Forward-looking information reporting practices in Thailand

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บทคัดย่อ

งานวิจัยนี้ศึกษาแนวทางปฏิบัติเกี่ยวกับการเปิดเผยข้อมูลตามความสมัครใจเกี่ยวกับการคาดการณ์ในอนาคต โดยมีวัตถุประสงค์หลักคือ (1) ศึกษาระดับการเปิดเผยข้อมูลการคาดการณ์ สภาวะทิศทางการดำเนินธุรกิจ รวมถึงผลประกอบการในอนาคต และ (2) ปัจจัยที่ส่งผลกระทบต่อการเปิดเผยข้อมูลเกี่ยวกับการคาดการณ์ในอนาคต จากการทบทวนวรรณกรรมพบว่า ระดับการเปิดเผยข้อมูลยังมีข้อสรุปที่แตกต่างกันอันเนื่องมาจากความแตกต่างทางคุณลักษณะขององค์กร ประเทศไทยซึ่งเป็นประเทศที่กำลังพัฒนา จึงมีโครงสร้างตลาดทุน แหล่งเงินทุน การคุ้มครองนักลงทุน และแนวทางการเมืองการปกครองที่แตกต่างจากประเทศพัฒนาแล้ว ฉะนั้น ผลการศึกษาของงานวิจัยนี้ สามารถเพิ่มองค์ความรู้ในวรรณกรรมเกี่ยวกับการเปิดเผยข้อมูลทางการบัญชีได้ การวิจัยนี้ใช้กลุ่มบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย จำนวน 238 บริษัท ณ วันที่ 31 ธันวาคม 2555 ผลการวิจัยพบว่า สัดส่วนของกรรมการอิสระ ขนาดองค์กร และการทำกำไร มีความสัมพันธ์เชิงบวกอย่างมีนัยสำคัญต่อการเปิดเผยข้อมูลการคาดการณ์ในอนาคต ในขณะที่ภาระหนี้สินที่เพิ่มขึ้นส่งผลให้การเปิดเผยข้อมูลการคาดการณ์ในอนาคตลดลง

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Abstract

The main aim of this study is to examine on the voluntary disclosure practices of Thai listed firms with a focus on forward-looking information. Specifically, this study has two main objectives: 1) to investigate the level of voluntary disclosure of forward-looking information among Thai listed firms and 2) to explore the possible drivers of such disclosure. To date, the literature indicates mixed results of relationship between forward- looking information disclosure and corporate characteristics due to the differences in institutional settings. With Thailand being an emerging economy that is different from those of developed and emerging/developing markets in term of capital market structure, capital sources, investor protection and political environment, a study on voluntary disclosures of forward-looking information in Thailand adds another perspective to the existing debate. The research design of this study is based on a random sample of a one-year cross-sectional analysis that includes 238 listed firms in the Stock Exchange of Thailand (SET) in the financial year ending 31st December 2012. The results show that the proportion of independent directors on boards, firm size and profitability are positively associated with the extent of forward-looking information disclosure while firm leverage impacts negatively.

Keyword: forward-looking disclosure, voluntary disclosure, corporate governance, Thailand, emerging market

Introduction

Before the onset of the 1997 Asian currency crisis, Thailand has been one of the successful developing economies with average annual growth rate of 8-9% per year (World Bank, 2013). Chuenchoksan & Nakornthab (2008) state that before the eruption of Asian Financial Crisis in 1997, Thailand was considered as next East Asian Tigers after Hong Kong, Singapore, South Korea and Taiwan. Unfortunately, this remarkable growth trend did not last as the Asian currency crisis hit the economy in 1997. Although the impact of the crisis were varied among countries, extend literature suggests that the common root contributing to Asian financial crisis across Thailand, Indonesia, Malaysia and South Korea were weak corporate governance, financial system and lack of information transparency (Stiglitz, 1999, Kim & Lee, 2003, Ho, 2009). For instance, Ho& Wong (2001) and Gul & Leung (2004) point out that low level of corporate information transparency were among the main causes of the Asian financial crisis in the late 1990s.

Additionally, the recent dramatic occurrence of the 2007–2009 Global Financial Crisis (GFC) and its damages had drawn greater attention towards the significance of corporate disclosure in facilitating investors' decision making and maintain the growth of capital market.The importance of corporate disclosure is encapsulated by the famous quote of Arthur Levitt (the former chairman of the US Securities and Exchange Commission):

"If investors are not confident with the level of disclosure, capital will flow elsewhere. If a country opts for lax accounting and reporting standards, capital will flow elsewhere. All enterprises in that country - regardless of how steadfast a particular company's practices may be, suffer the consequences" (cited by Demaki, 2011, 1).

Despite the wealth of information disclosure studies conducted in both developed (Cooke, 1989, Cooke, 1992, Malone, Fries & Jones, 1993, Meek, Robert & Gray, 1995, Raffournier, 1995, Patton & Zelenka, 1997, Hossain, Perera & Rahman, 1995, Frost & Pownall, 1994) and emerging/developing capital markets (Ferguson, Lam, & Lee, 2002, Ho, 2009, Ho & Wong, 2001, Chau & Gray, 2010, Chau & Gray, 2002, Hossain & Hammami, 2009, Krishnamurti, Sevic, & Sevic, 2005, Ghazali & Weetman, 2006, Wang, Sewon, & Claiborne., 2008, Xiao, Yang & Chow, 2004, Barako, 2004), there is still a scant attention towards research of these issues in developing/emerging countries (Aljifri & Hussainey, 2007). Shleifer & Vishny (1997) argue that information disclosure practices in Western countries can be somewhat dissimilar to those of developing/emerging or Asian countries because of the different institutional, characteristics, culture and political environment. Accordingly, an empirical study examining the issue of corporate disclosure practices in an emerging market such as Thailand contributes significantly to the existing literature on voluntary disclosure practices. This study has two main objectives: 1) to investigate the level of voluntary disclosure of forward-looking information among Thai listed firms and 2) to explore the possible drivers of such disclosure.

The study of forward-looking information among Thai listed firms contributes to the literature in many ways. First, existing literature suggests that forward-looking information plays a critical role in investors' decision making process. In particular, forward-looking information includes the assessments of opportunities and risks, activities, plans, forecasted earnings, forecasted performance of firms that enables investors to make evaluations or predictions about the future performance of a firm (Clarkson, Kao & Richardson, 1994, Celik, Ecer & Karabacak, 2006). Schleicher & Walker (1999) and Hussainey, Schleicher & Walker (2003) provide evidence that high levels of forward-looking disclosure improve the stock market's ability to anticipate future earnings changes. Amir & Lev (1996) argue that forward-looking information is an important issues that management provide to their stakeholders because of its capability to convey value-relevant information to external users. Despite the increasing importance, Aljifri & Hussainey (2007) point out that studies of forward-looking information are still limited and thus, this study represents an extension towards such limited research.

Second, within the existing literature, the results of relationship between forward-looking information disclosure and corporate characteristics are most often mixed. Healy & Palepu (2001) argue that the differences of results among studies of voluntary disclosure may due to the differences in institutional settings. With Thailand being an emerging economy that is different from those of developed and emerging/developing markets in term of capital market structure, capital sources, investor protection and political environment, a study on voluntary disclosures of forward-looking information in Thailand adds another perspective to the existing debate.

Third, whilst it is becoming important, forward-looking information disclosure is not subject to Thailand's mandatory disclosure regulations. The findings of this study will be of significance to Thai regulators in assessing their disclosure policies and implement an ideal regulatory framework to improve their corporate transparency. The findings will also be beneficial to the regulators and policy-makers from other East Asian countries.

The remainder of this paper is organised as follows. The next section presents the literature review and develops the hypotheses accordingly. This is followed by descriptions of the sample, model and variables used. Subsequent to Sample Design section, the descriptive statistics and hypotheses results are presented and finally the last section concludes the study.

Literature review and hypothesis development

This study adopts agency theory to provide theoretical framework in explaining the variations of forward-looking information among Thai listed firms. Corporate attributes examined in this study consist of corporate governance attributes (board independence and duality of CEO who is also chairman), ownership concentration, firm size, leverage, profit, industry type and auditor type.

Agency theory proposes a problem of interests and goal conflicts due to the separation of ownership and control. In developing/emerging economies such as Thailand, the information asymmetry problem more likely occurs between controlling shareholders and minority shareholders(Fan & Wong, 2002). Adopting agency theory tenets, Healy & Palepu (2001) and Botosan & Plumlee (2002) argue that increasing the extent of corporate disclosure beyond that mandated can mitigate the problems of information asymmetry. Incorporating monitoring mechanisms such as strengthening corporate governance mechanism within the firm or enhancing the extent of corporate disclosure may help to alleviate the problems of information asymmetry.

Cheng & Courtenay (2006)report that there is a significant positive relationship between proportion of independent directors and voluntary disclosure. Akhtaruddin, Hossain, Hossain & Yao's study (2009) provide evidence indicating that effective corporate governance is associated with increased voluntary disclosure of information. In China, Xiao & Yuan (2007) provide evidence suggesting that a better corporate governance system result in a lower level of information asymmetry. Chau & Gray's (2010) study report the positive association between board independence and voluntary disclosure in Hong Kong listed firms. Based on the majority evidence of previous studies and in the light of agency theory, this study develops the following hypothesis:

H_1 –There is a positive association between the proportion of independent directors on boards and the level of voluntary disclosure of forward-looking information in the annual reports of Thai listed firms.

Previous literature on voluntary disclosure indicates that the dominant function of CEO who is also a chairman indicates the absence of decision control and decision management (Fama & Jensen, 1983). Where a CEO holds the position of a Chairperson (dominant role of CEO and Chairperson) in a firm, he/she may have too much power and authority to manage the firm without any constraint and hence comprising the overseeing duty of the corporate boards (Chau & Gray, 2010). Existing literature indicates that the duality function of CEO and Chairperson reduces the independence of the corporate boards in monitoring, disciplining and compensating managers (Jensen, 1993), and subsequently this role duality may result in the CEO to engaging in opportunistic behaviour (Kang, Cheng & Gray, 2007). Forker (1992) provides evidence indicating that having a duality role of CEO and chairman in a firm reduces disclosure quality. Within the existing literature, there is mixed evidence. Whilst Chau & Gray (2010) find that independent chairman and CEO role is related to higher extent of voluntary disclosure, Barako, Hancock & Izan (2006) and Cheng and Courtenay (2006) report no significant relationship between the two variables. This study argues that when CEO role is independent from Chairperson, these two different individuals may be motivated to provide more forecasted of company's future to satisfy shareholders. As such, firms with independent role of CEO/Chair may be associated with higher voluntary disclosures of forward-looking information. The following hypothesis is advanced:

H_2 –There is a positive association between the independent role of CEO/Chairman and the level of voluntary disclosure of forward-looking information in the annual reports of Thai listed firms.

Agency theorists suggest that ownership structure plays an important role in shaping a firm's agency problems because of the inevitable conflicts of interests between managers and shareholders as well as controlling shareholders and minority shareholders. López-de-Foronda, López-Iturriaga & Santamaría-Mariscal (2007) state that the conflicts between managers-shareholders is common in Anglo-Saxon countries while in countries with civil law such as Asian countries, conflict of interests relates to ownership concentration between the controlling and minority shareholders. Fan & Wong (2002) report that the presence of large, controlling shareholders weakens the level of information disclosure in East Asian countries. Vu, Tower & Scully (2011) state that firms with highly concentrated shareholdings are more likely to disclose less information than firms with widely-held shareholdings because the information asymmetry problem is reduced. Empirically, the relationship between ownership concentration and voluntary disclosure is rather inconclusive. In regards to the relationship between ownership concentration and voluntary disclosure, whilst some studies report positive associations (Aripin, Tower & Taylor, 2011, Chau & Gray, 2010), others find negative associations (Alhazaimeh, Palaniappan & Almsafir, 2014, Ho & Tower, 2011). On the other hand, Eng & Mak (2003), Alsaeed (2005), Mangena &T auringana (2007) and Cerbioni & Parbonetti (2007) report no association. Corporate ownership in Thailand is characterized by a high concentration in equity shareholdings. This study measures ownership concentration by the top five shareholders. In light of agency theory tenets, this study argues that firms with high level of ownership concentration tend to disclose lesser information because the dominant/controlling information may have access to firms' information. This study proposes the following:

H_3 –There is a negative association between concentrated ownership structure and the level of voluntary disclosure of forward-looking information in the annual reports of Thai listed firms.

Control variables

Size is often reported as a significant explanatory variable in the previous studies of corporate disclosure. According to Hossain et al. (1995), agency costs increases with the firm size and thus, in order to reduce agency costs, firms provide more information. There are considerable research that finds significant and positive relationship between firm size and the level of voluntary disclosure (Chow & Wong-Boren, 1987, Cooke, 1989, Camfferman & Cooke, 2002, Cooke, 1992, Raffournier, 1995, Leung & Horwitz, 2004, Wang et al., 2008, Xiao et al., 2004). Hussainey & Al-Najjar (2011) state that larger firms tend to disclose more future-oriented information to satisfy a greater demand of information by various stakeholders, especially financial analysts.

Agency theory indicates that firms face higher agency costs with higher leverage because higher leverage will result in higher monitoring costs (Jensen & Meckling, 1976). Consequently, in order to reduce agency costs and improve information asymmetry, managers of firm with higher leverage disclose more information to provide creditors, suppliers and investors assurance that the firm can meet its financial obligations. Past studies of corporate disclosure in emerging markets report mixed results. For instance, a positive significant association is reported between leverage and corporate disclosure in a few studies (Xiao et al., 2004, Hossain et al., 1994). By contrast, Eng & Mak (2003) states that firms with lower leverage in Singapore provide more information than those of higher leverage firms.

Verrecchia (1983) indicates that the sector of operations influences corporations' disclosure policy, and thus an industry variable is included. Previous studies find that the type of industry appears to be the explanatory keys for the variations in firms' disclosures (Haniffa & Cooke, 2002, Barako, 2004, Ho, 2009). Wallace & Naser (1995) argue that firms from different industry may be subjected to different mandatory disclosure practices and hence, they may implement different voluntary disclosure practices. Cooke (1992) reports that Japanese manufacturing firms provide more information than non-manufacturing firms.

Moreover, agency theory suggests that managers of very profitable firms will use external financial reporting information as a tool to obtain their personal advantages such as remuneration, promotions or bonuses (Singhvi & Desai, 1971, Wallace & Naser, 1995, Inchausti, 1997) and to maximise shareholders values and to attract additional capital (Grossman & Hart, 1980). Ng & Koh (1994) posit that there are more public scrutiny to more profitable firms and thus, these firms are likely to engage in self-regulation mechanism such as enhancing corporate disclosure to avoid future external regulation. Empirically, Haniffa & Cooke (2002); Mangena & Tauringana (2007) find significant associations between firm's corporate disclosure and its profitability.

Additionally, existing literature indicates the variations of corporate disclosure may be caused by the quality of auditing firms (Singhvi & Desai, 1971). This is because it is assumed that big auditors are more concerned with their reputations and thus, they are more likely to associate with firms that provide adequate information or they encourage clients to disclose more. Agency theory suggests that firms exercise their choice of auditor as a mechanism to reduce conflicts of interests between shareholders and the managers as auditing facilitate shareholders in the monitoring process. Previous studies find that firms audited by the Big Four auditing firms generally provide more information than other firms (Chau & Gray, 2010, Alsaeed, 2005, Uyar & Kilic, 2012)

Sample Design

Sample Selection

This study research design is based on a random sample of a one-year cross-sectional analysis that includes 238 non-financial listed firms in the Stock Exchange of Thailand (SET) in the financial year ending 31st December 2012. The research excludes financial firms from the sample as they are subjected to different reporting regime. Marston & Shrives (1991) argue that there is no general rule to offer guidance on the selection of items to measure voluntary disclosure. Consequently, researchers can adopt or adapt an existing index (with some modifications) or even create a new index tailored to the needs of their specific search environment. This study develops Thailand Forward-Looking Disclosure Index (TFLDI) through adaption of existing indices to capture the distinctive disclosure environment of Thai listed firms.

The composition of the initial TFLDI consists of several steps. First, as there has been no prior research on the extent of voluntary disclosure of forward-looking information conducted in Thailand, as a starting point, a review of previous studies on voluntary disclosure is undertaken to identify the commonalities and consistency between these disclosure indices. An item needs to have been mentioned in more than one of the key prior studies to be included in this study' index, which are Meek, Roberts & Gray (1995), Ferguson et al., (2002), Hannifa & Cooke (2002), Xiao & Yuan (2007), Ho (2009), Akhtaruddin et al., (2009), Wang et al., (2008) and Sukthomya (2011). Table 1 below shows the final list of Thailand Forward-Looking Disclosure Index consists of 15 items.

Table 1 List of forward-looking information disclosure items

15 Items of forward-looking information disclosure check list
Effects of inflation on future operations - qualitative
Effects of interest rates on future operations
Effects of foreign currency on future operations - qualitative
Forecast of sales - qualitative
Forecast of sales - quantitative
Forecast of profits - qualitative
Forecast of profits - quantitative
Forecast of cash flows - qualitative
Forecast of cash flows - quantitative
Assumptions underlying forecasts
General discussion of future industry trends
Discussion of external factors affecting the company (economy, politics and technology)
Discussion of company prospects (general)
Discussion on future expenditure
Discussion of future products development

To measure the extent of disclosure, this study adopts an unweighted disclosure approach whereby a value of 1 is assigned for a disclosed item and 0 for otherwise. This unweighted approach is considered less subjective and judgmental. Furthermore, the weighting of items is generated by different user groups, and may reflect the bias of these specific groups of users (Marston & Shrives, 1991) and their perceptions rather than the actual information needs (Chow & Wong-Boren, 1987). Cooke (1989, 15) argues that “an approach which tried to encapsulate the subjective weights of a multitude of users groups would be unwieldy, and probable futile”.

Model specification

Following Meek, Roberts & Gray (1995), the Thailand forward-looking information disclosure score (TFLDI) is calculated as the total forward-looking disclosure score divided by the total possible score of each firm to avoid firms being penalized for non-disclosure of irrelevant items:

$$TFLDI_i = \sum e_i / E$$

Where:

$TFLDI_i$ = Thailand Forward-Looking Disclosure index score of firm i.

e_i = voluntary disclosure item i. Dummy variable to the value of 1 if the firm discloses information about this item and dummy variable to the value of 0 if the firm does not disclose it.

E = total possible maximum number of items (15)

In order to test the above hypotheses, this study applies Multiple Regression model. The following model is established with explanations of variables

To test the hypotheses, the regression model of this thesis is as follows:

$$TFLDI_i = \lambda_i + \beta_1 CG_i + \beta_2 DUALITY_i + \beta_3 OC_i + \gamma_1 SIZE_i + \gamma_2 PROFIT_i + \gamma_3 LEV_i + \gamma_4 IND_i + \gamma_5 AUDIT_i + e_i$$

Where:

Dependent variable:

$TFLDI_i$ = Forward-looking voluntary disclosure index for firm i

Independent variables:

CG_i = Independent directors divided by the total number of all directors in firm i

$DUALITY_i$ = Dummy variable 1 is assigned if the firm has a CEO who is not a Chairman

OC = Ratio of total shares owned by top five shareholders to total number of shares issued in firm i

Control variables:

$SIZE_i$	=	Natural log of total assets for firm i
$PROFIT_i$	=	Ratio of net earnings to total assets of firm i
LEV_i	=	Ratio of total debt to total assets of firm i
IND_i	=	Dummy variable 1 is assigned if the firm is in the manufacturing industry, 0 if otherwise
$AUDIT_i$	=	Dummy variable 1 is assigned if the firm's annual reports are audited by the Big Four, 0 if otherwise
λ_i	=	Regression constant;
$\hat{a}_{1,2...n,}$ $\tilde{a}_{1,2...n}$	=	Coefficients to independent and control variables;
i	=	Firm specific

Results

Descriptive Statistics

Table 2 below presents the descriptive statistics for continuous variables of this study.

Table 2 Descriptive Statistics of Continuous variables

Variables	Mean	Median	Standard deviation	Min	Max
Panel A: Descriptive statistics of variables					
Dependent variable					
$TFLDI_i$	**0.214**	0.20	0.156	0.000	0.77
Independent variables					
CG (H_1)	**0.383**	0.363	0.111	0.000	100.00
Duality (H_2)	**0.224**	0.000	0.418	0.000	1.000
OC (H_3)	**0.572**	0.592	0.220	0.000	0.988
Control variables					
PROFIT	**0.155**	0.06	1.520	-0.730	23.500
LEV	**1.270**	50.610	9.680	0.400	146.50
LnSIZE	**8.53**	8.370	1.790	0.690	14.150
AUDIT	**0.676**	0.469	1.000	0.000	1.000

Panel B: Mean values for manufacturing and non-manufacturing firms			
	Industry sectors		
	Manufacturing	Non-manufacturing	Mean difference
Dependent variable			
$TFLDI_i$	0.176	0.235	0.005**
Independent variables			
CG	0.379	0.384	0.722
Duality	0.227	0.223	0.939
OC	0.598	0.556	0.170
Control variables			
PROFIT	0.321	0.058	0.199
LEV	2.069	0.811	0.335
LnSIZE	8.078	8.804	0.002**
AUDIT	0.693	0.667	0.675

All variables are defined in the model specification.

There is a wide range in the level of voluntary scores (TFLDI) in the sample. The highest disclosure score obtained is 0.733, and the lowest is 0. The mean disclosure score is 0.214 (median=20.00). As a point of reference, this average is higher than the mean of 8% reported by Aljifri & Hussainey (2007).

The results in Table 2, panel A indicate that, on average, only one third of the board of directors are independent directors (mean 0.383). Ownership structure is measured by the proportion of share capital owned by the top five shareholders of the firm. Table 1 reveals that the top five shareholder concentration is relatively high at 57.16% in 2012. These numbers reflect the fact that Thailand sample firms have a persistently high ownership concentration with the majority of share capital held by the top five shareholders during the year 2012.

In regards to control variables, as shown in Table 2, size of the firm is measured using log of total assets.The average log of total assets for the sample firms is 8.53 with standard deviation 8.37. Profit is measured by ratio of earnings to total assets of firm. On average, the sample firms have a profit of 15.50%. The highest profit is 23.50 and the lowest is -0.73.

Panel B of Table 2 provides additional descriptive statistics for categorical variables, comparing those firms operating in manufacturing and non-manufacturing industry sectors. Within the sample of 238 firms, there are 88 firms in the manufacturing sector and 150 are otherwise. The statistics show that, the two groups differ significantly in terms of level of forward-looking disclosure and size. In particular, on average, firms in manufacturing sector provide less communication of forward-looking information with an average of 17.6%, compared to non-manufacturing sector of 23.5%. In addition, non-manufacturing firms appear to be substantially larger than manufacturing firms.

Multiple regression results

In Table 3, multiple regression results are reported. Table 3 shows a significant positive association between the proportion of independent directors on boards and the extent of forward looking information disclosure ($p = 0.086$). Thus, H_1 is supported. This implies that among Thai listed firms, the proportion of independent directors on boards can act as an effective mechanism on the decision to voluntarily disclose forward-looking information. The results of this study are consistent with earlier studies that report positive association between the proportion of independent directors on boards and the extent of information disclosure (Lim et al., 2007, Akhtaruddin et al., 2009, Chau & Gray, 2010, Samaha, 2010).

Table 3 Multiple regression results

Panel A: Model summary			
Adjusted R-Squared	0.155		
F-statistic	8.32		
Sig.	0.000*		
Sample size	238		
Panel B: Results from multiple regression			
Variables	Coefficients	t-statistic	Sig.
Constant	-0.095	-1.44	0.152
Independent variables			
CG (H_1)	0.255	2.97	0.086*
DUALITY(H_2)	0.000	0.04	0.972
OC (H_3)	-0.008	-0.20	0.844
Control variables			
SIZE	0.029	4.99	0.000***
PROFIT	0.037	2.98	0.003***
LEV	-0.005	-2.32	0.021**
IND	-0.037	-1.80	0.074*
AUDIT	-0.028	-1.32	0.187

All variables are defined in the model specification. *** significant at the 0.01 level (1-tailed) ** significant at the 0.05 level (1-tailed) and * significant at the 0.1 level (1-tailed)

H_2 proposes a positive association independent role of CEO/Chairman and the level of voluntary forward looking information disclosure variable. In Table 3, although the result is in the same direction as proposed in H_2, is found not to be significant (p = 0.971). Therefore, H_2 is not supported. The reported insignificant result between duality roles of CEO/Chairman is similar to earlier studies of Barako et al. (2006) and Cheng & Courtenay (2006). The insignificant result among Thai listed firms indicates that perhaps when CEO and Chairman position are held by different person, the different roles and responsibilities may reduce their power and subsequently result no impact on information disclosure policy of the firms. H_3 predicts that higher ownership concentration is associated with lower level of voluntary disclosure of forward-looking information disclosure. Again, even though the relationship is not highly significant, the direction is negative as expected, providing the modest support to indicate that firms with higher ownership concentration disclose less forward-looking disclosure information. This Insignificant relationship between ownership concentration and voluntary disclosure in this study is also evidenced in those of Eng and Mak (Eng & Mak, 2003), Mangena & Tauringana (2007) and Cerbion & Parbonetti (2007).

In regards to control variables, four variables namely firm size, profitability, leverage and type of industry are found to have significant impact on the extent of voluntary forward looking information disclosure by Thai listed firms. Specifically, firm size is positively associated with higher disclosure of forward-looking information (p = 0.000). The results are consistent with agency theory and a wealth of earlier studies Vu et al., 2011, Hussainey 2011, Barako et al., 2007, Chau & Gray 2010. This result indicates that in Thailand, larger firms are more likely to provide information regards to future aspects. Several reasons are offered. First, larger firms have more financial resources to provide more information (Vu et al., 2011). Second, smaller firms are more likely to bear with competition from the larger firms and thus, in such situations, smaller firms may withdraw their disclosure of information towards of future aspects. Third, as noted by Aljifri & Hussainey (2007), larger firms are more likely to be subjected by public demand for more value-relevant information and thus, managers of those firms are motivated to provide more information of forward-looking aspects.

This study also finds that profitability of firms is associated with higher disclosure of forward-looking information (p = 0.003). This is consistent with results of previous disclosure studies (Wang et al., 2008, Xiao & Yuan, 2007 andGhazali & Weetman, 2006). This could be explained by the fact that more profitable firms are more optimistic about the future and thus, these firms have incentives to provide more future information. Furthermore, more profitable firms may provide more forward-looking information because they want differentiate themselves from the less profitable firms and enhance their competitive advantage from the market. Additionally, the result also suggests that firm’s leverage level is negatively associated with forward-looking information disclosure (p = 0.021). This negative association is similar to Eng & Mak (2003), indicating that firms with higher leverage level tend to provide less information about its future prospects. Surprisingly, this study finds that non-manufacturing firms in Thailand discloses more forward-looking information than manufacturing firms (p = 0.074). The result is contrast with earlier study of Cooke (1992) who reports that manufacturing firms in Japan disclose more information than other sectors. As noted in the study from Alkhatib (2014) that although industry sectors has long been considered as the major determinant of corporate disclosure, the results have been inconclusive. These contradicting results could lead to the implication that the differences in level of forward-looking information disclosure do not only constitute to firm-specific factors but also the diverse disclosure environment across countries.

Conclusions

Financial crisis and corporate scandals around the world have results in a growing attention of the public towards information transparency of the companies. According to Alkhatib (2014), in this uncertain world, investors frequently question the firm's future. If investors make investment decisions on the basis of sufficient information, then low level of information regards to future would potentially lower their confidence and discourage them to enter the market. Due to information asymmetry problems, investors and potential investors are likely to make greater misjudgements of share values that eventually will make it difficult for firm to obtain financial resources. Thus, it is important that the firms well inform investors with the future prospects.

In light of increasing importance on corporate information transparency, particularly forward-looking information, this study contributes to the existing literature in both theoretical and practical senses. The objectives of this study are twofold. First, this study finds that the disclosure score of forward looking information in Thailand is relatively low at 21.37%. There is clearly a room for further improvement of this type of disclosure. Prior studies (Hussainey & Al-Najjar, 2011) suggest that forward-looking information offer value-relevant to investors. Thus, the need to enhance this type of information is imperative to underpin investors' participation in capital markets, especially in an emerging country such as Thailand. Since information transparency helps to improve the liquidity of the market and reduce cost of capital; this study suggests that perhaps regulators should implement it to be mandatory regulations. Moreover, this study finds that the proportion of independent directors on boards, firm size and firm profitability have significant positive impact on the disclosure of forward-looking information of Thai listed firms while leverage reduces the extent of such disclosures. Type of industry is also another determinant of forward-looking information disclosure with non-manufacturing firms in Thailand provide more disclosure than manufacturing firms.

The positive association between the proportion of independent directors on boards and the extent of forward-looking information suggests that the appointment of independent directors on boards can act as an effective mechanism to represent and protect shareholders 'interests. The positive associations between firm size and voluntary disclosure of forward-looking information is similar to earlier studies that suggests larger firms have more resources and the costs of providing such information is cheaper than in smaller firms. Furthermore, it is also consistent with agency theory tenets that suggest larger firms have more agency costs and as such, managers of larger firms have incentives to provide more information to reduce agency costs. This finding offers another perspective in the application of agency theory in emerging markets. Additionally, the positive association between firm's profitability and its communication of forward-looking information is consistent with agency theory's view that managers of more profitable firms may use external reporting as a tool to enhance their personal advantages (Wallace & Naser, 1995, Inchausti, 1997). Firm's leverage has a statistical negative significance with forward-looking information disclosure. This could be interpreted that high leverage firms can be viewed as more risky and as such, managers of these firms are reluctant to provide information to protect themselves from public scrutiny. This could be an interesting finding for investors as they can take a cautious step in their investing if firms disclose insufficient information. Last, the finding of non-manufacturing firms providing more information than manufacturing firms suggest that perhaps in Thailand, the reporting environment is different than those of other countries. This could be the fact that among the sample size, non-manufacturing firms are larger than manufacturing firms and as such, these firms have more resources for providing information and are subjected to public scrutiny so the level of forward-looking information disclosure by these firms are generally higher than manufacturing firms.

Despite its contribution, this study is not without limitation. First, this is a cross-sectional study that focuses solely on 2012 annual reports. However, this is an exploratory study that examines forward-looking information disclosure at a point of time, rather than an examination of its trend. Thus, a longitudinal study is not the focus of this study. Second, this study is only based on annual reports. There are other channels where firms can provide forward-looking information and as such, future study is encouraged to explore information disclosure in different channels such as newspaper, media or website. Third, the study excludes financial firms as they are subjected to different disclosure regulations. Further studies should be done in the banking/financial sector as they may offer other interesting disclosure choices. These limitations are, however, normal and consistent with many other financial accounting studies. Furthermore, despite these above mentioned limitations, the results of this study provides a great contribution to the growing interest of financial reporting in emerging countries by generating important insights into a growing and important nation such as Thailand.

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