The Influence of Corporate Disclosure on Credit Process Innovation in Savings and Credit Cooperative Organizations

Habineza Jackson, Luyonga Hakim, Habimana Theogene, and Mukasafari Chantal

***Abstract*—Although corporate disclosure is a useful tool in credit process, risk exposure and management are increasingly becoming the core challenges of modern business enterprises in various sectors. The general objective of this research was to assess whether corporate disclosures are contributing to access to credit innovation process. The analytical research design was used, the population number of Ubaka Savings and Credit Co-operative Organization (SACCO) selected randomly for study totals to 142 include 25 from employees and 117 from depositors and borrowers who worked with Ubaka SACCO at least two years. In using the Yamane' formula, the sample size was equal to 104. The sampling technique that was used in this study is purposive sampling method, questionnaires were used as data collection instruments. Both inferential and descriptive statistics were used in this study. The statistical tool of analysis that the researcher used was the Statistical Packaging for Social Sciences (SPSS). The study found that one of important assumptions in decision making process and improvement of credit access is existence of quality information. According to the problems encountered in preparing financial statements in Ubaka SACCO, the study found that companies frequently have other demanding roles and responsibilities and believe that they can not do their submission of the report when they have a few spare moments. And, they often fail to find the time and continually postpone the delivery of their input – not always being aware of looming deadlines. Concerning the relationship between corporate disclosures and SACCOs access to credit, the researcher found that there is a positive relationship between corporate disclosures and access to credit of SACCOs. This study recommends that National Banks to speed up the sensitization campaign of the SACCOs to focus on corporate disclosure as among the tools to the access to credit.**

***Index Terms*—Corporate disclosure, credit process, innovation, savings and credit cooperative organization, SACCO.**

I. Introduction

Corporate disclosure is becoming an increasingly important component of investor relations. The importance of corporate disclosure has been highlighted by the wave of corporate transparency. In the Microfinance Institution (MFIs), all-over the world, information disclosure remains one of the most important characteristics of MFIs performance and credit access. For the majority of managers, shareholders, customers and other stakeholders, corporate disclosure is the foundation for their mutual trust. The disclosure of governance information is therefore a crucial strategic task for MFIs management [1].

As corporate risk management continues to evolve globally to embrace several aspects of business operations and activities, corporate governance, corporate risk management and corporate disclosure are increasingly intertwined thus highlighting the importance of interdependencies and mutual impacts of corporate governance choice on overall risk management strategies and disclosures. In other words, enterprise-wide risk management is a natural and key component of corporate disclosure. While several regulatory changes have been implemented in the last decade in Canada, much of the relevant information disclosed by corporations remains voluntary to a great extent [2].

Corporate disclosure in Jordan was basically concerned with ways in which all parties interested in the well-being of the firm (the stakeholders) attempt to ensure that managers and other insiders are always taking appropriate measures or adopt mechanisms that safeguard the interests of the stakeholders. Such measures are necessitated because of the separation of ownership from management, an increasingly vital feature of the modern corporations. A typical firm is characterized by numerous owners having no management role, and with managers with no equity interest in the firm. The compatibility of corporate disclosure practices with global standards has also become an important part of corporate success in Jordan. The practice of good corporate disclosure has therefore become a necessary prerequisite for any corporation to be manage effectively in the globalize market [3].

Effective disclosure of MFIs practice leads the firms towards profitability and growth. Transparency and disclosure are core attributed and also regarded as most important attributes in assessing the corporate governance practices in Pakistan. Recent big collapse reveals the poor standard of disclosure in financial statements and highlighted the importance of disclosure aspect in body of main research stream. Transparency and disclosure coupled with firm performance has largely studied on developed economy but very few studies were conducted on the developing countries [4].

In Nigeria, information disclosed in Audited Financial Statements (AFS) is guided principally by the Companies and Allied Matters Act (CAMA). Every insured institution in Nigeria shall submit to the corporation such returns and information as may be required from time to time within the stipulated period. The level of voluntary compliance by reporting institutions with regulatory financial disclosures had been a source of concern to the Authorities and the banking public at large in Nigeria [5]. In 2005, the Kenyan

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Government initiated reforms at the Nairobi Stock Exchange aimed at transforming the exchange into a vehicle for mobilizing domestic savings and attracting foreign capital investments. Consequently, the corporate financial disclosures, and in particular, the level of voluntary disclosure is a vital part of the process for building investor confidence and trust [6].

Corporate disclosure is the act of releasing all relevant information pertaining to a company that may influence an investment decision. To make investing as fair as possible for everyone, companies must disclose both good and bad information. In the past, selective disclosure was a serious problem for investors because insiders would frequently take advantage of information for their own gain - at the expense of the general investing public [7]. Microcredit is a service for poor people that are unemployed, entrepreneurs who are not bankable. Microfinance institutions use accounting information as a tool in management of their business and in deciding whether to give a credit to individuals and other companies. This is true because the accounting measures, reports and communicates business performance to the investors and lenders as well as to the managers of the business [8].

Rwanda Financial Review observed that; monetary policy in Rwanda is part of financial sector policy which was designed to direct credit to some favored sectors of economy .The central bank monetary policy states that the principle responsibility of BNR was to contribute the economic growth by orienting the flow of money, saving and investment towards key sectors of the economy. In 1999, National Bank of Rwanda (BNR) was assigned the responsibility to regulate and supervise MFIs [8]. It is through this background of the study that the researcher wanted to know the corporate disclosure and credit process innovation in microfinance particularly in Ubaka SACCO. In relation to geographical Scope, the study was conducted in Ubaka Saving and Credit Cooperative. Ubaka Sacco is located in Gasabo District, Kigali city.

II. Problem Statement

According to Lajili (2009) although corporate disclosure is a useful tool in MFIs, risk exposure and management are increasingly becoming the core challenges of modern business enterprises in various sectors and industries domestically and globally, while risk identification and management are crucial in any business strategy design and implementation. From the stakeholders 'point of view, knowledge of the risk profile, risk appetite and risk management are key elements in making sound portfolio for various decisions, these decisions cannot be made without accurate and useful information. In microfinance much information is gathered, summarized and reported in financial statement , all this is so because full disclosure standards are not well followed where microfinance are said to deliver or present insufficient information concerning their financial stand at the end of a financial year [9].

Moreover, lack of a reliable credit rating system is a major impediment the development of credit methodologies. Relevant information plays a crucial role both in internal management and in convincing outsiders (donors, lenders, depositors, regulatory authorities) of the soundness of an institution [10]. Hence, the inability to provide such information in Rwanda shall slow the development of an institution and limit its access to funding. Therefore, it is in this statement of the problem mentioned above that, the researcher was interested in making a research on the corporate disclosure and access to credit in Rwanda.

III. Objectives of the Study

The objectives of the research were divided into two: General Objective and Specific objectives. The general objective of this research was to assess whether corporate disclosures are contributing to access to credit Rwanda.

The specific objectives of this research included the following:

- To examine the role of corporate disclosures in promoting credit in Ubaka Saving and Credit Cooperative Organization in Gasabo District , Kigali City;
- To examine the benefits of information disclosure related to financial statements used in Ubaka Ubaka Saving and Credit Cooperative Organization in Gasabo District, Kigali City.
- To identify the problems encountered in preparing financial statements in Ubaka Saving and Credit Cooperative Organization in Gasabo District , Kigali City.
- To determine the relationship between corporate disclosures and access to credit in Ubaka Saving and Credit Cooperative Organization in Gasabo District , Kigali City

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IV. Related Studies

Ref. [1] analyzed the disclosure of governance information by Canadian banks. They main objective was to focus on the disclosure of the corporate governance practices implemented by the sample of 8 banks The information was found through the selected banks annual reports and the proxy circulars. . A coding sheet was developed to evaluate the corporate governance disclosure of the sample. The analysis indicates that the bigger the bank, the more disclosure there is. Overall, the results suggested that the choices to disclose and the extent of disclosure are influenced by the strategic considerations of management. They also found that, to be able to find full and complete information on governance, the investor should refer to the annual reports and the proxy circulars and not only focus on the corporate governance web page.

Ref. [2] analyzed corporate risk disclosure and corporate governance, he examined the relationships between corporate governance mechanisms and risk disclosure behavior using a sample of Canadian publicly-traded companies . Results show that Canadian public companies are more likely to disclose risk management information over and above the mandatory risk disclosures, if they are larger in size and if their boards of directors have more independent members. Minority voting control ownership structures appear to negatively impact risk disclosure and Chief Executive

Officer (CEO) incentive compensation shows mixed results.

Ref. [3] analyzed the effect of corporate governance on the performance of jordanian industrial companies, an empirical study on amman stock exchange. The study aimed to provide evidence of whether or not the corporate governance & performance indicators of the Jordanian industrial companies listed at Amman Stock Exchange (ASE) are affected by variables that were proposed and to provide the important indicators of the relationship of corporate governance & firms' performance that can be used by the Jordanian industrial firms to solve the agency problem. The study population consists of (96) Jordanian industrial firms' governance of the Jordanian firms listed at Amman Stock Exchange (ASE). (44) Firms were selected randomly to be used in the study. The study founds that there is a direct positive relationship between profitability -measured either by Earnings per share (EPS) or Return on assets (ROA)- and corporate governance, also a positive direct relationship between each of liquidity, dividend per share, and the size of the company with corporate governance, finally the study found a positive direct relationship between corporate governance and corporate performance.

Ref. [4] analyzed the role of transparency & disclosure in banking sector of pakistan. The purpose of the study was to empirically examine the relationship between transparency and disclosure and firm performance. Highlighting the importance of corporate governance in banking sector, the study has focused in depth over its role, level and its impact on performance in banking industry of Pakistan. The study access this purpose by constructing transparency and disclosure index for the five year 2007-2011, using proxies for three sub-categories which was board and management structure disclosure, ownership structure disclosure and financial transparency disclosure. The study also investigated structural changes of transparency and disclosure (T&D) Index and its effect on bank financial performance over the sample of 30 banks operating in Pakistan. Findings: Empirical analysis results by using ordinary least square regression model, reveals that financial performance is positively related to the transparency and disclosure and their sub levels except ownership structure disclosure which has negative relation with both ROA and ROE. Furthermore the average T&D level in Pakistani banking sector was above average.

Ref. [1] analyzed compliance with regulatory financial disclosures and corporate governance practices in selected primary mortgage institutions in Nigeria. The main objective of this study was to obtain stakeholders opinion on compliance with regulatory financial disclosures requirements by selected Primary Mortgage Institutions (PMIs) in relation to the returns listed . In addition, the study obtained stakeholders opinion on the relationship between compliance with regulatory financial disclosures requirements and corporate governance practices cum performance in selected institutions.

The methodology of judgmental sampling through delivery and collection of questionnaires targeted at three stakeholders groups was used. The study found that, the returns expected to be rendered include call reports, audited financial statements and statement of deposit liabilities certified by the external auditors. in addition, audited financial statements rendered to the regulatory authorities should comply with the companies act and take cognizance of relevant accounting standards .The study found that PMIs largely complied with regulatory financial disclosures requirements. However, the perception about compliance was influenced by the group of the respondents. Operators that work in PMIs rated compliance to be very high while at the other extreme, customers and member of the public rated compliance to be very low. Most respondents indicated that institution of best corporate governance practices in the PMIs would have positive impacts on compliance. It was also submitted, with different level of believe, that compliance would have positive impacts on the performance of the PMIs.

Ref. [7] carried out an empirical investigation of the financial disclosures practices and banks' stability in nigeria. The study examined financial disclosures practices among post consolidation banks in Nigeria and the subsequent stability of the banks. Specific objectives include the identification of the different regulatory provisions for banks' information disclosure and report presentation, the evaluation of information disclosure practices by the banks and an examination of the relationship between reporting practices and corporate stability of the banks. The study relied on secondary data collected through in-depth content analysis of published annual reports and accounts of 13 out of the 21 banks quoted on the Nigerian Stock Exchange between 2005 and 2009. Reporting practices by the banks were predicated on scores obtained from a Composite Disclosure Index (CDI) computed from a checklist from SASs and Prudential Guidelines' requirements. The results indicated a high level of compliance with the mandatory disclosure requirements for banks by scoring high on the CDI (mean in excess of 90%). In addition, the regression results showed that disclosure has a positive and significant influence on banks stability (as defined by ROA and liquidity).

Ref. [11] carried out a study on an empirical investigation of the association between firms' characteristics and corporate social disclosures in the nigerian financial sector.The study investigated the association between firms' characteristics and the level of corporate social disclosures in the Nigerian financial sector. Using the judgmental sampling technique, a total of 31 listed firms have been selected for this study based on their level of market capitalization and direct financing of most firms from the manufacturing industry. Also, using the content analysis method of eliciting data, a scoring scheme was used for measuring the extent of corporate social disclosure in the annual report. The study observed that a positive association existed between a firm's characteristics and the level of corporate social disclosure. In addition, the paper observed that corporate social disclosures by listed firms are still in its infancy.

Ref. [12] analyzed the use of voluntary disclosure in determining the quality of financial statements, evidence from the Nigeria listed companies. The purpose of this study was to establish the use of voluntary disclosure in determining the quality of financial statements among the listed companies in Nigeria. Specifically the study investigated on the effects of voluntary disclosure on investor decision and performance of listed companies in Nigeria. This study adopted anexploratory design which is described as a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. The instrument of data collection for this research was a questionnaire as the study used primary data.

The study targeted all the 258 listed companies in Nigeria. The study population used in this research comprised of preparers (accountants), external auditors and users of accounting information (financial analysts, stockbrokers, bankers, regulators and educators). The sample of this study was 140 whereby twenty questionnaires were distributed in every category of the respondents.Descriptive statistics such as mode, median, mean, standard deviation were used to perform data analysis. These measures were calculated using Statistical Package for the Social Sciences (SPSS version 20) software. SPSS tool (Statistical Package for the Social Sciences) was used to organize and analyze data. The study findings indicated that there was increased performance and investor decision making was easy to makedue to voluntary disclosure. The results indicated that voluntary disclosurewas satisfactory in explaining investor decision making and performance of listed companies. It was possible to conclude from the study findings that voluntary disclosure was statistically significant in explaining investor's decision and performance of listed companies in Nigeria. It was also possible to conclude that there was high level of voluntary disclosure in Nigeria listed firms which led to high performance of the firms and made it easy for investors to make decision whether to invest in the companies or not.

Kariuki and Jagongo (2013) analyzed institutional investors' perceptions on quality of financial disclosures in Kenya. The key objectives of the study were to determine the type of information in the financial disclosures that was regarded as very useful by the institutional investors in Kenya, to determine institutional investors" perception on information reported in the financial disclosures with respect to usefulness in decision making and to identify the challenges facing investors as: they use financial disclosures of the companies in Kenya. The design of the study was the descriptive survey design. The target population consisted of all the institutional investors' participating at the Nairobi Stock Exchange (NSE). The researcher sampled two respondents from each of the 24 institutions in trading NSE. The overall sample size of 48 respondents were selected from the target population. Data was collected using semi-structured questionnaires and was analyzed using descriptive statistics. The researcher found out that the type of information in the financial disclosures that was regarded as very useful by the institutional investors in Kenya was total assets, non-current liabilities, retained earnings, cash flows from investing activities, and dividends per share. The institutional investors' also perceived the financial report in terms of completeness, comparability, and consistency as good, while in terms of understandability, relevance, faithful representation, neutrality, predictive ability and timeliness it was regarded as fair. It was also found that the biggest challenge that faces users of financial disclosures in Kenya is the technical nature of language of presentation.

Ref. [6] provideed longitudinal examination of voluntary disclosure practices in the annual reports of listed companies in Kenya from 1992 to 2001. The study investigates the extent to which corporate governance attributes, ownership structure and company characteristics influence voluntary disclosure of various types of information. Due to the panel nature of the data, to estimate the determinants of voluntary disclosure of various types of information, they used pooled Ordinary Least Square (OLS) with Panel-Corrected Standard Errors (PCSEs). The results indicated that, disclosures of all types of information are influenced by corporate governance attributes, ownership structure and corporate characteristics.

V. Research Methodology

For this study, on the perspective of objectives, the researcher has chosen to go through case design by using statistical analysis as method of accessing the data. The case study research design helped the researcher to analyze the findings deeply; those provided the guidance to the researcher to know the picture of contribution of financial information of Ubaka Savings and Credit Cooperative Organization to credit.

This research is made to study the role of corporate disclosure and access to credit in microfinance institution in Rwanda, in this study the population number of Ubaka saving and credit cooperative selected randomly for study totals to 142 include 25 from employees and 117 from depositors and borrowers who worked with Ubaka saving and credit cooperative at least two years [13].

The need for sampling was due to the result that the whole population could not be covered given the limited time and material resources that were available. A sample is therefore deemed necessary.

A simple is a small group of cases drawn from and used to represent some larger group. A sample is a subset from a larger population. If certain statistical procedures are followed, it is unnecessary to select every survey item in a population. The results of a good sample should have the same characteristics as population as whole. Basing on the problem at hand, the limited budget and time, and the accuracy needed from data, the researcher was not able to study all population. Some people that represent the totality of the population under the study was selected.to determine the sample size, the Yamane's formula was used as follow:

$$n = \frac{N}{1 + Ne^2}$$

where: n= Number of sample
N= Population
N=e= Margin of error= 0.05

In using the Yamane' formula, the sample size was calculated as follows:

$$n = \frac{142}{1 + 142 * (0.05)^2}$$

N= 104

The sampling technique that was used in this study is purposive sampling method. The researcher selected the respondents according to their skills. Table I indicates that the researcher studied 25 employees and 79 depositors and borrowers.

Data collection is a systematic approach to gathering information from a variety of sources to get a complete and accurate picture of an area of interest. Data collection is the

Process of gathering and measuring information on targeted variables in an established systematic fashion, which then enables one to answer relevant questions and evaluate outcomes. The methods that were employed in the study were founded necessary in relation to data that was needed for descriptive and analytical study, primary source was used to collect data in this research.

TABLE I: POPULATION AND SAMPLE SIZE

Population Category	Target Population	Sample size
Employees	25	25
depositors and lenders	117	79
Total	142	104

Source: Ubaka SACCO, 2016

The researcher employed questionnaires with the employees and key clients from Ubaka savings and credit cooperative to prove whether corporate disclosures and access to credit. A questionnaire is a method used for collecting data, where a set of written questions call for responses. This method was very good because the respondent had enough time to think deeply when they filled the given questionnaire hence accurate and relevant data. With this instrument, selected respondents were asked questions to find out the knowledge they had on the variables under study.

The researcher distributed the questionnaires to the respondents and waited for them for three days. And then the researcher made sure the number of questionnaire distributed has been filled by respondents.

To ensure accuracy and consistency of data, the researcher made sure that the questionnaire was clear and in the same way understandable by the researcher and the respondents. In this perspective, ahead of designing the final questionnaire, the researcher conducted a pilot test to predict accurately the effectiveness of survey instruments. Data from the pilot survey was analyzed, just as the main survey, but with the purpose of determining what must be changed and what can remain as planned. The combined research instruments and methods that the researcher used grant the validity of the data to be collected. The pilot study was done in Gasabo District and instruments were considered reliable where a Computed Cronbach's Alpha (coefficient) was 0.942.

This involves transforming the views of respondents into meaningful form and classifying responses into codes the whole exercises involves editing, coding and tabulation. The result were summarized in the form of statistical tables and Figures. The tool of analysis that the researcher used was the Statistical Package for Social Sciences (SPSS), version 16.0 which helps to summarize the primary data into quantitative data. Then the researcher gave proper interpretation of the results basing on research objectives and questions. Data processing involved four operations, which include organization of data; inspection and editing; coding and tabulation, both inferential and descriptive statistics were used in this study.

During the research, the researcher kept his honesty and integrity, in data collection and analysis, to serve effectively the institution and the country. The researcher avoided any kind of bias to provide relevant and reliable information. The information from respondents was confidential.

V. RESEARCH FINDINGS AND CONCLUSION

The study indicates relationship between corporate disclosure and credit process innovation using Pearson correlation coefficiency. According to Table II , this research used SPSS and found that the coefficient r equal to 0.896. The variation of Pearson coefficient correlation is between -1 and 1. According to Pearson, the correlation of 0.896 is categorized as positive correlation and this leads to confirm that there is significant relationship between corporate disclosures and credit process innovation. Therefore, this research found that there is a positive correlation between corporate disclosure and credit process innovation. Therefore, if corporate disclosures done well, Ubaka Sacco credit process innovation done effectively and vice-versa.

Concerning the first research objective, the role of corporate disclosures in promoting credit in Ubaka saving and credit cooperative corporate disclosures is a good way to evaluate the financial results of Ubaka Sacco business in order to measure its credit process innovation.

TABLE II: CORRELATION

		Corporate Disclosure	Credit Process Innovation
Corporate Disclosure	Pearson Correlation	1	.896**
	Sig. (2-tailed)		.000
	N	100	100
Credit Process Innovation	Pearson Correlation	.896**	1
	Sig. (2-tailed)	.000	
	N	100	100

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

Corporate disclosures allow the Ubaka Sacco to compare its business against different standards using the figures on its financial statements. It is believed that investors and other users of Ubaka SACCO's financial disclosures by reducing the cost of investments and increasing the quality of the information provided. Therefore, corporate disclosures are also important to Ubaka Sacco's managers because by publishing them, management can communicate with interested outside parties about its accomplishment.

In relation to the second research objective, the benefits brought by the corporate disclosures in Ubaka Sacco. The study concluded that one of important assumptions in decision making process and improvement of credit access is existence of quality information. Significant number of this information comes from accounting information systems and from financial statements so balance sheet is among of financial statements which provide realistic and objective picture of realistic business condition of certain company.

According to the third research objective, the problems encountered in preparing financial statements in Ubaka SACCO, the study concluded that companies frequently have other demanding roles and responsibilities and believe that they cannot do their submission for the report when they have a few spare moments. And, of course, they often fail to find the time and continually postpone the delivery of their input – not always being aware of looming deadline Concerning the four research objective, the researcher established relationship between corporate disclosures and SACCOs access to credit, the researcher concluded that there is a positive relationship between corporate disclosures and access to credit of SACCOs.

VI. Recommendations

Basing on the findings and interpretations as well as the theoretical aspects presented in the literature review this research recommends National Bank of Rwanda to speed up the sensitization campaign of the Rwandan SACCOs to focus on corporate disclosure as among the best tool to the access to credit. This research also recommended that, the employees are considered as a very important requirement to the operation and the procedures in every disclosure, so Ubaka SACCO have to improve the skills of the employees working in the financial reports. Other SACCOs should publish their annual reports, so that stakeholders could access information regarding their credit. Even if this study found that Ubaka SACCO focused corporate disclosure in terms of financial statement analysis, it focused only on the comparison of its access to credit in consecutive period rather than access to credit with other companies in the same industry. Hence, future researchers should use comparative analysis using comparison with other companies in the industry. Since this study deals with corporate disclosure, the following areas are suggested for further research; the role of corporate disclosure in the development of financial institution, the contribution of financial statements in public institutions and then the contribution of financial statement analysis to shareholders retention in public company, Access to financial information and access to credit in microfinance institutions, the role of corporate disclosure in reducing the collapsing of SACCO.

This research also recommends National Bank of Rwanda to speed up the sensitization campaign of the Rwandan commercial banks with a view to contributing to the promotion of reading culture of its financial information. This research continue to recommend that, the individuals are considered as a very important requirement to the operation and the procedures in every information system.

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