

EXPROPRIATION OF MINORITY INTEREST VIA DEBT IN FAMILY FIRMS:
EVIDENCE FROM MALAYSIA



UNIVERSITI TEKNOLOGI MARA,
85000 SEGAMAT, JOHOR,
MALAYSIA

BY:
NORHIDAYAH ABDULLAH

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Assoc. Prof. Dr Hj Omar Bin Samat

(Rector Universiti Teknologi MARA, Johor Campus)

Assoc. Prof. Ahmad Nawawi Bin Yaakob

(Deputy Rector Research and Industrial Networking, UiTM Johor Campus)

And

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ABSTRACT

It is documented that there is a significant degree of separation of cash flow rights and control rights in ownership concentration corporations where power lies on the hands of controlling shareholder particularly in family firms. The presence of separation of cash flow rights and control rights contributes to agency problem between controlling shareholders and minority interest that lead to the expropriation of minority interest. A way of doing it is via debt as debt is one of vulnerable tools to expropriate minority interest. Thus, this study examines the relationship of separation of cash flow rights and control rights and debt policy of Malaysian listed family firms for three years of 2006, 2007 and 2008. The relationship will indicate whether expropriation of minority interest exist in Malaysian listed family firms. The present study reveals that the relationship of separation of cash flow rights and control rights is positive related to debt ratio. This indicates that the separation of cash flow rights and control rights does not lead to the increase of debt policy among Malaysian listed family firms. However, the results are not conclusive due to non-significant relationship and limitations of data. Thus, the existence of evidence of expropriation of minority interest in Malaysian listed family firms could not be generalized

Keywords: debt, expropriation, family firms, Malaysia, controls rights, cash flow rights

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