THE EFFECTS OF FAMILY OWNERSHIP ON PRICES OF FIRMS ANNOUNCING BONUS ISSUES.

By

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This study aims to investigate the effects of six governance characteristics on prices of firms announcing bonus issues. This study used a sample of 50 companies without other announcements. The six governance characteristics are family ownership, board size, proportion of independent directors, proportion of executive directors, proportion of family directors and board ownership while cumulative abnormal return from day -5 to day -1 is used as a proxy for the announcement effects. Market model and ordinary least squares (OLS) regression methods are used to examine the abnormal returns and the effects of corporate governance on abnormal returns. The findings showed proportion of family directors and proportion of executive directors have significant effect on cumulative abnormal return. This result indicates that investors reacted favourably to announcements by companies with a large proportion of either family directors or executive directors.
ABSTRAK

Penyelidikan ini bertujuan untuk mengkaji kesan enam ciri-ciri ahli lembaga syarikat ke atas firma pemilikan keluarga yang mengumumkan terbitan bonus saham. Penyelidikan ini menggunakan sampel sebanyak 50 syarikat tanpa sebarang pengumuman lain. Terdapat enam ciri-ciri ahli lembaga syarikat yang dikaji, iaitu terdiri daripada pemilikan keluarga, saiz ahli lembaga syarikat, sebahagian ahli lembaga syarikat bebas, sebahagian ahli lembaga eksekutif syarikat, sebahagian ahli lembaga pengarah keluarga dan pemilikan ahli lembaga syarikat, manakala pulangan kumulatif luar biasa yang bermula daripada lima hari sebelum dan sehari sebelum pengumuman terbitan bonus saham digunakan sebagai proksi dalam penyelidikan ini. Model pasaran dan kaedah regresi “Ordinary Least Squares” digunakan sebagai alat pengukuran kepada pulangan luar biasa dan melihat kesan ciri-ciri ahli lembaga syarikat terhadap pulangan luar biasa. Secara keseluruhannya, keputusan kajian menunjukkan sebahagian ahli lembaga pengarah keluarga dan sebahagian ahli lembaga eksekutif syarikat memberi kesan ketara ke atas pulangan kumulatif luar biasa. Keputusan ini menunjukkan bahawa pelabur memberi reaksi positif kepada syarikat yang mengumumkan terbitan bonus saham samaada syarikat tersebut mempunyai sebahagian ahli lembaga pengarah keluarga atau sebahagian ahli lembaga pengarah eksekutif yang besar.
CHAPTER 1
INTRODUCTION

1.0 Introduction

This chapter starts with introduction and followed by background about bonus issue. Accounting treatment of bonus issue is discussed in the background section. Section 1.2 discusses about the characteristics and flow of bonus issues in Malaysia. Problem statement, research questions, research objectives, significance and scope of the study are discussed in sections 1.3, 1.4, 1.5, 1.6, and 1.7 respectively. Finally the final section discusses about the limitations of this study.

1.1 Background

Bonus issue is also known as stock dividend in the United State and scrip issue in the United Kingdom. Bonus issue is a free issue of shares, without a subscription price, made to existing shareholders in proportion to their current investment (Amuthan & Ayyappan, 2011). Dhar and Chhoachharia (2008) describe bonus issue as a “cosmetic” event because it simply changes the number of outstanding shares. There is no change in total value of the firm.
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REFERENCE


Ming Dong, Robinson, C and Veld, C (2005), Why Individual Investors want Dividends. *Journal of Corporate Finance* 12. 121-158.


