies (Ou et al., 1989; Barth, 1991; Easton and Harris, 1991; Penman, 1991; Easton et al., 1992; Dechow, 1994; Ohlson, 1995; Feltham and Ohlson, 1995; Barth and Kallapur, 1996; Collins et al., 1997; Cheng et al., 1997; Ely and Waymire, 1999; Easton, 1999; Anandarajan and Hasan, 2006; Verwijmeren and Derwall, 2007; Vishnani and Shah, 2008).

**Value Relevance and Board of Director Size**

Hypothesis (1) states that there is no significant statistical effect of the board of directors’ size on the value relevance of EPS, BVPS and CFPS. The effect of the board of directors’ size has been tested by Equations 2. Table 4 presents the regression results for the pooled sample with the influence of the board of directors’ size relative to the share price.

Table 4 shows that the overall $R$-square is 0.545. The value infers that about 54.5% of the variation in share price is explained by the independent variables. From the perusal of results in Table 4, it has been discovered that ‘$F$’ value is significant at 1% level. This suggests independent variables have a significant impact on the market price of the security. So this has driven the researcher to reject the null hypothesis and accept the alternative hypothesis. Therefore it can be inferred that the board of directors’ size has a profound impact on the value relevance of accounting information.

**Table 4 Board of Directors’ Size and Accounting Information Relevance**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coef.</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.536*</td>
<td>0.424</td>
<td>3.623</td>
<td>0.000</td>
</tr>
<tr>
<td>BOD</td>
<td>0.278*</td>
<td>0.067</td>
<td>4.147</td>
<td>0.000</td>
</tr>
<tr>
<td>EPS</td>
<td>0.046*</td>
<td>0.004</td>
<td>11.704</td>
<td>0.000</td>
</tr>
<tr>
<td>EPS* BOD</td>
<td>-0.003</td>
<td>0.005</td>
<td>-0.599</td>
<td>0.550</td>
</tr>
<tr>
<td>BVPS</td>
<td>0.004*</td>
<td>0.001</td>
<td>3.973</td>
<td>0.000</td>
</tr>
<tr>
<td>CFPS* BOD</td>
<td>-0.0005</td>
<td>0.001</td>
<td>-0.125</td>
<td>0.900</td>
</tr>
<tr>
<td>LEVRG</td>
<td>0.014*</td>
<td>0.002</td>
<td>7.481</td>
<td>0.000</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.004***</td>
<td>0.002</td>
<td>-0.924</td>
<td>0.055</td>
</tr>
<tr>
<td>LEVRG + BOD</td>
<td>0.018</td>
<td>0.013</td>
<td>1.347</td>
<td>0.178</td>
</tr>
</tbody>
</table>

Source: Annual Reports (2000-2017)

Notes: i) Data are derived from output on E-VIEWS 10.0

The outcome shows that including the interaction of board size in the regression model adjusted $R^2$ (0.542) leads to stronger than that of adjusted $R^2$ (0.534) in Table 3. This increase in adjusted $R^2$ values is largely attributable to an increase in the effect of board size. Table 4 presents the regression results for the pooled sample with interaction of board size. The coefficients on EPS ($\beta_2 = 0.046$), on BVPS ($\beta_4 = 0.004$) and CFPS ($\beta_6 = 0.014$) are significant at 0.01 level and demonstrate the value relevance of accounting information (EPS, BVPS, and CFPS) in the absence of the impact of the board size. The outcomes show that the coefficients on board size ($\beta_3 = 0.278$) is significant at 0.1 level or better. This demonstrates that board size is value relevant in its right. However, for this study the coefficients of interest are $\beta_5$ and $\beta_7$. The board size shows negative impact on the value relevance of cash flows. This is exhibited by the significant coefficients on the interaction term ($\beta_7 = -0.004$ is significant at 0.10 level or better) and it shows insignificant impact on the value relevance of earnings and book value as it is demonstrated by negative and insignificant coefficient on the interaction term ($\beta_5 = -0.003$ and $\beta_7 = -0.0005$ respectively).

Previous literature (Yermack, 1996; Eisenberg et al., 1998) provides evidence that larger boards are associated with smaller market valuations. This outcome is consistent with the view that coordination/communication problems as well as agency problems become more acute as a board grows larger. However, Cheng (2008) argues that larger boards require more tradeoffs among the members to reach consensus and, therefore, decisions of larger boards are less extreme. From the perspective of market participants, relatively stable accounting information is more highly valued than volatile information. This could explain the positive effects of board size on valuation implications of accounting information.

**Value Relevance and Board independence**

Hypothesis (2) states that there is no significant statistical effect of board independence on the value relevance of EPS, BVPS and CFPS. The effect of board independence has been tested by the Equations 3. Table 4 present the regression results for the pooled sample with the influence of board independence relative to the share price.

Table 5 shows that the overall $R$-square is 0.563. The value implies that about 56.3% of the variation in share price is explained by the independent variables. From the perusal of results in Table 5, it has been found that ‘$F$’ value is significant at 1% level. This implies that independent variables have a significant impact on the market price of the security. So this has led the researcher to reject the null hypothesis and accept the alternative hypothesis. Therefore it can be inferred that board independence has a profound impact on the value relevance of accounting information.
The results show that including interaction of board independence in the regression model adjusted $R^2$ (0.56) leads to stronger than that of adjusted $R^2$ (0.534) in Table 3. This increase in adjusted $R^2$ values is largely attributable to an increase in the effect of independence directors’ requirements. Table 5 presents the regression results for the pooled sample with interaction of board independence ratio. The coefficients on EPS ($\beta_3 = 0.038$), on BVPS ($\beta_9 = 0.005$) and CFPS ($\beta_8 = 0.010$) are significant at 0.01 and demonstrate the value relevance of accounting information (EPS, BVPS, and CFPS) in the absence of the impact of board independency.

However, the results show that the coefficients on board independence ratio ($\beta_1 = 0.468$) is significant at 0.1 level or better. This demonstrates that board independence is value relevant in its right. Regressing board independence on average annual share price shows significant impact on the value relevance of earnings as it is reflected by the significant coefficients on the interaction variable ($\beta_1 = 0.012$ significant at 0.01 level) but it shows negative and significant impact on the value relevance of book value. This is demonstrated by the significant coefficients on the interaction term ($\beta_1 = -0.003$ significant at 0.05 level). The $\beta_2$ (0.002) is insignificant, indicating that board of directors’ independency has no impact on the value relevance of cash flows, while $\beta_3$ is positive and significant and $\beta_6$ is negative and significant, indicating an increase in the value relevance of earnings when companies comply with independence directors’ requirements and decrease in the value relevance of book value when companies comply with independence directors’ requirements.

Independence of boards of directors is the most crucial governance components. A non-executive director who is free from management is relied upon to apply solid oversight of managerial behavior, and offer the most protection to stakeholders. The Code of Corporate Governance in Bangladesh also accentuates the significance of having independent board and AC members. Empirical research is also predictable with this recommendation. Beasley (1996) finds that the probability of fiscal summary extortion diminishes with increasing numbers of independent directors. At long last, the outcomes show that the value relevance of EPS and BVPS relating to the share price is value relevant for companies comply with independence directors’ requirements while this factor has no significant effect on the value relevance of cash flows.

**CONCLUSION**

This paper explored the effect of corporate governance mechanisms on the value relevance of accounting information for listed manufacturing firms in the Dhaka Stock Exchange, from 2000 to 2017. In this study, board size and board independence are used as corporate governance mechanisms. Value-relevance of accounting information is measured by regressing stock price on earnings per share and book value per share and cash flow per share.

Utilizing the fundamental Ohlson (1995) model, this paper finds that EPS, BVPS and CFPS are value relevant to the share price. The logical intensity of the extended model also shows significant improvement when compared with the baseline regression model where the stock price is regressed on EPS, BVPS and CFPS but fails the test of significance. The suggestion along these lines is that the corporate governance mechanisms have not brought about a more grounded relationship of accounting information and share price. To give the robustness of the findings, this study control for company-specific characteristics of firm size and leverage and find that these firm-specific features lead to more grounded on the value relevance of accounting information compared to corporate governance mechanisms.

The result of this paper implies that for specialists, there is the need to avail of different wellsprings of information for venture dynamic, as the corporate governance mechanisms have not resulted in more value relevant accounting information for listed manufacturing firms in the Dhaka Stock Exchange (DSE). The concern of relevant stakeholders as to the quality of corporate governance is legitimized by empirical evidence provided by this study. Thusly regulatory authorities and other interest groups must endeavor to improve the quality of corporate governance as it has implications for the relevance of accounting information available to speculators. In concluding this study, it ought to be noticed that there are still gaps in the national literature regarding other characteristics of the corporate governance mechanisms that may be in-vestigated later on. These incorporate ownership structure, audit committees, two tire board, and specific properties of the quality of accounting information (relevance, faithful representation, and timeliness) affect the value relevance of ac-counting information.

**References**


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**Table 5 Board Independence and Accounting Information Relevance**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coef.</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.865*</td>
<td>0.418</td>
<td>-4.461</td>
<td>0.000</td>
</tr>
<tr>
<td>IND</td>
<td>0.468*</td>
<td>0.068</td>
<td>6.911</td>
<td>0.000</td>
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<tr>
<td>EPS</td>
<td>0.038*</td>
<td>0.003</td>
<td>11.692</td>
<td>0.000</td>
</tr>
<tr>
<td>EPS* IND</td>
<td>0.012*</td>
<td>0.005</td>
<td>2.626</td>
<td>0.009</td>
</tr>
<tr>
<td>BVPS</td>
<td>0.005*</td>
<td>0.001</td>
<td>6.170</td>
<td>0.000</td>
</tr>
<tr>
<td>BVPS* IND</td>
<td>-0.003**</td>
<td>0.001</td>
<td>-2.435</td>
<td>0.015</td>
</tr>
<tr>
<td>CFPS</td>
<td>0.010*</td>
<td>0.001</td>
<td>6.895</td>
<td>0.000</td>
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<tr>
<td>CFPS* IND</td>
<td>0.002</td>
<td>0.002</td>
<td>0.734</td>
<td>0.463</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.057*</td>
<td>0.021</td>
<td>2.690</td>
<td>0.007</td>
</tr>
<tr>
<td>LEVRG</td>
<td>0.019</td>
<td>0.013</td>
<td>1.506</td>
<td>0.132</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.563</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Adj.$R^2$</td>
<td>0.560</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistics</td>
<td>180,740*</td>
<td></td>
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<tr>
<td>P-Value</td>
<td>0.000</td>
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<td></td>
</tr>
</tbody>
</table>

Source: Annual Reports (2000-2017)

Notes: i) Date are derived from output on E-Views 10.0
ii) *, **, *** Significant at 1%, 5% and 10% levels respectively.
iii) Data have been compiled by researcher.


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