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Corporate Ownership, Corporate Governance Reform and Timeliness of Earnings: Malaysian Evidence

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ABSTRACT

This paper provides the first evidence showing that ownership concentration and the identity of the largest shareholder matter to the timeliness of corporate earnings, measured by a stock price-based timeliness metric and the reporting lag. Using panel data of 1,276 Malaysian firms from 1996 to 2009, we find a non-linear relationship between concentrated ownership, measured by the largest shareholding in a firm, and the reporting lag but not the timeliness of price discovery. Although firms with government as the largest shareholder and political connections have a significantly shorter reporting lag, only the former are timelier in price discovery. Firms with family and foreigners as the largest shareholder however are less timely in price discovery. While the reporting lag is shorter in the period after the integration of the Malaysian Code of Corporate Governance (MCCG) into Bursa listing rules, its impact on the timeliness of price discovery is mostly immaterial.

Keywords: Timeliness; Price Discovery; Corporate Governance; Ownership
JEL Classifications: G30, G34, G38

1.   **Introduction**

Research on the timeliness of corporate earnings can be traced back to the 1968 seminal paper by Ball and Brown, where they describe accounting income numbers in terms of "relevance" and "timeliness". Timely disclosure of financial information can mitigate information asymmetry (Lang and Lundholm, 1999); prevent the opportunities for insider trading and misappropriation of corporate assets by managers (Leventis and Weetman, 2004); reduce the abuse by managers with privileged access to internal information (Scott, 1997); and lower the cost of capital (Euromoney Institutional Investor PLC, 2001). Timely disclosure can thus reduce the magnitude of periodic earnings surprises, which in turn, increases management credibility and reduces stock price volatility. It is therefore not surprising that regulatory agencies and listing authorities around the world,[1] including Malaysia, have established mandatory requirements regarding the timeliness of corporate disclosure of financial information.

In this study, we examine how corporate ownership relates to the timeliness of earnings. Timeliness is measured by both the reporting lag and the speed of price discovery; the latter is defined as the speed at which value-relevant information is reflected in the stock price (Beekes and Brown, 2006). Specifically, we ask how the timeliness of earnings is shaped by ownership concentration and the identity of the largest shareholder. We conduct our tests in Malaysia where highly concentrated ownership and control through pyramiding and crossholdings is ubiquitous – a

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[1] For example, the European Commission recommends speedy dissemination of information to the market and prohibits private briefings and other forms of selective disclosure so that information can be made available to all investors at the same time. The US Securities Exchange Commission (SEC) enforces a tiered system to annual reporting where small firms (with market capitalization less than USD75 million) are required to lodge their annual reports within 90 days from the fiscal year-end, large firms (with market capitalization greater than USD700 million) within 60 days, and all other firms within 75 days. The reporting deadline is no later than 90 days from the end of the financial year for firms listed on the Toronto Stock Exchange. Timely disclosure also forms the basis of the Australian Stock Exchange, with a world-class technological platform (Company Announcement Platform, CAP) that enables listed companies to make simultaneous and rapid dissemination of disclosure. Even China has passed its first national Securities Law in 1998 to protect the interest of investors by requiring listed companies to disclose information that is likely to influence the stock price.

salient feature of corporate ownership structure in most East Asian countries (Lim, 1981; Claessens et al., 2000; Faccio et al., 2001, Haniffa and Hudaib, 2006).

In Malaysia, publicly listed firms must make accurate, timely disclosure of material information to the investing public under the Companies Act (1965) and the guidelines issued by the Security Commission and Bursa Malaysia. The most significant change in the timeliness of corporate reporting was brought about by the implementation of the Malaysian Code of Corporate Governance (MCCG) in 2001, which became an integral part of the revamped listing requirements of Bursa in that year.[2] One of the objectives of MCCG is to identify the optimal framework for principles and best practices in corporate governance, including providing investors equal access to value relevant corporate information in a timely manner. The implementation and integration of MCCG into the Bursa listing requirements in 2001 provide a natural experiment to test whether the associated improvement in corporate financial disclosure affects the timeliness of earnings. As the implementation of MCCG is exogenous, our tests are not plagued by the perennial endogeneity problem in corporate governance studies. We also capitalize on the unique Malaysian institutional environment where the existence of political connections remains pronounced (Gomez and Jomo, 1999; Johnson and Mitton, 2003) by testing whether political connection matters to the timeliness of earnings.

Using fixed-effects panel regressions for a sample of 599 firms listed on Bursa Malaysia from 1996 to 2009, we find evidence of a non-linear relationship between concentrated ownership, measured by the largest shareholding in a firm, and the reporting lag but not the timeliness of price

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[2] Bursa Malaysia notes that "Timely disclosure of material information is critical for building and maintaining corporate credibility and investor confidence" (http://www.bursamalaysia.com/misc/system/assets/2349/rules_lr_guides_CDBP -final2012.pdf). Paragraph 9.22 of the revamped listing rules mandates all listed firms to submit their interim quarterly reports to Bursa no later than two months after the end of each quarter of the financial year, and paragraph 9.23 requires all listed firms to announce to Bursa its annual audited financial statement together with the auditors' and directors' reports within four months after the fiscal year end, followed by the submission of its annual audited financial statement together with the auditors' and directors' reports to Bursa and shareholders no later than six months after the fiscal year end (Bursa Malaysia Securities Berhad, 2013).

discovery. We further examine whether these relationships are driven by the identity of the largest shareholder. Our data source permits the following five groups of largest shareholders to be identified: individuals/families; foreigners; financial institutions; state/government; and others, consisting of mutual funds/nominees/trusts/trustees, industrial companies, and foundations. Results show firms with government as the largest shareholder have a substantially shorter reporting lag and timelier price discovery, contrary to the commonly held view that government-owned firms adopt a more opaque information environment in order to cover up their inefficiency (Shleifer and Vishny, 1997) and perverse actions of favoring certain parties and expropriating rents from minority shareholders (Johnson and Mitton, 2003). Cheng and Courtenay (2006) also find government-owned firms in Singapore are associated with greater transparency, in line with the government's support for better disclosure policies.

Although the identity of other largest shareholder groups does not seem to matter to the reporting lag, we find they are significant in explaining the timeliness of price discovery. As expected, family firms are significantly less timely in price discovery, consistent with these firms preferring a more opaque environment possibly to conceal their ill-gained benefits. So are foreign-owned firms, although this result is contrary to our expectation. We also find the presence of other substantial shareholders in the firm exacerbates the adverse effect on corporate transparency by the largest shareholder. Therefore, the presence of other substantial shareholders does not alleviate agency problems within the firm.

As expected, the reporting lag is shorter in the post-MCCG period, suggesting an improvement in corporate financial disclosure and reporting. However the impact of the implementation of MCCG on the timeliness of price discovery is mostly immaterial. Partitioning our sample into the pre- and post-MCCG periods, we report much stronger results in the pre-MCCG period due primarily to the greater variation in financial reporting during this relatively less regulated

regime. Finally, we find firms with political connection take a significantly shorter time (about five days shorter) to release their financial reports but have a less timely price discovery than non-connected firms.

Price discovery is the dynamic process by which new information is incorporated into market prices. Consequently, knowledge about the price discovery process and the speed at which this process occurs are relevant to market design, the nature of information channels/flow, and informed trading. Our study furthers our understanding of the price discovery process and contributes to the literature[3] by providing the first evidence that corporate ownership and identity of the largest shareholder are important determinants of the timeliness of price discovery. Our finding that the identity of the largest owners matters more to the timeliness of earnings than their fractional shareholding has important implications for many countries in the neighboring region where concentrated ownership and strong government intervention are salient features of the capital markets.

The remainder of our paper is organized as follows. Section 2 discusses our predictions, followed by data and research method in section 3. Section 4 presents the empirical results, and section 5 summarizes and concludes.

2. Testable predictions

Modern day corporations are commonly perceived to have widely dispersed ownership and a separation of ownership and control, with control delegated to professional managers. The key issue in this situation is to ensure that managers act in the best interest of the shareholders (Jensen and Meckling, 1976). However, in reality, in all but a few developed countries, most publicly listed firms are closely held, with the controlling shareholder playing an active role in running the firm and often

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[3] Refer to Brown et al. (2011) for a review of past studies on the timeliness of price discovery of corporate earnings.

serving as the chief executive officer or chairman of the board with decisive vote in major corporate decisions (Claessens et al., 2000; Faccio et al., 2001). This ownership concentration and structure is indeed a salient feature of Malaysian firms (Claessens et al., 2000).

We predict an inverse U-shaped relationship between ownership concentration and the timeliness of earnings, consistent with the alignment hypothesis dominating at low levels of ownership and the entrenchment hypothesis dominating at high levels of ownership. That is, at low levels of ownership, increased ownership in the hands of a few substantial shareholders makes it more cost effective to monitor managerial disclosure decisions and thus reduce agency costs (Shleifer and Vishny, 1997). To reduce information asymmetry between insiders and outsiders, controlling shareholders may improve transparency either thorough increased public disclosure or private communication. The monitoring role of large shareholders has support in Yeo et al. (2002) who document a strong positive relationship between external unrelated blockholdings and earnings informativeness. The alignment hypothesis thus predicts a positive relationship between ownership concentration and earnings timeliness.

At high levels of ownership, however, the entrenchment hypothesis suggests that concentrated ownership provides incentives to extract private benefits of control at the expense of minority shareholders (Morck, 1996). In this setting, controlling shareholders have both the incentive and opportunity to adversely affect accounting information and reporting, thus giving them more freedom to pursue their personal agendas. Indeed, Fan and Wong (2002) find concentrated ownership in seven East Asian economies is associated with lower earnings informativeness, consistent with substantial shareholders trying to conceal their expropriation activities and avoid outside monitoring. Similarly, Chin et al. (2006) find firms with concentrated ownership in Taiwan issue less accurate and more optimistically biased earnings forecasts. Evidence consistent with the proposition that controlling shareholders engage more in earnings management to hide their

opportunistic behavior and avoid adverse consequences such as disciplinary action is documented in South Korea (Kim and Yi, 2006), India (Sarkar et al., 2008), and China (Liu and Lu, 2007). The entrenchment hypothesis thus predicts a negative relationship between ownership concentration and the timeliness of earnings. Therefore, we hypothesize:

H1:   The relationship between ownership concentration and the timeliness of earnings is inverse U-shaped.

Non-linearity has been documented in past studies including Gul et al. (2010). They show that stock price synchronicity, which proxies for the amount of firm-specific information incorporated into the stock price of Chinese-listed firms, is a concave function of the largest percentage shareholding with an inflexion point at approximately 50%.

We also examine the identity of large shareholders since they are likely to differ in their corporate objectives, power, and access to financing. We hypothesize that the timeliness of earnings varies according to who the largest shareholder is.

Family firms, which are prevalent in Malaysia (Lim, 1981; Claessens et al., 2000), are a unique class of shareholders that hold poorly diversified investment portfolios long-term (multiple generations), have greater reputation concerns, and control senior management positions (Anderson and Reeb, 2003). We thus expect family firms to have greater incentives to protect their wealth as it is tied directly to the welfare of the company. By adopting a better corporate disclosure framework, for example, the increased transparency facilitates external capital raising by family firms. Under this view, family firms are thus expected to have greater timeliness of earnings.

However, the literature also draws attention to the entrenchment effect, which may be more prominent in family firms (Claessens et al., 2002). Specifically, family members have greater attachment to control and are more likely to pursue private benefits of control at the expense of outside shareholders (Hagelin et al., 2006; Villalonga and Amit, 2010). This is supported by the fact that family owners often have significant businesses outside the firm, which provide them with a

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means to divert the firm's resources (Atanasov et al., 2008). Therefore, family-owned firms are likely to prefer a more opaque information environment to deliberately defraud minority shareholders, thus compromising the timeliness of earnings. As the earnings timeliness of family firms is an empirical one, we do not predict a sign for this relationship:

H2:   *There is a relationship between family firms and the timeliness of earnings.*

Evidence on the information environment of family firms is mixed. Fan and Wong (2002) find lower earnings quality in family firms in seven East Asian economies. Similarly, Yeo et al. (2002) report earnings informativeness decreases with management ownership of family firms. In contrast, Wan-Hussin (2009) finds enhanced segment disclosures by family firms in Malaysia, in consonance with Ali et al. (2007) and Wang (2006), who report that family firms are associated with better quality reported earnings and greater earnings informativeness, have lower abnormal accruals and less persistent transitory negative earnings, and are more likely to warn the market for a given magnitude of bad news.

The second group of largest shareholder we examine is foreign investors. The fact that foreign investors are geographically separated from the firm can increase information asymmetries and complicate managerial monitoring. Therefore, foreign investors may demand higher standards of governance and protection of minority rights (Khanna and Palepu, 2000), both formally, through a proxy system where they can initiate and vote on proposals, and informally, through negotiations with management (Davis and Thompson, 1994). Past studies show that firms with substantial foreign shareholders are associated with higher corporate transparency, lower information asymmetries (Kang and Stulz, 1997; Jiang and Kim, 2004), greater earnings informativeness (Cho and Rui, 2009), and a greater amount of firm-specific information incorporated into stock price (Gul et al., 2010). We thus predict the following:

H3:   *Foreign-owned firms have greater timeliness of earnings.*

The third largest shareholder group is financial institutions. These investors have to comply with stringent rules and regulations due to their fiduciary responsibilities to their investors (Hawley and William, 1997). Institutional investors are usually large in size (Jennings, 2005), suggesting that they have the resources (Shleifer and Vishny, 1997) and expertise to analyze financial information (Hand, 1990). The sheer size of corporate ownership of institutional investors enables them to exert pressure on the firm to act in the interests of shareholders through the media (Wu, 2004) and by withholding a substantial number of votes when they are dissatisfied with management performance and the firm's corporate governance structures (Del Guercio et al., 2008). Their substantial market power, influence, and sophistication in gathering and interpreting information about the firm (Grier and Zychowicz, 1994; Wahab et al., 2007) suggest that institutional investors have a considerable advantage in monitoring corporate activities compared to other investors.

Indeed, institutional investors often adopt a more active role in corporate governance issues (Conover et al., 2008) including disclosure practices. In Malaysia, this is facilitated through the Minority Shareholder Watchdog Group (MSWG), which consists of five founding domestic institutional shareholders.[4] MSWG aims at protecting the interest of minority shareholders through shareholders activism and acts as an independent research organization to advise and encourage good governance practices amongst publicly listed firms (MSWG, 2010). Specifically, MSWG aims to harness the monitoring strength of institutional investors to monitor and institute changes in the firm they own a stake in (MCCG, part 4, paragraph 4.80).

Past studies show that institutional investors reduce the incidence of earnings management (Chung et al., 2002; Koh, 2003). The effectiveness of institutional investors as a monitoring body has also been recognized by governments that incorporate institutional monitoring duties into

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[4] The five founding domestic institutional shareholders are Permodalan Nasional Berhad (PNB); Employee Provident Fund (EPF); Lembaga Tabung Angkatan Tentera (LTAT); Lembaga Tabung Haji (LTH); and National Social Security Organization of Malaysia (SOCSO).

regulations in order to ensure adequate oversight (Starks, 2000). Sarkar et al. (2008) show that domestic institutional owners mitigate earnings management and act as a compensating control mechanism for the presence of controlling shareholders on corporate boards in Indian firms. We therefore argue that financial institutions are able to mitigate information asymmetry by pressuring firms to disclose information in a timelier manner. This in turn implies that having an institutional investor as the largest substantial shareholder increases the timeliness of earnings.

H4: Firms with financial institutions as the largest shareholder have greater timeliness of earnings.

Finally, we capitalize on the unique political economy of Malaysia by examining the timeliness of a group of firms that have the Malaysian government (e.g., Ministry of Finance) as their largest shareholder. Government as the largest shareholder usually lacks the necessary incentive to engage in effective monitoring since their actions are equally driven by political expediency (Shleifer and Vishny, 1994) and the economics of the situation. Firms may also be incentivized to act in the interest of powerful government-owners at the expense of minority shareholders in return for special treatments.[5] Indeed, Choy et al. (2011) argue that government involvement in the economy and financial system creates agency problems because governments can use their ownership or influence and control to favor certain parties and expropriate rents from minority shareholders. This relationship-based system fosters a protective shield from scrutiny of any action made (Johnson and Mitton, 2003), suggesting that firms with dominant government ownership are less exposed to the discipline of the market for corporate control, or to shareholders who coalesce into large blocks in order to effect an organizational change. Shleifer and Vishny (1997) also argue that the behavior of

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[5] Special treatments include easier access to "soft" and more loans (Backman, 1999); lighter taxation (De Soto, 1989); securing business contracts (Johnson and Mitton, 2003); opportunities to buy assets that are privatized (Johnson and Mitton, 2003); access to subsidies and funding priorities (Gul, 2006); bailout preferential (Faccio et al., 2006); relaxed regulatory oversight on the firm (Stigler, 1971); and increased hurdles for new entrants or competitors (Choy et al., 2011).

government-owned firms is inconsistent with the justification of their efficiency and has resulted in huge losses that drain the country's treasuries (Kikeri et al., 1992; Boycko et al., 1995).

Therefore, we expect the information environment of government-owned firms is more opaque so as to cover up their inefficiency and perverse actions of favoring certain parties and expropriating rents from minority shareholders (Johnson and Mitton, 2003). This has support in Gul et al. (2010) who document that Chinese-listed firms with government as the largest shareholder have less firm-specific information incorporated into their stock price. We thus predict the timeliness of earnings of government-owned firms is lower:

H5:   *State/government-owned firms have lower timeliness of earnings.*

Controlling shareholders are more likely to expropriate minority shareholders when there are limited incentives and opportunities for rivals to contest control. The ability of other substantial shareholders to form coalitions and oppose opportunistic controlling shareholders suggests that the presence of other substantial shareholders in the firm moderates the adverse effect on corporate transparency by the largest controlling shareholder. All else equal, we predict greater earnings timeliness in firms that have other substantial shareholders:

H6:   *The higher the concentration of shares held by substantial shareholders other than the largest shareholder, the greater the timeliness of earnings.*

The Asian financial crisis serves as a reminder for firms of the importance of having a sound corporate governance system. One of the fundamental objectives of good corporate governance is to reduce information asymmetry through timelier disclosure of financial information. In Malaysia, the development of corporate disclosure and transparency began in 1996 following the shift from a merit-based regulation, which emphasizes the regulatory assessment of the quality of an issuance of securities, to a disclosure-based regulation, which emphasizes the importance of the quality and timeliness of material information disclosed by firms to the public (Securities Commission Malaysia,

1998). This is reinforced by MCCG whose objectives are to identify the optimal framework for principles and best practices in corporate governance, and ultimately allowing all shareholders and the public access to quality and reliable information in a timely manner. Of particular significance in this move towards timelier corporate financial disclosure is the integration of MCCG into the revamped listing requirements of Bursa in January 2001. We thus predict:

H7:   *The timeliness of earnings is greater in the post-MCCG period.*

3.   Data and Research Method

Our initial sample consists of panel data of 1,276 firms listed on the Malaysian Main Board from 1996 to 2009. Ownership data on the top 20 shareholders from 1996 to 2000, and the top 30 shareholders from 2001 onwards[6] are retrieved from Bursa Malaysia's "End of Year Shareholdings by Name" database. For each firm, we hand-collect the fraction of outstanding shares held by substantial shareholders, defined as shareholders with shareholdings of at least five percent. Our data source allows us to identify and classify the largest substantial shareholders into the following five main groups: (i) individuals/families; (ii) foreigners; (iii) financial institutions (e.g., Employees Provident Fund, Maybank, and other financial companies); (iv) state/government;[7] and (v) others, consisting of mutual funds/nominees/trusts/trustees, industrial companies, and foundations. In our tests, the last group of largest owners ("others") forms the base case.

We remove financial firms from our sample and firm-years for which we cannot find the financial report announcement date. To be included in the final sample, firms are also required to

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[6] The change in the reporting of ownership data for the top 20 shareholders to the top 30 shareholders in the annual reports is one of the consequences of the implementation of MCCG subsequent to the Asian financial crisis. This change is not likely to significantly affect our results as we focus on the largest and second largest shareholders, and all shareholdings of at least 5%.

[7] Following Saleh et al. (2009), government/state ownership is measured by the percentage of ownership by the Malaysian government institutions, agencies and government linked companies (GLCs). A list of GLCs was obtained from the Khazanah Nasional Berhad's website. Examples of the largest shareholder belonging to government/state include the Ministry of Finance and the Selangor State Government.

have financial data including daily closing stock prices, annual earnings per share, market capitalization, leverage, and book to market value. Fiscal year end dates, financial report announcement dates, and daily closing stock prices are retrieved from the *Bloomberg's* financial database. Other financial data are sourced from the *Worldscope* database. After eliminating the 1% and 99% percentiles,[8] our final sample consists of 2,882 firm-year observations for 599 Malaysian firms.

We employ two measures of timeliness. The first is based on the method in Beekes and Brown (2006) which captures the speed of price discovery of corporate earnings throughout the fiscal year leading up to the release of the final quarter unaudited interim report.[9] Specifically, it measures how fast a firm's financial information is reflected in its stock price and how accurately a firm's stock price approximates the market's valuation 14 days after the release of the final quarter interim report:[10]

$$Timeliness = \frac{\sum_{t=-364}^{t=0} \left| \{\ln(P_0) - \ln(P_t)\} - \{\ln(I_0) - \ln(I_t)\} \right|}{365} \quad (1)$$

where P_t is the closing stock price and I_t is the market index, both on day t. P_0 is the closing stock price 14 days after the earnings release date. The smaller the value of *Timeliness,* the quicker is the price discovery, i.e., financial information is reflected in the firm's stock price in a timelier manner. To cater for the adverse impact of stock price volatility on the timeliness measure, we deflate it by one plus the absolute value of the market-adjusted return over the 365 trading day period, as recommended by Beekes and Brown (2006).

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[8] We remove the outliers to ensure that the regression parameters are unbiased and the results are not driven by a few outliers. Removing the outliers allows us to show the effect on the "average" firm.

[9] We use the unaudited interim reports because these are the reports that are first released to the public. Audited reports are typically released two months after.

[10] We choose 14 days so as to allow the market to fully adjust to the financial information.

Our second timeliness measure is the reporting lag, which was first examined by Dyer and McHugh (1975). It is defined as the number of calendar days from the fiscal year end to the release date of the final quarter unaudited interim report.

We employ the fixed-effects panel regression model clustered at the firm level to estimate the relationship between the independent variables and our timeliness measures.[11] Our model specification is as follows:

$Timeliness_{it}$ (*Reporting Lag$_{it}$*) = α + $β_1$*Largest Shareholding$_{it}$*+ $β_2$*Largest Shareholding$_{it}$^2*

+ $β_3$*Owner Type$_{it}$*+ $β_4$*Other Owners$_{it}$* + $β_5$*Post-MCCG* + $β_6$*Political$_{it}$* + $β_7$*Size$_{it}$*

+ $β_8$*Leverage$_{it}$* + $β_9$*Bad News$_{it}$* + $β_{10}$*Book-to-Mkt$_{it}$* + $β_{11}$*Volatility$_{it}$*

+ *Industry$_i$* + e_{it} , (2)

where ownership concentration is proxied by *Largest Shareholding*, the fractional ownership of the largest substantial shareholder.[12] The squared term (*Largest Shareholding^2*) is included to capture non-linearity in the relationship between timeliness and ownership concentration. *Owner Type* is a vector of the largest shareholder identity groups: *Family, Foreign, Institution,* and *Government*, which respectively take a value of 1 if the largest shareholder is a family, foreigner, financial institution, or the Malaysian government, and 0 otherwise. As an alternative to the dummy variable, we also use the fractional ownership of each of these largest shareholder groups (*Family Ownership, Foreign Ownership, Institution Ownership,* and *Government Ownership*) in our regressions.

Other Owners is a Herfindahl-type index that measures the concentration of shares held by substantial shareholders excluding the largest one. Following Liu and Lu (2007), it is the sum of the

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[11] Fixed-effects panel data techniques control for endogeneity due to unobserved sources of firm heterogeneity that are time invariant.

[12] We also measure ownership concentration by the sum of all shareholdings in excess of 5 percent, i.e., percentage block holdings. The correlation between this measure and *Largest Shareholding* is close to 0.7. Not surprisingly, the results (untabulated) are almost identical to those reported in this paper and are available upon request.

squared percentage shareholding of each substantial shareholder, excluding the controlling shareholder:

$$Other\ Owners = \sum_{i=2}^{i=n}\left(S_i \middle/ S \right)^2 \qquad (3)$$

where S_i is the number of shares held by the ith largest substantial shareholder; S is the total number of shares outstanding; and n is the number of other substantial shareholders. A low index value implies that *other* substantial shareholders pose less of a challenge to the controlling shareholder.

The implementation of MCCG as an integral part of the revamped Bursa listing requirements in 2001 marked a significant shift in the governance system, particularly with respect to corporate financial reporting and disclosure in Malaysia. Since the change took effect from the 2002 fiscal year onwards, we use 2002 as the cutoff year. In the equation, *Post-MCCG* is a dummy variable that takes the value of 1 for the post-2002 period, and 0 otherwise.

A number of control variables that may influence the timeliness of earnings are included in the tests so that our regression results are unbiased. The unique feature of the Malaysian political economy suggests that we should control for whether the firm has political connections. Frye and Shleifer (1997) and Shleifer and Vishny (1998) posit that politicians' "helping hand" may become a "grabbing hand" when expropriation of minority shareholders occurs. They find that resources are tunneled away from listed firms to the state/government to serve social objectives as well as giving bribes, providing vote-buying during election years, and for unnecessary employment in economically depressed states. Bliss and Gul (2012a, b) document that politically-connected firms in Malaysia have higher risk, lower returns on assets, and are more likely to report a loss and negative equity than non-connected firms. We therefore expect lower timeliness of earnings for politically-connected firms as they would prefer a more opaque information environment to conceal potential expropriations. Politically-connected firms (*Political*) are identified using the lists obtained from

Gomez and Jomo (1999), Johnson and Mitton (2003), Faccio (2006), Wahab et al. (2007), and Bliss et al. (2008). They define politically-connected firms as firms whose directors or managers have relationships with Malaysian ministers or army officers.

We also control for firm size (*Size*) since larger firms have a richer information environment (Bushman et al., 2004) and a better equipped accounting system to ensure timely financial information disclosure (Givoly and Palmon, 1982). Larger firms also have the financial resources to expedite the audit process (Courteau and Zeghal, 1999). Beekes and Brown (2006) and Beekes et al. (2006) find larger firms are timelier in their price discovery. Firm size is proxied by the firm's natural log of market capitalization.

We control for leverage (*Leverage*) since highly leveraged firms are expected to be associated with greater and timelier disclosure in order to meet their creditors' demand (Abdulla, 1996). However, the evidence in Conover et al. (2008) suggests that highly levered firms tend to be more closely monitored by their bankers who can access corporate information prior to it being publicly disseminated. The relationship between leverage and the timeliness of earnings is therefore an empirical one. *Leverage* is measured by total debt divided by total assets.

Past studies show that firms with poor performance are more likely to delay the disclosure of negative financial information in an attempt to delay a drastic fall in stock price (Haw et al., 2000). Conversely, firms with above average performance may want to disclose good news earlier perhaps to raise capital on the best available funding terms and conditions (Foster, 1986). Managers of these firms may also want to disclose the information earlier for personal gains such as the continuation of their positions and compensation justification (Haniffa and Cooke, 2002). *Bad News* takes the value 1 if the change in annual earnings per share is negative, and zero otherwise. We also control for growth (*Book-to-Mkt*) and idiosyncratic risk (*Volatility*); the latter is measured by the standard deviation of daily returns over the same window as *Timeliness*.

In Malaysia, firms in the mining (*Mining*), plantation and timber (*Plantation*), and infrastructure project (*IPC*) industries are subject to more stringent disclosure requirements than other firms (Bursa Listing Requirement, Section 9, Part M).[13] We therefore include indicators to control for these industries in the tests. In the equation with *Timeliness* as the dependent variable, we also control for *Reporting Lag* since firms with a shorter reporting lag are expected to have timelier price discovery.

Descriptive statistics in Table 1 show that it takes an average (median) of 59 (57) days for our sample firms to release their (unaudited) financial report since their fiscal year end (*Reporting Lag*). The average (median) *Timeliness* is 0.173 (0.158), with a standard deviation of 0.114.

The average (median) *Largest Shareholding* of our sample firms is 30.5 (26.6) percent, similar to Haniffa and Hudaib (2006). Family-owned firms tend to dominate, with 12 percent of firms having family as the largest shareholder, followed closely by foreign-owned firms at 11.8 percent. As the largest shareholder, *Government* has the highest average (maximum) shareholding at 41.6 (82.5) percent, followed by *Foreign* at 37.0 (75.6) percent, *Family* at 22.7 (73.5) percent, and *Institution* at 21.8 (74.5) percent.

About one in every ten firms in our sample is politically connected (*Political*). The low mean and median of *Other Owners* suggests that other substantial shareholders pose less of a challenge to the controlling shareholder in our sample. The average (median) firm has RM 1.36 billion (RM 203 million) in market capitalization, a leverage ratio of 0.232 (0.218), and a book to market ratio of 1.231 (0.781). The average (median) volatility is 33.4 (33.2) percent per year. Slightly more than half the sample firms experience a drop in earnings (*Bad News*) during our study period.

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[13] Bursa Listing Requirement, section 9, Part M, Paragraph 9.36 requires all listed firms in the mining *(Mining)* and plantation and timber *(Plantation)* industries to immediately announce their production figures for each month no later than the end of the subsequent month. Likewise, Paragraph 9.38 requires all infrastructure project firms *(IPC)* to announce quarterly progress reports on infrastructure projects no later than two months after the end of each quarter of the financial year (Bursa Malaysia Securities Berhad, 2009).

4. Results

4.1 Univariate

Table 2 reports the correlation matrix of the continuous variables. As expected, both the timeliness measures are positively correlated. *Largest Shareholding* is negatively correlated with *Reporting Lag* and *Timeliness*, suggesting that there is greater timeliness of earnings for firms whose largest shareholder holds a larger stake in the firm. This provides some preliminary support for the alignment hypothesis. Firms with a higher family ownership are associated with lower earnings timeliness, measured by either the reporting lag or the speed of price discovery. The reverse is observed for firms with a higher foreign ownership. Although firms with a higher government shareholding have a longer reporting lag, they are timelier in price discovery. In contrast, firms with a higher institutional ownership have a shorter reporting lag but a lower timeliness of price discovery. The correlation between the independent variables is low, suggesting that multicolinearity is unlikely to be a major problem in our regressions.

Table 3 reports the results from univariate tests of differences in *Reporting Lag* (Panel A) and *Timeliness* of price discovery of earnings (Panel B) between different levels of ownership concentration and identity groups. P-values for both t-test and Mann-Whitney test are reported. Results show that firms with "high" concentrated ownership, using the median *Largest Shareholding* as the cutoff, on average have a significantly longer reporting lag by two days and are significantly less timely in price discovery (by 0.014). Although the reporting lag is significantly shorter for foreign-owned firms (an average of 2.5 days shorter than domestically owned firms), it is significantly much longer (an average of five days longer) for firms that have government as the largest shareholder. For these two groups of firms, the speed of price discovery is not significantly different from that of

17

the others. There is some evidence that firms with a higher family shareholding are less timely in price discovery.

Finally, we test whether our timeliness measures are related to changes in corporate governance, particularly in relation to corporate disclosure of financial information, brought about by the integration of MCCG into the revamped Bursa listing rules. Results show the average (median) *Reporting Lag* has significantly decreased from 62 (59) days to 59 (57) since the implementation of MCCG in 2001. Over the same time period, the average (median) *Timeliness* metric has also significantly decreased from 0.243 (0.232) days to 0.158 (0.149). Therefore, it appears that the timeliness of earnings, both in its reporting lag and speed of price discovery, have improved as a consequence of MCCG.

4.2   Multivariate

To test the hypotheses in a multivariate setting, we run fixed-effects panel regressions with clustered standard errors for both measures of earnings timeliness. The results are reported in Tables 4 (*Reporting Lag*) and 5 (*Timeliness*). In both tables, Panel A reports the result for the full period, Panel B the pre-MCCG period, and Panel C the post-MCCG period. The results are generally robust across the three panels, with those for the pre-MCCG period being the strongest. This is due primarily to the greater variation in corporate governance and reporting policy during the relatively less regulated period.

Table 4 shows that *Largest Shareholding* has a positive coefficient in specification (3), although marginally at 10.6 percent, suggesting that firms with a higher ownership concentration are slower in releasing their financial report during the less regulated pre-MCCG period. For every one percentage point increase in *Largest Shareholding,* the *Reporting Lag* increases by nearly one day. This finding supports the entrenchment effect and past evidence (e.g., Fan and Wong, 2002; Chin et al., 2006)

18

that concentrated owners are more able to conceal their rent seeking activities by delaying financial disclosure in the pre-MCCG period. There is also evidence of a curvilinear relationship between the largest shareholding and the reporting lag, as indicated by the significantly negative coefficient on *Largest Shareholding^2* in the pre-MCCG period (specifications (3) and (4)).

Firms that have government as the largest shareholder release their financial report about four days earlier on average, as indicated by the negative coefficient on *Government* (specification (3)). The result is statistically significant only in the pre-MCCG period. The same is observed in specification (4) when we use the fractional government ownership (*Government Ownership*). The other identity groups of largest shareholders, i.e., *Family*, *Foreign*, and *Institution*, and their respective shareholdings are immaterial to the reporting lag. Neither is the presence of other substantial shareholders (*Other Owners*) in the firm.

Interestingly, we find political connection is highly significant in explaining the reporting lag. The timely disclosure of financial information, as mandated by MCCG, appears to have the greatest impact on connected firms, which take a significantly shorter time (about five days shorter) to release their financial reports than non-connected firms in the post-MCCG period. The *Post-MCCG* variable itself is significantly negative, showing that the objective of MCCG in enabling all shareholders and the public equal access to financial information in a timely manner is somehow met.

Of the control variables, only *Volatility*, *Leverage*, *Bad News,* and *Book-to-Mkt* have some explanatory power in explaining the reporting lag. While highly volatile firms have a shorter reporting lag, those with high leverage and book-to-market are more sluggish in their financial reporting. As expected, the release of bad news is more likely to be delayed (by three days on average) particularly in the pre-MCCG period.

The results are roughly similar but more significant when we measure timeliness by the speed of price discovery in Table 5, with a few exceptions. First, although ownership concentration is significant in explaining *Reporting Lag*, it is not in explaining *Timeliness*. However, the identity and shareholding of the largest owner do a much better job in explaining the timeliness of price discovery than the reporting lag. In the pre-MCCG period, family firms are on average half a standard deviation less timely in their price discovery, as shown in specification (3). This suggests that family firms are more able to conceal their rent seeking activities in the relatively less regulated pre-MCCG period.

Both *Foreign* and *Foreign Ownership* (specification (3) and (4) respectively) have a significantly positive coefficient in the pre-MCCG period. Specifically, foreign-owned firms are about one standard deviation less timely in their price discovery, contrary to expectations. In the post-MCCG period, however, the timeliness of foreign-owned firms is insignicantly different from other firms.

Specifications (3) and (4) show government-owned firms are particularly more timely in price discovery (on average about one standard deviation timelier), contrary to our prediction. Together with Table 4, our results therefore show that government-owned firms are quicker in releasing their financial reports and have a timelier price discovery process. This result is consistent with the Singaporean evidence that government-owned firms are more transparent, reflecting the government's support for better disclosure policies (Cheng and Courtenay, 2006). We do not find firms owned by financial institutions are more timely in their price discovery, in line with the results of Wan-Hussin (2009) that institutional investors do not necessarily promote corporate transparency.

While the presence of other substantial shareholders (*Other Owners*) does not matter to *Reporting Lag* (Table 4), Table 5 shows that it matters to *Timeliness*. Contrary to prediction, however, we find the presence of other substantial shareholders in the firm exacerbates the adverse effect on

corporate transparency by the largest controlling shareholder. Our results thus suggest that the presence of other substantial shareholders does not alleviate agency problems, possibly because they just do not have enough decisive votes to counteract the self-serving actions of the largest owner.

While politically connected firms have a shorter reporting lag, they have less timely price discovery (albeit not economically significant). In line with the MCCG mandate of timely financial reporting, firms are quicker in releasing their (unaudited) financial statements. However, the corporate governance reform has not resulted in a corresponding improvement in the timeliness of price discovery of earnings. As expected, firms with a shorter reporting lag have timelier price discovery in the pre-MCCG period; however, this relationship is economically weak. Therefore, this evidence overwhelmingly shows that earlier earnings reporting does not on average materially improve the timeliness of price discovery.

5.   **Summary and Conclusion**

Timely corporate disclosure has long been recognized as an important element of making financial information useful before it loses its ability to influence decision making. The fact that large shareholders and managers can exercise control over a firm's operation, including its financial information disclosure, motivates us to examine the link between the timeliness of earnings and corporate ownership. We conduct our research in Malaysia due mainly to the unique political economy where government has a significant influence on the corporate sector, and in particular the highly concentrated corporate ownership.

Our study uses fixed-effects panel regressions with clustered standard errors on a sample of 599 firms listed on the Malaysian Main Board over a 14-year period (1996 to 2009). We find evidence of a non-linear relationship between the largest shareholding and the reporting lag in the pre-MCCG period. We explore this relationship further by examining who these largest substantial

shareholders are and whether their identity can shed further light on the relationship between earnings timeliness and ownership concentration.

Our results show that the identity of the largest shareholder and her fractional shareholding do a better job in explaining the timeliness of price discovery than in explaining the reporting lag. The results are generally more significant in the less regulated pre-MCCG period. In particular, firms with government as the largest shareholder have a substantially shorter reporting lag and timelier price discovery in the pre-MCCG period. This finding therefore provides a rationale for governments to play a larger role in corporate disclosure. Although the other identity groups do not seem important in explaining the reporting lag, they are significant in explaining the timeliness of price discovery. As expected, family firms have lower timeliness of price discovery of earnings, consistent with these firms having an opaque information environment, as do foreign-owned firms. Government-owned firms are in fact more timely as a result of the government's commitment towards higher transparency and better corporate governance. The timeliness of price discovery is greater, but only marginally, in the post-MCCG period when all shareholders and the public have access to quality and reliable information in a timelier manner.

After nearly three decades since the first ownership study in Malaysia by Lim (1981), our study reveals that the ownership structure of Malaysian firms remains highly concentrated, especially in the hands of families and increasingly foreigners in recent periods. Our finding that timelier corporate reporting, brought about by the integration of MCCG into the Bursa listing rules, does not materially improve the timeliness of price discovery has implications for many regulatory agencies and listing authorities around the world which mandate requirements and recommendations regarding timely disclosure of financial information. Our finding that the identity rather than the fractional shareholding of the controlling owners matters more to the timeliness of earnings has

important implications for many countries in the neighboring region where concentrated ownership

and strong government intervention are salient features of the capital markets.

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Table 1
Descriptive statistics

Timeliness is the Beekes and Brown's (2006) measure of timeliness of price discovery of earnings deflated by one plus the absolute value of the market-adjusted return over the 365 trading day period. *Reporting Lag* is the number of calendar days from the fiscal year end to the release date of the final quarter unaudited interim report. *Largest Shareholding* is the fractional ownership of the largest owner. *Family*, *Foreign, Institution,* and *Government* respectively equal 1 if the largest shareholder is a family, foreigner, financial institution or government, and 0 otherwise. *Family Ownership, Foreign Ownership*, *Institution Ownership*, and *Government Ownership* are respectively the fractional ownership of the largest shareholder represented by *Family*, *Foreign, Institution,* and *Government*. *Other Owners* is the Herfindahl-type index that measures the concentration of shares held by all substantial shareholders except the largest one. *Political* equals 1 for politically connected firms and 0 otherwise. *Volatility* is standard deviation of daily returns over the same window as *Timeliness*; *Size* is market capitalization (in RM million); *Leverage* is total debt divided by total assets; *Bad News* takes a value of 1 if the change in annual earnings is negative, 0 otherwise; and *Book-to-Mkt* is the year end market price divided by book value per share.

Test Variables	Mean	Median	Std. Dev.	Min	Max
Panel A: Dependent Variable					
Reporting Lag	59.180	57.000	13.363	14.000	151.000
Timeliness	0.173	0.158	0.114	0.000	0.827
Panel B: Independent Variables					
Largest Shareholding	0.305	0.266	0.166	0.052	0.868
Family	0.120	0.000	0.325	0.000	1.000
Foreigner	0.118	0.000	0.322	0.000	1.000
Institution	0.052	0.000	0.222	0.000	1.000
Government	0.032	0.000	0.177	0.000	1.000
Family Ownership	0.227	0.212	0.120	0.055	0.735
Foreigner Ownership	0.370	0.375	0.189	0.055	0.756
Institution Ownership	0.218	0.149	0.169	0.058	0.745
Government Ownership	0.416	0.433	0.175	0.056	0.825
Other Owners	0.023	0.018	0.022	0.000	0.284
Panel C: Control Variables					
Political	0.122	0.000	0.327	0.000	1.000
Volatility	33.435	33.212	9.959	9.355	67.473
Size	1360.000	203.000	4350.000	2.909	44600.000
Leverage	0.232	0.218	0.167	0.001	0.835
Bad News	0.522	1.000	0.500	0.000	1.000
Book-to-Mkt	1.231	0.781	2.087	0.087	34.050

Table 2
Correlations

Timeliness is the Beekes and Brown's (2006) measure of timeliness of price discovery of earnings deflated by one plus the absolute value of the market-adjusted return over the 365 trading day period. *Reporting Lag* is the number of calendar days from the fiscal year end to the release date of the final quarter unaudited interim report. *Largest Shareholding* is the fractional ownership of the largest owner. *Family, Foreign, Institution,* and *Government* respectively equal 1 if the largest shareholder is a family, foreigner, financial institution or government, and 0 otherwise. *Family Ownership, Foreign Ownership, Institution Ownership,* and *Government Ownership* are respectively the fractional ownership of the largest shareholder represented by *Family, Foreign, Institution,* and *Government. Other Owners* is the Herfindahl-type index that measures the concentration of shares held by all substantial shareholders except the largest one. *Political* equals 1 for politically connected firms and 0 otherwise. *Volatility* is standard deviation of daily returns over the same window as *Timeliness; Size* is natural log of market capitalization; *Leverage* is total debt divided by total assets; *Bad News* takes a value of 1 if the change in annual earnings is negative, 0 otherwise; and *Book-to-Mkt* is the year end market price divided by book value per share. * and ** denote significance at the 0.05 and 0.01 level respectively.

	Timeliness	Reporting Lag	Largest Shareholding	Family Ownership	Foreign Ownership	Institution Ownership	Government Ownership	Other Owners	Volatility	Size	Leverage
Reporting Lag	0.045										
Largest Shareholding	-0.085	-0.091									
Family Ownership	0.020	0.002	-0.029								
Foreign Ownership	-0.034	-0.091	0.312**	-0.103*							
Institution Ownership	0.014	-0.011	0.047	-0.059	-0.059						
Government Ownership	-0.022	0.052	0.186**	-0.054	-0.054	-0.031					
Other Owners	0.022	0.009	-0.108**	0.041	-0.010	-0.059	-0.040				
Volatility	0.237*	0.067	-0.279**	0.015	-0.183*	-0.006	-0.035	-0.063			
Size	-0.024	-0.089	0.172**	-0.086	0.036	-0.021	-0.040	0.036	-0.243*		
Leverage	0.031	0.061	-0.119**	-0.089	-0.035	0.027	-0.043	-0.016	0.160*	0.081	
Book-to-Mkt	-0.028	-0.050	0.117*	-0.034	0.264*	-0.015	-0.046	-0.041	-0.149*	0.274*	0.110

Table 3
Univariate tests of earnings timeliness

Reporting Lag (Panel A) is the number of calendar days from the fiscal year end to the release date of the final quarter unaudited interim report. *Timeliness* (Panel B) is the Beekes and Brown's (2006) measure of timeliness of price discovery of earnings deflated by one plus the absolute value of the market-adjusted return over the 365 trading day period. "*High*" and "*Low*" *Largest Shareholding* is determined using the median as the cutoff. *Family*, *Foreign, Institution,* and *Government* respectively equal 1 if the largest shareholder is a family, foreigner, financial institution or government, and 0 otherwise. P-values for t-test of difference in means and Mann-Whitney test for difference in medians are reported in the last two columns. *, ** and *** denote significance at the 0.10, 0.05, and 0.01 level respectively.

Mean	Median	Mean	Median	t-test	Mann-Whitney
Panel A: Reporting Lag					
High Largest Shareholding		*Low Largest Shareholding*			
60.311	58.000	58.050	57.000	0.000 ***	0.000 ***
Family=1		*Family=0*			
59.214	57.000	59.176	57.000	0.964	0.719
Foreign=1		*Foreign=0*			
57.089	56.000	59.459	57.000	0.005 ***	0.000 ***
Institution=1		*Institution=0*			
58.234	57.000	59.232	57.000	0.418	0.652
Government=1		*Government=0*			
64.169	58.000	59.013	57.000	0.001 ***	0.002 ***
Pre-MCCG period		*Post-MCCG period*			
61.988	59.000	58.575	57.000	0.000 ***	0.000 ***
Panel B: Timeliness					
High Largest Shareholding		*Low Largest Shareholding*			
0.180	0.167	0.166	0.148	0.004 ***	0.002 ***
Family=1		*Family=0*			
0.183	0.179	0.172	0.156	0.125	0.019 **
Foreign=1		*Foreign=0*			
0.169	0.147	0.174	0.160	0.539	0.209
Institution=1		*Institution=0*			
0.183	0.173	0.173	0.157	0.342	0.231
Government=1		*Government=0*			
0.162	0.159	0.174	0.158	0.366	0.604
Pre-MCCG period		*Post-MCCG period*			
0.243	0.232	0.158	0.149	0.000 ***	0.000 ***

Table 4
Fixed-effects panel regression results for *Reporting Lag*

Reporting Lag, the dependent variable, is the number of calendar days from the fiscal year end to the release date of the final quarter unaudited interim report. *Largest Shareholding* is the fractional ownership of the largest owner. *Family, Foreign, Institution,* and *Government* respectively equal 1 if the largest shareholder is a family, foreigner, financial institution or government, and 0 otherwise. *Family Ownership, Foreign Ownership, Institution Ownership,* and *Government Ownership* are respectively the fractional ownership of the largest shareholder represented by *Family, Foreign, Institution,* and *Government. Other Owners* is the Herfindahl-type index that measures the concentration of shares held by all substantial shareholders except the largest one. *Political* equals 1 for politically connected firms and 0 otherwise. *Post-MCCG* equals 1 for the period after 2002, and 0 otherwise. *Volatility* is standard deviation of daily returns over the same window as *Timeliness; Size* is natural log of market capitalization; *Leverage* is total debt divided by total assets; *Bad News* takes a value of 1 if the change in annual earnings is negative, 0 otherwise; and *Book-to-Mkt* is the year end market price divided by book value per share. Industry and year dummies are included in the test but are not reported. P-values are reported in parentheses. *, ** and *** denote significance at the 0.10, 0.05, and 0.01 level respectively.

	Panel A: Full sample period		Panel B: Pre-MCCG period		Panel C: Post-MCCG period	
	(1)	(2)	(3)	(4)	(5)	(6)
Largest Shareholding	-4.987	-7.200	88.192	77.918	-23.910	-23.744
	(0.711)	(0.595)	(0.106)	(0.150)	(0.220)	(0.236)
Largest Shareholding^2	-12.226	-8.922	-140.362	-140.376	10.405	11.725
	(0.428)	(0.546)	(0.059) *	(0.054) *	(0.568)	(0.505)
Family	-0.308		-0.916		1.037	
	(0.884)		(0.968)		(0.625)	
Foreign	1.106		0.933		-0.820	
	(0.556)		(0.869)		(0.655)	
Institution	2.204		8.015		-1.774	
	(0.355)		(0.176)		(0.474)	
Government	-7.884		-3.653		-7.615	
	(0.095) *		(0.050) **		(0.336)	
Family Ownership		-4.459		-129.840		3.623
		(0.463)		(0.353)		(0.617)
Foreign Ownership		0.391		6.466		-1.617
		(0.943)		(0.711)		(0.754)
Institution Ownership		5.484		25.237		-9.255
		(0.534)		(0.105)		(0.471)
Government Ownership		-19.313		-13.158		-16.805
		(0.074) *		(0.048) **		(0.213)
Other Owners	-12.204	-13.344	75.509	70.314	-22.836	-21.334
	(0.607)	(0.572)	(0.231)	(0.244)	(0.215)	(0.236)
Political	-5.260	-5.253			-5.201	-5.227
	(0.000) ***	(0.000) ***			(0.000) ***	(0.000) ***
Post-MCCG	-4.935	-4.968				
	(0.000) ***	(0.000) ***				

Table 4 (continued)

	Panel A: Full sample period		Panel B: Pre-MCCG period		Panel C: Post-MCCG period	
	(1)	(2)	(3)	(4)	(5)	(6)
Size	-0.351	-0.358	-2.808	-2.756	0.268	0.313
	(0.602)	(0.598)	(0.194)	(0.214)	(0.758)	(0.724)
Volatility	-0.284	-0.286	-0.586	-0.560	-0.250	-0.250
	(0.001) ***	(0.001) ***	(0.018) **	(0.021) **	(0.010) ***	(0.010) ***
Leverage	0.067	0.065	0.116	0.114	0.086	0.087
	(0.049) **	(0.059) *	(0.373)	(0.378)	(0.018) **	(0.015) **
Bad News	0.999	1.007	2.718	2.740	0.250	0.248
	(0.139)	(0.135)	(0.058) *	(0.056) *	(0.718)	(0.720)
Book-to-Mkt	0.542	0.559	0.515	0.495	0.348	0.339
	(0.066) *	(0.060) *	(0.554)	(0.564)	(0.459)	(0.474)
Constant	85.304	86.051	112.530	115.249	68.484	67.506
	(0.000) ***	(0.000) ***	(0.011) **	(0.011) **	(0.000) ***	(0.000) ***
N	2882	2882	559	559	2323	2323
R-Squared	0.030	0.030	0.121	0.131	0.020	0.020

Table 5
Fixed-effects panel regression results for *Timeliness*

Timeliness, the dependent variable, is the Beekes and Brown's (2006) measure of timeliness of price discovery of earnings deflated by one plus the absolute value of the market-adjusted return over the 365 trading day period. *Largest Shareholding* is the fractional ownership of the largest owner. *Family*, *Foreign, Institution,* and *Government* respectively equal 1 if the largest shareholder is a family, foreigner, financial institution or government, and 0 otherwise. *Family Ownership, Foreign Ownership*, *Institution Ownership*, and *Government Ownership* are respectively the fractional ownership of the largest shareholder represented by *Family*, *Foreign, Institution,* and *Government*. *Other Owners* is the Herfindahl-type index that measures the concentration of shares held by all substantial shareholders except the largest one. *Political* equals 1 for politically connected firms and 0 otherwise. *Post-MCCG* equals 1 for the period after 2002, and 0 otherwise. *Reporting Lag* is the number of calendar days from the fiscal year end to the release date of the final quarter unaudited interim report; *Size* is natural log of market capitalization; *Volatility* is standard deviation of daily returns over the same window as *Timeliness; Leverage* is total debt divided by total assets; *Bad News* takes a value of 1 if the change in annual earnings is negative, 0 otherwise; and *Book-to-Mkt* is the year end market price divided by book value per share. Industry and year dummies are included in the test but are not reported. P-values are reported in parentheses. *, ** and *** denote significance at the 0.10, 0.05, and 0.01 level respectively.

	Panel A: Full sample period		Panel B: Pre-MCCG period		Panel C: Post-MCCG period	
	(1)	(2)	(3)	(4)	(5)	(6)
Largest Shareholding	0.049	0.034	-0.392	-0.236	0.201	0.185
	(0.687)	(0.782)	(0.458)	(0.672)	(0.111)	(0.147)
Largest Shareholding^2	-0.007	2.11E-04	0.352	0.034	-0.131	-0.111
	(0.958)	(0.999)	(0.680)	(0.966)	(0.355)	(0.431)
Family	0.023		0.064		0.022	
	(0.185)		(0.090) *		(0.251)	
Foreign	0.033		0.137		0.016	
	(0.066) *		(0.009) ***		(0.279)	
Institution	0.010		0.012		0.031	
	(0.534)		(0.767)		(0.078) *	
Government	-0.031		-0.121		-0.033	
	(0.103)		(0.002) ***		(0.239)	
Family Ownership		0.034		0.223		0.011
		(0.677)		(0.545)		(0.897)
Foreign Ownership		0.056		0.334		-0.012
		(0.265)		(0.032) **		(0.780)
Institution Ownership		0.008		0.232		0.055
		(0.921)		(0.277)		(0.691)
Government Ownership		-0.023		-0.447		-0.006
		(0.660)		(0.007) ***		(0.932)
Other Owners	0.425	0.433	1.048	1.088	0.474	0.467
	(0.056) *	(0.052) *	(0.081) *	(0.063) *	(0.027) **	(0.027) **
Political	0.039	0.040			0.033	0.034
	(0.000) ***	(0.000) ***			(0.000) ***	(0.000) ***
Post-MCCG	-0.069	-0.069				
	(0.000) ***	(0.000) ***				

Table 5 (continued)

	Panel A: Full sample period		Panel B: Pre-MCCG period		Panel C: Post-MCCG period	
	(1)	(2)	(3)	(4)	(5)	(6)
Reporting Lag	2.41E-04	2.50E-04	0.002	0.002	-2.88E-04	-2.85E-04
	(0.249)	(0.232)	(0.015) **	(0.018) **	(0.145)	(0.150)
Size	0.034	0.034	0.021	0.025	0.037	0.037
	(0.000) ***	(0.000) ***	(0.592)	(0.527)	(0.000) ***	(0.000) ***
Volatility	0.004	0.004	0.008	0.007	0.003	0.003
	(0.000) ***	(0.000) ***	(0.088) *	(0.094) *	(0.000) ***	(0.000) ***
Leverage	4.13E-05	4.73E-05	-0.002	-0.002	0.001	0.001
	(0.902)	(0.887)	(0.356)	(0.300)	(0.121)	(0.104)
Bad News	0.002	0.002	0.046	0.050	-0.005	-0.005
	(0.641)	(0.648)	(0.031) **	(0.021) **	(0.325)	(0.325)
Book-to-Mkt	-0.003	-0.003	-0.001	0.001	-0.004	-0.004
	(0.293)	(0.339)	(0.952)	(0.932)	(0.074) *	(0.079) *
Constant	-0.574	-0.687	-0.508	-0.581	-0.759	-0.752
	(0.000) ***	(0.000) ***	(0.555)	(0.500)	(0.000) ***	(0.000) ***
N	2378	2378	422	422	1956	1956
R-Squared	0.151	0.149	0.141	0.134	0.068	0.064