

CORPORATE DISCLOSURES OF DIFFERENT OWNERSHIP STRUCTURE COMPANIES AND THEIR INVESTOR RELATIONS

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ABSTRACT

Separation of firm's ownership and management causes principal-agent problem, which lead to information asymmetry problem. Investors risk their hard-earned capital in the stock markets, and they rely on the information they receive from companies in making their investment decisions. The core objective of this research is to investigate the corporate disclosure quality and investors relations of different relations of different ownership structure companies, i.e. companies with greater directors' shareholdings and companies with lesser directors' shareholdings. In addition, this research investigates the importance of corporate disclosures practices in creating good investor relations in the Malaysia context. This research also attempts to find out the relationship between corporate disclosure quality and stock return volatility, and between corporate disclosure quality and trading volume in stock.

Using SAFAIM's new rating procedure, corporations' disclosure qualities are evaluated. The investor relations of companies are evaluated upon considerations on the investor relation programs conducted by the companies. The investing community's perceptions on corporate disclosure and investor relations in Malaysia and the importance of corporate disclosure in creating good investor relations area investigated using questionnaires. Stock return volatility is computed using model employed by SIAS (1996) and Bushee and Noe (2000) while the level of trading volume in stock is computed using model employed by Falkenstein (1996), Eames (1998), Gompers and Metricks (1998) and Bushee and Noe (2000).

This research finds that companies with lesser directors' shareholdings generally have better corporate disclosure quality and investor relations than companies with greater directors' shareholdings. The investing community perceives that the overall corporate disclosure quality in Malaysia is average and has improved over recent years. They also believe that corporate disclosure practices area important in creating good investor relations. The study records a moderate positive relationship between corporate disclosure quality and stock return volatility but failed to document any relationship between corporate disclosure quality and trading volume in stock