

An Empirical Study on Capital Structure Decisions in Determining Risk Information Disclosure on Malaysian ACE Market

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ABSTRACT

Past studies highlight the important of communicating potential risk occurrences to the shareholders, in line with the commitment to uphold a principle of transparency through voluntary disclosure. To understand the voluntary disclosure from a management decisions perspective, this study aims to examine the influence of capital structure decisions on risk information disclosure. A sample of 270 companies listed under the ACE Market in Bursa Malaysia covered three years' period from 2013 until 2015 is collected. This study employs a quantitative method and content analysis to meet the objectives of the study. Factors of short term debt, long term debt, total debt, company growth, company size and industry are examined to explain the variation in risk information disclosure. The findings observe a moderate level of risk information disclosure practice among Malaysian ACE Market, whereby most of the companies more inclined to disclose mandatory risk instead of voluntary risk information. Also, the multiple regression results show that only company growth and size have a significant influence on risk information disclosure. Other factors indicate insignificant results on risk information disclosure. The results discover lower debt consumption among Malaysian ACE Market companies contributing to low-risk occurrences exposure that resulted in low-risk disclosure. This study highlights the important of management capital structure decisions in enhancing the transparency of information disclosure of potential risk occurrences among potential-to-growth companies in Malaysia.

Keywords: Capital structure, Risk information, Disclosure, Voluntary disclosure, Malaysia