VOLUNTARY DISCLOSURE AND CORPORATE GOVERNANCE AMONG
GOVERNMENT-LINKED COMPANIES IN MALAYSIA

AWNÍ M. K. ALARAB
(88036)

DIVISION OF ACCOUNTING AND FINANCE
COLLEGE OF BUSINESS
UNIVERSITI UTARA MALAYSIA
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By
Awni M. K. Alarab

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DEDICATION

My Lovely Great Beloved Parents,

In loving memory of my late uncles, (Abu-Ashraf & Abu- Ahmad),

My Lovely Dear Uncle (Abu-Almu’taz)

My Heart Love (Anwar)

My supportive and caring brothers,

My beloved kind sisters,

My sweetie nephews and nieces

My work is dedicated to all of you my heart residents
ABSTRACT

This paper examines the effect of corporate governance characteristics on the extent of voluntary disclosure in the financial reports among government-linked companies (GLCs) in Malaysia. We extend previous researches by simultaneously considering board of directors' composition (as the main or the root of the CG mechanisms, board size, CEO duality, and ownership structure (managerial ownership, and government ownership level) in relationship to the level of voluntary (non-mandatory accounting and non-accounting information) disclosure extent in the 2005 financial reports of thirty (30) listed GLCs in Bursa Saham Malaysia. Our results suggest that the corporate governance-related variables influence the level of information disclosed, thus confirming the hypotheses. In regard to the quality of disclosure, our results on the governance characteristics show that (1) managerial ownership was negatively related to the voluntary disclosure index, (2) the level of government ownership was positively linked to the level of voluntary disclosure extent, (3) the level extent of non-executive directors was negatively related to the voluntary disclosure index, (4) the board size was negatively related to the voluntary disclosure index, (5) the role of duality was negatively related to the voluntary disclosure index. Moreover, our results on the companies specific characteristics indicate that (6) the profitability variables (ROE, ROA) were positively related to the voluntary disclosure index, (7) the Gearing variable was positively related to the voluntary disclosure extent index, and (8) company size was positively related to the level of voluntary disclosure extent. The results of this study might be of interest to regulators, investment analysts, and market participants.
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# TABLE OF CONTENTS

PERMISSION TO USE ........................................................................................................ i
DEDICATION ..................................................................................................................... ii
ABSTRACT ........................................................................................................................ iii
ACKNOWLEDGMENT ......................................................................................................... iv
TABLE OF CONTENTS ...................................................................................................... v
LIST OF FIGURES ............................................................................................................. vii
LIST OF TABLES ............................................................................................................... viii
CHAPTER ONE ................................................................................................................... 9
1.0 Background .................................................................................................................. 9
1.1 Motivation/ Problem Statement ................................................................................. 11
1.2 Research Questions .................................................................................................... 15
1.3 Objectives of the Study .............................................................................................. 15
  1.3.1 Main Objective ..................................................................................................... 15
  1.3.2 Specific Objectives .............................................................................................. 15
1.4 Scope and Limitations .............................................................................................. 16
1.5 Significance of the Study .......................................................................................... 16
1.6 Organization of the study ......................................................................................... 16
1.7 Summary .................................................................................................................... 16
CHAPTER TWO ................................................................................................................ 18
2.0 Introduction and Overview ....................................................................................... 18
2.1 Agency Theory ........................................................................................................... 21
2.2 Corporate Governance Characteristics ..................................................................... 23
  2.2.1 Managerial Ownership (Insider Ownership) ..................................................... 24
  2.2.2 Government Ownership ..................................................................................... 25
  2.2.3 Board of Directors’ Composition ....................................................................... 26
    2.2.3.1 Board Composition, non-Executive Directors ............................................. 27
    2.2.3.2 Board Composition: Role Duality ............................................................... 28
    2.2.3.3 Board Composition: Board Size ................................................................. 30
2.3 Control Variables .................................................................................................... 31
  2.3.1 Gearing ................................................................................................................ 31
  2.3.2 Profitability ......................................................................................................... 32
  2.3.3 Corporation Size ................................................................................................. 32
2.4 Voluntary Information Disclosure ........................................................................... 33
  2.4.1 Incentives for Voluntary Disclosure of Information by Organisations .......... 34
2.5 Summary ............................................................................................................... 35
CHAPTER THREE .......................................................................................................... 37
3.0 Introduction .............................................................................................................. 37
3.1 Conceptual Frame Work ......................................................................................... 37
3.2 Data Sources ............................................................................................................ 38
3.3 Sample Selection ..................................................................................................... 40
3.4 Disclosure Index ..................................................................................................... 41
3.5 Research Design .................................................................................................... 42
3.6 Research Analysis .................................................................................................. 44
3.7 Hypotheses Development ....................................................................................... 45
  3.7.1 Management Ownership .................................................................................... 45
  3.7.2 Government Ownership Level ............................................................................ 46
LIST OF FIGURES

Figure 3.1: Conceptual Framework ................................................. 38
LIST OF TABLES

Table 4.1 Descriptive Statistics ................................................................. 49
Table 4.2 Correlation Results of all Variables ........................................... 51
Table 4.3 Relationships Summary of the Dependent Variable (the Extent of Voluntary Disclosure Index) and Independent Variables ........................................ 53
Table 4.4 Enter Variable Method ................................................................. 56
Variables Entered/Removed (b) ................................................................. 56
Table 4.5 Model Summary of Adjusted R-square ...................................... 57
Table 4.6 Multiple Regression Analysis .................................................... 60
Model Summary (b) .................................................................................. 60
ANOVA (b) ............................................................................................... 60
Table 4.6 F Test (ANOVA) ........................................................................ 62
Table 4.7 Collinearity Statistics ................................................................. 64
CHAPTER ONE
INTRODUCTION

1.0 Background

The annual report is one of the major corporations’ medium used to transmit information to outsiders (Botosan, 1997; Lang and Lundholm, 1993): in other words, annual reports are used as a communication method to communicate both quantitative and qualitative corporate information (Barko, Hancock, and Izan, 2006) with stakeholders or with the interested parties. Thorell (2003) states that a corporation’s interested parties are commonly known as the owners, investors, employees, creditors, suppliers, customers and the public. Everybody who is interested in the success of corporations depends on the information disclosed by corporations (Perseus, 1997) in making various decisions (Thorell, 2003). Relevance is a vital standard, so the information must be appropriate and relevant to the users to assist decision-making (Cook, 1989b).

Financial disclosure in the annual reports reflects the operational, structural, and financial picture of the corporations to the stakeholders. Financial disclosure can be classified into two parts: mandatory and voluntary (non-mandatory) disclosures. Corporate voluntary disclosure, which is optional and additional on requirements, provides free choice on the part of managers to provide information to the annual reports users (Nasir, 2004). Understanding why companies voluntarily disclose information is useful for both producers and users of accounting information, as well as for accounting policy (Buzbee, 1975; Meek, Gray and Roberts, 1995). In other words the disclosure works as a bridge between the management and the financial reports’ users. Voluntary
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Bibliography


http://www.khazanah.com.my/faq.htm#ques15