A thesis submitted to the Postgraduate Studies College of Business

(Division of Finance and Banking)

in partial fulfillment of the requirements for the degree

Master of Science (Finance)

Universiti Utara Malaysia

2010

Hazim Qassim Hussien Alrawashdeh

[802504]

@ hazim qassim hussien alrawashdeh, 2010. All right reserved
PERMISSION TO USE

In presenting this dissertation in partial fulfillment of the requirements for a postgraduate degree from Universiti Utara Malaysia. I agree that the university’s library may make it freely available for inspection. I further agree that permission for copying of this thesis is any manner, in whole or in a part, for scholarly purposes may be granted by my supervisor, Associate Professor Norafifah Ahmad, or, in her absence, by the Dean of College of Business. It is understood that any copying or publications or use of this thesis or parts thereof for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis. Request for permission to copy or to make use of materials in this thesis, in whole or in part, should be addressed to:
ABSTRACT

This study aims to shed light on the determinants of the extent of voluntary disclosure in the Jordanian listed firms for the year 2008. Findings reveal that Jordanian companies adopt voluntary disclosure on different types of information including strategic, non-financial and financial information. This study additionally examined the effect of four corporate governance factors namely, managerial ownership, government ownership, block holder ownership, and board composition, on the extent of voluntary disclosure. A linear regression analysis is applied for this purpose. Findings reveal that lower managerial ownership, more independent directors are associated with higher voluntary disclosure in Jordanian companies. However, block holder ownership does not appear to have a significant impact on the extent of voluntary disclosure. The study also reveals that larger companies disclosure more information than smaller companies in Jordan.
DEDICATION

My great beloved father Mr. Qasem Hussien
DECLARATION

I am responsible for the accuracy of all opinions, technical comments and illustrations in this project paper except for citations and quotations that have been adequately acknowledged. I bear full responsibility for the checking whether material has been previously or concurrently submitted for any other master's program at UUM or other institutions. UUM does not accept any liability for the accuracy of such comment, report and other technical information claims.

...............................................

HAZIM QASSIM HUSSIEN ALRAWASHDEH
ACKNOWLEDGMENT

In the name of Allah, Most Gracious, Most Merciful.

I would like to express my full gratitude to my supervisor, Associate Professor Norafifiah Ahmad, for her constant guidance, invaluable advice, suggestion and encouragement throughout my study in Universiti Utara Malaysia.

My special thanks will always be for the most important people in my life, my lovely family namely my father, Mr. Qasem Husein who has selflessly devote his life to my family and to the pursuit of excellence in knowledge for all his children. My ever-lasting indebtedness goes to the source of my happiness, my mother, who is simply the most wonderful, amazing woman and the greatest asset and treasure of my life. My constant remembrance to my sisters and brothers Ir. Mohammad, Feras, Fares, Tareq, Husein, and Osamah who are the gifts to my heart, friends to my spirit, and golden threads to the meaning of life.

There are many friends that left their heart prints on my heart. Thank you for your valuable suggestions and constructive comments. You all are very dear to me.
CHAPTER ONE: BACKGROUND

1.0 Introduction .............................................................................................................1

1.1 Overview of Jordanian Economy.............................................................................3

1.1.1 Corporate Governance in Jordan .......................................................................4

1.1.2 Disclosure and Transparency .............................................................................5

1.2 Problem Statement .................................................................................................7

1.3 Research Objectives ...............................................................................................9

1.4 Research Questions ...............................................................................................10

1.5 Significance of the Study ......................................................................................10

1.6 Scope of the Study ..................................................................................................11

1.7 Summary of the Chapter .......................................................................................12

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction .............................................................................................................13

2.1 Agency Theory and Voluntary Disclosure ..............................................................13

2.2 Voluntary Disclosure .............................................................................................14

2.3 Corporate Governance Attributes and Voluntary Disclosure .........................15

2.3.1 Ownership Structure and Voluntary Disclosure .........................................16

2.3.2 Board Composition and Voluntary Disclosure ...........................................20

2.4 Controlling Variables ............................................................................................22

2.5 Other Variables Affect Voluntary Disclosure ....................................................22

2.6 Summary of Chapter ............................................................................................24
CHAPTER THREE: METHODOLOGY

3.0 Introduction ...........................................................................................................25

3.1 Theoretical Framework .........................................................................................25

3.1.1 Independent and Dependent Variables..............................................................26
  3.1.1.1 Managerial Ownership .................................................................................27
  3.1.1.2 Government Ownership .............................................................................27
  3.1.1.3 Block Holder Ownership ............................................................................28
  3.1.1.4 Board Composition ...................................................................................28
  3.1.1.5 Voluntary Disclosure ................................................................................29

3.1.2 Controlling Variables .......................................................................................29

3.2 Data Analysis .......................................................................................................32
  3.2.1 Descriptive Analysis ......................................................................................32
  3.2.2 Correlation of Variables ................................................................................32
  3.2.3 Model Specification and Multiple Regression .................................................32

3.3 Summary .............................................................................................................33
CHAPTER FOUR: ANALYSIS AND FINDINGS

4.0 Introduction ...........................................................................................................35
4.1 Validity and Reliability..........................................................................................35
4.2 Descriptive Analysis ............................................................................................36
4.3 Correlation Analysis ............................................................................................37
4.4 Regression Analysis ............................................................................................39
  4.4.1 Regression Analysis for All Observations.....................................................39
  4.4.2 Coefficient Analysis of Voluntary Disclosure..............................................40

CHAPTER FIVE: CONCLUSION

5.0 Introduction ...........................................................................................................42
5.1 Summary of Findings ..........................................................................................42
5.2 Suggestions for Future Research ........................................................................45

REFERENCES .............................................................................................................46
LIST OF FIGURES

1.1 Compliance with OECD Principles, Jordan and the World............................7
3.1 Theoretical Framework..................................................................................26

LIST OF TABLES

3.1 Measurement of Variables...........................................................................31
4.1 Reliability Statistics....................................................................................35
4.2 Descriptive Analysis for Dependent and Independent Variables...............36
4.3 Correlation between Variables...................................................................38
4.4 Model Summary.........................................................................................39
4.5 Coefficient and Collinearity Analysis..........................................................41

APPENDIX
CHAPTER ONE

BACKGROUND

1.0 Introduction

According to Chobpichien, (2008) voluntary disclosure is the external reporting done beyond what is mandated. It covers all data which concerns both subsidiaries and the group itself. However, the increasing amount of voluntary disclosure among firms all over the world have motivated the researchers in this particular area to wonder and explore factors that could make the firm to disclose information that it is not mandated to disclose it in the first place.

Over years, corporations have had to disclose certain information regarding the company’s financial position, management, creditors, competitors, and shareholders. This type of disclosure is considered as a mandatory disclosure, meaning that corporation must disclose certain information.

Boesso and Kumar (2007) argue that, in recent years dissatisfaction with corporate mandatory disclosure has led the investors, financial markets and other key stakeholders to demand that companies voluntarily provide more comprehensive information about their long-term strategies and performance. This dissatisfaction with the quality and the effectiveness of financial reporting has also received worldwide attention from the academics.
The contents of the thesis is for internal user only
References


