

UNIVERSITI TEKNOLOGI MARA

**THE ASSOCIATION BETWEEN
GOVERNANCE STRUCTURE AND
INTELLECTUAL CAPITAL
DISCLOSURE OF MALAYSIAN
PUBLIC LISTED COMPANIES**

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ABSTRACT

A developing Asian like Malaysia must be able to successfully transform from just being an input-driven to a knowledge-driven economy that emphasizes more on exploiting human expertise and knowledge. There is inadequate research in Malaysia that studies on the association of governance structure and intellectual capital disclosure. There is also an urgent need for growth of intellectual capital, for better understanding of the current and potential role of the intellectual capital to meet the needs of the various stakeholders. This research aim is to investigate how governance structure influences the level of intellectual capital disclosure in public listed companies in Malaysia. This research is based on information derived from annual reports comprises from public listed companies that have different types of size, age and industries. The data was analysed to evaluate and determine the governance structure and its level of intellectual capital disclosure. Findings show that the level of intellectual capital disclosure by the Malaysian public listed companies is low. The research also suggested that intellectual capital disclosure is linked to the governance structure namely board size, board independence, family ownership and government linked companies. The results of the study also revealed that an improved governance structure is essential for public listed companies to successfully uphold the importance of intellectual capital. It is hoped that the study can contribute to the improvement of intellectual capital disclosure especially among Malaysian public listed companies.

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CHAPTER ONE

INTRODUCTION

1.1 Preamble

This chapter delivers the upbringing of the study, which focused organizations' practices in respect of disclosing voluntary information, generally and specifically. This chapter includes the problem statement, research questions, research objectives as well as the significance of this study.

1.2 Background of the Study

According to Ferreira and Rezende (2007), typically, the voluntary information disclosed facts and figures in the annual reports which are not mandatory by any rule or guidelines. An organization does have other means to disclose their voluntary information. Other alternatives such as the organization's mission statements, press media and also publishing information on the organizations' websites can be implemented. The management who make known this form of evidence and statistics go further in order to reach its stakeholders.

According to Tian and Chen (2009), one of the foremost objectives of voluntary disclosure is to have an improved communication in respect to the organization's worth to its possible venture capitalist. With more facts and figures made available, venture capitalist can at ease make out the worth and forecast forthcoming successfulness of the organization thus reducing the threat of the outlay. With voluntary disclosure, it should also be able to intensify their inclination to capitalize if they perceive that the organization provides as a worthy professional prospect. Voluntary disclosure purposes to progress the fluidity of investment market and can contribute in the direction of better efficiency in respect to capital allocation and reducing the average expenses. Great level of voluntary disclosure will in implication provides multifaceted and optimistic communication with the stakeholders of the organization. It should also