International Journal of Engineering & Technology, 7 (3.30) (2018) 397-399

International Journal of Engineering & Technology

Website: www.sciencepubco.com/index.php/IJET

Research paper

Symmetrical Information Disclosure for Investors' Investment Decisions

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Abstract

Information disclosure is crucial in the financial market that allow investors to understand the current and future performance of companies and help them in their investment decisions. This paper aim to examine the importance of information disclosure to safeguard the investor investment. This paper will refine the theoretical background of agency theory associated with the information disclosure. The findings of this paper provide a new dimension of symmetrical information disclosure with the aim to sustain a firm in the financial market and enhance investors' confidence.

Keywords: *Information Disclosure, Agency Theory, Investment Decisions.*

1. Introduction

The interest in information disclosure study has grown significantly in the past decade. Extensive empirical research has been conducted internationally on the association between corporate governance disclosure and firm performance (Raithatha & Bapat 2014;Ali et al. 2017). The consensus findings show that the sound corporate governance can increase the firm value and attract investor investment to pay for a stock. Indeed, the establishment of Corporate Governance Code in various countries is purposely to reduce the information asymmetry between firm and investors.
There are many scholars have studied the use information disclosure in reducing the agency problem (Healy & Palepu 2001; Verrecchia 2001;Watson et al. 2002), most of these studies have found that several company specific characteristics, such as leverage, size, and audit committee have influenced the company decisions to disclose the voluntary information**.** Financial information can also be voluntary disclosure as today companies communicate voluntary information by using a quantitative approach such as profit forecast, press release. These voluntary form of financial disclosure has proactively engaged the shareholders and promoting company positive. Perhaps, voluntary information and non-financial information often are often used interchangeably (6).
Information disclosure have attracted a lot of researcher's attention. Healy & Palepu (2001) examined the importance of firm's mandatory and voluntary information in retaining the firm share market and investigated the role of disclosure in reducing the information asymmetry between managers and investors. Second, Graham (2005) discussed on the need of voluntary disclosure in providing more value information to investor investment portfolio. Investors will closely monitor the performance of a company where they have invested their money. They can easily swing their investments to other companies that can provide them good return of investments, therefore, the company is required to provide symmetrical or optimal information available to the investors. With these argument, we further examine the theory relates with the pattern of information to explain how the firm use information to increase its financial status and maximize the shareholder wealth. In this preliminary study, we provide the new symmetrical information disclosure that should be disclosed by companies to attract the shareholders to invest.

2. Literature Review

Financial disclosure is type of corporate communication under the domain of financial discourse, whether voluntary or required, presented in numbers or word, formal or informal that linked with the firm management of asset and liabilities. From this definition, we agreed that financial information can also be voluntary disclosure as today companies communicate voluntary information by using quantitative approach such as profit forecast, press release. These voluntary form of financial disclosure has proactively engage the shareholders and promoting company positive image (8).
Non-financial information is the information that prepared by a company which is beyond the level mandatory disclosure requirements reported to the public. There are many scholars have study the determinants of company disclosure. Most of these studies have found that several company specific characteristics, such as leverage, size and audit committee have influence the company decisions to disclose the voluntary information. Perhaps, voluntary information and non-financial information often are often used interchangeably.
Public listed companies have legal obligations to disclose the timely and reliable financial and non-financial information to investors. The sufficient or symmetrical information allow the investor to evaluate the risk and to make right decisions based on the firm allocation of scarce resources (9).
Information that is publicly available to investors may not be all that they desire and useful for their investment decisions. According to Laskin (2016) fund managers are focusing on corporate financial disclosure as the main source of information for their

investment decisions. Therefore, it is crucial for companies to provide accurate and quality information to their inventors. This is one of the main criteria for an effective investor relations programs. This will build and sustain investors' confidence towards the company in which it will give significant impact to the companies' reputation, which in most cases will be translated to a good share price performance of a company.

Holland (1998) and Barker (1998) carried out an in-depth interview with analysts, fund managers and company finance directors. The study indicated that fund managers were not so interested in the public disclosure, but they seek information on the long-term prospects of a company that provide significant impact for the investment decisions. Therefore, companies must understand the fund managers' approach of valuation when designing corporate reporting. Economics of information investigates the relationship of the role of information in economic market. It is therefore conclude that the impact of the imperfect and incomplete information may lead to decrease in firm market value (12)

In economics, symmetric information is viewed as complete information available for shareholders. In this study, we attempt to study the use of voluntary information which named as symmetrical information consist of financial and non-financial information. The items are derived from the literature and modified according to Bursa Malaysia disclosure requirement and Malaysia Code on corporate governance and verify by key investors. A variable is said to be verifiable when its value is observable and considered to be important in investment analysis.

Malaysia adopted a hybrid approach which blend the prescriptive and non-prescriptive model. This approach is in accordance with a "comply or explain" rule set out in the Hampel Report and similar to Combined Code on Corporate Governance (United Kingdom). In April 2017, the Securities Commission issued the new Malaysian Code on Corporate adopts the CARE approach (Comprehend, Apply and Report) substitute the old version 2012 code 'comply or explain' method shifting to an 'apply or explain an alternative' method. This approach require companies to comply strictly with mandatory requirement and where they have not adhered, the companies need to provide the justification and report the outcome to shareholder.

2.1. Agency Theory

Agency relationship is the legal contract between the principal and the agent where the principal delegate their responsibility and power to the agent to manage the company activities. In agency theory, agent corresponds to managers and the principal correspond to shareholders. This create the separation between ownership and control where ownership lies in the hand of principal and control lies in the hand of agent (13).

In the agency relationship, the manager has responsibility to safeguard the interest of the shareholder as shareholder invest in firm capital and protected by law. However, due to separation of ownership and control, shareholder has not involved in day-to-day management of the firm, it create a possibility of the agency problem occurred. The agent is view as utility maximizers where the agent can act based on their own benefit rather than shareholder interest. The reason of inducing an agent to behave opposing the shareholder interest is due to the firm priority is to maximize profit in the short term. However this maximizing profit model have been rejected by scholars that argue company to be viewed as socially responsible firm which is not only focus on profit alone (Jensen & Meckling 1976; Preston 1975).

The origin of information asymmetry in the agency theory occurs when there is a potential conflict of interest between investors and managers. Shareholders are typically passive and do not take part in the daily operations of the firm. They delegate this responsibility to the management who act as agents. This creates an agency problem when management only maximizes their own profit at the expense of the investors causing management to act against the interest of investors by falsifying or withholding information. This leads to an information problem known as information asymmetry between insiders and outsiders of the firm (Jankensgard, 2015).

3. Data and Methodology

This preliminary study following the pattern of quantitative research where questionnaires were used to get feedback from fund managers in Malaysia who manage huge amount of capital for investment. The target group of twenty-one fund managers were asked to indicate their opinion on the relative importance of symmetrical information items, using a five-point scale.

Table 1: Demographic Profile (Fund Managers)

Attributes	Numbers	Percentage (%)
Gender: Male	10	47.6
Female	11	52.4
Years of experience:		
Within 2 years	7	33.3
Over 2-5 years	1	4.8
Over 5-10 years	9	42.9
Over 10 years	4	19

Based on the table 1, the sample of the fund managers consist of 48% males and 52% females. There is unequal distribution of gender for the fund managers as the percentage of female is more than that of male. More than 50% of the respondents have an experience in investment analysis for five to ten years and 33% of them within two to five years' experience in investment analysis.

4. Result and Finding

Disclosure index is developed to measure this study and considered as a partial form of content analysis. Certainly, Scholars use the disclosure index as a technique to study the information disclosure and it certain to be well-established method in the accounting, finance and business reporting research (Botosan 2013;Allegrini & Greco 2013;Norman, Mohd Saleh; Mohamat Sabri 2013) . Mean was used to address the study objective to examine the use of information disclosure in fund manager investment decisions.

Table 2: Symmetrical Information Disclosure and it importance.

Strategic Information	Mean
Company's vision, mission, objective	4.19
Company's Strategic planning	4.38
Mergers and acquisitions	4.63
Strategic partnerships or alliances	4.57
Analysis of the competitors	4.14
Information on product/material/brand	4.43
Future-projection Information	
Predicated market share	4.43
Estimated Cash Flow	4.62
Forecast capital expenditures	4.48
Forecast Sales	4.67
Estimated Profit	4.57
Forecast future capital expenditure	4.48

Response categories are: 5 = highly important, 4 = important, 3 = neutral, 2 = minor important, 1 = not important

Table 2 shows the strategic and forward looking information disclosure index used in investor investment decision. The mean scores above 4.00 indicate as important.

The result shows that information on the strategic information disclosure and future-projection information disclosure mean scores were higher than 4.00, which ranked as an important for investors. This indicated that, fund managers have increasingly requested more information on a broader range of issues that provide additional information for investors to assess a company's performance. Perhaps, the results indicate that the information on corporate strategic such as *acquisitions or divestments of companies, strategic partnership* and product/material/brand information were significant for their investment decision. For the future-projection disclosure, fund managers consider the information on *sales forecast*, estimated *cash flow* and profit *forecast* as highly important for their investment analysis.

Overall, this result indicates that, fund managers ranked higher level of importance to the strategic and forward-looking information. From this, we understand this symmetrical disclosure considered as important in companies' information disclosure in order to attract the investor confidence.

5. Conclusion

This preliminary study found symmetrical information disclosure known to be useful to fund managers in making their investment decisions. From the perspective of the fund managers, strategic and future oriented information is considered as the main source of information for their investment decisions. Perhaps, fund managers are currently concerned with the information pertaining to future prospects of the company such profit forecast and estimated cash flow as compared to historical or mandatory disclosure. A similar study done by Holland, (1998) and Barker (1998) showed that fund managers demand something better that have a significant impact for the investment decisions. From the result, therefore companies shall place a high value on future strategic information disclosure as known to be useful to fund managers in making their investment decisions.

Acknowledgement

A special thanks to Ministry of Education Malaysia, Universiti Teknologi MARA and Universiti Kebangsaan Malaysia for their funding and support in producing this research. This research was carried out using the Research Acculturation Grant Scheme funding under the code 600-RMI/RAGS 5/3 (52/2015).

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