OWNERSHIP STRUCTURE AND VOLUNTARY DISCLOSURE IN MALAYSIA LISTED FIRMS

Poh-Ling Ho
School of Business, Curtin University of Technology, Sarawak Malaysia

Abstract

This study investigates the impact of ownership structure on the extent of voluntary disclosure by Malaysian listed firms over the volatile time period 1996 to 2006. During this period of time, the onset of the 1997 Asian financial crisis and global corporate scandals resulted in major institutional and environmental changes. The nature of these regulatory reforms clearly impacted on firm management's incentives to voluntarily disclose more information in annual reports.

The results show that the average level of voluntary disclosure is generally low although there is an increase in the extent of voluntary disclosure exhibited by Malaysian firms over the eleven-year time period. Controlling for firm size, leverage and profitability, the empirical results show that ownership concentration is positively associated with voluntary disclosure. The positive association of high ownership concentration may reflect the firms' choice to disclose more information as a governance initiative to enhance transparency. Institutional and foreign ownership have motivation to disclose in excess of mandatory requirements. The findings imply that the presence of institutional and foreign investors in a firm pushes firms to voluntarily disclose more information in annual reports. Such enhanced disclosure practice should be encouraged in order to attract funds from such investors both locally and abroad.

Key words: voluntary disclosure; ownership structure, transparency, Malaysia

Introduction

There have been major institutional changes taken place, particularly in strengthening corporate governance, transparency and accountability over the last decade. These changes were largely due to the onset of the 1997 Asian financial crisis and the later global pressures such as the corporate collapses of Enron and Worldcom. The purpose of this study is to shed light on the ownership structure amidst the development of corporate governance during the pre- and post financial crisis. Specifically, this paper attempts to empirically investigate the hypothesized influence of ownership structure and ownership types on the extent of voluntary disclosure in annual reports of firms.

The 1997 financial crisis prompted Malaysian regulatory bodies to initiate reforms in this emerging economy characterized by weak market for corporate control. With the setting up of the high level of Finance Committee on Corporate Governance in 1998, various efforts have been implemented to improve corporate governance in Malaysia. The nature of these regulatory reforms is aimed at enhancing corporate transparency, which clearly impacts on firm management's incentives to disclose information voluntarily. Not long after the crisis, the global accounting scandals emanating from high profile corporate collapse occurred. As a response to it, the USA Sarbanes-Oxley Act was passed in 2002, which not only had a positive impact on the voluntary disclosure of information security activities by firms [19], it has fundamentally changed the global corporate governance landscape towards greater transparency. Pertinent to this, Malaysian governing bodies have in parallel been actively improving their regulatory framework, in particular, corporate disclosure, governance and transparency.

Corporate governance structure may shape the firm's ownership and control. Corporate ownership in Malaysia is typically characterized by concentrated shareholdings; with different owners distinctively display traits of behavior and preference for corporate governance practices. The unique institutional policies like the New Economic Policy (NEP) and the Industrial Coordination Act 1975 have caused the shift of ownership and control to the companies that have close link with the government sector [18]. Part 4 of the Malaysian Code of Corporate Governance recognizes the importance of institutional investors in ensuring good corporate governance practices in Malaysia. This category of investors is seen as an important group of agents in the market for corporate equity because of their ability to exert direct influence on management activities [1]. Once a British-colonized country, foreign investors continue to remain dominant in the corporate ownership structure of some listed companies. For decades, Malaysia is dependent on foreign direct investment to spur economic growth [6]. Following the large outflow of foreign capital funds during the financial crisis period, several initiatives were undertaken to maintain or attract FDI to Malaysia, which include improving corporate governance, introduction of rules to allow foreign investors 100% ownership in manufacturing sector.

According to [5], the concentrated ownership structure has affected the effectiveness of important mechanisms of shareholder protection such as transparency and disclosure. Voluntary disclosure is of significant concern in a developing country with emerging markets, like Malaysia where the development and sustainability of capital market relies heavily on reducing the information gap between management and investors. According to [40], Malaysian capital market has increased its importance and is keenly competing to be among the leading stock market locations in this region. The study of voluntary disclosure practices within the Malaysian setting is important and timely. Also, examining the association between ownership structure and voluntary disclosure practice in Malaysia, with its unique institutional policies, could provide valuable input to the international debate concerning the impact of Western accounting and governance rules upon developing countries reporting regimes.

The paper is structured as follows. In the next section, the theoretical framework, relevant prior literature and hypothesis development are advanced. Section 3 describes the data and methodology while section 4 presents the findings of the study. Section 5 concludes the study with final comments, limitations of the study and suggestions for future research.

Literature review and hypotheses development

Ownership structure is an integral part of corporate governance because of the inevitable agency conflict between shareholders and managers. [28] positive agency theory postulates that when there is a separation of ownership and control of a firm, the potential for agency costs arises due to the conflict of interest arising from divergent goals between the contracting parties. The conflicting incentives between managers and shareholders caused by interest incongruence and information asymmetry give rise to the information or “lemons” problems which may subsequently lead to the breakdown in the functioning of the capital market [3] [24]. As a result, there is a need for control mechanism to align the interests of managers and shareholders in order to resolve the agency problem. Given the comparative advantage of information possession, it is possible that managers may provide information on voluntary basis to reduce any undesirable costs.

Within the corporate governance context, ownership concentration and composition are two key aspects of ownership structure that determine the level of monitoring [5]. When ownership is widely held, [17] argue that the potential for conflicts between principal (shareholder) and agent (manager) is greater than in more closely held firms. Agency theory argues that firms will disclose more information to reduce agency costs and information asymmetry in a diffused ownership environment [12]. As a result, discretionary disclosure in annual reports is likely to be greater in widely held firms so that individual shareholders can effectively monitor that their economic interests are optimized and managers can signal that they act in the best interests of the shareholders.

Prior empirical research document that disclosure is greater in firms with diffused ownership. [23] report a significant positive relationship between voluntary disclosure of Malaysian firms and ownership diffusion based on the proportion of shares held by top ten shareholders. [12] reveal that the level of information disclosure is positively associated with wider ownership in Hong Kong firms. The results of these studies of voluntary disclosure behavior provide support for the agency theory that there is a positive association between wider ownership and the extent of voluntary disclosure.

Contrary to the above, [41] argue that the individual shareholder, due to low ownership stake, in the diffused ownership firm may lack monitoring capacity and formidable force to influence firm's disclosure decision. Thus, managers in a more widespread ownership structure lack bargaining power to press for more information thus, may resort to voluntarily disclosing little information in the annual reports. Empirically, [15] [4] find no significant association between the level of disclosure and ownership diffusion. [33] and [32] also find weak support for the hypothesis that increased ownership diffusion increases the disclosure of segment information. These empirical studies do not consistently support the proposition explained in terms of agency theory.

By contrast, when a concentrated ownership exists, the majority of ownership is controlled by a small number of large, dominant shareholders who could play an important role in monitoring management. There is a reduced agency problem in the highly concentrated firms because of the greater incentive alignment between owners and managers [28]. Large shareholders have the incentives and resources to monitor management decisions and reduce agency costs [36]. However, large shareholders may use access to insider's information to their own advantage, exploit access expenditure according to their own preference, and influence managers' decision [29].

No consistent empirical results on the association between voluntary disclosure and ownership concentration have been achieved. While [7] and [27] findings of negative association between voluntary disclosure and ownership concentration are in alignment with theoretical argument, [19] reveal that ownership concentration is not statistically significant in explaining the variability of voluntary disclosure of Malaysian listed firms.

The rapid growth of Malaysian economy coupled with the unprecedented development of institutional and regulatory landscape has not diluted the concentrated ownership structure in Malaysia. Corporate ownership in Malaysia is typically characterized by concentrated shareholding. [31] finds the ownership of shareholding among the 100 largest Malaysian firms in the 1960s to be highly concentrated. Lately, a study by [40] shows that the five largest shareholders in a sample of companies comprising over 50 percent of Bursa Malaysia's market capitalization owned 60.4 percent of the outstanding shares and more than half of the voting shares. [2] reports a similar high concentration of ownership where the top five largest shareholders held about 58.8% of total equity in the corporate sector. He further reports that about half of the public listed companies had five shareholders owning about 60.4% of the outstanding shares. In view of firms that are predominantly concentrated and with a controlling majority [37], the hypothesis is developed to test cross-sectionally over three separate time periods, as follows:

> H1: *Ceteris paribus*, there is a negative association between ownership concentration and the extent of voluntary disclosure of information.

The composition of the ownership determines the governance problem and the extent of disclosure. Studies have shown that disclosure orientation of firms is greatly influenced by the identity of ownership [18], [30], [38]. In a recent study, [9] empirically examine the role of ownership in explaining voluntary segment disclosures in Australian firms from 2001 to 2003. They find that firms having high level of shares owned by top 20 shareholders were more likely to disclose voluntary segment information. The finding indicates that ownership concentration in the hands of large shareholders has an ability to mitigate the agency problems inherent in a firm by influencing the voluntary disclosures made by the firm.

Unlike firms in developed countries, the ownership composition in Malaysian listed firms is owned predominantly by insider shareholders. [13] disclose that the founder family and descendants are held to be in strong control of the firms in Malaysia. Similarly, [40] reports that family ownership was prevalent among Malaysian companies where some 67.2 percent of shares were in family hands. [11] report that 42% of Malaysian listed firms has a high family ownership concentration. Such high family ownership has led to governance structures that enable the dominant shareholding family to make key decisions on their own like deciding information disclosure in annual reports. As a result, the agency problem in family owned firms stems from the conflict of interest between owners/managers and minority shareholders [37].

In the context of voluntary disclosure, arguably, the problem of information asymmetry and opportunistic behaviour should be lessened due to the fact that ownership and control still remain one and the same in family controlled firms. Controlling shareholders in such firms have greater access to internal information of the firm, and may not have to rely, to a greater extent, on public disclosure to manage their investment. Thus, it leads to low agency costs and reduced information asymmetry. In the same way, they limit their information disclosure to the public in order to prevent leakage of proprietary information to competitors as well as avoid unwanted political and social scrutiny, but at the expense of minority shareholders. This unique family ownership generates low demand for adequate disclosure but poses a threat to transparency on corporate governance practices.

The empirical evidence on the association between family ownership and the extent of voluntary disclosure concurs with theoretical argument. [12] report that the level of information disclosure is less in family-controlled firms. Similarly, in other studies where the number of family members on the board of directors is used as a surrogate for family control show a negative relation to the extent of voluntary disclosure [25], [23], [19]. All these findings show that they have little motivation to disclose information in excess of mandatory requirements because the demand for public disclosure is relatively low in comparison with companies that have wider ownership. Accordingly, the hypothesis developed as below:

> H2: *Ceteris paribus,* there is a negative association between family ownership and the extent of voluntary disclosure of information.

Besides family ownership, foreign and institutional ownerships exert greater influences on Malaysian corporate governance. Foreign equity ownership continues to play a crucial role in stimulating the economic growth of the company and the country. Foreign investors enhance corporate governance practices, which impacts significantly on firm’s disclosure practices. [23] and [7] found a significant positive relationship between voluntary disclosure and foreign ownership. This is in line with expectations and supports the argument that obtaining funds means a greater need for disclosure to monitor actions by management. However, the results contradicts findings by [39]. This is reasonably expected due to changes in disclosure practices over time.

Apparently, foreign owners’ presence in the company will influence corporate governance practices, which impacts significantly on firm’s disclosure decision. The Malaysian government’s restriction on foreign ownership dictates that foreign investors could hold up to 30 percent of a company’s shareholding. While the 30 percent foreign ownership cap still maintains, there has been an increase in foreigners’ stake in some business sectors following the liberalization rule to allow for greater foreign investment under the Securities Commission’s Capital Market Master Plan. Many of the multinational companies incorporated in Malaysia eg. Shell Malaysia and Nestle (M) Bhd are subsidiaries of big conglomerates in foreign countries and the presence of foreigners on board will influence the quality of information disclosure in order to meet foreign reporting requirements. Hence, foreign ownership can be a determinant in explaining the variability in information disclosure in the annual reports. Thus,

> H3: *Ceteris paribus*, there is a positive association between foreign ownership and the extent of voluntary disclosure of information.

In the changing environment, strategic decision makers in companies have witnessed the emergence of a new stakeholder group, institutional investors. Because investments made by institutional investors are large, they have a strong interest not only in the financial performance of the firms in which they invest, but also in the strategies, activities and other stakeholders of the firms. In Malaysia, the introduction of the NEP has caused the shift of ownerships and control from foreigners to the government. Essentially, the NEP is an economic program of affirmative action where the politically dominant Malays are enabled to enjoy a 30 percent stake in the country's corporate wealth by 1990 [26]. Following this, the government implemented several programs to acquire corporate wealth for the benefit of bumiputra (comprises largely Malay group and a minority of other indigenous ethnic groups) through the creation of trust agencies, new statutory bodies, and government-linked corporations. Examples of domestic institutional investors in the Malaysian capital market consist largely of government-linked investment companies like Khazanah Nasional Berhad, insurance companies, mutual funds, pension funds, financial institutions and investment trust.

Substantial shareholding by institutional investors have strong incentives to monitor corporate disclosure practices to reduce informational asymmetry [14], [15]. Similarly, [10] found that there is a significant positive relationship between institutional shareholdings and corporate disclosure practices. However, based on a study of interim disclosure by Finnish firms, [35] reported an inverse relationship between institutional ownership concentration and disclosure. On the other hand, [32] and [33] both find weak support for the hypothesis that increased institutional ownership associated with voluntary disclosure practices. Hence,

> H4: *Ceteris paribus*, there is a positive association between institutional ownership and the extent of voluntary disclosure of information.

Research Design

The annual report sample

The analysis covers three key time periods that are considered critical in terms of regulatory reforms following the environmental change. These time periods include 1996 representing pre-1997 Asian financial crisis, 2001 representing post-financial crisis, and 2006 post Enron debacle. The annual reports of 50 Malaysian listed firms for each time period are randomly selected from the population of firms listed on the Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange). The criteria of sample firm selection are: (i) availability of annual reports of firms for all the three periods; (ii) firms selected in 1996 must remain listed on the stock exchange in the other two periods; and (iii) all banks, unit trust, insurance and finance companies are excluded from the study due to different and stringent regulatory requirements.

Dependent Variable – development and scoring of disclosure checklist

The extent of voluntary disclosure is measured using the self-constructed voluntary disclosure index (VDI) comprising 85 voluntary disclosure items. This comprehensive voluntary disclosure instrument is developed based on their deemed importance in the prior disclosure studies conducted in developing countries [19], [7], [23], [27], and is used for capturing and measuring differences in disclosure practices among firms. The complete content of each annual report is scrutinized against the disclosure checklist which is then sub-classified into strategic and corporate information, financial and capital market information, directors and senior management information, future prospects, and social and value-added information.

Adopting [22] approach, this study applies the unweighted scoring approach where an item scores 1 if disclosed and 0 if it is not, subject to the applicability of the item concerned. The weighted approach is not used because the focus of this study is not directed at a particular user group. Moreover, prior research has shown that unweighted and weighted approaches produce the same results when there are a large number of items included [8]. In this study, a firm's VDI is defined as the ratio of actual disclosures to the maximum possible score. The VDI, calculated for each firm in each period, is as follows:

$$VDI_{jt} = \frac{\text{actual disclosures for each firm}}{\text{maximum possible disclosure score}}$$

Where,

VDI_{jt} = Voluntary Disclosure Index for firm j year t. This index will be calculated separately for each firm in each of the three periods.

Independent variables

The independent variables included in this study include the ownership concentration, and the identities of ownership structure, namely family; institutional and foreign. This study also includes the standard control variables of firm size, leverage and profitability in the statistical analysis. Data of independent and control variables are hand-collected from the two main sources which include the firms' annual reports and the KLSE Annual Companies Handbook.

Model development

Two multiple regression models are constructed and performed. The first one is to investigate the explanatory power of the ownership concentration cross-sectionally for each time period while the second one is to examine different strands of ownership structure on the variability of voluntary disclosure.

$$VDI_{jt} = \beta_0 + \beta_1 OCON_{jt} + \beta_2 SIZE_{jt} + \beta_3 LEV_{jt} + \beta_4 PROFIT_{jt} + \varepsilon_{jt} \quad (1)$$

$$VDI_{jt} = \beta_0 + \beta_1 FAMILY_{jt} + \beta_2 FOREIGN_{jt} + \beta_3 INST_{jt} + \beta_4 SIZE_{jt} + \beta_5 LEV_{jt} + \beta_6 PROFIT_{jt} + \varepsilon_{jt} \quad (2)$$

where VDI_{jt} = firm's voluntary disclosure index

β = estimated coefficient for each item or category;
$OCON_{jt}$ = ownership concentration being percentage of ordinary shares held by top five shareholders;
$FAMILY_{jt}$ = family ownership being percentage of ordinary shares held by family;
$FOREIGN_{jt}$ = foreign ownership being percentage of ordinary shares held by foreigners;
$INST_{jt}$ = institutional ownership being percentage of ordinary shares held by institutional investors;
$SIZE_{jt}$ = natural logarithm of total assets;
LEV_{jt} = leverage being total liabilities divided by total assets;
$PROFIT_{jt}$ = profitability being net profit before tax divided by shareholders equity;
ε_{jt} = error term

Results

Table 1 presents the descriptive statistics of the sample of Malaysian firms for the variables employed in this study. The minimum and maximum disclosure scores show that there is a wide range in the extent of voluntary disclosure. The mean voluntary disclosure scores show a steady increase from 23.97% in 1996 to 35.95% in 2006. The results indicate that the average level of voluntary disclosure is generally low although there is an increase in the extent of voluntary disclosure exhibited by Malaysian firms over the eleven-year time period (1996-2006).

The breakdown of the voluntary disclosure information items is shown in Table 2. The mean scores registered an overall increase in the information disclosed for all the categories of voluntary disclosure. Sample firms tend to disclose more of corporate and strategic information, and directors and senior management information as reflected by higher disclosure scores in these two categories of information over the eleven-year time period. Social information tend to be least focused by the sample firms, registering the lower mean disclosure score.

Table 1 also provides the information about the sample of Malaysian firms in terms of independent and control variables. Examination of result reveals that the ownership and control in terms of shareholdings by the top five shareholders remains highly concentrated. The top five shareholders held about 64% of total equity in the sample firms in 1996. Despite a slight decrease in the ownership concentration to 59% in 2001, the top five shareholders accounted for 61% of total equity in 2006. In terms of ownership composition, about 45% of the sample firms are held by family with the proportion of shareholdings in the range of 20%-22%. Shareholding by foreign investors is relatively lower with a mean foreign ownership decreased from 25% in 1996 to 16% in 2001. Mean scores for institutional ownership are relatively stable in the range of 19% to 23% between 1996 and 2006.

TABLE 1: DESCRIPTIVE STATISTICS FOR VARIABLES

Variable	Max			Min			Mean			Median			Standard deviation		
	1996	2001	2006	1996	2001	2006	1996	2001	2006	1996	2001	2006	1996	2001	2006
VDI	54.88	64.71	81.18	5.06	10.98	6.49	23.97	31.45	35.95	23.22	31.05	35.94	11.31	12.12	17.31
TOP5	0.86	0.91	0.91	0.29	0.18	0.22	0.64	0.59	0.61	0.64	0.56	0.62	0.14	0.19	0.15
FAM	0.74	0.71	0.75	0.00	0.00	0.00	0.20	0.21	0.22	0.00	0.00	0.00	0.25	0.25	0.26
FOR	0.87	0.67	0.68	0.01	0.00	0.00	0.25	0.16	0.16	0.15	0.07	0.09	0.25	0.21	0.21
INSTL	0.85	0.84	0.83	0.00	0.00	0.00	0.19	0.23	0.21	0.15	0.19	0.14	0.20	0.22	0.23
SIZE (RM mil)	9,519	12,678	10,312	102	71	18	1,099	1,664	1,974	687	795	788	1,470	2,292	2,460
LEV	0.86	0.96	1.15	0.05	0.04	0.02	0.39	0.37	0.38	0.40	0.34	0.37	0.19	0.22	0.25
PROFIT	0.84	1.10	0.59	-4.14	-2.31	-0.99	0.08	-0.02	0.09	0.18	0.08	0.10	0.65	0.51	0.24

TABLE 2: DESCRIPTIVE STATISTICS FOR THE BREAKDOWN OF INFORMATION

	Corporate & strategic information			Financial information			*Directors and senior management information*			*Forward looking information*			*Social information*		
	1996	2001	2006	1996	2001	2006	1996	2001	2006	1996	2001	2006	1996	2001	2006
Minimum	8.33	12.50	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.00	0.00	0.00	0.00	0.00	0.00
Maximum	73.08	80.77	84.62	77.78	83.33	84.21	1.00	1.00	1.00	54.55	60.00	72.73	47.83	56.52	82.61
Mean	38.16	43.59	45.95	23.00	27.98	32.27	15.50	45.50	46.50	23.45	28.19	33.56	10.87	20.35	25.48
Median	37.98	46.29	50.00	18.20	21.63	25.66	0.00	50.00	50.00	27.27	27.27	36.36	4.35	13.04	15.21
Std Deviation	14.35	16.51	20.85	18.41	22.24	21.73	25.19	19.36	20.83	13.71	12.04	13.82	13.76	19.13	24.02

Table 3 presents the correlation coefficients between variables, computed using Pearson's product moment correlations. The analysis shows that voluntary disclosure is positively correlated with concentrated ownership structure in all years. Voluntary disclosure is positively correlated with family ownership in 1996 but is negatively correlated in later two years. While foreign ownership shows no correlation pattern with voluntary disclosure, institutional ownership is positively correlated with voluntary disclosure in all three years.

TABLE 3: PEARSON CORRELATIONS ANALYSIS

1996		*VDI*	*OCON*	*FAMILY*	*FOREIGN*	*INSTITU-TIONAL*	*FIRM SIZE*	*DEBT*	*PROFIT*
VDI	1996	1	0.378**	0.470**	0.265	0.436**	0.419**	0.224	0.240
	2001	1	0.429**	0.368**	0.275	0.498**	0.523**	-0.145	0.192
	2006	1	0.378**	-0.313*	0.276	0.658**	0.623**	-0.274	0.198
OCON	1996		1	-0.113	0.156	0.484**	0.125	-0.110	0.188
	2001		1	-0.186	0.309*	0.492**	0.071	-0.476**	0.302*
	2006		1	-0.156	0.141	0.349*	0.084	-0.335*	0.086
FAMILY	1996			1	-0.439**	-0.367**	-0.134	-0.059	-0.179
	2001			1	-0.400**	-0.448**	-0.070	-0.063	-0.190
	2006			1	-0.239	-0.474**	0.062	-0.041	-0.137
FOREIGN	1996				1	-0.167	0.019	0.231	0.161
	2001				1	-0.040	-0.100	-0.117	0.321*
	2006				1	-0.078	0.119	-0.017	0.174
INSTITUTIONAL									
	1996					1	0.427**	-0.080	0.162
	2001					1	0.427**	-0.033	0.159
	2006					1	0.466**	-0.211	0.234
FIRM SIZE	1996						1	-0.090	0.256
	2001						1	0.172	-0.061
	2006						1	-0.109	0.023
DEBT	1996							1	-0.389**
	2001							1	-0.328*
	2006							1	-0.371**
PROFIT	1996								1
	2001								1
	2006								1

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

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

The results for the multivariate test of the hypotheses developed above are documented in Tables 4 & 5. The multiple regression models for all three years for Malaysian firms reported significant *F* value (at the 0.01 level) for the level of overall disclosure. The first multiple regression model which investigates the explanatory power of the ownership concentration cross-sectionally for each period gives adjusted R^2 of 26.2%, 38.7% and 48.0% respectively. The explanatory power of the second model which examines the ownership identities cross-sectionally for each period gives adjusted R^2 of 38.6%, 44.3% and 60.5% respectively. The explanatory power of this model is comparable with prior studies [16, 20.61%], [27, 28.6%], [25, 31.4%], [23, 47.9%]. Multicollinearity statistical tests (variance inflation factor) are conducted and suggest that multicollinearity is not a concern in this study.

As shown in Table 4, the coefficients for ownership concentration of the Malaysian firms are significant at 5% level in both 1996 and 2001. The ownership concentration becomes highly significant at the 1% level in 2006. But all these significance levels are not in the predicted direction. The findings indicate that the concentration ownership in top five shareholders discloses more voluntary disclosure in annual reports. The first multiple regression model does not support the prediction of a negative association between the ownership structure and the extent of voluntary disclosure. Thus, *H1* is not supported by the findings. These findings contradict the prior studies conducted in Malaysia like [23], [27] and [19]. Nonetheless, the finding is consistent with [9]. The Malaysian regulatory bodies' efforts in enhancing corporate governance seem to pay off. The results imply that the large firms with concentrated ownership in the hands of large shareholders appears to be a more important tool to mitigate agency problems when investors protection is weak by influencing greater disclosure in annual reports. It may reflect a firm's choice of governance and disclosure practices.

TABLE 4: REGRESSION RESULTS OF OWNERSHIP CONCENTRATION

	1996			2001			2006		
Adjusted R^2	26.2			38.7			48.0		
F statistic	6.806			8.582			12.326		
Significance	0.001			0.000			0.000		
Variables	Beta	t	Sig	Beta	t	Sig	Beta	t	Sig
Constant		-2.605	0.012		0.110	0.913		-4.561	0.000
OCON	0.315	2.535	0.015*	0.342	2.567	0.014*	0.297	2.710	0.009**
Firm Size	0.366	2.947	0.005**	0.508	4.372	0.000**	0.589	5.676	0.000**
Debt	0.228	1.767	0.184	-0.042	-0.308	0.759	-0.060	-0.506	0.615
Profit	0.034	0.242	0.810	0.106	0.874	0.387	0.137	1.236	0.223

** Significant at the 0.01 level (2-tailed)

* Significant at the 0.05 level (2-tailed)

Table 5 reports the regression result from model 2 in which voluntary disclosure index is regressed on family ownership, foreign ownership and institutional ownership. The results show that two types of ownership, foreign and institutional are significant predictors of the level of voluntary disclosure. The significant positive association between voluntary disclosure and foreign ownership is in line with expectations and supports the arguments that in order to obtain foreign funds, there is a greater need to disclose more information so as to monitor managerial actions. The result is consistent with [23] and [7] but inconsistent with [27]. Likewise, the institutional ownership variable has the predicted positive signs and is significant for all three year. This implies the concentrated shareholding by institutional investors has a strong influence on firms for greater voluntary disclosure. Thus, *H3* and *H4* are supported. Though family ownership has negative coefficients in each of the years under study but the variable is an insignificant predictor of the variability of voluntary disclosure practices of Malaysian listed firms. Thus, *H2* is not supported.

TABLE 5: REGRESSION RESULTS OF OWNERSHIP IDENTITIES

	1996			2001			2006		
Adjusted R^2	38.6			44.3			60.5		
F statistic	6.128			7.374			13.500		
Significance	0.000			0.000			0.000		
Variables	Beta	t	Sig	Beta	t	Sig	Beta	t	Sig
Constant		-0.711	0.481		3.289	0.002		-2.544	0.015
FAMILY	-0.245	-1.692	0.098	-0.129	-0.920	0.363	-0.079	-0.645	0.522
FOREIGN	0.275	1.909	0.043*	0.248	1.935	0.030*	0.248	2.389	0.021**
INSTITUTL	0.271	1.865	0.039*	0.245	1.696	0.027*	0.436	3.096	0.003**
Firm size	0.257	2.015	0.050*	0.464	3.736	0.001**	0.380	3.246	0.002**
Debt	-0.284	-2.208	0.133	-0.197	-1.684	0.100	-0.148	-1.485	0.145
Profit	-0.068	-0.515	0.609	0.013	0.103	0.918	-0.021	-0.211	0.834

** Significant at the 0.01 level (2-tailed)

* Significant at the 0.05 level (2-tailed)

For control variables in both models, firm size is significantly positively associated with the extent of voluntary disclosure. Larger firms possess the necessary resources for collecting and presenting an extensive array of information. This provides support for agency theory that voluntary disclosure systematically varies depending upon firm size. Leverage and profitability are not statistically significant in all years for both models. This could be due to the prevalent practice in Malaysia of including restrictive covenants in debt agreement. Contrary to signaling hypothesis [34], profitable firms do not disclose additional information to signal that the firm is being well-managed.

Conclusion

The paper has examined factors influencing the extent of voluntary disclosure in annual reports of firms listed on the Bursa Malaysia. This study extends previous studies on the determinants of corporate disclosure in two ways. First, it examines the impact of ownership structure and ownership identities – family ownership, foreign ownership and institutional ownership - on disclosure. Second, this longitudinal study covers an important timeframe where the change in factors that would influence firms’ disclosure practice is expected to take place.

Controlling for firm size, leverage and profitability, the empirical results show that ownership concentration is positively associated with voluntary disclosure. The corporate reforms implemented by Malaysian regulatory bodies appear to have enhanced corporate governance structure and transparency. The positive association of high ownership concentration may reflect the firms’ choice to disclose more information as a governance initiative to enhance transparency.

Institutional and foreign ownership have motivation to disclose in excess of mandatory requirements. The findings imply that the presence of institutional and foreign investors in a firm pushes firms to voluntarily disclose more information in annual reports. Such enhanced disclosure practice should be encouraged in order to attract funds from such investors both locally and abroad. Further, it is important that the management of Malaysian listed firms appreciate the importance of effective communication to the capital market especially its direct link to the reduction of cost of capital and subsequent increased firm value and wealth creation for the shareholders.

The findings of the study have implication for disclosure policies and the governance initiatives in relation to ownership structure and composition, especially in the Asian-Pacific Basin region countries where the environments more prone to secrecy rather than transparency. Finally, caveats are in order. While the study only focuses on cross-sectional analysis, a time-series analysis of changes in ownership structure and pooled data analysis should also be considered. This study focuses on one avenue of corporate disclosure via corporate annual reports and the extent to which firms voluntarily release information through other means like the press release, media, and the internet is not explored.

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