

Environmental Disclosure and Stock Market Liquidity of Public Listed Firms in Malaysia

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Abstract

The frequency of environmental disclosure that implemented by public listed firms worldwide had been increased. This is because disclosure of environmental information can enhance the stock market liquidity. The main purpose of this research was to investigate the relationship between environmental disclosure and the stock market liquidity of public listed firms in Bursa Malaysia in of bid-ask spread. Disclosure of environmental information was measured by using content analysis of word counts in annual reports. 456 companies were selected as the final samples in year 2016 had been investigated. The financial data were collected from Data Stream by Thomson Reuters while non-financial were gather from the annual reports. After accounting for control variables such as firm leverage, firm size and market to book ratio, the results showed that there has relationship between environment disclosure and stock market liquidity. Environmental disclosure had positive significant relationship with bid-ask spread. This suggested that high disclosure level of environmental disclosure helped the public listed firms to increase the stock market liquidity and enhance investors in making investing decision due to increase in firm's transparency. For the future research, this paper recommended to extend the study by using other variables such as trading volume and stock volatility as other measurements of stock market liquidity and apply longitudinal study.

Keywords: Environmental, disclosure, liquidity, bid ask, spread, Malaysia

1.Introduction

Nowadays, environmental disclosure has been emphasized by the public listed companies in foreign country as well as Malaysia. Despite the fact, disclosure of environmental information has been extensive trend in small, medium and large firm in worldwide but not all have addressed this matter in their annual report that found by Sahay (2004) and Chan and Welford (2005). There is a study from the Institute for Environmental Management which manage by accounting firm from KPMG Malaysia (Kolk, 2000) which shows results that 35 % of the world's 250 largest corporations had issuing environmental reporting in their annual report. Malaysia is one of the countries that have experienced issues in environment throughout the development of technological and growth of economic. However, Malaysian listed firm did not have much environmental reporting practices compare to other countries as Bursa Malaysia did not regulate that the information of environmental must contain in annual report.

Environmental reporting practice in annual report is important because it can attract investor to make transaction. This is because rich informational will reduce information asymmetry and adverse selection problems which increase the willingness of investor to trade