Corporate Reporting on Minority Shareholders' Information and its Implication on Shareholders Activism in Malaysia

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Abstract

The objectives of the current study are of two folds; dealing firstly with the commitment of the listed companies in reporting minority shareholders' information in their corporate annual report and secondly to determine the implication of such reporting practices towards shareholders activism in this country. It is implied in this study that if the reporting practices is fair and the level of shareholders activism is high, corporate governance practices could be significantly improved.

The Kuala Lumpur Stock Exchange (KLSE) listing requirement specifically calls for the disclosure of shareholders information in the corporate annual reports. Basic shareholders information should include items such as names of major shareholder(s), the breakdown of shareholding or percentage of ownership, directors' direct and indirect shareholding. In line with the corporate governance's code of best practices and the need to protect minority shareholders, listed companies are also encouraged to disclose information on minority shareholders.

Using secondary data (from annual reports) to achieve the first objective and primary data (through questionnaire surveys) for the second objective, the study found that information disclosure for majority shareholders is relatively satisfactory compared to those related to the minority shareholders. Very few listed companies are taking the initiative to include detailed minority shareholders information in their annual reports. On the same connotation, minority shareholders activism is also found to be low. Specifically, minority shareholders' participation at annual general meetings (AGM) is also found to be less satisfactory. As such, the shareholders were not found to have exercised their roles or rights effectively. In most cases, important decisions and policy-related matters are decided solely by companies' own management team. The current study suggests that regulatory bodies as well as related agencies must deliberately inform minority shareholders of their rights and how they can proactively influence companies' corporate governance practices.

Introduction

In Malaysia, corporate governance issues had received great attention, particularly after the Asian financial crisis in late 1997. Companies' bad reporting practices and the assumed abuse of power were said to be the main reasons that had caused company shares to plunge and the whole market tumbled. The whole scenario were also said to have shaken investors' confidence on Malaysian capital market. The government, together with other regulatory bodies such as the KLSE and the Security Commission had taken steps to improve financial reporting, hence to restore public confidence.

The formation of a high-level government sponsored Finance Committee in 1997 had resulted in the establishment of two very important agencies: The Malaysian Institute of Corporate Governance (MICG) and its related codes were formed to inculcate good governance habits; The Minority Shareholders Watchdog Group (MSWG) on the other was formed to encourage shareholders activism and at the same time to protect minority shareholders.

Despite these efforts, research evidences had shown that the financial reporting practices on shareholders activities of listed companies of many countries were still very minimal (e.g. Nuys, 1993; Strickland, Wiles and Zenner, 1996). Similarly, minority shareholders' participation is still very low (e.g. Smith,1996; Karpoff et. al; 1996; Short and Keasey, 1997).

The current study examined the Malaysian listed companies and local minority shareholders. It is therefore hoped that the research findings could provide feedback in understanding the Malaysian market. Specific steps in disclosing minority shareholders information would be recommended. The root cause of shareholders inaction would be highlighted. Efforts would also be made to educate and encourage shareholders to participate in corporate annual general meetings.

Research Objectives

The main objectives of the study are to determine companies' corporate disclosure of minority shareholders information and to identify shareholders awareness of their roles and rights as shareholders. Specifically, the objectives are to identify:

1. The companies' view on minority shareholders information as well as its transparency level of ownership structure.
2. The level of shareholders knowledge of their roles and rights as shareholders and its importance.
3. The attributes and reasons of shareholders' participation in the organization.

Literature Review

Legislation Protection

Having ownership in a corporation confer individual shareholders with legislative rights. In general these rights would protect shareholders interest. However, its applicability depends on shareholders discretion whether they are aware of such rights and exercise them wisely. The most important rights for shareholders are attending and voting at the annual general meeting. These basic rights are set to protect their interest. Shareholders must realize that their presence and active participation in the meeting should give them the opportunity to meet the company's management team and constructively discuss with them on issues related to the company. Further, they can actively participate with decision-making activities through their voting rights.

As legal owners of the company, they (shareholders) are also given the authority to request and convene any meeting, if urgent matters arise and require immediate attention. With this, shareholders are further protected, and they must equip themselves with knowledge about procedures related to general meeting. Accordingly, these rights have granted shareholders an easier way to assess the performance of the management group. Therefore, it is very important that shareholders are aware of their basic rights in order to participate actively in the general meetings.

Shareholders should also realize that they have the right to know how company's assets are managed. They must ensure that these assets are not being misused or misappropriated by directors, managers or few controlling shareholders. In fact, if directors' activities are disquieting, shareholders can use their voting power to remove them. The Company Act 1965 has also granted the shareholders the authority to assess company's memorandum and article of association. Consequently, shareholders could acquire knowledge on basic information of companies operation. Additionally, shareholders are given the right to access information related to company activities; hence it should be widely disseminated among the shareholders.

In promoting good governance practices on shareholders, the KLSE issued its "Statement on Shareholders Information Disclosure" as stipulated by paragraph 9.25 (items 22 Appendix 9C of the KLSE Requirements). The statement requires listed companies to disclose at least four basic items: *First*, the disclosure of substantial shareholders names as well as its number of shares held; *Second*, the statement should detail out its "distribution schedules" showing the breakdown of shareholders in terms of ownership percentage. Effectively, in terms of percentage of ownership should be ranked in descending order. The *third* requirement is the disclosure on directors' shareholding, which include

both direct and indirect equity holding. The *fourth* disclosure involves the classification of each type of equity together with its respective voting rights. Though the KLSE requirements do not specify the disclosure requirements of minority shareholders' information, the listed companies should nevertheless volunteer such information to afford protection to minority shareholders on one hand and on the other to observe the spirit of the code of corporate governance more than mere letter of the law.

Emergence of shareholders activism

In Malaysia, shareholder activism is a very recent mechanism of corporate governance. Though their rights, roles and privileges are clearly spelt out in the Company Act, their activism and participation are only assumed, not enforced. With the increase awareness among the public on the need for listed companies to practice corporate governance aggressively, shareholders activism is now very much encouraged. Nevertheless, it is too early to expect significant results from this activity. However in other countries like the United Kingdom and the United States, shareholder activism has made both positive and negative impact on various issues: the firm performance, management turnover and governance issues.

The earliest successful effect of shareholder activism is apparent from a case study on Honeywell Inc. (Nuys, 1993). This paper has analyzed proxy solicitation and organization restructuring which happened in 1989. Nuys (1993) reports that, it is the first time for the institutional and individual shareholders combined effort in sponsoring proxy initiative. Resulting from such proxy, there have been changes in the organization of Honeywell Inc. With such changes, it boosted the share price of the company, hence the firm's value is enhanced.

The most significant element of this case study is the emerging role of individual shareholders. In this case, dissident individual shareholders have initiated such proxy and received full support from the institutional shareholders. They used and exercised their voting power in order to vote for the proposals. The study also acts as a base of institutional shareholders involvement in corporate governance.

As a result, the channel of communication between shareholders and management showed a tremendous change. Traditionally, it is not common to get views from the shareholders. Thus, the United States' Securities Exchange Commission (SEC) has responded to this issue and initiated new rule of shareholder communication.

Shareholders Proposals and Firms Value

Honeywell's case study as reported in previous sub-section has suggested some positive effects of shareholders' activism on the firm's value. Similarly, the findings of other case study (e.g. Strickland, Wiles and Zenner; 1996) have led the same results. In their study, they examined the effect of negotiated agreement or proxy proposal sponsored by the United Shareholder Association (USA) on targeted firms' value. USA is an agency formed by the SEC with the specific purpose of protecting minority shareholders through proxy votes. The study found that there is a positive abnormal return on stock value for those sponsored firms.

In the United States, this association (USA) provides a medium for small shareholders (individual or retail shareholders) to monitor management activities effectively. In other words, a small shareholder may monitor the management with less cost. At first stage, USA would negotiate with the targeted firm to change its governance structure in order to improve the firms' performance. However, if such negotiation turns up unsuccessfully, this association uses its members to sponsor proxy proposals. Their membership consists of both individual and institutional shareholders.

Another literature by Smith (1996), also reported a positive activism result, whereby firms' value as well as the shareholders wealth had significantly improved. For example, in the case of one institutional activist, CalPERS, it was found that the company was able to increase its profit by $19 Million over the period of five years (1989-1993) as a result of shareholders activism.

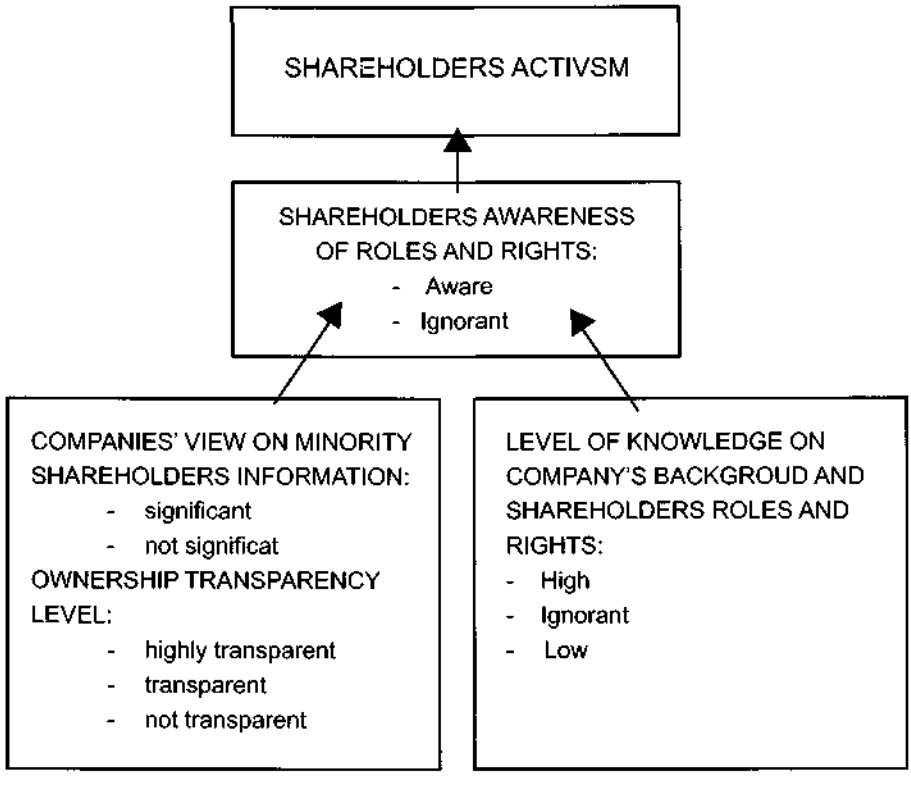
Contrarily, some other studies reported negative effects of shareholders activism on the firm's share values. One of the examples is a research done by Karpoff et. al (1996). It was reported in their study that most minority shareholders are short-term investors. As such they are not particularly keen on fundamental characteristics of the firms. Many are just interested to make "quick money" that result from speculating activities. Thus their participation or activism did not positively impact the stock value.

Similarly, Wahal (1996) suggests that on average, shareholders activism by pension fund do not improve long term stock price performance of targeted firms as well as its accounting performance measures, such as operating and net income of the firms. His finding specifically indicates that shareholders' proposal initiatives do not show significant effect on the stock price or on the firms' performance. Its non-proxy proposal on the other hand showed a positive return of the stock price.

Conceptual Framework

Basically the research framework stipulates that shareholders activism is high when shareholders are aware of their roles and rights. Such awareness, in turn can only be achieved when the shareholders and the companies deliberately practice two other activities respectively: whilst the shareholders are knowledgeable of their roles and rights, the companies are complying with the regulatory requirements. Figure 1 depicts the conceptual model of this study.

Figure 1: **Conceptual Framework**



Research Design

This study was designed in two stages. The first stage was to content-analyze secondary data in the form of company's annual reports. Then, in the second stage questionnaires were distributed to assess shareholders awareness of their roles and rights. The results from these two stages were further synthesized to achieve the objectives of the study.

Stage One

As for Stage One, data from annual report are analyzed to establish reporting practices of companies regarding shareholders information. Listed companies are expected to satisfy specific rules under KLSE listing requirement of shareholders information. The work of Dallas and Bradley (2002), which was used, effectively by the Standards and Poors group is replicated in this study to measure the level of reporting regarding shareholders information by Malaysian companies. A two-tier measurement procedures was used: first to determine whether or not companies comply with the KLSE requirements. Second, the level of transparency that was established.

Sample selection

To content analyze the annual reports, a sample of 100 companies were taken from the Composite Index Counter of the Kuala Lumpur Stock Exchange. These companies were chosen from various industries namely property, trading and services, construction, financial services, and hotel industry.

The actual contents of the "Statement on Shareholders Information Disclosure" were reviewed. Data like the breakdown of shareholding, identification of substantial shareholders, directors' direct and indirect shareholding are taken from the annual reports for the years 1999 and 2001. Year 2001 was particularly chosen because it was the year when the code of corporate governance and its compliance practices was first introduced. Though the statement is a mandatory requirement, inclusion of minority information is a voluntary compliance. The year 1999 was chosen for comparative purposes (pre and post studies). The sample companies were chosen from the companies which published annual reports for two years were available.

The measurement procedures

As mentioned in the previous section, all variables chosen in this study were based on the company's corporate governance practice introduced by Dallas and Bradley (2002). However, the measurement procedures and scoring practices are adopted differently in order to suit the local compliance practices. In this study, each company is given a rank according to its level of compliance with the highest score of five and the lowest of one.

Prior to the award ranking of the individual company, an observation of a sample of the companies' annual report was conducted to obtain a general idea of the companies' disclosure practices. In complying to the KLSE requirements, listed companies are expected to disclose the list of substantial shareholders' names as well as its number and percentage of shares held in accordance to

the register of substantial shareholders. In addition, there should be a disclosure on the names of the 30 largest securities holders from each class of shares in the statement.

Accordingly, a distribution schedule showing the breakdown of shareholders should also be addressed. Such requirement is stipulated clearly in the Corporate Governance Reporting Guideline. Management must ensure that, there is a statement or section on directors' shareholding, which indicates their direct and deemed interest in the annual report in accordance with the requirements of section 134 of the Company Act (1967). Last but not least, total number of holders of each class of equity together with voting rights attached to it must also be included.

Each of these variables is carefully identified in terms of its disclosure practices as well as its conformance to company's corporate governance practices and hence KLSE listing requirement. In order to facilitate the analysis, a nominal number is assigned to indicate the compliance of each requirement. Each of the variables was examined in terms of its compliance with the company's corporate governance practices. If they comply, a '1' is assigned. A"0' indicates 'non-compliance' and"2' shows 'not applicable'. A"not applicable' score is assigned when the variable is not relevant and cannot be included in the statement of shareholders information or elsewhere in the annual report. For example, if the directors are not holding shares in the company or subsidiaries it will be valued as '2'.

The Ranking Procedures

Each company would be ranked according to its transparency level. In doing so, apart from the conformance to the requirements of the Corporate Governance Practices and Kuala Lumpur Stock Exchange, the company's trend on corporate disclosure practices related to specific shareholders' information is also taken into account. This means that when ranking disclosure practices that apply to ownership structure, both factors viz. the trend on disclosure of shareholders information and conformance requirements are taken into consideration.

The following are the procedures that should be adopted when ranking the transparency level of companies. As stated above, the ranking starts with the highest of five and the lowest of one. Ranking '1' connotes a "No Disclosure'. The company should be ranked in this manner when it does not disclose any of the variables, meaning that the particular company does not comply with the KLSE listing requirement and Dallas and Bradley's (2002) corporate governance compliance practices.

While ranking '2' refers as 'Disclosure With Justification'. This ranking shows that the company is seen to have adhered to the KLSE listing requirement, but does not include a schedule of each class of securities. Ranking '3' which is called as 'Disclosure with Justification and Beyond Requirement' is quite similar with ranking '2', but the statement consists of extra information such as the nationality of shareholders, location of shareholders and the director shareholding.

Ranking '4' refers to 'Disclosure With Explanation'. According to this ranking, the company includes all information required under the KLSE listing requirement in the statement of shareholders information except for the director shareholding disclosure. However, the director shareholding appears in the directors' report.

The highest ranking, which is''5' referred as''Disclosure With and Beyond Requirement'. This means that, the company has fulfilled the KLSE listing requirement and further includes other information (voluntary in nature) like nationality of shareholders, location of shareholders, category of shareholders and minority holders.

For analysis purposes, ranking '5' shows 'highly transparent', while ranking '4' indicated as 'transparent'. Since both are seen to conform to company's corporate governance practices (Dallas and Bradley, 2002) and hence, KLSE Listing Requirements. The difference between the two ranks ('5' and''4') is the disclosure presentation of the director shareholding (direct and indirect). Ranking 3 constitutes as 'medium transparent' and ranking 2 as 'generally transparent' and finally ranking''1' as 'not transparent at all'.

Stage Two

For the second stage, questionnaires were formulated based on two basic phases. In the first phase, questions are developed based on previous related studies. When the initial draft was completed, the questions were thoroughly discussed by the researchers. Then, in the second phase, the questionnaire was further reviewed by consultant officer from the Minority Shareholder Watchdog Group (MSWG). This phase was particularly important to ensure the practicality of the questionnaire and the suitability of the questionnaire wordings.

Sample selection

The sample selection consisted of 250 individuals or retail investors. Most of these shareholders were from the Klang Valley area. Names were obtained mainly from securities firms, companies offering Employee Share Option Scheme (ESOS) and other individual investors.

Data collection procedures

This questionnaire was designed into various sections. The first section focused on demographic information. The second section looks for information on the respondents' knowledge level on companies' literature or background. Where as, in the third section respondents are asked to indicate the level of importance of each listed factor, which encourages them to attend companies' annual general meeting (AGM). The fourth section lists possible reasons for shareholders non-participation in companies' AGM. Finally, the last section provides comments and suggestions from individuals or institution shareholders on certain ways of improving shareholders activism in Malaysia.

Distribution of Questionnaires

All questionnaires are randomly distributed to the securities firms and any individual that have shares. In normal procedure, respondents are given two weeks to complete the questionnaires. When there is a late reply, a follow up call is necessary. In order to prevent loss, most of the questionnaires were self administered and distributed by hand directly to the individual investors. A contact person within the security firm was also identified to coordinate the distribution and the collection of questionnaires.

Statistical Analysis Used

For this study purposes, data from annual reports were content-analyzed and further transformed to make it possible to use descriptive analysis procedures. The survey results were analyzed using statistical software, SPSS version 11.0. Descriptive statistical analysis, which includes frequency tabulation, means ranking and means analysis were applied for both data.

Data Analysis, Findings And Discussions

Once all data has been collected, analysis of the data is further explained as follows:

Objective 1: Companies' view on minority shareholders information and ownership structure transparency level (Secondary Data Analysis)

For the first objective, frequency tabulation and mean analysis were used to describe the findings. Out of the sample size of 100, only 87 companies' annual reports were available for years 1999 and 2001.

Table 1 : Companies' Compliance Report on Ownership Structure Information

Variables	Frequency	%	Frequency	%
	2001	2001	1999	1999
Shareholding Breakdown - comply	87	100	87	100
Substantial shareholder - comply	87	100	87	100
Director shareholding (direct interest) - comply - not applicable	 85 2	 97.7 2.3	 84 3	 96.6 3.4
Director Indirect Shareholding - comply - not applicable	 75 12	 86.2 13.8	 75 12	 86.2 13.8
Other information – voluntary	12	13.8	6	6.9

Based on the above table, all companies (87) reported their ownership structure in the annual report according to companies' corporate governance practices. The analytical procedures as suggested by Dallas and Bradley (2002) were accordingly replicated. Information on companies' shareholding breakdown and their substantial shareholders for both years was examined. In year 2001, 85 annual reports had information on director shareholding (direct interest) and 2 companies reported that none of the director has any share in the company. While in year 1999, 84 companies had included the director shareholding (director interest) and 3 companies stated as not applicable. Out of the total, 75 companies reported on director indirect shareholding while, 12 companies showed not applicable in both years.

The above findings revealed that, all companies had complied with companies' corporate governance practices on ownership structure as well as KLSE listing requirements. This showed that, companies' ownership structure disclosure was at par with corporate governance disclosure practice requirements. Hence, it can be concluded that most companies had presented a good corporate governance disclosure practices specifically on ownership structure.

Nevertheless, as evidenced by the findings, the majority of companies were seen lacking in reporting voluntary information in their analysis of shareholding statement. As explained earlier, voluntary reporting should include information on minority shareholding, category of shareholders and location of shareholders. Out of the total, only 12 companies were found to have voluntarily reported "other information" (voluntary information) in their analysis of the shareholding statement in year 2001. This is an increase from the year 1999, when only six companies had voluntarily reported.

Ownership Structure and Transparency Level

Based on the preliminary findings, most of the companies were awarded with either rank '4' or '5' and only a few with rank '3' or '2'. None from rank''1'.

Table 2 : Mean of companies' ranking for year 2001 and year 1999

Year	Mean
2001	4.5
1999	4.1

Table 2 represents means of companies' ranking for years 2001 and 1999. In year 2001, 39 (44.8%) companies were awarded with rank''4', while another 46 (52.9%) companies with rank '5'. However, 68 (78.2%) companies achieved rank '4' and 18 (20.7%) achieved rank '5' in year 1999. In this analysis, one organization (Sunway Holding Incorporated Berhad) qualified as disclosing "beyond requirement" information. Beside the normal information such as shareholders' nationality, location and category, the company had also reported its director's shareholding (direct and indirect interest) in a separate statement called director interest statement in its annual report.

Based on the information presented in Table 2, it is evidenced that listed companies, had for both years acquired an average score of above '4', which implied a relatively high level of transparency. The year 2001 had shown a slightly better result. These findings revealed a significant impact and showed improvement on companies' disclosure practices of ownership structure in the respective years or particular year, and hence continue better in the future reporting.

Companies' View on Minority Shareholders Information.

There was a shifting trend of disclosure practices between the two years. In year 1999, 69 companies had disclosed director shareholding and indirect shareholding in the directors' report and only 3 companies had disclosed it in analysis of shareholding statement. Whereas in year 2001, only 35 companies disclosed director shareholding and indirect shareholding in the directors' report, while another 31 companies had disclosed it in the analysis of shareholding statement. Thus, these findings were consistent with the above ranking analysis.

The most important voluntary information in this study is related to shareholders category. Usually, company would have a separate section on this information in the analysis of shareholders statement. Under this section, shareholders are categorized according to the individuality (retail investors), races (bumiputra and non-bumiputra), institutions and foreign. Out of 87 companies, only 5 companies had seen to have shareholders category information and none was seen to have a separate section on minority shareholding alone.

Thus, this showed that most companies did not think of the importance of such disclosure (minority shareholding) in the annual report and thus, may imply that minority shareholders were not significant enough to be portrayed in the annual report. This finding revealed to be significant in this study. Even though in the previous analysis had shown improvement on disclosure practices, it did not actually reflect on minority shareholding disclosure. Hence, it revealed that most companies had not viewed minority shareholders information important to be included in the analysis of shareholding statement.

Objective 2: Level of Investors' knowledge on companies' information and shareholders roles and rights. (Primary Data Analysis)

Shareholders awareness of their roles and rights as shareholders

Out of the total distribution of 250, only 80 completed questionnaires were returned. Since not all the questionnaires were received within the first two weeks after their initial distribution, a non-response bias test was conducted to ensure that no non-response bias existed in the study. According to Wallace and Cook (1990), there were several methods of adjusting for non-response bias, namely T-test, ANOVA and Cross tabulation. None of the respondents was categorized under "non-response bias".

Demographic Information

Table 3 : Respondents Analysis on Occupational Sector and Income.

ELEMENTS	FREQUENCY	PERCENTAGE
Occupational Sector:		
- government	10	12.5
- commercial	46	57.5
- retired	2	2.5
- business	13	16.3
- self employed	9	11.3
Annual Income:		
- > 100,000	10	12.5
- 51-000 – 100,000	16	20
- 20,000 – 50,000	44	55
- < 20,000	8	10

Table 3 represents the demographic profiles of the respondents. Based on the table, the commercial sector contributed to the highest percentage of response rate, which was 57.5% (46) and followed by business sector with 16.3% (13). Both the government sector and self-employed respondents' represented 12.5% (10) and 11.3% (1.3) respectively. Retirees were the lowest contributor of respondents, which was 2.5%(2).

Besides that, respondents earning annual income between RM20,000 to RM50,000 reflect the highest response rate (55% or 44 respondents). Then, those earning between RM51,000 – RM100,000 contribute the second highest response rate, which was 20% (16). Finally, respondents earning more than RM100,000 show 12.5% (10) response rate while 10% (8) are from respondents earning less than RM20,000.

Table 4 : Respondents Information on Experience, AGM attendance and participation, voting rights and proxy forms

VARIABLES	FREQUENCY	PERCENTAGE
Experience as Investor:		
- > 20 years	8	10
- 6 – 10 years	30	37.5
- 1 – 5 years	27	33.8
- < 1 year	15	18.8
AGM attendance:		
- 6 – 10 times	7	8.8
- 1- 5 times	10	12.5
- Nil	62	77.5
- Missing	1	1.3
Participation in AGM:'		
- yes	4	5
- no	76	95
Voting Rights:		
- yes	8	10
- no	72	90
Return proxy form:		
- yes	7	8.8
- no	71	88.8
- missing	1	2.5

Table 4 shows that investors with experience between 6 - 10 years were the majority of the respondents, which was 30 (37.5%). Another 27 (33.8) respondents were investors that had experience between 1 - 5 years. Then, another 15 respondents were investors with experience less than 1 year and finally 8 respondents were investors with more than 20 years. In general, it is portrayed that the respondents comprised mainly of minority shareholders with 1 to 10 years experience.

On a question related to attendance at annual general meetings, an astounding 77.5% (62) of the total respondents indicated that they had not attended one. In terms of participation at the annual general meeting, again the majority of them (95% or 76 respondents) said "No". Ninety percent of the respondents (72) had never exercised their voting rights or return their proxy forms. It is very clear from these analysis that the minority shareholders adopted the "tidak

apa" or "couldn't be bothered" attitude. The implication is that, the investors did not see the importance of exercising their rights by attending and participating at annual general meetings.

The negative attitude is indeed worrying, particularly when the respondents comprised of "prime candidates": those who were young, middle-class, energetic, knowledgeable and very experienced. Thus, it was expected that they could play an active part in the annual general meetings. If this phenomenon continues, the future of shareholders activism is indeed very bleak.

Table 5 : Ranking of Investors' Knowledge on Companies' Background and Shareholders' Rights and Roles

No.	Variables	Mean
1	Type of product or service	3.65
2	Ownership structure	3.56
3	Components of majority holders	3.55
4	Financial transparency	3.13
5	Shareholding breakdown	3.11
6	Board of director profile	3.07
7	Existence of block holders	3.00
8	Relationship between block holders and company	2.94
9	Role of corporate board	2.81
10	Knowledge on indirect ownership	2.76
11	Knowledge on voting control of director	2.73
12	Role of minority shareholders	2.68
13	Independence of director	2.68
14	Policies on internal control	2.60
15	Shareholders rights on cumulative voting	2.57
16	Process of directors' election	2.56
17	Component of board subcommittee	2.54
18	AGM/EGM procedures	2.51
19	Policies on directors' remuneration	2.48
20	Policies on directors' nomination	2.48
21	Appointment of advisors on minority shareholders	2.48
22	Shareholders' rights on derivative action	2.46
23	Shareholders attendance	2.44

Table 5 shows the means scores of investors' knowledge of companies' literature as well as their perceived roles and rights. Generally, the respondents were in the category of either "don't care" or had a "low" level of knowledge of companies' information as well as their roles and rights. The average low scores of "between 2.7 and 3.5" for the items used to measure level of shareholders knowledge implied that they have very limited or no knowledge related to "ownership structure, components of majority shareholders, shareholding breakdown, existence of block holders, relationship between block holders and company, knowledge of indirect ownership and knowledge of voting control of directors".

Specifically, minority shareholders' knowledge of "AGM-related items" such as AGM procedures, voting rights, voting procedures, policies on directors nomination, remuneration policy, process of directors election, role of corporate board, importance of attendance at AGM are very low (with scores less than 3). Such low scores reflect the minority shareholders' opinions on their role. The high scores of 3.56 and 3.55 respectively for items "ownership structure" and "components of majority shareholders" imply a "less important" role of the minority investors.

Though the secondary data analysis implied a satisfactory disclosure level of major shareholders information, disclosure practices for minority investors are still in its somewhat infancy age. This "lack of reporting" on the part of the listed companies is somehow translated or perceived by the minority shareholders as reflecting their level of importance within the organization. Whilst the majority shareholders are given all the attention, the minority shareholders are treated like "second-class citizens". If Malaysian listed companies are serious in promoting shareholders activism in this country, the reporting practices must be aggressively improved to safeguard the welfare of the minority shareholders. Information on minority shareholders, though voluntary in nature must be reported in the annual reports to signify its importance to the companies.

Objective 3 : Factors that encourage and discourage investors to participate in the annual general meeting

Table 6 : Ranking of factors that might induce investors to participate in the meeting

No.	Variables	Mean
1	Time availability	3.81
2	Value added to me as an investor	3.81
3	Knowledge on my right as a shareholder	3.79
4	Agenda of the meeting	3.77
5	Knowledge on issues to be addressed	3.71
6	Investors suggestion	3.65
7	Types of issues to be addressed	3.65
8	Knowledge on the importance of AGM	3.65
9	Place or venue of the meeting held	3.56
10	Effectiveness of AGM administrator	3.55
11	Proximity of the meeting place	3.54
12	Overall benefits of attending AGM	3.51
13	Accommodation	3.50
14	Feeling of being welcome	3.48
15	Handling of issues of previous AGM	3.39
16	Free gift and promotion	3.39
17	Components of board of directors	3.29
18	Selection of food and delicacies	3.25
19	Availability of proxies	3.15

Table 6 shows a list of factors that would motivate investors to participate in the companies' meeting. Based on the table, the ranking were within the mean scores range of 3.15 and 3.81. Evidently, all the factors were in the range of "don't care". However, "time availability", "value added as investors", "knowledge of shareholders right", "agenda of meeting" and" "knowledge of issues to be addressed at the meeting" could be seen as five most important factors that may induce shareholders to participate actively in companies AGMs.

Although findings revealed some factors that would encourage investors to attend and participate in the meeting, the overall average score was still low. It was within the range of 3.0 and 3.9. Consequently, this indicates that most investors are still not aware of the importance of attending the annual general meeting and its related benefits.

Table 7 : Ranking of reasons for not actively participating in the companies' annual general meeting

No.	Variables	Mean
1	Shareholders equity is too small	4.08
2	Minorities can't out vote dominant block holders	3.86
3	Individual shareholder are not cohesive	3.62
4	Time consuming	3.54
5	The running of companies is BOD responsibilities	3.48
6	AGM are held at time not suitable to my schedule	3.44
7	Board of directors are very domineering	3.44
8	Investing is just for 'quick money' rather than for long term investment	3.41
9	Shareholders suggestion are not welcome	3.41
10	Annual general meeting held is too long	3.37
11	Previous suggestions are not accordingly implemented	3.26
12	Benefit is uncertain	3.26
13	Investing is not core business	3.22
14	I'm not interested to participate in annual general meeting	3.16
15	Too short a notice to attend	3.11
16	Enjoy food and hotel	3.10
17	Types of resolution are usually very mundane	3.09
18	High activism cost	3.04
19	Happy with current return on investment	2.92
20	Present in the annual general meeting will make significant differences in the company	2.39

The shareholders were also specifically asked the possible reasons for their non-participation at AGMs. Table 7 lists some of the reasons. First in the list is the fact that the minority shareholders felt that "their equity is too small" to be a significant player in the company. This perception was found to be consistent with the study conducted by Stiglitz (1985) as well as the observations made during the secondary data analysis in Stage One of this study.

Other reason like "minorities can't out vote dominant block holders" contributed to an average score of 3.86. This implies the minority shareholders' perception on the significant role and influence of block holders in terms of voting control in the meeting room, Indirectly, the minority shareholders felt intimidated and refuse to attend or participate actively in the meeting.

Another important reason was the investors perception that "individual shareholders are not cohesive". As a result, they have difficulties to keep contact with other shareholders and sometimes they do not know whom they are. Further, it is not cost efficient to collect votes and bear on the cost alone. In view of such problem, the government effort to form the Minority Shareholder Watchdog Group was indeed timely. Such organization may collectively unite such votes through proxy initiative in order to take action on their behalf and help to protect their interest.

The minority shareholders also felt that attending the AGM was "too time consuming". This finding is consistent with the previous section where it was stated that time is important for them to decide whether to attend and participate in the meeting. Interestingly, it was also found that, food did not seem to be an important reason that hinder them from participating actively in the meetings.

Other than that, high activism cost is also quoted as an insignificant reason. This implies that cost is not the main barrier for them to participate in the meeting. This finding is contradictory to some earlier studies (e.g. Fama and Jensen, 1983; Gillan and Starks, 2000 and Gordon and Pound, 1993). These earlier studies had found that, individual shareholders activism is costly, if they act alone. But, this cost can be reduced if they unite or appoint a proxy that can exercise their voting power (similar to USA or MSWG).

Investors confidence level with regulatory bodies and agencies which involve in protecting their rights

Although it was not part of the research objective to determine the minority shareholders' perception towards regulatory bodies such as the KLSE, Securities Commissions, Malaysian Accounting Standards Board (MASB), Malaysian Institute of Accountants (MIA), MSWG, MICG and others, it is useful to know their confidence levels. Interestingly, the study found that the respondents placed very low impressions on these agencies (all agencies had average scores of less than three). It is however a comfort to know that new agency such as MSWG receives a relatively favorable perception among the minority shareholders in comparison to a more established Companies Act. Table 8 depicts the corresponding results.

Table 8 : Ranking of confidence level on regulatory bodies and agencies

No.	Variables	Mean
1	Minority Shareholders Watchdog Group	2.81
2	Registrar of companies	2.81
3	KLSE Listing Requirements	2.75
4	Securities Commissions	2.74
5	Malaysian Institute of Corporate Governance	2.73
6	Malaysian code on Corporate Governance	2.71
7	Malaysian Accounting Standard Board	2.70
8	Malaysian Institute of Accountant	2.68
9	Company's Act 1967	2.68

Shareholders comments on ways to improve shareholders activism in Malaysia

Some of the meaningful suggestions gathered from the questionnaires include providing educational programs and training to enhance investors' knowledge on their roles, rights and responsibilities as well as importance of attending annual general meeting. Besides that, time and venue of the meeting should be convenient to investors. Some investors suggested that the meeting to be held during the weekend. Thus, this would encourage investor to attend and participate in the meeting.

Other than that, investors suggested alternative way of voting that is via Internet and online meeting to be held in order to increase participation in the companies' meeting. Some of the opinions stated that companies should highlight impact of resolution on minority shareholders interest. Finally, investors had recommended an increase on the minorities' shareholders portion, therefore, enable them to have more incentive to participate in the meeting.

Conclusions and Recommendations

Based on the secondary data findings, most companies complied successfully in issuing the "Statement of Shareholders Disclosure" which mainly focused on majority shareholders information. However, most companies did not view that minority shareholding information as significant information to be portrayed in annual report. Many companies had no disclosure on this information in

their analysis of shareholding statement. This showed that, companies' did not see the importance of disclosing the information.

The questionnaire survey found that minority investors in general are not aware of their roles and rights as shareholders. It can be seen from the level of knowledge on several issues in relation to companies' background as well as shareholders basic roles and rights.

The findings revealed that minority investors achieved very low knowledge scores specifically on companies' ownership structure, companies' policies and shareholders roles and rights. These findings may imply that they did not realize that they could play a strategic role in corporate governance. The responsibility of strengthening corporate governance should not be only relied upon directors and auditors. Here, investors or shareholders should take part in enhancing corporate governance of the company. Thus, shareholders shouldhave basic knowledge on the companies' information especially ownership structure, companies' policy making process as well as their basic roles and rights to oversee directors to control their misconduct if any.

As a conclusion, the responsible agencies should enhance shareholder awareness of their roles and rights especially with regards to attending the annual general meeting as well as exercising their voting rights. Then only, shareholder activism can be promoted in this country. Despite that, companies should also play a pro-active role by disclosing the minority shareholding information in the annual report. This may further enhance corporate governance disclosure reporting in this country.

It is therefore recommended that minority shareholders be formally informed of their roles and rights through proper channels. The MSWG, MICG and KLSE being the most "trusted" organizations from the investors point of view could proactively provide roadshows, seminars, workshops or the like on the importance of exercising their rights at AGMs. The investors should be informed that they could also effectively exercise their rights by giving their proxy votes to MSWG as their agent.

From the companies' point of view, disclosure on minority shareholding should also be portrayed in the annual report. Thus, investors would feel more valuable even though their holding is relatively small in comparison to other majority shareholders.

Future Research

In the future research, this study can be extended to institutional shareholders awareness of roles and rights as shareholders. It is because institutional shareholder is major player of shareholders activism that should protect minority shareholders interest. Another significant area is the impact of shareholders activism on firm's performance or firms' value. Besides that, it can also be further expanded to shareholders activism impact on companies' policies (for example directors' remuneration policies and directors nomination policies).

Besides that, another area that can be extended in this study is companies' corporate governance score to other elements of ownership structure, which is concentration, and influence of ownership structure. Concentration and influence of ownership structure do not depend solely on companies' disclosure practices, but it does require a very detail analysis on other available information in order to determine the exact scores for such concentration and influence. This is an important area to study since; it reflects the key role of monitoring aspect in corporate governance.

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