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OWNERSHIP CONCENTRATION, RISK MANAGEMENT COMMITTEE AND HEDGING ACTIVITY DISCLOSURE: A MALAYSIAN CASE

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Abstract

The aim of this study is to contribute to the growing literature on the quality of accounting information disclosures related to hedging activities. Unlike previous studies, this study examined the influence of ownership concentrations on the relationship between risk management committee (RMC) effectiveness and hedging activities disclosures (HAD). Based on a sample of 166 public listed companies in Malaysia, the regression results indicated that ownership concentration did not have any significant relationship with the RMC's effectiveness in influencing the extent of HAD. However, there was little evidence to suggest that the RMC enhanced the extent of HAD when there was interference from concentrated family owners. The results from this study provided limited support for the hypothesised moderation effect based on agency and resource dependency theories which suggested a new bearing in the current literature on the association between ownership structure and RMC on the financial instrument disclosure employed by companies. Consequently, this study perceived that other researchers expanded their current understanding of accounting and reporting practices for derivatives on the impact of concentrated ownership on the extent of financial instrument disclosure which many previous Malaysian studies had failed to include in their discussion.

1.0 Introduction

Several international studies have reported that the extent of derivatives disclosure increases when there is strong and effective corporate governance (e.g., Birt, Rankin, & Song, 2013; ; Cho & Kim, 2007; Hu, Tam, & Tan, 2010; Taylor, Tower, Van Der Zhan, & Neilson, 2008). However, in Malaysia, there has not been enough evidence to support this assertion. This was because it was claimed that the potency of the governance mechanism in a Malaysian company has been restricted due to ownership structure (e.g., Abdullah, Ku Ismail & Mat Isa, 2015: Akhtaruddin & Haron, 2010). Previous researchers have expressed concern that corporate governance models adopted from developed countries cannot perform effectively in emerging economies. This is because emerging economies have a different institutional background, particularly with regard to the concentrated ownership structure. It has been suggested by previous studies that the board committees (e.g., BOD and audit committee) may not be effective due to the dominant role of the insider concentrated owners. Although several studies have highlighted that corporate governance mechanisms particularly Risk Management Committee (RMC) can significantly influence the extent of financial instrument disclosure among Malaysian companies, mixed findings have been discovered and the existing evidence was still not adequate enough to be used in generalising their findings which can be classified as outdated (see Abdullah & Ku Ismail, 2015; Abdullah & Chen, 2010; Adznan & Puat Nelson, 2014; Hassan, Saleh, Yatim, & Rahman, 2012; Ismail & Rahman, 2011). Therefore, this study believes that further investigation needs to be conducted to explain more clearly the effects of RMC and disclosure of financial instruments in Malaysia, particularly on hedging activity disclosure practice among Malaysian companies. This study argues that ownership concentration may limit the companies' governance mechanism (i.e. RMC) from functioning effectively, as evidenced by the moderating effect. The moderating effect may signal whether the concentrated owners have reduced the functionality of internal governance mechanisms. While earlier Malaysia research only examined (see Abdullah et al., 2015; Abdullah & Ku Ismail 2015; Abdullah & Ku Ismail, 2016; Adznan & Puat Nelson, 2014; Ahmad, Abdullah, Jamel, & Omar, 2015; Hassan et al. 2012; Ismail & Rahman, 2011) the associations between RMC and the extent of HAD, this study tries to extend the work of those studies and attempts to fill the missing gaps by examining the influence of ownership concentration. Essentially, the current study is based on a study by Abdullah & Ku Ismail (2015) and Abdullah et al. (2015) who have examined the impacts of RMC effectiveness on the level of hedging activity disclosure (HAD). Unlike the earlier studies, this study tests the moderating effects of ownership concentration on the relationship between the RMC's effectiveness and the level of HAD. Besides, the association of selected control variables (company size, profitability, liquidity and audit quality) on the extent of HAD is also examined. The remainder of this paper is organized as follows. Section 2 concerns with the review of literature and hypothesis development. Section 3 discusses the sample used and the research design. The results are discussed in Section 4. Finally, Section 5 contains the conclusions and the implications of the findings, and the direction for future research.

2.0 Hypotheses development

Previous studies have argued that the western model of corporate governance was not appropriate for Asian countries. One of the reasons documented by several studies (e.g., see Akhtaruddin & Haron, 2010; Chen et al., 2011; Cho & Kim, 2007; Hu et al., 2010) is the influence of controlling owners. The studies have argued that companies with high controlling owners (i.e., high concentration) would limit the effectiveness of the company governance mechanisms. Consequently, this study expects companies that have good RMCs characteristics would disclose more information on hedging activities. However, this could be affected by the influence of the ownership concentration (i.e., controlling owners) as argued by prior studies (see Akhtaruddin & Haron, 2010; Htay et al., 2011; Jiang, Habib, & Hu, 2011). In order to explain the relationship between RMC effectiveness, and the moderating effect of ownership structure toward the extent of HAD, this study uses agency theory and resource dependence theory as the main theory. This study addresses this argument based on three types of ownership structure relationships as explained below:

Family ownership

Based on the resource dependence theory, the family ownership structure is a good resource for a company to develop superior monitoring abilities relative to diffused shareholders, especially when family ownership is combined with family control over management and the board (Anderson & Reeb, 2003). This is because the family owners have the tendency and obligation to preserve wealth for the next generation. Moreover, the controlling family is also said to be more committed to human capital and would care more about its long-run value (Bertrand & Schoar, 2006). Although, the resource dependence theory suggests family ownership can serve as a good resource for a company, several studies have claimed that managers in family companies tend to face rational conflicts in maintaining professional relationships versus family relationships which can hamper cooperation, efficient decision-making and quality of financial reporting (See Kellermanns & Eddleston, 2007). This may also reflect the choice of a family member as a board committee member and the impact may be significant if the individual does not have the talent, expertise or competency to run the business (Javid & Iqbal, 2008). On the other hand, the agency theory asserts that the presence of family ownership can lead to the abuse of power. Previous studies have highlighted that this notion is due to the agency conflict of having minority and majority shareholders (see Villalonga & Amit, 2006; Munir, Saleh, Jaffar, & Yatim, 2013). It is claimed that family companies that are typically characterised by large controlling owners who are actively involved in management, may influence the management as well as the control of information disseminated to members (see Claessens, Djankov, & Lang, 2000; Saleh, Rahman, & Hassan, 2009). In this case, families, like managers in a widely held company, can abuse their power by utilising corporate resources to their own advantage. As the propensity and the focus of the controlling family are to dominate wealth instead of to maintain professional relationships, this study perceives that a higher family ownership concentration can weaken the force of the RMC and be reflected in the level of information on hedging activities. Hence, this leads the study to hypothesise that:

H1: *The association between the RMC's effectiveness and the extent of information on hedging activities disclosure is weaker for companies with higher family ownership concentration.*

Management ownership

The agency theory argues that the separation between equity ownership and control over public listed companies (PLCs) creates conflicts of interest between managers and shareholders. The conflict arises because managers prefer to increase their own wealth (e.g., through bonus maximisation) at the expense of shareholders. In this respect, it is argued that as the proportion of management ownership increases, the interest of the shareholders and managers starts to deviate. DeMarzo and Duffie (1995) claimed that when the information on hedge pricing fluctuation is disclosed, it would affect the managers' future wages. This makes sense as the knowledge on the use of derivatives to hedge future cash flows leading to a lower earning of the particular company can reduce the confidence level of the managers' ability to run the business which can affect the managers' remuneration. Thus, undisclosing or withholding information on derivatives used for hedging could actually benefit self-interest managers. Consequently, it can be expected that managers can manipulate and misuse their controlling power in the disclosure of information to other stakeholders. With regards to the resource dependence theory, low dispersion of managerial ownership can be perceived as a good resource for the company. This is because the corporate directors will be motivated to maximise the supply of important resources in the same line with the business objective and interest like other shareholders as they also own some percentage of the company shares. However, if the distribution of the shares among corporate directors is highly concentrated, the supply of resources will no longer exist. This leads to egoism and self-interest decision-making (See Fernandez & Arrondo, 2007; Javid & Iqbal, 2008). In relation to this, this study expected that higher management ownership would lead to more control of managers from misusing their controlling power, weakening the effectiveness of the RMC and affecting the disclosure of information on hedging activities. A study by Akhtaruddin and Haron (2010) expressed that the quality of monitoring of corporate disclosure is linked to the characteristics of the board committee in companies with high board ownership in Malaysia. Therefore, this study hypothesises that:

H2: *The association between the RMC's effectiveness and the extent of information on hedging activities disclosure is weaker for companies with higher management ownership concentration.*

Government ownership

In Malaysia, the government holds shares in certain strategic companies (Ismail & Sinnadurai, 2012). These companies are controlled either directly by the government through Khazanah Holdings or indirectly through government-linked investment institutions[1] or referred to as government-linked companies (GLCs), with its primary objective of going beyond making profits. Some conventional ideas suggested that government ownership would have an impact on the company's reporting practices (see, Abdullah, Mohamad, & Mokhtar, 2011; Amran & Susela Devi, 2008; Mohd-Ghazali, 2007). This may be because politicians would be likely to manage privatised entities with a view to discharge their accountability to the government and society as a whole, rather than to focus on maximising the shareholders' wealth. The agency theory predicts that companies that are highly concentrated by government ownership shall disclose more information than non-government ownership companies because of the conflicting objectives of the government and other shareholders in the company. The companies with the equity largely owned by a government are predicted to be more willing to disclose information to resolve conflicts (Eng & Mak, 2003). This was proven by several studies that have found a positive association between disclosure levels and government ownership (see Eng & Mak, 2003; Mohd-Nasir & Abdullah, 2004). Although there was a significant relationship between government ownership and disclosure of information, such evidence can be argued further based on the resource dependence theory. According to Fraile and Frejedas (2014), when the equity stake of the blockholders (i.e., government ownership) increases, their supervision will also increase, either directly or through their representatives on the BODs (nominee directors). Although the supervision from these representatives can be a resource to help companies cope with external

[1] Companies which are controlled by the government basically involve investment institutions which have links with the government, such as Permodalan Nasional Berhad (PNB), Employees Provident Fund (EPF) and Pilgrimage Fund (Tabung Haji) and are also indirectly controlled by the government.

uncertainties and facilitate admission to financial resources, such as bank loans (See Agrawal & Knoeber, 2001; Faccio, 2006; Hillman, Withers, & Collins, 2009), indirectly, the existence of the selected representatives can affect the importance of monitoring mechanism in a company as well as reducing information asymmetry (Beuselinck, Cao, Deloof, & Xia, 2015). This is because they have access to more specific but detailed information which can reduce their need to rely on the general purpose of financial reports for decision-making. Additionally, they may only look for non-accounting information as their investment valuation inputs (Francis, Schipper, & Vincent, 2003). Alas, this study expects that government-dominated (i.e., high government ownership concentration) companies will weaken the relationship between the RMC's effectiveness and disclosure of hedging activities information. Therefore, this study hypothesises that:

H3: *The association between the RMC's effectiveness and the extent of information on hedging activities disclosure is weaker for companies with higher government ownership concentration.*

3.0 Methodology

3.1 Data and Sample Selection

This study used secondary data collected from DataStream and companies' annual reports. Financial data (i.e., ROA, total assets and leverage) were obtained from the Datastream meanwhile data on ownership structure and RMCs were extracted from the annual reports manually. Ownership structure information was collected by analysing the shareholding section and directors' profile in the annual reports, whereas information on the RMC's characteristics was extracted from the BODs' profile and '*Risk Management Report*' section. This study was limited due to its cross-sectional design. The population for this study was all the companies listed on the Main Market of Bursa Malaysia except for the financial services sector, REITs, Close-End Fund, Exchange Trade Fund and PN17 companies. These companies were omitted because they were subjected to other regulations with respect to financial reporting. In order to adequately represent the general Malaysian companies, this study stratified the companies by taking about 65% of the companies from each of the 10 key sectors of Bursa Malaysia. The sample for this study comprised the top 500 largest companies listed on the main market of Bursa Malaysia in the year 2013. The sample size was assumed sufficient because many previous financial instrument disclosure studies had not referred to any rule in determining their sample size (See Abdullah & Ku Ismail 2017; Abdullah et al., 2015; Abdullah & Ku Ismail 2015; Taylor et al., 2008). Out of the 500 original sampled companies, not all the sampled companies used derivatives to hedge their financial risk exposure leading to only 166 companies. The 2013 financial year was chosen because it was considered sufficient for companies to understand and apply the reporting standard on derivatives. Besides, the reason why this study only used a one-year data instead of longitudinal basis was due to prior literature (such as Abdullah & Ku Ismail 2015; Abraham & Shrives 2014; Mihkiinen 2013; Zaini 2014) which found that disclosure practice was not significantly different between years. Hence, this study perceived that focusing on a one-year data would be enough to provide contribution and evidence to the existing knowledge.

3.2 Variable measurement and model specification

This study employed multiple hierarchical regression analysis to examine the relationship between explanatory variables and HAD disclosure. Firstly the relationships between the extent of HAD and the RMC's effectiveness (REFF) and control variables were examined. The moderating effect of ownership concentration on the relationship between RMC's effectiveness and the extent of HAD was designated. This can be illustrated as follows:

$$\boxed{\begin{aligned} EHAD_i = {} & \alpha + \beta_1 REFF_i + \beta_2 FOWN_i + \beta_3 BOWN_i + \beta_4 GOWN_i + \beta_5 FOWN{*}REFF_i + \\ & \beta_6 BOWN{*}REFF_i + \beta_7 GOWN{*}REFF_i + \beta_8 CSIZE_i + \beta_9 PROF_i + \beta_{10} LEV_i + \\ & \beta_{11} AUDITOR_i + \varepsilon_i \end{aligned}}$$

Where,

EHAD	:	Total score of information on hedging activities disclosure = company's actual disclosure score/company's total possible disclosure score.
REFF	:	RMC Effectiveness Index = Company's actual score on RMC characteristics/company's total possible score of RMC characteristics (as presented in Table 3.2).
FOWN	:	Percentage of shares owned by family CEO/executives
BOWN	:	Percentage of share ownership by CEO/executive directors.
GOWN	:	Percentage of shares ownership by government institutions, agencies and GLCs
Control variables		
CSIZE	:	Log of total assets
PROF	:	Return on assets
LEV	:	Debt to total assets ratio
AUDITOR	:	Dichotomous variable, 1 if audited by Big 4, 0 otherwise
ε	:	Error term

The dependent variable of this study was the extent of hedging activities information disclosure (EHAD). To measure this variable, a disclosure index was prepared, based on 32 mandatory and discretionary disclosure items (see Abdullah et al., 2015). The score was calculated by adding all disclosed items divided by the maximum number of possible scores. Mandated disclosures on derivatives and hedge activities information were directly derived from MFRS 7 (Financial Instruments: Disclosure). Specifically, such disclosure items included all those in the hedge accounting section of MFRS 7 (paragraph 22-24) and other related hedging activities disclosure requirements. For voluntary hedging activity information, the disclosure items were extracted and composed from the accounting literature. With respect to the effectiveness of RMC, this study developed a composite index based on four dimensions of effectiveness as suggested by Abdullah & Ku Ismail (2015). The measurements of this composite index were based on the characteristics of RMC in terms of size, independence, RMC duty expertise, gender diversity, meeting and training. A score of 1 was given if a company fulfilled the RMC's characteristics and 0, if otherwise. To measure the level of RMC's effectiveness, the score of all the RMC's effectiveness components was summed up. The maximum possible score for each company was 12 and this study assumed that a high score indicated an effective RMC. This study identified four control variables that were found to be related to disclosure of financial instruments in previous work (e.g., see Abdullah et al., 2015; Birt et al., 2013; Hassan et al., 2012; Taylor et al., 2008), namely, company size, profitability leverage and auditor quality.

4.0 Results and Discussion

4.1 Descriptive Results

Table 4.1 presents the descriptive statistics of 166 sampled companies that have established an RMC and used derivatives for hedging activities. It can be observed that there was a variation in the disclosure of hedging activities information existed among the listed companies. On the overall, the mean scale for the extent of hedging activities information disclosure index was 0.55 with a minimum value of 0.21 and a maximum value of 0.98. The result showed that companies were less likely to provide much information on their hedging activities from the use of derivatives, especially for voluntary disclosure items. However, in relation to mandatory requirements, this study found that most companies seemed to comply with the requirement in MFRS accounting standards for derivatives and hedging activity disclosures. This result was consistent with the reported results in some of the previous Malaysian findings (Abdullah & Ku Ismail 2015; Hassan et al., 2012). It also presented the descriptive statistics on the effectiveness of the RMC and each of its attributes. The mean value for RMC's effectiveness (REFF) was

64%. With respect to ownership structure, Panel B in Table 4.1 shows that the percentage of government shareholdings for the sample companies ranging from 0 to 75% with a mean value of 11%. In terms of family ownership, the percentage shareholding among sampled companies varied from 0 to about 76%, with a mean value of 26%. This mean value was lower than what was reported by Amran and Ahmad (2013) for listed Malaysian companies. Amran and Ahmad (2013) reported that the value of mean for family ownership was at 43.4%. However, the low mean score for family ownership in this study was not surprising because the sample characteristics used in this study were different from Amran and Ahmad (2013), whereby they reported that Malaysian companies were dominated by family ownership based on 916 sampled companies within the period 2003 to 2007.

Table 4.1: Descriptive statistics on the effectiveness of RMC (N=166)

Categorical variables		**Frequency**	**No. of Companies**	**Percentage**
AUDITOR		Yes	114	69%
		No	52	31%
Continuous Variables	**Mean**	**Std. Deviation**	**Min.**	**Max.**
EHAD (%)	0.65	0.21	0.32	0.98
REFF (%)	64.2	15.7	25	100
FOWN (%)	24.7	26.1	0	76.0
MOWN(%)	32.8	26.1	0	78.9
GOWN (%)	10.5	16.8	0	74.6
CSIZE (RM million)	14.2	1.65	11.3	18.4
PROF (%)	7.1	8.29	-22.3	60.2
LEV (%)	22.2	15.2	0.0	58.5

Although the mean value for family ownership was low, this study still acknowledged that the business environment in Malaysia was essentially built from family businesses. Moreover, it can be observed that management ownership for the sample ranged from 0 to 79% with an average shareholding of about 33%. The average score for managerial ownership in this study was slightly higher than the figures reported by Anum Mohd Ghazali (2010) by 10% but lower than Amran and Ahmad (2013) of 12%. Similar to family ownership, this average score was expected due to the different sample characteristics used in this study compared to prior researchers. It can be also noted that the higher mean on managerial ownership as compared to family ownership in this study was because the directors owned a substantial number of shares and most of them were from family companies. With regard to the control variables, Panel B demonstrates that the mean of Return on Assets (PROF) of the 166 sampled companies was 7% and the mean of Debt to Total Assets Ratio (LEV) was approximately at 22%. The negative sign of the minimum score of PROF implied that some companies experienced a loss during the investigation period. It can also be observed that the average company size (i.e., Total Assets) of the sample companies was about RM 1.5 million. As the standard deviation was low, it showed that the assets owned by these companies did not exhibit a high degree of variability. The largest company was RM 18.4 million, while the smallest was RM 11.32 million. Panel B also reveals that two-thirds of the sampled companies were audited by Big 4 audit firms.

4.2 Regression Results

This section exhibits the results of the moderating effects of the different types of ownership concentration (i.e., family, management and government ownership) on the relationship between the effectiveness of RMCs and the extent of HAD.

Table 4.2: *The moderating effect of ownership structure on the relationship between RMC's effectiveness and the extent of hedging activities disclosure (HAD)*

Variables	**Step 1 CV**	**Step 2 IV**	**Step 3 MV**	**Step 4 IV*MV**
CSIZE	0.520 (7.579)***	0.562 (7.777)***	0.480 (5.792)***	0.469 (5.610)***
PROF	- 0.014 (-0.222)	-0.018 (-0.296)	-0.026 (-0.430)	-0.035 (-0.571)
LEV	0.232 (3.611)***	0.217 (3.359)***	0.228 (3.533)***	0.232 (3.584)***
AUDITOR	0.050 (0.757)	0.064 (0.976)	0.056 (0.844)	0.069 (1.036)
REFF		-0.114 (-1.753)*	-0.121 (-1.852)*	-0.181 (-2.278)**
FOWN			0.014 (0.155)	0.068 (0.704)
MOWN			-0.059 (-0.604)	-0.103 (-1.012)
GOWN			0.119 (1.549)	0.113 (1.471)
REFF * FOWN				0.192 (1.843)*
REFF * MOWN				-0.166 (-1.502)
REFF * GOWN				0.069 (0.815)
R^2	0.428	0.439	0.453	0.467
Adjusted R^2	0.414	0.421	0.425	0.429
R^2 change	0.428	0.011	0.014	0.014
Significant F change	0.000	0.082	0.264	0.251

Notes: **CV** = Control Variables, **IV**= Independent Variables, **MV**= Moderating Variables. ***Significant at the 0.01 level, **significant at the 0.05 level, *significant at the 0.1 level. The figures in parentheses are the t-statistics

As shown in Table 4.2, when company size, profitability, leverage and types of audit firms were entered as control variables into the regression model in the first step, R2 (i.e., coefficient of determination) was found to be 0.428, indicating that 42.8% of the change in the extent of HAD was explained by CSIZE, PROF, LEV and AUDITOR. Moreover, by adding the independent variable (RMC's effectiveness or REFF) in step 2, it was observed that R2 increased to 0.439. The change of R2 (0.011) was significant which implied that the addition of 1.1% of the variation in the extent of HAD was explained by REFF. However, the beta coefficient of REFF was found to be negative in influencing the extent of HAD. These findings did not support the argument of a positive relationship between RMC's effectiveness and the extent of HAD. Furthermore, Table 4.2 exhibits the results of the regression when the moderator variable was introduced in Step 3. It can be noticed that the change in R2 (0.009) was not significant and this result indicated there was no major effect of the moderator variables on the dependent variable. Finally, when the interactions were entered, it can be observed that the R2 increased from 0.448 to 0.461. Although the R2 changed (0.012), it was not significant. Overall, this implied that the concentration of the ownership structure did not moderate the relationship between RMC's effectiveness and the extent of HAD. However, it can be observed that the beta coefficient for the interaction terms of the family ownership concentration was positive and significant at 10% level. The following section discusses the results of this analysis.

4.2.1 Family Ownership

It can be observed that the beta coefficient for the interaction between family ownership and the effectiveness of RMC was positive and significant at 10% level. This finding suggested that the negative association between RMC's effectiveness and the extent of HAD found in this study was weaker for companies with higher family ownership concentration. Hence, this result did not support Hypotheses 1. This means that the extent of HAD was high in high family-owned companies due to the family having the ability to control the company. This was because they had the capacity to appoint competent RMC members who can control managers involved in hedge activities, ensuring compliance of the accounting standard requirements and communicating relevant information. This finding contradicted several previous ownership structures and disclosure studies which proved that high family-owned companies significantly influenced the board committee to disclose less corporate information in their annual reports (e.g., Akhtaruddin & Haron, 2010; Chakroun, 2013; Saleh et al., 2009). A possible explanation for this finding was that family-owned companies were concerned with the competence of RMC members in managing hedging activities. This was because hedging activities involved a huge amount of money, complex transactions and high risk that may affect firm performance. In this respect, family owners were pressured to be cautious about their hedging activities as the use of derivatives could magnify the losses of their company. Hence, the involvement of family members as a part of the management team as well as the RMC may indirectly lead to compliance with the accounting standard requirements and the disclosure of more relevant information. This notion might be true and was supported by several studies that claimed family-controlled companies have been really serious and care about their business performance and long-term value in fulfilling the obligations to preserve wealth for future generation owners (see Anderson & Reeb, 2003; Bertrand & Schoar, 2006; Martínez, Stöhr, & Quiroga, 2007). Based on the resource dependence theory, the rationale for more information on hedging activities disclosed by the controlling family found in this study can be perceived as high family ownership concentration. It would be a good resource for a company to have superior monitoring abilities, especially when family ownership was combined with family control over management (see Chakroun, 2013; Lee, 2006; Wan-Hussin, 2009). However, the underlying assumption based on the agency theory that politically powerful families in control of public companies tend to expropriate wealth from minority shareholders was not supported in this study (see Ali, Chen, & Radhakrishnan, 2007; La Porta, Lopez-de-Silanes, Shleifer, & Vishny 1999).

4.2.2 Management Ownership

Table 4.2 shows that the interaction of the RMC's effectiveness with management ownership concentration was insignificant ($P > 0.05$) and did not support Hypotheses 2. This implied that high or low management ownership did not moderate the relationship between the effectiveness of the RMC and the extent of HAD. This finding was not consistent with some previous studies that have found a high concentration of management ownership can influence the effectiveness of board committee and sub-committee towards the disclosure of corporate information (e.g., Akhtaruddin & Haron, 2010; Eng & Mak, 2003). One possible explanation for this finding may be that the managers/directors were the owners, and they were actively engaged in day-to-day activities of the organisation; and as a part of the committee, they can directly obtain full information. This was because the organisational structure had lower information asymmetry and became less complex that may lessen the need for assurance and monitoring (see Fernandez & Arrondo, 2007; Javid & Iqbal, 2008). Another explanation for this insignificant relationship might be the broader focus of owner-managers towards risk management activities, that may hamper the effectiveness of the RMC towards the disclosure of hedging activities information. Risk management is a broader concept, whereby it encompasses all areas of a company's operations (e.g., technological risk, credit risk, operational risk, strategic risk, etc.) and therefore, in certain circumstances, it may affect the owner/managers to overlook or purposely mismanage the RMC's functions which may lead to its ineffectiveness. Several previous studies have revealed that when there is high managerial ownership concentration, the effectiveness of board committee/subcommittee no longer exists because owner-managers (i.e., CEO/directors) are more likely to cater to their own self-interest decisions than to increase their company's performance (see Desender, 2009; Fernandez & Arrondo, 2007; Javid & Iqbal, 2008). Hence, as the existence of an RMC was being controlled by the owner-managers, it would be valid to assume that the quality of monitoring on hedging activities information disclosure in high concentrated managerial ownership companies might be less likely to be associated to the effectiveness of the RMC. Another reason that may explain this finding was that companies prefered to voluntarily form RMCs through the audit committee. According to Bates and Leclerc (2009), and Birt et al. (2013), a board with a stand-alone risk committee is more effective in handling risk management activities compared to boards that delegate the duties to the audit committee. This is because the roles of RMC members as a part of the audit committee may create an internal dispute and affect its effectiveness. Therefore, it would be valid to assume that even owner-managers in high ownership concentration companies are able to supervise and control RMCs and the unclear roles performed by RMC members may confuse the committee to treat risk management activities, specifically on the disclosure of hedging activities information. Hence, the relationship between RMC's effectiveness and the extent of HAD in high management ownership companies may not be related.

4.2.3 Government ownership

Table 4.2 also reveals the interaction between government ownership concentration on the relationship between the effectiveness of the RMC and the extent of HAD. It can be observed that the relationship was not significant ($P > 0.05$). This suggests that the concentration of government ownership did not significantly moderate the relationship between the effectiveness of the RMC and the extent of HAD. This finding was not consistent with some previous studies that have revealed that high government ownership may act as a monitoring mechanism to ensure the effectiveness of the board committee towards the goals of government to the public. (see Abdullah et al., 2011; Amran & Susela Devi, 2008; Mohd-Ghazali, 2007). A possible explanation for this finding may be the government representatives (i.e., directors) who sit on the board committee as well as the RMC is not beneficial resources to help companies in risk management activities, especially on hedging activities (see Fraile & Frejedas, 2014; Beuselinck et al., 2015).

This may be due to their lack of knowledge and competence in hedge activities which may affect the effectiveness of the RMC as a monitoring mechanism towards the extent of HAD. This notion was supported by Francis et al. (2003) who claimed that the representatives of government-dominated companies do not rely on the general purpose of financial reports for decision-making; they only look for non-accounting information as their investment valuation inputs. Moreover, government-controlled companies can also be viewed as manager-controlled companies in which they are more able to be free riders and less likely to be careful monitors of managers than private owners (see Gugler, 2003). Managers in such companies are more likely to benefit from their position to maximise their own interest, where the establishment of RMCs is merely to legitimise their risk management actions. Hence, in this respect, the relationship between RMC's effectiveness and the extent of HAD in government-dominated companies may not exist.

5.0 Conclusion

This study extends the work of Abdullah & Ku Ismail (2015) and Abdullah et al. (2015) by analyzing the moderating effects of the different types of ownership concentration on the relationship between the effectiveness of the RMC and the extent of HAD. On the overall, the results of hierarchical regression analysis show that ownership concentration did not have any significant relationship with the RMC's effectiveness in influencing the extent of HAD. However, there was little evidence to suggest that the RMC enhanced the extent of HAD when there was interference from concentrated family owners. It was found that RMC's effectiveness can lead to high hedging activities information disclosure when they interacted with family ownership concentration at the 10% significance level. However, this result should be interpreted with caution. Although this result showed weak evidence and did not strongly support several previous corporate governance studies (e.g., see Ameer, 2010; Ismail & Sinnadurai, 2012; La Porta et al., 1999), this study believed that the dominant status of family complicates the non-controlling investors to challenge the family's control and continue to play a significant role in the corporate governance of Malaysian listed companies. In contrast to the dominant status of a family, this study also reveals that the dominant status of management and government ownership does not affect the interests of non-controlling investors in influencing the extent of HAD. Thus, this leads to a new bearing for current literature on the association between ownership structure and the internal corporate governance mechanisms (i.e., RMC) on the financial instruments disclosure employed by companies. One potential limitation of our study is that the sample was drawn from a population of non-financial firms. Moreover, this analysis covers information for one year due to data limitation as the accounting standard for financial instruments (i.e., MFRS 9 and 7) was extended from 2014 to 2018. Hence, it is suggested that future research may consider extending this study to other settings.

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