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Research Article

THE IMPACT OF OWNERSHIP CONCENTRATION ON THE LEVEL OF VOLUNTARY DISCLOSURE OF INFORMATION IN TEHRAN STOCK EXCHANGE FIRMS

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ABSTRACT
The present study intends to investigate the effect of ownership percentages of three major stockholders on the level of voluntary disclosure of information in Tehran Stock Exchange. The statistical population of the study consisted of all firms accepted in Tehran Stock Exchange from among which 106 firms accepted during 2008 to 2011 were selected as convenience sample. In this study, ownership percentage index of three major stockholders was used. To calculate voluntary disclosure score, the indices proposed by Botosan (1997) extracted from the ideas of Jenkins Committee were utilized. In order to test the hypothesis, regression analysis was run, and the analysis method was based on combinational data method. To determine the type of combinational date, Seimor F and Hausman tests, for model significance, F test, for coefficient significance, T test, for testing classical regression assumptions data normality tests, for difference of variances, graphical tests, and for correlation, Durbin-Watson test was used. The findings revealed that the sum of ownership percentages of three major stockholders had significant effect on voluntary disclosure of information. Therefore, the hypothesis of the study concerning the effect of ownership percentage index of three major stockholders on voluntary disclosure index was confirmed with 95% level of significance. Also, firm size, financial leverage, property output, and sum of ownership percentage of three major stockholders as criteria of ownership concentration had significant negative impact on voluntary disclosure of information. In general, the results of this study indicated that ownership percentage index of three major stockholders have significant effect on voluntary disclosure index.

***Keywords**: Voluntary disclosure of information, Firm size, Financial leverage, Property output, Stock exchange, Ownership percentage of three major stockholders*

INTRODUCTION
Firm managers always disclose information of their respective firms through financial reporting including financial statements, notes, and managerial analyses for the information of external users. The amount of disclosed information depends on various factors. Some of these factors are based on the decisions of management team and cost-benefit analysis which are optional incentives of the manager, while others are affected by essential incentives, legal requirements or accounting standards. Relevant studies indicate that despite the existence of some disclosure requirements and mandatory incentives, managers have many optional incentives like reducing ownership costs and gaining competitive advantage, reducing risk of legal claims caused by non-disclosure or improper disclosure of information, reducing investment expenses and attracting foreign investments which make them voluntarily disclose the information. However, determining legal requirements help better disclose information (Kashanipoor, Rahmani, and Parchini, 2009).
In his book of accounting theories, Bolkooei (2002) considers disclosure as covering information which is useful for ordinary investment and does not mislead the reader. He argues that complete disclosure necessitates that financial statements are planned and prepared in a way to offer an accurate picture of economic events affecting the economic unit during a given period (Riahi Bolkoeei, 2002).

McKinon and Dalimons (2004) point out that voluntary disclosure can be helpful in reducing conflict between managers and stockholders when the stocks are held for long, i.e. firm stocks are in the hands of one or some of the stockholders. The combination of stockholders varies in different firms. Part of the ownership in firms belongs to minority stockholders and real entities. This group mostly relies on publicly-available information like published financial statements for supervising the performance of firm managers. This is while valuable internal information on future outlook, business strategies, and long term investments of the company is only available to them through direct contact with firm managers (Parchini, 2009).

Increasing voluntary disclosure of information by firms, besides decreasing information asymmetry, solves problems of representation leading to transparency and investors' trust. It is hoped that by conducting studies on voluntary disclosure of information, the importance of financial reporting of firms is understood and Iranian firms, in addition to meeting the requirements of accounting standards, move toward voluntary disclosure of useful information within business reporting frameworks accepted by the profession. This would bridge the information gap between management and investors flourishing capital markets and contributing to optimal allocation of resources in country's economy (Vakilifard, 2009). Disclosure of firm information is of great importance of the efficiency of capital markets. According to American Institute of CAPs, reporting and information disclosure is very important for the effectiveness of investment decision process. Although laws have been passed which require the company to disclose minimum information for decision-making of investors, such laws do not sufficiently meet the demands of investors for the disclosure of company's information. The ownership structure of the company can also be a determining factor of disclosure (Latridis, 2008). Various definitions have been offered for disclosure in the literature. For instance, Hendicson and Vanbird (1991) argue that "disclosure, in general terms, is the refection of information. But accountants adopt a limited meaning of the term and consider it as the reflection of financial information of a business unit in financial reports which are developed annually". The theory of voluntary disclosure points out that when the benefits of disclosure outweigh its costs, managers disclose some information of their respective firms (Heitzman et al., 2010). Hence, in voluntary disclosure, manager is always faced with the dilemma of disclosure or non-disclosure of information to the market. They know that the rational aspect of the market and decision on disclosure or non-disclosure are a function of information disclosure costs, non-disclosure costs (lowering the rank of the firm to the rank of low-quality firms from the perspective of market actors), and market benefits from disclosure (higher stock price).

Disclosing most information makes it possible for the large companies to obtain new resources with less cost (Botosan, 1997). Jensen and Macling (1976) claim that in order to avoid political expenses resulting from strict rules and regulation, increasing taxes, and social commitment, large companies tend not to disclose their relevant and valuable information (Field et al., 2005). Many empirical evidences obtained by previous studies confirm the hypothesis that there is a positive relationship between firm size and level of information disclosure (Firth, 1979; Cook, 1989; Long and Landhem, 1993; Zaresky, 1996; Jegi and Law, 2000; Watson et al., 2002; Alsaeed, 2006). Alsaeed (2006) justifies the correlation of these two variables in the following way:

- Large companies have sufficient facilities for data analysis and offering information with lowest cost for a wide range of users.
- Large companies are more explored by the public, so they need to publish more accounting information.
- The representation cost of large companies is higher, as many stockholders own a large part of the firm. Therefore, offering extra information helps reduce potential representation costs (Wats and Zimerman, 1983). On the other hand, Hasan et al. (2006) believe that offering extra information on the part of small companies would probably put them in competitive bottlenecks.

Nevertheless, Zaresky (1996) argued that companies with high level of debt are more inclined to share their private information with their creditors, while such information might not be reflected in annual reports of the firm. Empirical evidence on financial leverage and voluntary disclosure is vague so far.
According to representation theory, managers of profitable companies used the publicized information of the company for their own benefit. By disclosing more financial information, they try to consolidate their occupational position and gain more promotions. On the other hand, according to signaling theory, owners of business entities are interested in providing capital market with "good news" to prevent the decline of their stock. Wats and Zimerman (1986) concluded that highly profitable companies are more vulnerable to interference of law-makers. Hence they disclose more detailed information in their annual reports to justify their financial activities and reduce their political expenses.
Some researchers have different views. For instance, Long and Landhem (1993) do not believe in the existence of a specific relationship between profitability and level of information disclosure. They argue that this relationship does not normally have a certain direction. The findings of Mick et al. (1995) and Akhtarodin (2005) are consistent with the claim of Long and Landhem. They indicated that there is no significant relationship between level of information disclosure and profitability of firms. Cook (2002) and Vallas and Naser (1995) also found an unpredictable result from their studies . Their findings show that here is a significant negative effect on profit margin and level of information disclosure in the companies.
Sanjari (2008) investigated the relationship between accounting features of the companies and level of financial information disclosure in Tehran Stock Exchange. The findings revealed that there is a significant positive relationship between firm size and level of voluntary disclosure of financial information. However, no significant relationship was observed between financial leverage, return on equity, and liquidity and level of voluntary information disclosure.
Noravesh and Hosseini (2008), using the data of 51 firms accepted in Tehran Stock Exchange, studied the relationship between disclosure quality of the company (reliability and timeliness) and profit management. They found that there is a significant negative relationship between disclosure quality and profit management.
Dastgir and bazazadeh (2009) investigated the effect of disclosure level on the cost of common stock in a sample of 40 manufacturing companies in Tehran Stock Exchange. The findings revealed that increasing level of disclosure would decrease cost of common stock.
Heitzman et al. (2001) studied the effect on importance threshold and optional incentive on the process of disclosing detriment expenses. To this aim, they investigated three disclosure periods – mandatory disclosure, optional disclosure, and mandatory-optional disclosure. They found that the rocess of information disclosure is affected by mandatory incentives, importance threshold, and optional incentives.
Ding, Hua, and Jonsky (2004), studying 140 firms accepted in Beijing Stock Exchange, found that there is no relationship between ownership concentration and profit management in these companies. While in governmental organizations, a U-shaped relationship is seen between these two variables. Also, large governmental firms are less willing to manage profits. According to Ding et al. (2004), it can be inferred that there is moderation effect on ownership structure (with respect to being public or private) in the possible relationship between ownership concentration and information quality. This issue is the subject of present study.
Bal and Shivakoomar (2005) presented evidence of 25 countries with legal system of common law and statute law in 1985-1995 involving over 40000 samples. The evidence is consistent with the assumption that pattern of dispersed ownership management in countries with common law legal system has led to on-time disclosure of financial information in comparison to pattern of concentrated ownership management in countries with statute law legal system. Considering the importance of reducing financial risk in market, they observed that in countries with common law legal system, bad news is disclosed on time. One reason is that disclosure of bad news by the management is more reliable and can be used as useful information of external investors. In addition, in these countries, inability in on-time disclosure

of bad news can lead to legal claims of stockholders attributing their loss to awareness of management from bad news and failure to publicize it.
Clarck and Vejisk (2005) by investigating data of German firms found that there is a reverse relationship between ownership concentration and stock returns in these firms. Indeed, the results of this study are totally at odds with the findings of Mahavarpoor in Iran. Mahavarppor studied the relationship between ownership concentration and performance of companies accepted in Tehran Stock Exchange in 2001-2004. He concluded that the more concentrated the ownership is, the more control is exerted on managers improving firms' performances. Also, the relationship between ownership concentration and stock return depends on the type of owners and factors affecting return. Polsiri (2005) raised the issue on the potential effect of ownership concentration on financial health of companies.
The results of a study conducted by Dang and Wang (2006) show that there is a reverse relationship between ownership concentration and risk of financial health in Chinese firms. Firms where most of stock belongs to governmental institutions are more vulnerable to lack of financial health. Besides, there is no relationship between management ownership (board of directors) and lack of financial health. The reason is perhaps low number of managers relative to the whole number of stockholders.
Ding, Hua, and Jensky (2007) by studying 273 Chinese firms with private and public ownership concluded that there is a U-shaped relationship between profit management and ownership structure; that is, companies with private ownership are more willing to maximize their accounting profit. On the other hand, pursuing personal interests by majority owners, or the effect of ownership concentration on profit management, in firms with private ownership is less that public firms.
Mak Long Chine (2006) studied the relationship between the accuracy and fairness of predicted profits and ownership structure in Thai companies. He Found that 1) concentrated ownership structure increases representation conflict between owners with control power and external investors (minority); 2) the higher the divergence between external investors and investors with control power, the company publishes more inaccurate and optimistic information; 3) companies where the conflict between interests is intense, review the amount of their predicted profit many time to decrease the level of error or unfairness, so that the difference between those values and real values does not exceed 20%.

Brown and Hilajist (2007) investigated the effect of disclosure on information asymmetry. They found a negative relationship between information disclosure and information asymmetry.

Field et al. (2007) studied the relationship between disclosure and risk of legal claims. Their study revealed that disclosure has a preventive effect on legal claims.

Francis et al. (2008) considered the relationship between voluntary disclosure, profit quality and cost of capital. The results of testing disclosure process of 677 firms indicated that there is positive relationship between voluntary disclosure and profit quality, while the relationship between voluntary disclosure and cost of capital is significant and negative.
In this respect, this question is raised: Does ownership percentage of three major stockholders affect the level of voluntary information disclosure in Tehran Stock Exchange?

RESEARCH METHODOLOGY

The present study is a correlational research, and with respect to nature and goal, is applied. The statistical population of the study consisted of all firms accepted in Tehran Stock Exchange from among which 106 firms accepted during 2008 to 2011 were selected as convenience sample.

Measurement of variables

- Ownership concentration: One method for calculating ownership concentration is using the percentage of stock kept by the largest stockholder, two first stockholders, three first stockholders, and N first stockholders. It must be mentioned that in this study, the guidelines of Iranian accounting standards were used for measuring the variables of ownership concentration. According to accounting standard No. 20 (paragraph 8, 447-448), high influence without having enough voting power is basically unlikely, and thus, having a certain level of voting right in the holding entity is considered as the default for high influence. To achieve a reasonable level of homogeneity in action, it is assumed in the absence of contradictory evidence that in cases where the investor entity (directly or indirectly through minor business units) have at least 20% voting power in the holding entity, it has high influence in the holding entity. Conversely, in cases where the investor entity (directly or indirectly through minor business units) has less that 20% voting power in the holding entity, it is assumed that the investor does not have high influence, unless the influence is clearly proved. Ownership of a considerable or major part of the stick of holding entity by another entity does not necessarily prevent investor's influence. Therefore, in present study, major stockholder is considers as the stockholder who owns at least 20% of firm's stocks.

- Voluntary information disclosure:In order to calculate voluntary disclosure score indices proposed by Botosan (1997) extracted from the ideas of Jenkins Committee were employed. The scores of indices are the same;
- that is, in case of disclosure, 1, and in case of non-disclosure, 0 is assigned to each index, and the score of voluntary disclosure is obtained by dividing the sum of obtained scores by the whole scores that could be obtained. It must be mentioned that this approach was used in other studies like Vallas (1998), Cook (1989, 1991), Ahmad and Nicole (1994), Aso Esna (1998) and Prachini (2009). It can be calculated as following:

SDSCORE = voluntary disclosure score of firms
= score of voluntary disclosure of indices (1 for disclosure and 0 for non-disclosure)
N= the total number of unnecessary information disclosed in index
The reason for using these indices for measuring the level of voluntary disclosure is their comprehensiveness. Also, the indices presented below are modified according to the condition of companies accepted in Tehran Stock Exchange. These indices have also been used by Parchini (2009) in Iranian context.

RESULTS AND DISCUSSION

In this study, in order to investigate the effect of ownership percentage of three major stockholders on the level of voluntary information disclosure, the mean scores and standard deviation of subjects were investigated. To test the hypothesis, regression analysis was utilized, and the analysis method was based on combinational data method. To determine the type of combinational date, Seimor F and Hausman tests, for model significance, F test, for coefficient significance, T test, for testing classical regression assumptions data normality tests, for difference of variances, graphical tests, and for correlation, Durbin-Watson test was used.

Table 1: Mean and SD of subjects in each variable of voluntary information disclosure and ownership concentration (ownership percentage of three major stockholders)

Variables	Mean	SD
voluntary disclosure	0.53	0.98
ownership concentration (ownership percentage of three major stockholders)	0.32	0.23

Table 2: Results of general analysis of hypothesis mode

Determination coefficient	Modified determination coefficient	F	Significance	Durbin-Watson Statistics
0.31	0.3	8.01	0.0001	1/88

According to Table 2, the F-value and its significance level shows that the null hypothesis (zero coefficients) is rejected and the estimated regression model is significant. In this mode, the determination coefficient is 0.31, that is, 31.85 of all changes in the dependent variable can be justified by independent and control variables. To investigate the normality of error distribution, the error frequency distribution graph was compared with normal distribution graph. The results revealed that error distribution is almost normal. It must be mentioned that the error mean is very small (close to 0) and its SD is close to 1.
Finally, in order to investigate difference of variances white method was used, and to investigate serial correlation, Breucsch-Godgrey LM test was employed whose results are presented in Table 3 and 4.

Table 3: Results of White test

Type of statistics	Test statistics	Significance
F	0.36	0.98

Table 4: Results of serial correlation Breucsch-Godgrey LM test

Type of statistics	Test statistics	Significance
F	3.01	0.15
X^2	2.14	0.11

As presented in Table 4, the significance of F and X^2 is higher than 0.05 showing that no serial correlation is there among model errors. In order to specify if using panel data is efficient for testing the first hypothesis, Chaw test, and to specify the appropriate method (fixed effects or random effects) for estimation, Hausman test was utilized. The results of these tests are presented in Table 5.

Table 5: Results of pattern selection for estimation hypothesis results

Test	Statistic	Statistic value	DF	P-Value
Chaw	F	1.71	(426,99)	0.0005
Hausman	χ^2	11.52	4	0.016

Since the P-value in Chaw test is less than 0.05 (0.0005) intercept difference is confirmed, so it is necessary to use panel data for model estimation. Also, considering the results of Hausman test, since P-value is less than 0.05 (0.01), the positive effects are confirmed and the model must be estimated using fixed effects approach.
In continuation, the results of investigating coefficients of model variables presented in Table 6 are discussed.

Table 6: Results of investigation of minor model coefficients

Variables	Coefficients	Standard error	t-value	Significance
Sum of ownership percentage of three major stockholders	-0.06	0.008	-4.62	0.000
Firm size	0.003	0.001	2.27	0.000
Financial leverage	0.04	0.01	4.84	0.000
Return	0.03	0.009	3.17	0.000
Fixed value	0.58	0.03	5.61	0.000

According to Table 6, the coefficient of independent variable shows that sum of ownership percentage of three major stockholders, as a criterion of ownership concentration, has negative impact on the voluntary disclosure index. T-value and significance of this statistic point to its significance. Therefore, the research hypothesis concerning the effect of sum of ownership percentage of three major stockholders on

voluntary disclosure index is confirmed with 95% significance. The coefficients and significance of t-value of control variables indicate that firm size, financial leverage, and return have significant positive effect on voluntary disclosure index.
The results of hypothesis testing reveal that sum of ownership percentage of three major stockholders have negative effect on voluntary information disclosure. The results of ordinary least squares regression analysis show that after controlling the effect of variables of firm size, financial leverage, and return, sum of ownership percentage of three major stockholders, as a criterion of ownership concentration, has significant negative effect on voluntary disclosure of information in the firms accepted in Tehran Stock Exchange. Since the findings of this study cannot be generalized to other time periods and they are limited to Tehran province, it is suggested that this study is conducted in other periods and provinces. Also, considering the result of study regarding the significant positive effect on return on voluntary disclosure, it is expected that companies disclose less and low-quality information in undesirable condition. Therefore, it is recommended that necessary arrangements are predicted by Tehran Stock Exchange. Besides, regarding the importance of information disclosure in the Stock Exchange, this organization is recommended to set advantages and rewards for companies with more and high-quality disclosures and punishments for others, so that companies move toward promoting their position with regard to disclosure of information. In this way, Tehran Stock Exchange can benefit from consequences of information disclosure such as optimal allocation of resources and information efficiency.

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