The Effects of Ownership Structure on Disclosure Extent of Financial Information through the Websites

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Abstract: This study aims to examine the effects of ownership structure on the disclosure extent of financial information through the websites in the accepted companies of Tehran Stock Market .The main hypothesis of the study shows a significant correlation between ownership structure of the companies and disclosure extent of financial information. Subsidiary hypotheses deal with the relation between the type of ownership structure and the extent of financial information disclosure in the companies. To test each hypothesis, a model was defined. Statistical sample of the study included 79 companies. The statistical method used in this study was multi-variable regression. The findings showed a significant correlation between 3 variables of ownership percentage of CFO, ownershippercentage of institutional investors, and the percent of non- executive CFO and disclosure extent of financial information in the website of the corporation. But, no significant correlation existed between CFO ownership and thedisclosure extent of financial information in the website of the corporation.
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Key words: ownership structure, disclosure, Tehran stock exchange, CFO combination

1. Introduction

In previous decade, national and internationalfinancial markets have experienced many financial crises whose main reason can be the lack of clear and enough financial information. The lack of information or non-confidence toward them has changed into a major problem in financial markets.

Due to the importance of IT technologies and communication in present arena, many companies use internet as a useful tool for informing stockholders about the companies' performance via financial and non- financial information disclosure. In Iran, Tehran Stock Market demandedall accepted companies to design a website and represent their financial reports via internet for the investors and stockholders.

Jiang and Habib (2009) studied selected companies in New Zealand from 2001-2005 and found that the companies with ownership structure under the control of financial institutes tend to less disclosure in higher ownership level and vice versa. Their observation from high concentrated groups with under-government-ownership structure showed higher volunteer disclosure according to positive supervision in high levels of ownership concentration. Kapopoulos et al (2008) examined the effects of ownership structure on corporation performance using the information of 175 Greek companies. They concluded that more concentrated ownership structure is positively correlated with higher profitability of the corporation. Ding et al (2007) examined 273 Chinese companies with private and public ownership and concluded that there is a non-linear (u form) correlation between profit management and ownership structure. So, the companies with private ownership tend to maximize their accounting profit. From the other hand, the effect of ownership concentration on profit management is less than public companies. Tesaia (2007 examined the relationship between institutional ownership and corporation performance in casino industry from 1999-2003. Institutional ownership refers to the percent of kept stocks by public companies from total capital stock. These companies include insurance organizations, financial companies, banks, governmental enterprises, and other governmental sections. They showed that institutional ownership in casinos may help investors to reduce agency problems of discriminating management and ownership. According to Francis et al (2005) wide disclosure policies is a mechanism reducing information symmetry between the managers and investors. Glosten et al (1985) represented the relation between corporation disclosure and information asymmetry in a model. But, their model doesn't show that information asymmetry decreases proportional to disclosure level.

Welker (1995) offered experimental evidences based on these results. His findings didn't show any decrease or increase ofliquidity information asymmetryliquidity. Lang et al (1996) offered some evidences which show that the companies with informative disclosure policies benefit from following analysts, more correct predicted profits, less dispersion in analyzers' predictions and less volatility in modified predictions. If less dispersion among analysts' predictions is a valid criterion for information asymmetry, the results reveal that informative disclosure reduces information asymmetry.

Hisu (2006) studied the role of financial information clarification dimensions in increasing investment in stock market. His results showed that there is a positive and significant relation between investors' perceptions from financial information clarification dimensions and their behaviors.Of clarification dimensions, ownership structure clarity has the maximum effect. Investors' perceptions from clarity dimensions differed based on demographic variables. The relation between investment experience in the stock market and their behaviors was also positive and significant.Kimova et al (2004)distributed the questionnaires among 202 big companies in Ukraine from 1998-2000 to examine the effects of ownership structure (government, managers, staff, domestic investors, foreign investors, holdings) on corporation performance (sale rate, staff number). Their results showed the effect of ownership type on companies'performances. Based on mentioned points this study aims to examine the effects of ownership structure on disclosure extent of financial information through the websites in the accepted companies of Tehran stock market.

2. Hypotheses

H1: There is a significant correlation between CFO ownership percentage and financial information disclosure in the website of the corporation.

H2: There is a significant correlation between non-executiveCFOs and financial information disclosure in the website of the corporation.

H3: There is a significant correlation between CFO ownership percentage and financial information disclosure in the website of the corporation.

H4:There is a significant correlation between institutional investors' ownership percentage and financial information disclosure in the website of the corporation.

3. Methodology

Statistical population of this study included accepted companies in Stock Market of Iran. Since sampling was purposeful, the companies with specific features were members of it. Those features are shown in Table 1.

Table 1. Sample selection

Total number of statistical population	461
Samples number after omitting investment companies, financial intermediates, holdings, banks ,and leasing companies	433
Samples number whose stocks were transacted during the study	310
Samples number whose financial year ended in the last month of winter.	237
Samples number with unchanged financial year during the study	237
Samples number accepted in Tehran stock market before 2010	234
The samples number with non-stop business activities during the study	234
The samples number with accessible convention ads	133
The samples number with accessible websites (final sample)	79

3.1. Variables:

3.1.1. Dependent variable

Dependent variable of this study is "Internet Disclosure Index" (IDI). It is in percentage revealing disclosed information ratio. It results from dividing disclosed elements by total disclosure elements. Disclosure elements are listed in table 2.

Table 2. Disclosure elements

Title	Type
Comparative Balance Sheet in non-processing formats	Financial Information
Comparative Income Statement &Statement of Retained Earnings in non-processing formats	
Comparative Statement of cash flows in non-processing formats	
Comparative Balance Sheet in processing formats	
Comparative Income Statement & Statement of Retained Earnings in processing formats	
Comparative Statement of cash flows in processing formats	
Interim Financial Statements in non-processing formats	
Interim Financial Statements in processing formats	
Explanatory Notes of financial statements or it's link	
Audit report or it's link	
Financial ratios	
Statistical and Analytical reports (Comparative)	
Board Performance report to the stockholders	
Information concerning earnings per share forecast	
Stock market information, including prices and volume of shares traded	
Information on portfolio investments	
Stockholders Community decisions and it's Information	
Tax Information	
The first forecast for earnings per share	
Anticipated of earnings per share in the quarter levels and adjusted budget	
Requirement Information about Statement of Retained Earnings	
Requirement Information about interim financial statements	
Adjusted financial statements based on General price level	

3.1.2. Independent variables

Independent variables of this study are listed in Table 3.

Table3. Independent variables

explanation	symbol	Description	Calculation method
CFO ownership percentage	BD-SHARE	Minimum stock percent of a corporation that is owned by CFO	$\frac{\text{stock percentage of attendents in annual public convention meeting}}{\text{CFO number} + 1}$
Non-executive CFO percentage/ CFO	NON-EXE-DIR-Ratio	Non-executive CFO ratio	$\frac{\text{non} - \text{executive CFO members}}{\text{CFO members}}$
Executive manager ownership	CEO-DUM	A variable is 0 and 1 revealing CFO ownership and lack of it	Executive management stockholding percent is compared with standard percent
institutional ownership percentage	INST-SHARE	Revealing the extent of investment and financial institutes ownership	Stock percentage of the financial investment companies from the stocks of a corporation

3.1.3. Control variables

Control variables of this study are listed in Table 4.

Table 4. Control variables

explanation	symbol	Description	Calculation method
Cash profit of each share	DPS	Cash profit extent. Approved by public convention of financial year in 2010	--
Debit/assets ratio	DEBT-Ratio	This ratio is a part of financial ratios used for calculating financial risk index	$\frac{\text{total debits}}{\text{total assets}}$
Capital/assets ratio	INVEST-Ratio	This ratio is a criterion for measuring capital structure of the corporation	$\frac{\text{capital}}{\text{total assets}}$
corporation Size	LOG-SALES	This variable is regarded as a corporation size criterion in this study.	Natural log of total sale of the corporation

4. Statistical methods

This study is of post event and correlation type and uses regression method to examine the relation between the variables. To determine the correlation type Pearson correlation coefficient was used.

Descriptive statistics results of the study are summarized in Table5.

Table 5. Descriptive statistics of the study

variable	IDI	BD-SHARE	NON-EXE-DIR-Ratio	CEO-DUM	LOG-SALES	INVEST-Ratio	DEBT-Ratio	DPS	INST-SHARE
Valid	79	79	79	79	79	79	79	79	79
mean	0.2961	0.6380	0.6530	0.3038	5.8384	0.1999	0.6348	6.1297	0.2667
Mean deviation	0.03183	0.02566	0.02339	0.05207	0.08194	0.01097	0.01984	7.7443	0.03258
Standard deviation	0.28289	0.22803	0.20792	0.46283	0.72826	0.09747	0.17633	6.8833	0.28955
variance	0.080	0.052	0.043	0.214	0.530	0.010	0.031	4.738	0.084
skewness	0.438	-0.941	-0.588	0.870	0.781	1.050	0.913	1.676	0.819
Skewness standard deviation	0.271	0.271	0.271	0.271	0.271	0.271	0.271	0.271	0.271
minimum	0.00	0.00	0.15	0.00	4.21	0.04	0.20	0.00	0.00
maximum	0.83	0.97	1.00	1.00	8.00	0.55	1.42	3450	0.91

In regression method data distribution normality should be tested. For this purpose, Kolmogorov-Smirnov test was used whose results for both dependent and independent variable are summarized in Table 6.

Table 6. The results of normality tests

variable	Z	if -1.96 < z < 1.96	results
IDI	1.613	yes	Disclosure variable has normal distribution
BD-SHARE	1.080	yes	CFO ownership percentage has normal distribution.
NON-EXE-DIR-Ratio	1.95	yes	Non-executive CFO has normal distribution.
CEO-DUM	1.85	yes	Executive manager ownership has normal distribution.
INST-SHARE	1.901	yes	Institutional ownership percentage has normal distribution.

To measure the relation degree between 2 variables Pearson correlation coefficient was used whose results are shown in Table 7.

Table 7. Pearson correlation coefficient

Depended variable	Independent variable	R	Sig.	Results
IDI	BD-SHARE	-0.263	0.020	Disclosure and CFO ownership percentage are dependent and have negative correlation
IDI	NON-EXE-DIR-Ratio	0.222	0.049	Disclosure and CFO non-executive percentage are dependent and have positive correlation
IDI	CEO-DUM	-0.091	0.424	Disclosure and executive manager ownership are not correlated.
IDI	INST-SHARE	-0.250	0.026	Disclosure and institutional ownership percentage are negatively correlated.

After testing variables correlation by scatter plots, Durbin-watson test was used to examine the variablesinterrelations.

Table 8. The summary of the models statistics

hypothesis	model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
H1	1	0.59	0.3481	0.3035	0.26486	1.873
H2	2	0.65	0.4225	0.383	0.26439	1.816
H4	3	0.61	0.3721	0.3291	0.26489	1.887

Based on the resulted data, the regression equations were used as follows:

Equation 1:

$$IDI = -0.290 BDSHARE + 0.915\ INVESTRATIO + 0.12\ LOGSALES$$

Equation 2:

$$IDI = -1.067 + 0.332\ NONEXE + 1.026\ INVESTRATIO + 0.131\ LOGSALES$$

Equation 3:

$$IDI = -0.685 - 0.229\ INSTSHARE + 1.023\ IVESTRATIO + 0.117\ LOGSALES$$

5. Conclusion

A necessity of healthy competition is the access of all market stakeholders to the clear information, especially in the capital market. Information asymmetry in this market yields the increase of transaction costs and inability in optimum resource allocation. As an inseparable section of decision-makings, the more transparent information can lead to the better decisions for resource allocation and market clarity which is the final goal of the capital market. Of effective factors, clarity, legal systems, political economy, corporation size, financial leverage, profitability extent, auditing financial information and auditor change,CFO combination, and ownership concentration can be mentioned. But, based on ownership position, ownership structure has been regarded as a very key factor identified by the investors. In this respect 4 hypotheses were examined. We concluded that ownership structure affects disclosure; then, the more CFO ownership percentage increases, the more financial information disclosure in the website of the corporationdecreases. A negative correlation was also observed between ownership percentage of institutional investors and financial information disclosure in the website of the corporation. But, there was a positive correlation between non-executive CFO percentage and information disclosure in the website of the corporation. No correlation was observed between CFO ownership percentage and information disclosure extent in the website of the corporation.

Although this study has tried to cover and evaluate all existing information in the financial reports of every corporation, it may ignore some information unwillingly. Time limitation in selecting the sample and variables investigation create this possibility that other factors, besides what was mentioned in this study, affect the extent and content of disclosed information. Since the study was done in a specific time period in Tehran Stock Market, generalizing the results to other times and places should be with caution.Based on the results, it is suggested that since the quality of corporation disclosure can be widely used along with the costs of stockholders equity and stock liquidity by financial information users, the correlation of them should be examined with scrutiny. It is also recommended that the quality of disclosure based on annual financial statements, interim financial statements, and other information disclosed by the companies be categorized and their relation with profit management should be examined separately.

Due to the fact that professional and industrial conditions may also impact disclosure, such conditions should also be investigated.

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