



รายงานวิจัยฉบับสมบูรณ์

การกระจุกตัวของการถือหุ้นและการเปิดเผยข้อมูลและความโปร่งใสของกิจการ: หลักฐาน
จากประเทศไทย

Ownership Concentration and Corporate Disclosure and Transparency:
Evidence from Thailand



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Ownership Concentration and Corporate Disclosure and Transparency:
Evidence from Thailand

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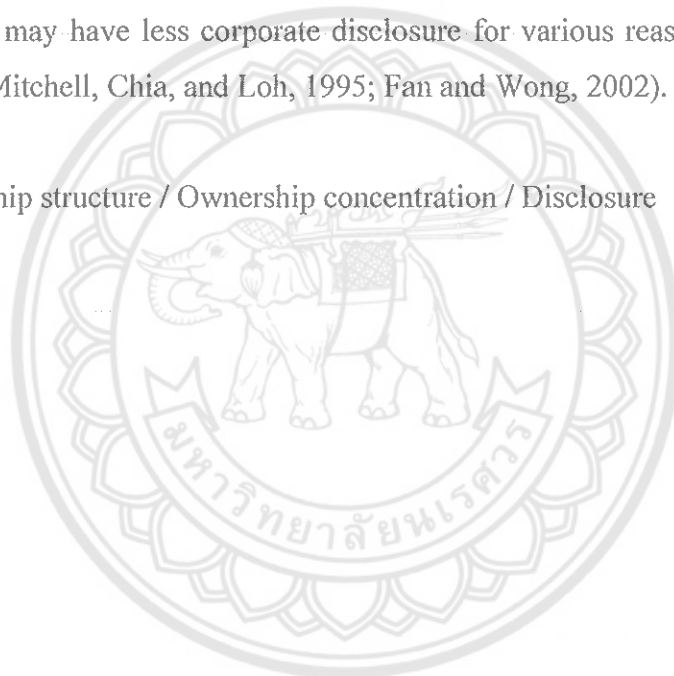


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Abstract

This study investigates the relationship between ownership concentration and corporate disclosure and transparency of Thai listed firms in SET100. The characteristics of ownership concentration in this study measure by the shareholding proportion in three dimensions: the percentage of the largest shareholders of firm, the percentage of shares held by the five largest shareholders of firm, and the percentage of shares held by blockholders owning 5% or more of the firms' shares of firm. The results are consistent with the hypothesis that the ownership concentration is negatively significantly related to the corporate disclosure and transparency. The finding is consistent with prior research that firms with concentrated ownership structure may have less corporate disclosure for various reasons (McKinnon and Dalimunthe, 1993; Mitchell, Chia, and Loh, 1995; Fan and Wong, 2002).

Keywords: Ownership structure / Ownership concentration / Disclosure



บทคัดย่อ

งานวิจัยนี้ทำการศึกษาความสัมพันธ์ระหว่างการกระจุกตัวของการถือหุ้นและการเปิดเผยข้อมูลและความโปร่งใสของกิจการของบริษัทจดทะเบียนในตลาดหลักทรัพย์ที่อยู่ในกลุ่ม SET100 งานวิจัยนี้วัดการกระจุกตัวของการถือหุ้นของกิจการจากสัดส่วนการถือหุ้น โดยพิจารณาจาก 3 มุมมอง : ร้อยละของการถือหุ้นของผู้ถือหุ้นรายใหญ่ของกิจการ, ร้อยละของการถือหุ้นของผู้ถือหุ้นสูงสุด 5 อันดับแรกของกิจการ และร้อยละของการถือหุ้นของผู้ถือหุ้นที่ถือหุ้นเท่ากับ 5% หรือมากกว่าของหุ้นทั้งหมดของกิจการ ผลการวิจัยสอดคล้องกับสมมติฐานการวิจัยโดยพบว่า การกระจุกตัวของการถือหุ้นมีความสัมพันธ์เชิงลบกับการเปิดเผยข้อมูลและความโปร่งใสของกิจการ ซึ่งสอดคล้องกับงานวิจัยในอดีตที่ว่า การกระจุกตัวของการถือหุ้นจะส่งผลต่อการลดลงของการเปิดเผยข้อมูลของกิจการ (McKinnon and Dalimunthe, 1993; Mitchell, Chia, and Loh, 1995; Fan and Wong, 2002)

คำสำคัญ: โครงสร้างผู้ถือหุ้น / การกระจุกตัวของการถือหุ้น / การเปิดเผยข้อมูล



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Chapter 1

Introduction

1.1 Introduction

The Asian financial crisis in 1997 and the global financial scandals have heightened awareness of the economic benefits of good corporate governance. Moreover, it is essentially marked the beginning of serious awareness of the importance of corporate governance in Thailand. The Thai Government designated 2002 as the “Year of Good Corporate Governance.” The National Corporate Governance Committee (NCGC) was appointed in the same year. Chaired by the Prime Minister, the NCGC aims to promote the principles of good corporate governance and ensure delivery of concrete outcomes.

The OECD (Organization for Economic Co-operation and Development) Principles of Corporate Governance is an international standard adopted by many countries. The Stock Exchange of Thailand (SET) applied the OECD principles and launched The Corporate Governance Guidelines for Listed Companies in 2006 and revised version in 2012 to further meet the criteria of ASEAN CG Scorecard (www.cgthailand.org). The OECD Principles comprise five categories including (1) The Rights of Shareholders (2) The Equitable Treatment of Shareholders (3) The Roles of Stakeholders (4) Disclosure and Transparency and (5) The Responsibilities of the Board.

Corporate disclosure is a critical function of an efficient capital market (Healy and Palepu, 2001). In addition, disclosure and transparency is the important element of the OECD Principles

of corporate governance. Accounting information disclosed by companies is one of the most important information sources for investors and analysts in evaluating a company (Breton and Taffler, 1995). The modern stakeholders require more sophisticated information. They ask for additional information which is not provided by the financial statements. The efficiency of the disclosure process depends on the needs of the stakeholders and of the interests of the management of the corporation. Hence, disclosure is a crucial element in ensuring the effective allocation of resources in the society and diminishing the information asymmetry between the company and its stakeholders.

At present, SET and Thailand Securities and Exchange Commission (SEC) have set rules and regulations regarding the disclosure of listed firms' information. The Annual Registration Statement (Form 56-1) is to be submitted within three months from the end of the accounting period and Annual report is to be submitted to SET within four months from the end of the accounting period. However, the disclosure of firm's information has different content and details. Previous research found that the level of firm disclosure is caused by various factors such as firms characteristics, firm size, firm performance, including firm ownership structure. (Barry and Brown, 1985; Aksu and Kosedag, 2006; Beekes and Brown, 2006; Brown and Hillegeist, 2007; Ali et.al, 2007). Moreover, Wiwattanakantang (2001) study the ownership structure of Thai listed firms. They found that majority firms (80%) are firms with controlling shareholders or family firms. Thus, this study aims to investigate that whether the concentration of shareholdings effects the firm's disclosure and transparency.

1.2 Research Objectives

The objective of this study is to investigate the relationship between ownership concentration and corporate disclosure and transparency of Thai listed firms in SET100. This study measures the corporate transparency and disclosure by the transparency and disclosure assessment criteria which is one of five major criteria that The Institute of Directors Association of Thailand (IOD) used to assess The Corporate Governance Report of Thai Listed Companies (CGR). The ownership concentration in this study measure by the shareholding proportion. To achieve this outcome, this study has the following objectives:

1. To investigate the corporate transparency and disclosure of Thai listed firms in SET100.
2. To examine the relationship between ownership concentration and corporate disclosure and transparency of Thai listed firms in SET100.

1.3 Contributions

1. Provides a better understanding of the corporate disclosure and transparency of Thai Listed Firms in SET100.
3. Provides a better understanding of the relationship between ownership concentration and corporate disclosure and transparency of Thai Listed Firms in SET100.
4. The results from this study should be contributed to various parties such as academics, investors, financial practitioners, standard setters and regulators.

1.4 Structure of the Research

This study is divided into five chapters organized as follows. Chapter I introduces the research and its objectives. Chapter II discusses the related literature about ownership structure

and the corporate disclosure and transparency. Moreover, this chapter also presents theory and hypotheses development. Chapter III presents the research design, sample selection, data, model specifications, and variables measurement. Empirical results of the analysis are presented in chapter IV. This is followed by a conclusions and limitations in chapter V



Chapter 2

Literature Review, Theory development and Hypotheses

2.1 Agency Theory

Agency theory suggests that the firms can be viewed as a nexus of contrasts between resource holders. Jensen and Mecking (1976) defines the theory as agency relationship as a contract under which one or more persons (principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to that person. If both parties of the relationship are utility maximizers, there is a good reason to believe that the agent will not always act in the best interest of the principal. The principal can limit divergences from his interest by establishing appropriate incentives for the agent and by incurring monitoring costs designed to limit the aberrant activities of the agent. In addition in some situations it will pay the agent to expend resources (bonding costs) to guarantee that he will not take certain actions which would harm the principal or to ensure that the principal will be compensated if he does take such actions. However, it is generally impossible for the principal or the agent at zero cost to ensure that the agent will make optimal decisions from the principal's viewpoint. Therefore, Jensen and Mecking (1976) also define the agency costs as the sum of the monitoring cost (by the principal), the bonding cost (by the agent) and the residual loss.

Agency theory is getting rising acceptance as a valuable theoretical approach in the field of corporate governance (Durisin and Puzone, 2009). Although, rooted in economics and finance,

agency theory highlights the control approach aimed at curbing self-serving behaviors of managers (agents) that may negatively impact shareholders' (principals') wealth. The agency theory is based on the idea that in modern corporations, separation of ownership (principal) and management (agent) leads to costs associated with resolving conflict between the agents and principals (Eisenhardt, 1989). The probability of agency conflicts to incur is higher in a firm when shares are widely held than when it is in the hands of a few. Also, the agency costs of equity are higher where a company's shares are being held by a relatively small number of shareholders (Friedland, 2003).

The main argument of agency theory is that when the managers act out of self-interest, they do not always protect the interests of the shareholders. Shareholders wish to maximize the firm value, performance and ultimately their wealth, while managers prefer their interests and short-term benefits. The agency theory suggests that when there is a separation of ownership and control of a firm, the potential for agency costs arises because of diverse interests between contracting parties. It gives the agents (managers) more incentives to pursue activities that will benefit themselves at the expense of principals (shareholders).

Given the difficulties in mitigating agency problems with contracts, prior research suggest other corporate governance mechanisms to address the agency problems. In this context, several corporate governance mechanisms have been introduced to solve the conflict of interest and reduce costs associated with such conflict. Ownership structure is one of the important mechanisms used to reduce such conflict. There are two important aspects of ownership structure: concentration and composition. The degree of ownership concentration in a firm determines how power is distributed between its shareholders and managers. Hence, the ownership concentration measures the power of shareholders (principals) to influence the managers (Agents) (Thomsen and Pedersen, 2000). In

widely held firms the primary worry is the risk that management may behave opportunistically at the expense of shareholders in the form of interests misalignment or Principal-Agent problems.

2.2 Disclosure and Transparency

Organization for Economic Co-operation and Development (OECD) defines that corporate governance is the system by which business corporations are directed and controlled. Moreover, the OECD principles of corporate governance cover five areas; the rights of shareholders, the equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and the responsibilities of the board. Full disclosure and transparency of financial information is vital components of the corporate governance framework (OECD, 1999) and is regarded as important indicators of corporate governance quality.

Bushman et.al (2004) define corporate transparency as the availability of firm specific information to outside investors and stakeholders. Moreover, they argue that the availability of information is a key determinant of resource allocation decisions and economic growth. Apparently, the levels of corporate transparency depend on the levels of information disclosure exhibited by the firm. In other words, transparency means the extent to which investors have ready access to any required information about a company such as price levels, market depth and audited financial reports and full disclosure arises when transparency relates to information flow from the company to investors.

Several studies exploit a number of mechanisms to measure firms' disclosure and transparency. For example, Botosan (1997) constructs a disclosure index based on the amount of

voluntary disclosure in annual reports that are provided by listed firms. The index reflects five categories of voluntary information including background information, summary of historical results, key non-financial statistics, projected information and management discussion and analysis. Francis et.al (2008) use self-constructed scores by modifying the Botosan (1997) disclosure index. They argue that self-construct measures dominate externally generated scores where there are additional questions with respect to what disclosures are captured. Moreover, a self-constructed metric can be calculated for any firm then, selection biases are less severe for samples based on this method. However, they also indicate the disadvantage of self-construct scores such as being difficult to replicate due to the researchers' judgment involved and the labor intensity of the coding process.

Instead of using self-construct scores, various studies of disclosure and transparency have used analysts' rating of firms' disclosure quality, reported in the Association of Investment Management and Research Corporate Information Committee Reports (AIMR) (Lang and Lundholm, 1993; Welker, 1995; Lang and Lundholm, 1996; Sengupta, 1998; Healy et.al, 1999; Lobo and Zhou, 2001; Gelb and Zarowin, 2002; Lundholm and Myers, 2002; Shaw, 2003; Brown and Hillegeist, 2007). For example, Healy et.al (1999) investigate the benefits of expanded voluntary disclosures by using AIMR ratings. They describe that this rating method provides a comprehensive measure of disclosure, reflecting the quality of both formal disclosures and informal disclosures. Moreover, the AIMR ratings also reflect the expertise and experience of top financial analysts. In addition, Shaw (2003) explains that AIMR ratings contain industry-specific analyst evaluations of disclosure quality on three dimensions: annual published information, quarterly and other published information, and analyst relations and related aspects. Within these

categories, each industry-specific analyst group prepares a list of important disclosure aspects, weighted to reflect industry information requirements, and assigns a score to each firm.

There are studies that employ other tools for measuring degree of disclosure and transparency. For example, Trueman (1986) uses voluntary publication of earnings forecast to proxy for disclosure quality of firms. Cheung et.al (2006) use a survey instrument for measuring corporate disclosure quality developed by Thai Institute of Directors Association (IOD) with Technical Assistance from McKinsey and Company in 1999 to examine the determinant of disclosure and transparency in Hong Kong and Thailand. Chen and Jian (2007) use the Information Disclosure and Transparency Rankings System (IDTRs) established by Taiwan Securities Futures Institute to examine the impact of disclosure quality on interest cost of debt.

2.3 Ownership concentration

The corporate governance system across the world, can be classified based on the degree of ownership and control. (Madhani 2016) Previous research identify the controlling shareholders into two broad categories (1) the outsider systems characterized by widely dispersed ownership and (2) the insider systems characterized by concentrated ownership or control (Maher and Andersson, 1999). Firm ownership is an increasingly influential form of corporate governance (Connelly et al., 2010).

Ownership concentration occurs when a single largest shareholder owns majority of the shares while many dispersed investors own the rests (Khan, Chand, and Patel, 2013). When ownership of a company is concentrated, large shareholders would play an important role to

monitor the management (Zhuang, 1999). Concentrated ownership is most common form in most countries (La Porta et al., 1999). This ownership structure is common in Continental European and emerging and developing economies such as China, India, Fiji, including Thailand.

Several research studies in emerging and developing countries found the dominance of concentrated ownership among companies. La Porta et al., (1999) found that about 64% of large firms in the 27 richest countries have controlling shareholders and control is often concentrated within a family. Concentrated ownership in terms of large promoter shareholding is presumed to possess private information, leading to information asymmetry, and as a result, increasing the adverse selection cost. Therefore, ownership concentration becomes more important issue in the field of corporate governance.

2.4 Ownership concentration and Disclosure and Transparency

Ownership structure influences the extent of corporate disclosure. Samaha and Dawawy (2011) suggest that the ownership structure of an organization determines the level of monitoring and thus affects the extent of disclosures. Firms with concentrated ownership structure may have less corporate disclosure for various reasons (McKinnon and Dalimunthe, 1993; Mitchell, Chia, and Loh, 1995; Fan and Wong, 2002). Firstly, the controlling shareholder are able to monitor the behavior of management and have access to all the relevant information and thus do not necessitate additional disclosures. Secondly, the major shareholders in concentrated firms have greater incentives to monitor the behavior of management, implying less principle to agent problem, and consequently less need for more corporate disclosures. In addition, controlling shareholders can effectively decide on the accounting reporting policies adopted by the business. This implies lower

disclosures because the controlling shareholders do not have incentives to act in the interest of minority shareholders.

A higher level of ownership concentration may provide less voluntary disclosure, since shareholders may privilege internal communication channels for obtaining information (Banghoj and Plenborg, 2008). For Malaysian listed firms, Hossain et al., (1994) found a negative association between management ownership structure and the level of voluntary disclosure. Lakhali (2007) studied a sample of 207 French listed firms over the period 1998-2001 and found a negative relationship between ownership concentration and voluntary earnings disclosures. Similarly, Alam and Deb (2010) and Brammer and Pavelin (2006) found a negative association between ownership concentration and extent of disclosures among Bangladeshi and British listed firms respectively.

Chen and Jaggi (2000) found a strong relation between the ownership pattern and disclosures of the countries in Hong Kong and Singapore. In countries where the substantial ownership of shares is concentrated in the hands of families or in banks like in Germany, higher insider ownership implies better incentives to monitor and greater incentive alignment. In such cases, the disclosure of information is generally low as the information is already with the dominant shareholders. However, Jiang et al., (2011) examined the impact of ownership concentration and discretionary disclosure on information asymmetry among New Zealand firms and could not find any association between ownership concentration and level of disclosure.

Empirical evidence suggests that diffuse ownership structure (widely dispersed ownership) yields higher information asymmetry (Warfield et al., 1995) as it leads to the conflicts

of interest between outside investors and managers. Agency problems will be higher in the widely held companies as the management has sufficient control to exploit minority shareholders (Lins, 2003). When the ownership is widely distributed, no single owner may have enough power to influence the constitution of board, which makes the role of board even more important in monitoring firm management as with dispersed ownership, shareholders relies more heavily on outside directors to monitor management. The shareholders have the rights and risks associated with the control of their ownership (Grossman and Hart, 1980). However, when ownership is dispersed, they are weaker because of poor shareholder monitoring due to the “free-rider” problem as dispersed owners lack both the means and motives to address managerial agency problems (Morck, 2000). When information asymmetry and interest misalignment between the principal and the agent are present, problems associated with managerial opportunism looms large, causing agency costs to rise (Fama and Jensen, 1983; Jensen and Meckling, 1976). To reduce such costs, firms disclose additional information (García-Meca and Sánchez-Ballesta, 2010). Hence, with the help of voluntary disclosure, managers of a widely held firm can provide more information to signal that they work in the best interests of shareholders. The proactive action by firms such as voluntary disclosure provides investors with the necessary information to make more informed decisions (Madhani, 2007).

As mention above, the prediction about the relationship between the ownership concentration and the degree of disclosure and transparency stated in alternative form is as follow:

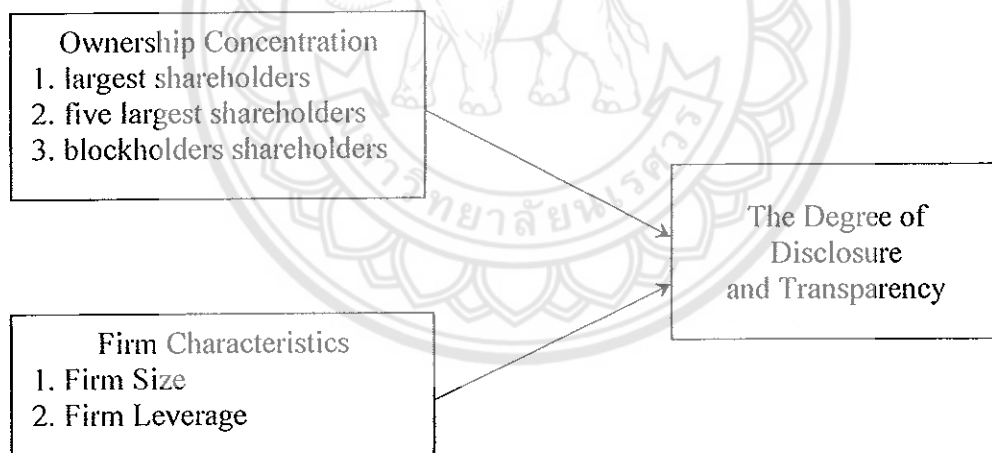
H1: The ownership concentration is negatively associated with the degree of corporate disclosure and transparency.

H1a: The ownership concentration proxy by the percentage ownership of the largest shareholders is negatively associated with the degree of corporate disclosure and transparency.

H1b: The ownership concentration proxy by the percentage of shares held by the five largest shareholders is negatively associated with the degree of corporate disclosure and transparency.

H1c: The ownership concentration proxy by the percentage of shares held by blockholders owning 5% or more of the firms' shares is negatively associated with the degree of corporate disclosure and transparency.

2.5 Conceptual Framework



Chapter 3

Research Design

3.1 Sample and Data Collection

The sample of this study consists of non-financial listed Thai firms in SET100 index. From the samples, incomplete or missing data firms and rehabilitation firms were removed. The data regarding corporate disclosure and transparency are hand collected from the annual registration statements (Form 56-1), SET Market Analysis and Reporting Tool (SETSMART) database, and SET Information Center for the year 2015. The data for the ownership concentration and firms' characteristics are obtained from the company's annual report submitted annually to the Stock Exchange of Thailand. Financial firms are excluded due to the difference and more restricted regulations (Pathan, Skully, and Mickramanayake, 2008).

This study focuses on the listed Thai firms in SET100 index which is the representative of Thai listed firms based on statistical information in 2015. The criteria for including listed firms in SET100 index determined by The Stock Exchange of Thailand (SET) are firm size, firm liquidity and free float of shareholders. The details are as follows. The first step, SET selects 200 stocks in The Stock Exchange of Thailand during the evaluation period which have the largest average daily market capitalization for the last 12 months and have a trading period for a minimum of 6 months. Suspended or delisted stocks and stocks which might be delisted or suspended in the near future are excluded. Next, SET selects only stocks which have a monthly turnover value of the stock on the main board more than 50 percent of the total average monthly turnover per stock, and these

stocks must be continuous for at least 9 of 12 months. Then, SET chooses stocks which maintain a share distribution or a percentage of free float not less than 20 percent of the paid-up capital of the listed firms. Finally, SET identifies the 100 largest stocks by average daily market capitalization.

According to the SET criteria mentioned above, SET100 firms are acceptable as a benchmark of Thai listed firms because of their firm size and liquidity. Based on statistical information in January and February 2015, the market value of equity of SET100 firms is 81% while the trade volume of equity is 73% of all listed firms in SET. In addition, SET100 firms are likely to be the greatest interest to individual and institutional investors, particularly international investors. Moreover, these firms are expected to practice relatively higher standards of corporate governance, including corporate transparency and disclosure compared to other listed firms. Furthermore, SET100 firms are ready to respond with new rules or new regulations regarding corporate transparency and disclosure. Thus, these SET100 firms can be the role models for others.

3.2 Variables

The dependent variable in this study is Disclosure and Transparency which measured by the disclosure and transparency scores which is one part of Corporate Governance Report of Thai Listed Companies (CGR) developed by the Institute of Directors Association of Thailand (IOD). The CGR assessment framework and criteria contain five corporate governance categories for a total of 237 questions: Rights of Shareholders (33 questions), Equitable Treatment of Shareholders (19 questions), Role of Stakeholders (28 questions), Disclosure and Transparency (50 questions)

and Board Responsibilities (107 questions). This study focus on disclosure and transparency of CGR assessment.

This study acquires transparency and disclosure scores (50 questions) according to CGR criteria from Form 56-1, SETSMART database and annual reports for the years 2014. The inclusion of each criteria is scored on a binary basis as “yes” (included) or “no” (not included). Each “yes” answer is equal to one point, “no” is equal to 0 point. The overall transparency and disclosure scores for each firm is calculated as:

$$DISCLS = \sum_j S_j \quad (1)$$

Where;

$DISCL$ = transparency and disclosure scores

j = the attribute subscript, $j=1, \dots, 50$

S_j = the number of info items disclosed (answered as “yes”) by the firm .

The independent variable is concentrated ownership. Ownership concentration, as an aspect of corporate governance is concerned with ways in which major shareholders employ measures to ensure proper accountability and transparency by managers in order to safeguard the interest of the stakeholders. In this study concentrated ownership measured by the percentage ownership of the largest shareholders (Black, Jang, and Kim, 2006), the percentage of shares held by the five largest shareholders (Demsetz and Lehn, 1985), and the percentage of shares held by blockholders owning 5% or more of the firms’ shares (Cho and Kim, 2003; Joh, 2003; Bushman et.al, 2004; and Baek, Kang, and Park, 2004).

The control variables are firm characteristics consist of firm size, and firm leverage. Many empirical studies have associated disclosure quantity and quality, measured by a disclosure index with firm size and many have investigated the relationship between firm characteristics and agency problems. Hope (2003) observes a positive correlation between firm size and the CIFAR index for annual report disclosure. Similarly, Hossain, Ahmad, and Godfrey (2005) find that voluntary disclosure of prospective information is related to firm size. This study expects larger firms to have higher disclosures and transparency scores because they are closely followed by financial intermediaries, have more comprehensive disclosure standards in place to minimize the political costs of noncompliance with generally accepted accounting principles (GAAP), and can better afford the cost of voluntary disclosure (Aksu and Kosedag, 2006). In this paper, size measured as the natural log of the firm's total assets as of the end of the firm's fiscal year. The expected sign is positive because larger firms are expected to have higher degree of disclosure and transparency.

Agency theory also suggests a strong link between leverage and disclosure (Jensen and Meckling, 1976). In highly leverage firms, there is a higher demand for and supply of information and creditors themselves produce information about the borrower. Empirical studies have provided conflicting results about relationship between disclosure and leverage. For example, Hossain, Tan, and Adams (1994) find a positive relationship between disclosure and leverage. Hope (2003) finds a weakly negative relationship between these two variables while Ho and Wong (2001) find no relationship. In this paper, leverage is measured as the total liabilities to total assets ratios. The sign of leverage is not predicted due to the mixed results of prior research as mentioned above.

3.3 Data analysis

This study uses the multiple regression technique to test whether ownership concentration is associated with the corporate disclosure and transparency. The disclosure and transparency scores are regressed on the ownership concentration variables and control variables. The following models are used for hypothesis testing.

$$DISCL_i = \beta_0 + \beta_1 LSHARE_i + \beta_2 FIVEL_i + \beta_3 BLOCK_i + \beta_4 SIZE_i + \beta_5 LEV_i + \varepsilon_i$$

Where;

- $DISCL_i$ = the disclosure and transparency scores of firm i
- $LSHARE_i$ = the percentage of the largest shareholders of firm i
- $FIVEL_i$ = the percentage of shares held by the five largest shareholders of firm i
- $BLOCK_i$ = the percentage of shares held by blockholders owning 5% or more of the firms' shares of firm i
- $SIZE_i$ = the natural log of the firm's total assets as of the end of the firm's fiscal year
- LEV_i = the total liabilities to total assets ratios of firm i

Chapter 4

Empirical Results

4.1 Descriptive Statistics

The purpose of this study is to examine the association between the corporate disclosure and transparency and the ownership concentration of SET100. This chapter presents the details of empirical results.

Table 1
Sample Description

Sample Selection of SET100 Firms in The Stock Exchange of Thailand Year 2015		
	N	%
Number of listed firms in the SET100 year 2015	100	100.0
Financial services and insurance firms	(12)	(12%)
	88	88%
Data are not available (including incomplete data)	(2)	(2%)
Final sample	86	86%

Table 1 presents a summary of how the final sample was obtained. This study use listed firms in SET100 in year 2015. In order to test the hypothesis, 12 firms in financial services and insurance sectors are eliminated because of the difference in accounting rules, financial requirements, and other regulations (Pathan et.al, 2008). Moreover, they are more heavily regulated by Bank of Thailand and Department of Insurance. Another 2 firms are eliminated because their data are not available or incomplete data in the database, the company's annual

registration statements or annual report. The final sample is 86 firms which is equivalent to 86% of all sample.

Table 2 presents the descriptive statistics of dependent and independent variables used in this study. The variables consist of *DISCL* (the disclosure and transparency scores), *LSHARE* (the percentage of the largest shareholders), *FIVEL* (the percentage of shares held by the five largest shareholders), *BLOCK* (the percentage of shares held by blockholders owning 5% or more of the firms' shares), *SIZE* (the natural logarithm of firm's total assets), and *LEV* (total debts to total assets of firm).

Table 2
Descriptive Statistics

Variable	Minimum	Maximum	Mean	Standard Deviation
<i>DISCL</i>	32.00	50.00	42.53	3.71
<i>LSHARE</i>	5.00	71.99	30.99	15.65
<i>FIVEL</i>	17.13	82.16	56.19	16.33
<i>BLOCK</i>	5.00	79.72	50.39	17.72
<i>SIZE</i>	7.31	14.59	10.64	1.33
<i>LEV</i>	0.12	0.89	0.50	0.18

DISCL = the disclosure and transparency scores of firms.

LSHARE = the percentage of the largest shareholders of firm.

FIVEL = the percentage of shares held by the five largest shareholders of firm.

BLOCK = the percentage of shares held by blockholders owning 5% or more of the firms' shares of firm.

SIZE = natural logarithm of firm's total assets.

LEV = total debts to total assets of firm.

The highest scores of the disclosure and transparency is 50 while the lowest scores is 32. The average degree of the disclosure and transparency is 42.53. The standard deviation of the scores is 3.71. It is interesting to note that the disclosure and transparency scores of SET100 firms have low dispersion.

The ownership concentration in this study are proxy by LSHARE (the percentage of the largest shareholders), FIVEL (the percentage of shares held by the five largest shareholders), and BLOCK (the percentage of shares held by blockholders owning 5% or more of the firms' shares). The average of LSHARE is 30.99% with the maximum of 71.99% while the average of FIVEL is 56.19% with the maximum of 82.16%. Moreover, the average of BLOCK is 50.39% with the maximum of 79.72%. The results above indicates that listed firms in SET100 index generally have the controlling shareholders consistent with Wiwattanakantang (2001) that majority of Thai listed firms have the controlling shareholders and most of them are controlled by family.

With respect to control variables, Table 2, shows the firms' size which proxy by the natural logarithm of firm's total assets and the firms' leverage which proxy by total liabilities to total assets ratio. The sample firms have a mean size (*SIZE*) and leverage (*LEV*) equals to 10.64 and 0.50, respectively.

4.2 Correlation

Table 3 reports the correlation matrix for the variables. This study focuses on the Pearson correlations because the Spearman-rank correlations are generally consistent with the Pearson correlations.

Table 3*Correlation of disclosure and transparency, Ownership concentration and Control variables**Pearson correlation*

	<i>DISCL</i>	<i>LSHARE</i>	<i>FIVEL</i>	<i>BLOCK</i>	<i>SIZE</i>	<i>LEV</i>
<i>DISCL</i>	1	-0.451**	-0.304**	-0.248	0.152	0.095
<i>LSHARE</i>		1	0.777**	0.646**	0.178**	-0.004
<i>FIVEL</i>			1	0.941**	0.082	-0.096
<i>BLOCK</i>				1	0.021	-0.108
<i>SIZE</i>					1	0.395
<i>LEV</i>						1

Note: ** represent significance at level 5%.

Table 3 reports the correlation matrix for the variables. Regarding to the disclosure and transparency, the correlation coefficients indicate that the disclosure and transparency is significantly negatively related to the ownership concentration proxy by the percentage of the largest shareholders of firm (LSHARE) (-0.451) and the percentage of shares held by the five largest shareholders of firm (FIVEL) (-0.304). However, the disclosure and transparency is not significantly related to the ownership concentration proxy by the percentage of shares held by blockholders owning 5% or more of the firms' shares (BLOCK).

In addition, the correlation between the disclosure and transparency and firm size is positive (0.152) which indicates that larger firms are more likely to disclose their information. Finally, the correlation between the disclosure and transparency and firms' leverage is also positive (0.095).

With respect to ownership concentration variables, *LSHARE* exhibits the significantly positive correlation with *FIVEL*, *BLOCK*, and *SIZE* and negative correlation with *LEV*. The variance inflation factor (hereafter, VIF) is tested to detect multicollinearity. As a rule of thumb, A VIF greater than ten suggests that regressor variables are highly correlated. This study finds that the VIFs of the regressor variables in each model do not exceed the cut-off point (ten), suggesting that there should be no serious multicollinearity on the following analysis of regressions.

4.3 The association between the disclosure and transparency and ownership concentration

The purpose of this study is to test whether there is the association between the corporate disclosure and transparency and ownership concentration. Firms' ownership concentration are composed of the percentage of the largest shareholders, the percentage of shares held by the five largest shareholders, and the percentage of shares held by blockholders owning 5% or more of the firms' shares. Moreover, this study also investigates the association between the corporate disclosure and transparency and firm characteristics, including firms' size and firms' leverage.

The regression of the corporate disclosure and transparency on firms' ownership concentration and firms' characteristics are performed and shown in Table 4. The adjusted R^2 is equal 22.3%. The model shows that ownership concentration proxy by the percentage of the largest shareholders (*LSHARE*) is negatively significantly related to the corporate disclosure and transparency (*DISCL*). This result supports hypothesis H1a that the ownership concentration is negatively associated with the degree of corporate disclosure and transparency. The finding is consistent with prior research that firms with concentrated ownership structure may have less

corporate disclosure for various reasons (McKinnon and Dalimunthe, 1993; Mitchell, Chia, and Loh, 1995; Fan and Wong, 2002).

Table 4

Regression of the disclosure and transparency and ownership concentration

	Expected sign	Parameter estimates	Sig.	
Intercept		37.676	0.000	
Ownership concentration variables:				
LSHARE	-	-0.147	0.000	***
FIVEL	-	0.039	0.647	
BLOCK	-	-0.003	0.960	
Control variables:				
SIZE	+	0.680	0.025	**
LEV	+/-	0.249	0.910	
Adjusted R-square		0.223		
N=86				

Note: ***, and ** represent significance at the 1%, and 5%, respectively.

The regression being estimated is

$$DISCL_i = \beta_0 + \beta_1 LSHARE_i + \beta_2 FIVEL_i + \beta_3 BLOCK_i + \beta_4 SIZE_i + \beta_5 LEV_i + \varepsilon_i$$

Where;

$DISCL_i$ = the disclosure and transparency scores of firm i

Ownership concentration variables:

$LSHARE_i$ = the percentage of the largest shareholders of firm i

$FIVEL_i$ = the percentage of shares held by the five largest shareholders of firm i

$BLOCK_i$ = the percentage of shares held by blockholders owning 5% or more of the firms' shares of firm i

Control Variables:

SIZE = natural logarithm of firm's total assets.

LEV = total debts to total assets of firm.

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On the other hands, the regression results are not support hypothesis H1b, and H1c. The result indicates that ownership concentration proxy by the percentage of shares held by the five largest shareholders (*FIVEL*) and the percentage of shares held by blockholders owning 5% or more of the firms' shares (*BLOCK*) are not significantly associated with the degree of corporate disclosure and transparency.

With respect to firm characteristics, firm size (*SIZE*), and leverage (*LEV*). The results in Table 4 indicate that firm size is positively associated with the degree of corporate disclosure and transparency. The result is consistent with Aksu and Kosedag (2006) that larger firms have higher disclosures and transparency scores because they are closely followed by financial intermediaries, have more comprehensive disclosure standards in place to minimize the political costs of noncompliance with generally accepted accounting principles (GAAP), and can better afford the cost of voluntary disclosure.

However, firm leverage are not significantly associated with the degree of corporate disclosure and transparency. Although the predicted signs of these variables are not predicted because of mixed results from prior research, *LEV* has positive relation with *DISCL*. The positive relation of *LEV* suggests that firms with high leverage tend to provide more information more than firms with low leverage.

Chapter 5

Conclusions

This study explores the association between the corporate disclosure and transparency and the ownership concentration of listed firms in SET100 index. The degree of corporate disclosure and transparency is measured by the disclosure and transparency scores which is one part of Corporate Governance Report of Thai Listed Companies (CGR) developed by the Institute of Directors Association of Thailand (IOD). The data are hand collected from SET Market Analysis and Reporting Tools (SETSMART) database. The ownership concentration are measured in three dimensions: the percentage of the largest shareholders of firm, the percentage of shares held by the five largest shareholders of firm, and the percentage of shares held by blockholders owning 5% or more of the firms' shares of firm.

The empirical results show that, listed firms in SET100 index generally have the ownership concentration. The results shown that average of LSHARE is 30.99% with the maximum of 71.99% while the average of FIVEL is 56.19% with the maximum of 82.16%. Moreover, the average of BLOCK is 50.39% with the maximum of 79.72%. The high percentage of ownership concentration is consistent with Wiwattanakantang (2001) that Thai listed firms have the controlling shareholders and most of them are controlled by family.

The regression result shows that ownership concentration proxy by the percentage of the largest shareholders (*LSHARE*) is negatively significantly related to the corporate disclosure and

transparency (*DISCL*). The finding is consistent with prior research that firms with concentrated ownership structure may have less corporate disclosure for various reasons (McKinnon and Dalimunthe, 1993; Mitchell, Chia, and Loh, 1995; Fan and Wong, 2002). Moreover, the results also consistent with Lakhal (2007), Alam and Deb (2010) and Brammer and Pavelin (2006) that there is a negative association between ownership concentration and extent of disclosures among listed firms.



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