EFFECTS OF OWNERSHIP STRUCTURE AND PROPRIETARY COST ON FORWARD LOOKING INFORMATION DISCLOSURE AND ITS IMPACT ON FIRM PERFORMANCE

ALI TAEBI NOGHONDARI

GSM 2012 12
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By

ALI TAEBI NOGHONDARI

Thesis Submitted to Graduate School of Management, Universiti Putra Malaysia in partial Fulfilment of the Requirement for Degree of Master of Science

February 2012
DEDICATION

I dedicate this thesis

To my tender mother who instilled in me the meaning of sacrifice;

To my father who taught me how should I live;

To my brother who support and encourage me;
Abstract of thesis presented to the Senate of Universiti Putra Malaysia in partial fulfilment of the requirement for the degree of Master of Science

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Chair: Professor Foong Soon Yau, PhD

Faculty: Graduate School of Management

The focus of this study is to investigate the relationship between ownership structure, namely family ownership, institutional ownership, government ownership and diffused ownership, and the extent of forward looking information disclosure of public listed companies in Malaysia. The association between the proprietary cost of the firms and the extent of forward looking information disclosure is also examined. This study then examines whether the extent of forward looking information disclosure impacts firm market performance. This study used profitability and industry type as control variables.
Content analysis was applied to measure the extent of forward looking information disclosure. The type of ownership structure was determined by the percentage of shares held by the top five share-holders. Relative market share was used as a proxy for proprietary cost. Finally, corporate market performance was measured by three indicators: volatility of stock return, market liquidity ratio and Tobin’s Q. The sample consisted of 80 companies drawn from the 100 largest public-listed companies based on market capitalization at the end of 2009. Multiple regression analyses were carried out to examine the relationships among ownership structure, proprietary cost and the extent of voluntary disclosure of forward looking information. Simple linear regression was used to determine the relationship between the extent of forward looking information disclosure and firm market performance. The results show that among the ownership structure types, only family ownership has a significant negative effect on the extent of forward looking information disclosure. Although the proprietary cost significantly influences the extent of forward looking information disclosure, the direction is positive which is not as hypothesized. In addition, the extent of voluntary disclosure of forward looking information is positively related to the firm’s market performance.

Empirical evidence provided in this study may be useful to practising managers. Corporate management may improve their firm’s market performance by disclosing more forward looking information about their future prospects. The
result of this study may be also helpful to regulators in Malaysian capital market in formulating information disclosure policy to promote transparency and to improve quality of information disclosure in annual reports to enhance market confidence.
Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi sebahagian keperluan untuk ijazah Master Sains

KESAN STRUKTUR PEMILIKAN DAN KOS KEEMPUNYAAN KE ATAS PENDEDAHAN MAKLUMAT DAN KESAN PRESTASI PASARAN DI MALAYSIA.

Oleh

ALI TAEBI NOGHONDARI

Februari 2012

Pengerusi: Professor Foong Soon Yau, PhD

Fakulti: Sekolah Pengajian Siswazah Pengurusan

Fokus kajian ini adalah untuk mengkaji hubungan antara struktur pemilikan, iaitu pemilikan keluarga, pemilikan institusi, pemilikan kerajaan dan pemilikan sebaran dan sejauh mana pendedahan maklumat yang berpandangan ke hadapan syarikat syarikat awam yang tersenarai di Malaysia. Pertubuhan di antara kos hak milik dan sejauh mana pendedahan maklumat yang berpandangan ke hadapan juga akan dikaji. Kajian ini mengkaji samada tahap yang berpandangan ke hadapan kesan pendedahan maklumat firma prestasi pasaran. Kajian ini menggunakan keuntungan dan jenis industry sebagai pembolehubah kawalan.

vi
Analisis kandungan telah digunakan untuk mengukur sejauh mana pendedahan maklumat yang berpandangan jauh. Jenis struktur pemilikan telah ditentukan oleh peratusan saham yang di pegang oleh lima pemegang saham. Bahagian pasaran yang relatif telah digunakan sebagai proksi bagi kos hak milik.

Akhirnya, prestasi pasaran korporat di ukur oleh tiga penunjuk turun naik pulangan saham, nisbah mudah tunai pasaran dan Tobin Q. Smapel kajian terdiri daripada 80 syarikat yang terdiri daripada 100 syarikat awam, tersenarai terbesar berdasarkan permodalan pasaran pada akhir tahun 2009. Analisis regresi berganda telah dijalankan untuk memeriksa hubungan antara struktur pemilikan, kos hak milik dan sejauh mana pendedahan sukarela maklumat yang berpandangan jauh. Regresi linera ringkas telah digunakan untuk menentukan hubungan antara tahap pendedahan maklumat yang berpandangan jauh dan prestasi pasaran firma. Hasil kajian menunjukkan bahawa di kalangan jenis struktur pemilikan hanya pemilikan keluarga yang mempunyai kesan negatif yang ketara pada tahan pendedahan maklumat yang berpandangan jauh. Walaupun kos proprietary ketara mempengaruhi pendedahan maklumat yang berpandangan jauh, arahan positif yang tidak hipotesis. Di samping itu, tahap pendedahan sekarela maklumat yang berpandangan ke hadapan yang positif yang berkaitan dengan prestasi pasaran firma.
Bukti empirik yang diperuntukan dalam kajian ini mungkin berguna kepada pengurus Pengurusan korporat boleh meningkatkan prestasi pasaran firma mereka dengan mendedahkan lebih ke hadapan maklumat tentang prospek masa depan mereka. Hasil kajian ini juga membantu kepada pengawal selia pasaran modal Malaysia dalam menggubal dasar pendedahan maklumat untuk menggalakkan ketelusan dan untuk meningkatkan kualiti pendedahan maklumat di dalam laporan tahunan untuk meningkatkan kenyakinan pasaran.
ACKNOWLEDGEMENTS

All thanks to the *Khoda*, who is the source of my strength and my life, without whose help; I would not have achieved this goal.

Sincere appreciation and gratitude are also extended to many people who have assisted and encouraged me along the way. First and foremost, I would like to thanks to my main supervisor Professor Foong Soon Yau for her careful guidance as a supervisor and who helped me from many views about this research and her forbearance of me as her student. I am particularly thankful for her availability even beyond the normal office hours. My thanks to her for spending countless hours scanning every chapter of my thesis thoroughly. What I really learned from her, however, is her attitude to work and life always aiming for excellence.

I would like to thank very much the distinguished committee member, Professor Dr. Murali Sambasivan, who have taught me so much and was a source of genuine inspiration to me.

I would like to thank my friends for the priceless and invaluable knowledge gained from them especially Jamal Barzegari, Meysam Safari, Zahra Yousefi, Maryam Bokhrayian, Behnaz Khoshtinat and Shaheen Mansouri.

I sincerely thank my beloved parent and brother for all the opportunities they have given me along with their loving support and patience. Their encouragement and advice have been and will always be a fortune for my life
I certify that an Examination Committee met on 8th February 2012 to conduct the final examination of ALI TAEBI NOGHONDARI on his MASTER OF SCIENCE thesis entitled “EFFECTS OF OWNERSHIP STRUCTURE AND PROPRIETARY COST ON FORWARD LOOKING INFORMATION DISCLOSURE AND ITS IMPACT ON FIRM PERFORMANCE” in accordance with Universities and University Colleges act 1971 and the Constitution of the Universiti Putra Malaysia [P.U(A)106] 15 March 1998. The Committee recommends that the candidate be awarded the Master of Science.

Members of the examination Committee are as follows:

Ahmed Razman bin Abdul Latiff, PhD  
Graduate School of Management  
Universiti Putra Malaysia  
(Chairman)

Loo Sin Shun  
Associate Professor  
Faculty of Business and Management  
Open university Malaysia  
(External Examiner)

Bany Ariffin bin Amin Nordin, PhD  
Associate Professor  
Faculty Economics and Management  
Universiti Putra Malaysia  
(Internal Examiner)

Nur Ashikin Mohd Saat, PhD  
Faculty Economics and Management  
Universiti Putra Malaysia  
(Internal Examiner)

Foong Soon Yau, PhD  
Professor  
Graduate School of Management  
Universiti Putra Malaysia  
(Representative of Supervisory Committee/Observer)

_______________________________

FOONG SOON YAU, PhD  
Professor/ Deputy Dean  
Graduate School of Management  
Universiti Putra Malaysia  
Date:

x
This thesis submitted to the Senate of Universiti Putra Malaysia has been accepted as partial fulfilment of the requirement for the degree of Master of Science. The members of the Supervisory Committee are as follows:

**Foong Soon Yau, PhD**  
Professor  
Graduate School of Management  
Universiti Putra Malaysia  
(Chairman)

**Murali Sambasivan, PhD**  
Professor  
Graduate School of Management  
Universiti Putra Malaysia  
(Member)

__________________________  
ARFAH SALLEH, PhD  
Professor/Dean  
Graduate School of management  
Universiti Putra Malaysia

Date:
DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations, which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or any other institutions.

_______________________________

ALI TAEBI NOGHONDARI

Date:
# TABLE OF CONTENTS

DEDICATION ........................................................................................................... ii
ABSTRACT .............................................................................................................. iii
ABSTRAK .............................................................................................................. vi
ACKNOWLEDGEMENTS ......................................................................................... ix
APPROVAL ............................................................................................................. x
DECLARATION ...................................................................................................... xii
TABLE OF CONTENTS .......................................................................................... xiii
LIST OF TABLES .................................................................................................... xviii
LIST OF FIGURES .................................................................................................. xix
LIST OF ABBREVIATIONS ................................................................................... xx

## CHAPTER

1 INTRODUCTION....................................................................................................... 1

1.1 Problem statement .......................................................................................... 6

1.2 Importance of study ...................................................................................... 10

1.3 Research questions ....................................................................................... 13

1.4 Research objectives ....................................................................................... 13

1.5 Organization of the thesis ............................................................................ 14

2 LITERATURE REVIEW AND THEORETICAL FRAMEWORK .................. 15

2.1 Background ................................................................................................... 15

2.2 Relevant theories .......................................................................................... 17

2.2.1 Agency theory ......................................................................................... 17

2.2.2 Signalling theory .................................................................................... 23

2.2.3 Legitimacy theory ................................................................................... 25
2.3 Corporate disclosure ................................................................. 27
2.4 Corporate voluntary disclosure .................................................. 29
  2.4.1 Voluntary disclosure and market liquidity ......................... 42
  2.4.2 Motivations of voluntary disclosure ................................. 46
  2.4.3 Different types of voluntary disclosure ............................. 51
    2.4.3.1 Financial / Economic voluntary disclosure .................... 51
    2.4.3.2 Social and Environmental voluntary disclosure ............ 52
  2.5 Forward looking information disclosure ................................. 54
    2.5.1 Benefits of forward looking information ....................... 69
  2.6 Market performance .............................................................. 71
    2.6.1 Market performance and forward looking information disclosure .... 75
  2.7 Ownership structure .............................................................. 79
    2.7.1 Ownership concentration versus ownership diffusion ....... 80
    2.7.2 Family ownership .......................................................... 83
    2.7.3 Institutional ownership .................................................. 86
    2.7.4 Government ownership .................................................. 88
  2.8 Proprietary cost .................................................................... 89
  2.9 Hypothesis development ........................................................ 93
    2.9.1 Family ownership and voluntary disclosure of forward looking information ............................................... 94
    2.9.2 Institutional ownership and voluntary disclosure of forward looking information .............................................. 96
    2.9.3 Government ownership and voluntary disclosure of forward looking information .......................................... 98
2.9.4 Ownership diffusion and voluntary disclosure of forward looking information .............................................................................................................. 99
2.9.5 Proprietary cost and voluntary disclosure of forward looking information .............................................................................................................. 101
2.9.6 Voluntary disclosure of forward looking information and market performance .............................................................................................................. 103

3 METHODOLOGY .......................................................................................... 108
3.1 Operationalisation of variables .................................................................... 108
3.1.1 Measurement of forward looking information disclosure .................. 108
3.1.1.1 Content analysis ......................................................................... 108
3.1.1.2 Unit of analysis .......................................................................... 113
3.1.1.3 Coding system .......................................................................... 115
3.1.2 Ownership structure ............................................................................. 118
3.1.3 Proprietary cost measurement ............................................................. 119
3.1.4 Market performance measurement .................................................... 120
3.2 Data collection ............................................................................................ 122
3.3 Sample size ............................................................................................... 123
3.4 Control variables ....................................................................................... 124
3.5 Analysing data ........................................................................................... 124
3.5.1 Descriptive analysis ............................................................................. 125
3.5.2 Inferential analysis ............................................................................... 125
3.5.2.1 Multiple regression analysis ....................................................... 126
3.5.2.2 Simple regression analysis ......................................................... 129
4 RESULT AND DISCUSSION ................................................................. 131

4.1 Introduction .................................................................................................. 131

4.2 Selection of sample ........................................................................................ 131

4.3 Extent of forward looking information disclosure ........................................ 132

4.4 Ownership structure ..................................................................................... 143

4.5 Descriptive analysis ...................................................................................... 145

4.6 Inferential analysis ......................................................................................... 147

4.7 Ownership structure and extent of forward looking information disclosure ................................................................. 147

4.7.1 Hypothesis 1: There is a significant negative relationship between family ownership and the extent of voluntary disclosure of forward looking information .................................................. 150

4.7.2 Hypothesis 2: There is a significant positive relationship between extent of voluntary disclosure of forward looking information and institutional ownership ........................................ 151

4.7.3 Hypothesis 3: There is a significant positive relationship between extent of voluntary disclosure of forward looking information and government ownership ........................................ 151

4.7.4 Hypothesis 4: There is a significant negative relationship between ownership diffusion and the extent of voluntary disclosure of forward looking information ..................................... 152

4.8 Proprietary cost and extent of forward looking information disclosure ... 152

4.8.1 Hypothesis 5: There is a significant negative association between proprietary cost and the extent of voluntary disclosure of forward looking information ............................................. 153

4.9 The extent of forward looking information disclosure and market performance ................................................................................................................................. 156

4.9.1 Hypothesis 6a: There is a significant positive association between the extent of voluntary disclosure of forward looking information and a firm’s market liquidity .................................................. 156

xvi
4.9.2 Hypothesis 6b: There is a significant positive association between the extent of voluntary disclosure of forward looking information and a firm's Volatility of market return. .......................... 158

4.9.3 Hypothesis 6c: There is a significant positive association between the extent of voluntary disclosure of forward looking information and a firm’s Tobin’s Q. ................................................. 159

5 CONCLUSION AND RECOMMENDATION.................................................. 162

5.1 Introduction.................................................................................................. 162
5.2 Summary and discussion........................................................................... 162
5.3 Implication of this study ............................................................................ 167
5.4 Limitations of the study ............................................................................ 168
5.5 Recommendations for future study......................................................... 170

REFERENCES.................................................................................................. 172

BIODATA OF STUDENT............................................................................... 193