

EFFECTIVENESS OF THE NEW CORPORATE
GOVERNANCE REPORTING IN MALAYSIA FROM
SHAREHOLDERS' PERSPECTIVES

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Reporting in Malaysia from Shareholders'
Perspectives

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LIST OF ABBREVIATION

AR	Audit and Risk Management
BD	Board Diversity
BI	Board Independence and Responsibility
BURSA MALAYSIA	Bursa Malaysia Securities Berhad
CA1965	Companies Act 1965
CA2016	Companies Act 2016
CARE	Comprehend, Apply and Report
CCM	Companies Commission of Malaysia
CEO	Chief Executive Officer
CLRC	Corporate Law Reform Committee
CR	Corporate Reporting and Disclosure
CS	Communication with Shareholders
MCCG 2017	Malaysian Code on Corporate Governance 2017
SPSS	Statistical Package for the Social Sciences
SC	Securities Commission Malaysia

ABSTRACT

EFFECTIVENESS OF THE NEW CORPORATE GOVERNANCE REPORTING IN MALAYSIA FROM SHAREHOLDERS' PERSPECTIVES

Chan Wai Man

This paper provides various theories of corporate governance in the attempt to explain the new corporate governance reporting in Malaysia from shareholders' perspective. In year 2017, Malaysia introduced Companies Act 2016, revised Main Market Listing Requirement and Malaysian Code on Corporate Governance 2017 which were released by Companies Commission of Malaysia, Bursa Malaysia Securities Berhad and Securities Commission Malaysia. The purpose to reform of the new corporate governance reporting is to promote greater internalisation of corporate governance culture, transparency, business efficiency, quality of disclosures and safeguard the shareholders' interest. Thus, this paper aims to examine the effectiveness of the new corporate governance reporting in Malaysia from shareholders' perspectives. This study finds that Board Independence and Responsibility, Corporate Reporting and Disclosure, Audit and Risk Management, Communication with Shareholders and Board Diversity are the most significant in influencing effectiveness of the new corporate governance reporting.

CHAPTER 1

INTRODUCTION

1.0 Introduction

Chapter One has been divided into seven components. The first component presents the research background to give an overview of corporate governance and to understand shareholders' perspectives. Next, the second component is problems statement. Subsequently, research objectives will be discussed to determine the purpose of carrying out this study and followed by research questions. In the fifth component, hypotheses of the research will be developed after analyze and evaluate all relevant literature. In addition, significant and contribution of the research will also be determined. Lastly, the last component "chapter layout" will summaries every chapter of the study and allow the readers have unequivocal understanding relating to this study.

1.1 Research Background

Corporate governance plays a very critical position in the country's development particularly in enhancing corporate governance practices and the disclosure standards with the ultimate objective of protecting the shareholders' interest. In year 2003, Corporate Law Reform Committee ("CLRC") was established by Companies Commission of Malaysia ("CCM") as part of strategic direction to take the lead on the review of the Companies Act and establish a dynamic regulatory environment for business in Malaysia so that the corporate governance can in line with the global standards (Koh, 2017).

Effectively starting from year 2017, there is an introduction of Companies Act 2016 ("CA2016"), revised Main Market Listing Requirement ("MMLR") and Malaysian Code on Corporate Governance 2017 ("MCCG 2017") which were released by

CCM, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and Securities Commission Malaysia (“SC”). According to Philip Koh (2017), CLRC have integrated stakeholders’ recommendations and undertook various cross-jurisdictional benchmarking studies that have a similar corporate framework as Malaysia such as United Kingdom, Singapore, Australia, Hong Kong, New Zealand. He further pointed out that the new CA2016 has come into force with effect from 31 January 2017 to replace the existing Companies Act 1965 (“CA1965”), which has governed for over 50 years the rules and framework of business organization and it has been more than half a century.

However, the objective of revising and incorporating the new provisions and amendments of the Companies Act in Malaysia is to provide a regulatory framework to facilitate starting a business, reduce cost of doing business, to accord protection for the directors and all stakeholders of a Company, to enhance internal control, corporate governance and corporate responsibility and also to provide the flexibility in managing affairs of companies and simplification of compliance provisions.

In order to align with a revamped CA2016 that came into effect on 31 January 2017, Bursa Malaysia also announced that there are many revisions to the MMLR as part of its ongoing efforts to ensure the continued relevance and effectiveness of its listing requirements and it will effective from 2 January 2018. The following are the key changes have been made to the MMLR:

- Every public listed company is compulsory to furnish a summary of using an implementation of MCCG’s Principles in its Annual Report (“CG Overview Statement”)
- Every public listed company is compulsory to reveal the implementation of each Practice inside a prescribe format (“CG Report”) that specify in MCCG and make necessary announcement to Bursa Malaysia together with its Annual Report

With the new changes in MMLR, all the Companies are compulsory to disclose their application of the MCCG’s corporate governance practices in their annual

reports effective from financial year ending on or after 31 December 2017. The new corporate governance reporting is set to promote transparency, strengthen the corporate culture, business efficiency, quality of disclosures and safeguard the shareholders' interest. Furthermore, the new Malaysian code and rules also introduced substantial changes and recommendations with a view of raising the standard of corporate governance of companies in Malaysia.

In line with MMLR, SC has issued the new MCCG 2017 in April 2017 to align with the corporate governance disclosure requirements and to promote greater internalization of corporate governance culture. The MCCG was firstly launch in the year 2000 and it was modified two times in the year 2007. Subsequently, SC had in year 2012 released MCCG 2012 to make sure that its principles and recommendations were aligned with market development and business practices. After five years, SC then came out with the latest revised code in year 2017 to encourage all the companies to embrace with the new MCCG 2017 on corporate governance to enhance their accountability, transparency, and sustainability. The MCCG 2017 comprises of 36 practices which support by the three main principles namely board leadership and effectiveness; effective audit and risk management and integrity in corporate reporting and meaningful relationship with stakeholders.

The new key sticking point for MCCG 2017 is to introduce the Comprehend, Apply and Report (CARE) approach, and to replace the obsolete “comply or explain” approach to “apply or explain an alternative”. The objective to introduce these new features is mainly encourage those large companies and listed companies to put more thought and consideration when adopting and reporting on their corporate governance practices. However, small and medium companies are also encouraged to abide with the new disclosures and practices. Furthermore, the MCCG 2017 adopts a differentiated and proportionality approach in the application of the code taking into account the differing sizes and complexity of listed companies. Besides that, another new dimension introduces in the code is the ‘Step Up’ practices that encourage companies to go further in achieving corporate excellence and inspire the companies to reinforce their Corporate Governance practices (Khor, 2017). All the companies are also encouraged to report their adoption to the *Core* practices on

an ‘*apply or explain an alternative*’ basis, and also better thought procedure in adopting the practices as well as making transparency disclosures.

1.2 Problem Statement

Nowadays, there are many incorrect disclosures provided by the companies and it is difficult to discover and identify. Even though some of the disclosures are correct but it might still consist of some hidden information that difficult to track (Kraakman, 2004). Therefore, it is important that the academic researcher should highlight to the Company on the importance of integrity and precise disclosure as it might directly or indirectly affect the shareholders’ interest (Fasterling, 2006).

According to the Asian Development Bank (2013), Malaysia’s companies have a lack of information and weak corporate governance reporting practice especially on the reporting area of Board Independence, Board Diversity and also Board Structure. Furthermore, as illustrated in Table 1.1 on the corporate governance disclosure analysis in the Annual Report showed the percentage score in the year 2016 was average and there are rooms for improvement. Moreover, as reported by the Asian Development Bank (2017), the overall corporate governance scorecard shows that Malaysia is ranked behind Singapore and Thailand. The report also pointed out that Singapore and Thailand are developing countries and they have set higher governance than Malaysia.

Table 1.1 Analysis of Corporate Governance Disclosure in Annual Report

Score	Year 2016 (Average %)
Principle 1 – Establish clear roles and responsibilities	68.80%
Principle 2 – Strengthen composition & LR15.08A	65.30%
Principle 3 – Reinforce Independence	81.60%
Principle 4 – Foster Commitment	76.20%
Principle 5 – Uphold Integrity of Financial Reporting	68.10%
Principle 6 – Recognise and Manage Risks	62.00%
Grand Total	68.70%

Note. Adapted from Bursa Malaysia (2016). Analysis of Corporate Governance Disclosures in Annual Reports.

As mentioned by Khor (2017), these days shareholders not only look at the profitability and aggressive growth in the Company, the Company should drive the business in a sustainable direction. This is because majority of the shareholders are seeking for better corporate control and governance system that can boost up their confidence level and safeguard their investment (Chee, 2016). Thus, the opinions from shareholders towards the effectiveness of the new corporate governance reporting are one of the important elements in the developing the corporate governance in Malaysia.

Therefore, in order to reform Malaysia's governance framework and disclosure, SC has released out the new MCG 2017 as guidelines and best practices for the Companies to undertake and comply with the recommendation that stated in the Codes. Thus, this research study will be conducted by shareholders to inspect their perspectives on the new corporate governance reporting.

1.3 Research Objectives

Primary aim of conducting this study is to evaluate shareholders' perspective towards the new corporate governance reporting in Malaysia and to enhance the transparency, build and control the companies and capital market move towards the good corporate governance practice. Besides that, this study also aims to evaluate the existing corporate governance practices used by the Malaysia's companies and analyze shareholders' expectation level and satisfaction level towards the corporate governance practices in Malaysia.

1.4 Research Questions

The following research questions were set derived from the above problem statement and research objectives:

- 1) Does the board independence and responsibilities affect the relationship to shareholders' perception towards the new corporate governance reporting?
- 2) Does the corporate reporting and disclosure responsibilities affect the relationship to shareholders' perception towards the new corporate governance reporting?
- 3) Does the audit and risk management affect the relationship to shareholders' perception towards the new corporate governance reporting?
- 4) Does the communication with shareholders affect the relationship to shareholders' perception towards the new corporate governance reporting?
- 5) Does the board diversity affect the relationship to shareholders' perception towards the new corporate governance reporting?

1.5 Significance of the Study

At present, weighing corporate governance has become one of the important consideration factors for shareholders on deciding their investment in a company. However, the companies might need to takes times to adopt the new transform and evolution of the new corporate governance reporting. Companies should find out more independent view and comments from shareholders to effectively raise the standard of corporate governance. The key stakeholders are stated as below who can provide a significant contribution to Company:

- The Regulators – CCM, Bursa Malaysia and SC
- Listed and Non-Listed Companies
- The Directors
- Secretaries
- Principal Officers
- Shareholders
- Other Stakeholders

Furthermore, development of literature on analyzing and measuring corporate governance practices are also become one of the critical elements that enhance the level of corporate governance reporting. According to Horwath 2002, one of the most common technique to analyze corporate governance practices is to review company's annual reports. However, the researcher highlight that it is essential to have an investigation on the evolution and growth of an appraisal tools that can verify the accuracy and reliability of the information that disclosed in the annual report and also be conscious of the importance of evaluating the actual application of corporate governance.

Thus, the new MCCG 2017 adopted the CARE approach and proportionate application according to companies' size, complexity, and quality. SC inspired all corporations to adopt the practices as explicit in MCCG 2017 so as to reinforce internationally recognized standards, corporate governance practices and catapult

Malaysia companies to be in line with international standards of governance ("SC Releases New Malaysian Code", 2017).

The final results of this research study facilitate the regulators, stakeholders and shareholders to have more understanding on the determinant that can enhance the development of corporate governance and determine the effectiveness of the new corporate reporting among the companies in Malaysia.

1.6 Chapter Layout

During this analysis study, there are five chapters going to be assessed and a quick outline of every chapter is stated as below:

Chapter 1: Introduction

It is an introductory chapter and provides the background of the study and overview of the new corporate governance reporting from shareholders' perspective. Moreover, this chapter will also discuss on the research background, problem statement, research objective, research questions and also significance of study. At last, a concise conclusion is bestowed at the tip of this section.

Chapter 2: Literature Review

In the second chapter, it provides an in-depth literature review that further explained and discussed on the theoretical framework such as shareholders' perception, board independence and responsibility, corporate reporting and disclosure, board diversity, audit and risk management and communication with shareholders. After that, hypotheses will be developed in this chapter. A brief outline of the entire chapter is concluded at the end of the section.

Chapter 3: Research Methodology

Chapter 3 highlighted the methodology used in this study and explain the process how the study is being guided. The methodology includes research design, data collection method, sampling method, research tools, measurement scale, course of events and data interpretation. A compendious conclusion is bestowed at the tip of this section.

Chapter 4: Research Results and Interpretation of Results

In this chapter, it covers the results of the statistical analysis carried out by Statistical Package for the Social Sciences (SPSS) version 17.0 software. The research questions and hypothesis are being tested and the appropriate result is provided through examine measurement scale, descriptive, factor analysis, reliability test and multiple regression analysis. Finally, a brief outline is provided at the tip of this section.

Chapter 5: Discussion and Conclusion

In the last chapter, it provides the statistical summary, comprehensive debates on the outcome, recommendation, study implication and research limitations also will be discussed in this chapter. Last but not least, a brief and comprehensive conclusion of this research study is bestowed alongside with the conclusion in this chapter.

1.7 Conclusion

Lastly, this research study primarily focuses pertaining to shareholders' perspective toward the new corporate governance reporting in Malaysia. To continue with this research project, few variables is being tested and the connection between new corporate governance reporting and shareholders' perspective is being identified and it is being carried out in the later section.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

The term “corporate governance” is frequently used but lacks a specific definition. (Low, 2000). According to H. Kent Baker and Ronald Anderson (2010), they defined corporate governance as “the way in which a corporation is directed, administered, and controlled by way of system of rules, practices, and processes”. They further stated that corporate governance likewise concerns the relationships between various internal stakeholders and external stakeholders involved as well as the governance processes designed to help company achieve its goals and those mechanisms and controls that are designed to reduce or eliminate the principal-agent problem.”

Basically, corporate governance relates to the equilibrium the interests between the Company's stakeholders such as directors, government, shareholders, customers, suppliers, and the community. In order to achieve Company’s objectives, corporate governance has set a framework for the Company to enhance the long-term shareholders’ value and interest. Hence, every sphere of management and stakeholders should involve fully discharge on its respective roles and responsibilities to develop a strong and credible environment ("Corporate Governance Practice", 2018).

An effective corporate governance plays a very critical part in the development of the country. Hence, the Board, Chief Executive Officer (“CEO”), Senior Management and Shareholders are required to have a clear understanding on their respective roles and key responsibilities, connection between other corporate stakeholders together share their goals and build the long-term value (Business Roundtable, 2016). Furthermore, the Board is the “tone at the top” to lead and direct

the Company to strike for its commitment to integrity and high standard of legal compliance.

Moreover, corporate governance has become the improvement the long-term shareholder value together of safeguard the shareholders' interest. However, corporate governance is more focus on the board composition and roles and responsibilities, the independence of audit committee and control management. Hence, corporate governance can be defined as pervasive thought, which primarily focus on corporate practices. Such general notion encompassing the connection and shareholders' right with the board and other stakeholders; effective audit and risk management; management transparency and accountability to the stakeholder's group and entire corporate practices that aim to achieve the Company's objectives.

In full-term, corporate governance is defining as technique, formation and the procedures of a company in which the business and affairs of the company are being administrate and directed. Corporate governance also strengthens the long-term shareholder value by the process of accountability of managers and by improving the company's performance. It also eliminates the conflict of ownership and control by separately defines the interest of shareholders and managers (Khan, 2011).

According to Dr. Melih, corporate governance can also be defined as an art of management, which offers a well-organized top-down communication between all abovementioned participants in a company. It is a widely held view that well-organized corporate governance is one of the main conditions to the success of corporations and, in parallel with this, for the effective functioning of financial markets. It provides some advantages to both corporations and financial markets (Yildirim, 2015).

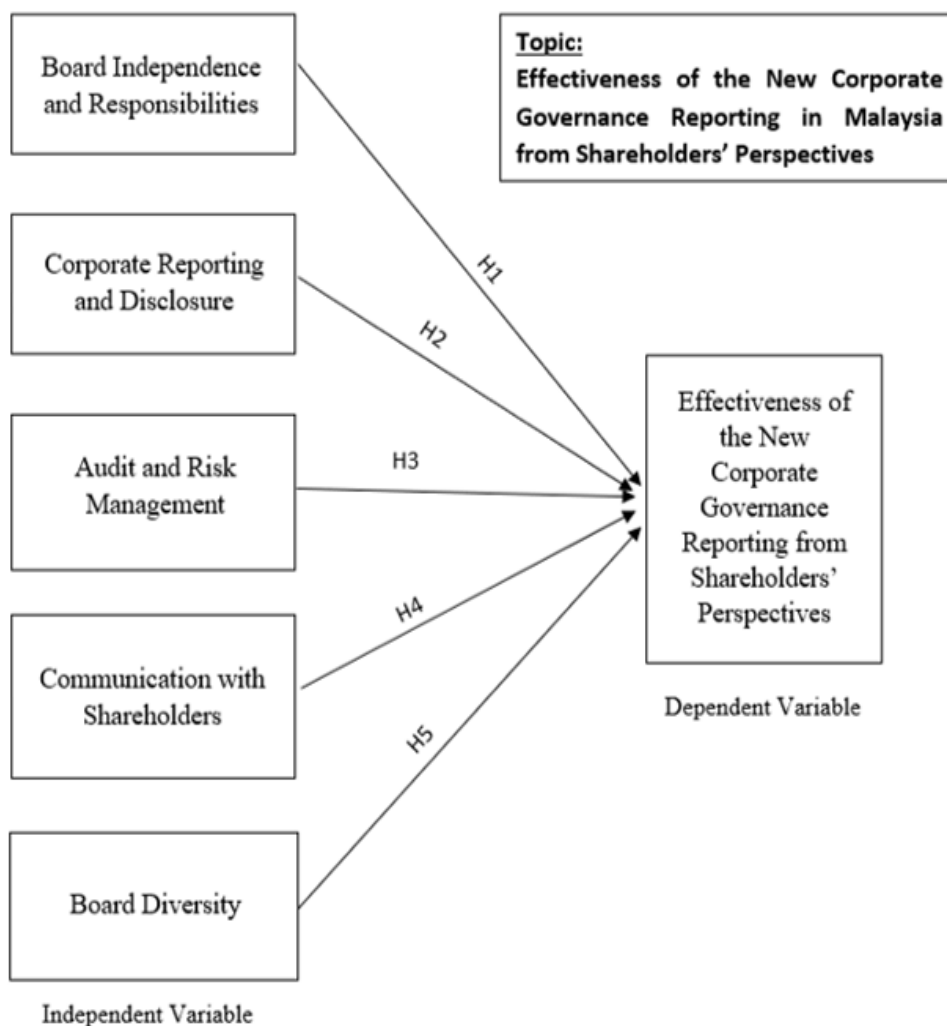
Moreover, corporate governance has become a commonly used term and is often seen as a criterion to prevent business failure. The substantial growth of interest in corporate governance has spurred much academic research and public discourses (Yong, 2017). However, even with the huge volume of research, but until now there do not have any common and generally acknowledge definition for corporate

governance. It would seem that there is the difference in the views of what constitute corporate governance best practices according to the difference in countries and their corporate culture.

2.1 Proposed Theoretical Framework

A conceptual framework is being constructed as illustrated under Figure 2.1 shows the relationship between the effectiveness of the new corporate governance reporting from shareholders' perception and Board Independence and Responsibility, Corporate Reporting and Disclosure, Audit Committee and Risk Management, Board Diversity and Meaningful Relationship and Communication with stakeholders.

Figure 2.1: Effectiveness of New Corporate Governance from Shareholders' Perspective



Note: Developed for the research

2.2 Concepts/Construct

2.2.1 Effectiveness of New Corporate Governance Reporting from Shareholders' Perspectives

A shareholder is somebody or other institution that possess of a minimum of one share of a company's stock (Investopedia contributor, 2018). Shareholders are the company's owners and they have the right to participate and vote at the Shareholders' General Meeting, inspect on books and records and to receive dividend that declared by the Company. According to Othman & Borges (2015), shareholders' participation and responsible actions has become one of the significant elements to uphold corporate governance culture and increase effectiveness of market discipline. Besides that, many academic scholars have agreed that protecting shareholders is also one of the ways to promote effective corporate governance (Huei, Ken, Kwong, & Shrives, 2012; Gantchev, 2013).

On the other hand, the word "perception" has no common definition and it was drawing from few theories that have been put across. Tyre (1995) pointed out the internationalists stressed that contradistinction between perception and beliefs as the intentional theory of perception. In line with this theory, beliefs represent the aboutness or what the philosophers of mind call intentionality. Intentionality specifies the aspects of the world that a belief is about and it is a necessary attribute of the mind which describes the property that certain mental states have of representing or being about certain aspects of the world (Otieno, 2014)

Arsalidou & Wang (2015) highlighted that minority shareholders have greater chance to receive unfair treatment and least protection due to their small influencing power within the Company. Hence, effectiveness of the new corporate governance reporting can determine

shareholders' expectation to the Company and it also enhance the shareholders' confidence level. Moreover, the effective corporate governance also needs to create a harmonize practice internationally and bring awareness on the surveillance, enforcement and advocacy (Mohamad & Muhamad Sori, 2011).

2.2.2 Board Independence and Responsibility

Board independence and responsibility became the important reporting element that determine the effectiveness of corporate governance. The Board should have a clear understanding on their roles and responsibilities in order to discharge their fiduciary duties and provide oversight of the Company's operation. The position of Chairman and CEO should hold by different persons to promote accountability and facilitates division between them (Malaysian Code on Corporate Governance , 2017). Furthermore, when dealing with any transactions in the Company, the directors should stand in the position of shareholders' interest to provide an independent judgment and make a wise decision. Moreover, the Board should also ensure the Company had formalize the ethical standards through a code of conduct and ensure compliance with it at all times.

According to MCCG 2017, minimum half of the board of directors should be independent directors and undertake independent assessment annually. An independent director should free from any relationships and any business, either directly or indirectly with the Company that may interfere their abilities to provide independent judgment during decision making. The researcher noted that most of directors have make use of their own standards for evaluating independence. Nonetheless, the board should always premeditate all pertinent facts and situations first before making any decisions. For instance, the company constantly comprise of apparent business rapport and substantial assistant from some companies such as supplier or non-profit institution. However,

the board should always stand in shareholders' shoes to carry out their fiduciary duties effectively, make an independent judgement and always act in the best interest of shareholders and company. Thus, once the decision is made, the board should always keep the shareholders informed on any updated transaction or dealings in the company.

Besides that, shareholders also concern about the independency level of the directors and worried whether the directors can act independently to manage the company. As stated in MCCG 2017, an independent director should not serve the company more than nine years. Upon completion, an independent director should seek for shareholders' annual approval to continue serve as independent director or else he may change his status as a non-independent director. However, if the board would like to retain those independent directors who serve more than 12 years, the board should follow the new requirement which pass through two-tier voting process. Under the two-tier voting process, minority shareholders will have same strength and power as compared to the large shareholders who hold more than 33% of the share capital of the Company (Kok, 2017). However, the enduring retention of an independent directors and those who have close acquaintance with the company may erode the board's impartiality and justice. As such, the independent director may be too compassionate to their benefits or too accepting of their job (Malaysian Code on Corporate Governance , 2017).

Next, board of directors should always assist by a capable and proficient company secretary and allow them to provide guidance and recommendation to the Board. Moreover, the company secretary should make sure the company and directors are always following proper to rules and procedures and encourage the Board to adopt on the best practice of corporate governance. Being a suitably competent Company Secretary should always be ready with her own wide skills, expertise, professionalism, competency and experience to carry out her

functions. Furthermore, the Company Secretary should also comprise of wide range of skill in such as company laws, accounting, finance, and government policies and procedures. Besides, Company Secretary ought to always keep themselves updated and upgraded by undertake some trainings and continuous professional development as the Bursa Securities considered the trainings crucial to enable the Secretaries to effectively discharge their duties.

2.2.3 Corporate Reporting and Disclosure

Nowadays, corporate reporting and disclosure has become important considerations factors for investors to make better choices and whether or not to invest in the Company. Quality Disclosure can be defined as the investor's belief that the fluctuation in share prices is depending on the Company's disclosure (Diamond & Verrecchia, 1983). Hopkins (1996) defines quality disclosure as the information that can be easily understood, read and interpreted by current and potential investors. However, corporate reporting and disclosure is a communication of financial information that assists investors have more understanding to the company's business affairs and hence, reduces the gap between the company and investors. Thus, the Board should make sure the Company has proper and adequate corporate reporting guidelines and procedures.

Moreover, agency theory implies that enhance in the company's reporting level can assist the company to avoid on the potential pressures from regulatory authorities. Thus, in Malaysia, regulatory authorities adopted comprehensive disclosure method to improve the quality of disclosure. Besides that, Anon (2001) also cautioned the consequences to those developing countries who adopting of poor corporate governance practices, as it may cause the shares of company to be sold for billions of dollars which less than what they ought to if they had followed the good corporate governance practices and

policies. According to Miller (2002), there is a significant increase in Russian firms' share prices who adopted and implemented to the corporate governance reforms.

Today, annual report has become the most effective means of communication to all shareholders. Shareholders able find out all the non-financial or financial information about the performance of a company. As stated in MCCG 2017, individual directors are required to detail disclose on their remuneration in named basis and stated it in the company's annual report. The remuneration can be breakdown such as fees, salary, bonus, benefits-in-kind and other allowance. If the company provide detailed disclosure to shareholders, it allows them to have sufficient information to make judgment and wise decision during voting on the resolutions that provided by the company. However, in term of directors' remuneration package, shareholders should take into consideration of the directors' responsibilities and job scopes in the company.

Other than that, the board are also strongly encourage to reveal the information of the top five senior management's remuneration component in named basis which includes salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000. The disclosure of measurement of remuneration allows shareholders to comprehend the connection between company's performance and senior management remuneration. It enables the shareholders to make judgement on whether the remuneration package is equitable and able to fascinate and reserve talent. Not only that, the Board should always make sure that director and senior management remuneration policy and procedures are periodically commentary and posted in the company's website.

Full disclosure practices have enhanced the transparency in financial reporting and also boost the investors' confident level to the Company. It is the management's responsibility to build, sustain and periodically

review internal control and financial reporting in the company. Integrity and transparency on full revelation of information are driving forces for the success of businesses and sustainable performance and helps to maximize shareholders' wealth (Banupriya & Vethirajan, 2015).

2.2.4 Audit and Risk Management

Audit Committee is given full mandate in monitoring a company's governance structure and provides oversight of auditing process relating to the company's financial reporting. An effective Audit Committee need to make independent judgment, bring transparency, focus to oversee the financial reporting process. Furthermore, Audit Committee is in a good position to show independence, stringently challenge and query on the company's financial status, reporting and disclosure process, internal control and compliance level of the company. Thus, the Audit Committee Chairman plays a key dominant role in the company, he cannot be the Board's Chairman and must solely comprise Independent Directors.

According to the past studies, it pointed out that there are two methods to greater overseeing the independence of the audit committee. First, independent directors do not have economic or psychological ties to the management so they can exercise their ability to raise question to the management on the any suspicious activities or transactions (Baysinger & Butler, 1985; Carcello & Neal, 2000). Secondly, independent audit committee members have distinct motivation for better supervise of reputational capital development and preservation.

In additional, MCG 2017 stated that all members of audit committee are prospective to be knowledgeable, financially literate, possess a clear mind and comprehension on the company's affairs. Audit Committee should possess adequate standard of understanding, technique,

experience and undertaking of every member to discharge its responsibilities effectively. Empirical evidence proves that financial expertise of audit committee increases the quality of financial reporting (Felo, Krishnamurthy, & Solieri, 2003). In order to enhance the quality of Audit Committee, the Audit Committee should possess a strong knowledge in financial reporting process from different point of view. Besides, Audit Committee should always make sure that the financial statements comply with financial reporting standards and ensure the financial reporting and statements furnish a true and fair view status and function.

Audit committee should always portray the importance of audit committee function to make sure that its corporate governance towards the shareholders. Moreover, the role of audit committee is to liaison and evaluate the aptness and independence of external auditors, ensure internal audit function is effective and able to function independently, monitor the reliability of financial statement and company's performance and review the effectiveness of internal control and risk management of the company.

Next, Risk Management Committee also play an important role on identifying threats and opportunities. The Risk Management Committee should comprise majority of independent directors to oversee Company's risk management framework. In addition, the risk management committee should able to identify the risk tolerance level and monitor the key business risk. An effectiveness of the governance formation and procedures, risk management and internal assessment in the corporation and its business operation can drive the company move toward success and sustainable. (Malaysian Code on Corporate Governance , 2017)

2.2.5 Communication with Shareholders

Every stakeholder community has a unique and evolving set of cultures, expectations and perceptions (Bourne, 2016). Stakeholders includes shareholders, employee, suppliers, customers, communities and government. In order to establish confidence, reliability and understanding between the company and its stakeholders, ongoing engagement and communication with stakeholders' is crucial for the Company. These provides the shareholders have better understanding on the company's vision and mission as well as enhance the management's quality. Besides, it also helps to facilitate and educate the shareholders on how to exercise their votes and evaluating the company's performance. From the company's point of view, it provides a chance to obtain the valuable feedback from shareholders and can be employed to comprehend shareholders' expectations and formed business strategies.

Besides that, the Company should also make sure shareholders are provided sufficient time and notice with minimum 28 days prior to the targeted meeting to consider those resolutions that are going to table during the Annual General Meeting. Furthermore, the Board should also provide detailed explanation in the notice enables the shareholders able to exercise their voting rights. Additionally, the Board should ensure the presence of all directors and have dialogue with shareholders. This provide opportunity to the Company to boost effective communication and proactive engagements with shareholders and also take into consideration on their concerns when making decisions.

Next, the Company should adopt integrated reporting based on globally recognized framework to promotes greater transparency and accountability. The Board should ensure there is effective, transparent and regular communication with its shareholders. The Company should

enhance the proceedings of General Meeting and upgrade its company's technology to provide a chance for shareholders to take part in the meeting and at the same time increase the shareholder's participation.

2.2.6 Board Diversity

The Board should ensure the selection of board member and senior management is refer to the goal criterion, accomplishment and also include the consideration for diversity in technical ability, understanding, experience, age, cultural history and gender. However, board composition should support objective and independent deliberation. During the recruitment process, the Company should also take consideration make sure female applicant are able to take part into recruitment exercise for board and senior management positions. The Board should use different approaches and sources to identify the most suitably candidates.

➤ Skill, Knowledge and Experience

An effective board should contain with the right persons who possess an adequate technical skills, knowledge, experience and independent factor that meets vision and mission of the Company. Moreover, board structure will also affect board's ability to perform its oversight responsibilities. The right board structure will ensure adequate diversity and independence of a director that can prevent 'groupthink' or 'blind spots' in the process of making decision. These allows the directors have well preparation with full equip to respond to questions that may appear.

➤ Gender

Nowadays, board gender diversity has become a trended issue in the corporate world. It provides constructive debates on whether women representation on Boards will lead to better strategic decision. Perrault (2015) emphasize that women directors shows more active and better independency as compared to male directors. According to the past studies, there is a positive relationship between a female as one of the directors and company's presentation (Adams & Ferreira, 2009; Catalyst, 2008). Fondas & Salsalos (2000) also stated that former research has recorded that the existence of female director as one of the directors would improve the independency among the directors. In addition, female director also plays a part to devote knowledge and experience, to raise the quality of corporate governance in boardroom by suggesting distinct angle of opinion during discussion, cause a board have better interaction and communication (Ruigrok, Winfried, Peck, & Tacheva, 2007), and even more focus on their part as director by preventing political performance that lead to improve the promptitude of board (Singh, Terjesen, & Vinnicombe, 2008). Furthermore, female director is more attentive and willing to allocate more time and effort in monitoring activities. Hence, female on board would generate many advantages to the investor and appear to be moderate the chances of requisition by offer their part effectively within the Company.

According to MCCG 2017, large companies are mandatory to consists of minimum 30% female directors in the Board while other listed companies are also advised to work towards together to accomplish this target. Besides that, women's participation should also expand to senior management position together with the same benefits apply and not just focus only for board position. The board should adopt the methods of talent pipeline for board candidacy and

use a different ways and sources to identify the most appropriate candidates such as the use of independent search firms, directors' registry and open advertisements.

➤ Foreign Director

Board diversity also including citizenship and retention of the board of director. Foreign board existence would help to provide superior company's presentation. This is mainly because of the evaluation and monitoring process were conducted and undertake by foreign director and this also improve the independency of the board of directors by lower down the requisition and limit down the authority of present board members (Oxelheim & Randoy, 2002). According to Choi, Parl, & Yoo (2007), they highlighted that foreign directors has been recognized as one of the important elements in corporate governance and foreign directors able to provide different suggestion and ideas, technical experiences, distinct thought, heterogeneity and cultural background (Ararat, Aksu, & Cetin, 2010).

2.3 Hypotheses Development

Based on the research questions, to what extent does the new corporate governance reporting becomes more effective and transparent. The hypotheses for this study are as follows:

H1: The extent of the board independence and responsibilities is positively associated with the shareholders' perspective towards the new corporate governance reporting.

Board independence and responsibility are one of the significant components to develop the long-term success and deliver the sustainable value to its stakeholders. Hence, new MCGG 2017 had introduced 3 principles and one of the principle is to emphasize on the Board Responsibility, Board Composition, and Remuneration. Most of the studies highlighted that board size, independence, leadership, attributes and board meetings are the main components that influenced the company's performance (Cosken & Sayiliar, 2012). The Directors are prospected to perform better alertness, question the suspicious dealings or transaction in understanding and forming the strategic position of the Company.

According to MCGG 2012, it has set a tenure restriction of 9 years for independent directors, if the director wishes continue to extend his services in the company, then shareholders' annual approval is required. However, under new MCGG 2017, the tenure limits remain unchanged, and it is mandatory to get shareholders' annual approval from directors' service for more than 9 to 12 years. Starting from 13th year onwards, companies are required to get shareholders' approval through two-tier voting process. Under tier-1, it consists only large shareholders who hold voting shares more than 33 percent of the total issued capital, and the remaining shareholders will be under tier-2. Both tiers must obtain the approval from shareholders then the resolution only considered passed. However, if only one tier vote "For" for the resolution and another tier vote "against" for the resolution, then the resolution is considered not passed. The purpose of this limits of tenure of independent directors is that shareholders are concerned that the directors' long tenure and familiarity with the business may impact his independence and erode the board objectivity (Khor, 2017). This is the reason why the new codes encourage the directors go after he or she has served for more than 9 years (Khor, 2017). Hence, the researcher believe that the extent of the board independence and responsibilities is positively associated with the shareholders' perspective towards the new corporate governance reporting.

H2: The extent of the corporate reporting and disclosure is positively associated with the shareholders' perspective towards the new corporate governance reporting.

Several studies suggest that sufficient and quality disclosure provided by companies can restore and improve the degree of accountability and transparency of an organization (Akhtaruddin et al., 2009; Campbell & Abdul Rahman, 2010; Ghazali, 2008; Wahab, How, & Verhoeven, 2007). In order to promote transparent corporate governance reporting, voluntary acts from within, based on sincerity, rather than conforming to an external requirement are crucial. The MCCG 2017 demand the Companies to reveal the breakdown of the remuneration for every board member, which include directors' fees, directors' salary, bonus and other emoluments. Furthermore, key senior management as well need to disclose their remunerations in bands of RM50,000 in the annual report.

As mentioned earlier, those developing countries who adopting of poor corporate governance practices, as it may consequence of their shares prices drop and the shares of company to be sold for billions of dollars which less than what they ought to if they had followed the good corporate governance practices and policies (Anon, 2001). Moreover, past studies also highlight that there is a significant increase in Russian firms' share prices who adopted and implemented to the corporate governance reforms (Miller, 2002). Hence, the researcher believe that extent of the corporate reporting and disclosure is positively associated with the shareholders' perspective towards the new corporate governance reporting.

H3: The extent of the audit and risk management is positively associated with the shareholders' perspective towards the new corporate governance reporting.

According to Felo, Krishnamurthy & Solieri (2003), they mentioned that the empirical evidence proves that financial expertise of audit committee increases the quality of financial reporting. In order to enhance the quality of Audit Committee, the Audit Committee should possess a strong knowledge in financial reporting process from different point of view. Besides, Audit Committee should always keep

themselves independent and make sure that the financial statements comply with financial reporting standards and ensure the financial reporting and statements furnish a true and fair view status and function. Besides that, Risk Management Committee also play an important role on identifying threats and opportunities. The Risk Management Committee should comprise majority of independent directors to oversee Company's risk management framework.

Recently, Bursa Malaysia had issued out one of the amendments to the Main Market Listing Requirements ("Main LR") related to sustainability statements in annual reports ("Sustainability Amendments"). The amendments take effect from 31 December 2016 to 31 December 2018. The main Listing Requirements were amended to require the disclosure of a "Sustainability Statement" covering material sustainability matters: "a listed issuer must include in its annual report, a depiction statement of the listed issuer's management of material economic, environmental and social risks and opportunities". The amendments provide that companies filling a sustainability report based on the Global Reporting Initiative (GRI) Guidelines are automatically compliant. The amendments are accompanied by a Sustainability Reporting Guide and Toolkits issued by Bursa Malaysia, guidance in which the GRI is strongly referenced. However, the principles such as materiality are based on the guidance of the GRI Guidelines. Thus, the researcher believe that extent of the audit and risk management is positively associated with the shareholders' perspective towards the new corporate governance reporting.

H4: The extent of the communication with shareholders is positively associated with the shareholders' perspective towards the new corporate governance reporting.

It is important that the company to have a better understanding and relationship with their shareholders. Both formal and informal relationship element is one of important sources to effectively communicate and manage with the shareholders. The ownership of listed companies is very concentrated and typically the ten largest investors control around one-third of their shares. Although these shareholders are also those most likely to vote, their greatest influence on companies is through their direct relationships and private

meetings with key members of the board. These are a key component of corporate governance, but are not consistently effective in dealing with under-performing companies, nor are investors outside the top ten or 20 fund managers in the UK often involved. Company's performance may impact by these relationships, hence the company and shareholder should always equilibrium the clear visible of efficiency. In order to maximise the long-term shareholders' value, decrease in transparency and accountability is the important elements for implement and consideration of communication programmes with shareholders. Thus, the researcher believe that the extent of the communication with shareholders is positively associated with the shareholders' perspective towards the new corporate governance reporting.

H5: The extent of the board diversity is positively associated with the shareholders' perspective towards the new corporate governance reporting.

SC is currently look for the Top 100 public limited companies (PLCs) to accomplish minimum 30% female as directors by year 2020, all companies are encouraged to adopt the newly introduced transform as their implementation is prospected to boost up the advancement towards accomplish the goals.

According to the SC, at present in Malaysia, 45 out of the 100 top companies do not possess majority of independent directors in their board structure. The data indicates that women director consist only of 16.8% from the board member and 25.6% from senior management. Furthermore, the data also illustrate that currently have 972 chief executive officers in overall but only 7.2% of them are female. Additionally, the data also shows that there only 21 PLCs with solely consists of male board directors (NST Online, 2017).

As highlighted in the earlier part, Perrault (2015) emphasize that women directors show more active and better independency as compared to male directors. According to the past studies, there is a positive relationship between a female as one of the directors and company's presentation (Adams & Ferreira, 2009; Catalyst, 2008). Fondas & Sassalos (2000) also stated that former research has recorded that

the existence of female director as one of the directors would improve the independency among the directors.

As implemented by the new MCCG 2017, all large companies are required to consist minimum 50% of independent directors as board members and with at least 30% of female directors, the mandatory requirement for independent directors will continuous grow as vacancies become available over time. (NST Online, 2017) Hence, the researcher believes that the extent of the board diversity is positively associated with the shareholders' perspective towards the new corporate governance reporting.

2.4 Conclusion

In a nutshell, this chapter furnish the detailed contents on literature review for the variables that affect the effectiveness of the new corporate governance reporting in Malaysia from shareholders' perspective. Besides that, proposed theoretical framework also carried out in this chapter for the, Lastly, the research methodology will be presented in the next chapter for further research.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

Chapter 3 has been divided into seven components. The first component begins with research design and following by data collection method, sampling design, research instrument, construct instrument, data processing and analysis. Some of the components will consist of sub-part and the details of each part together with the results will be discussed in this chapter.

3.1 Research Design

A research design is a blueprint or plan for the collection, measurement, and analysis of data, created to answer the research questions (Sekaran & Bougie, 2016). The objective of doing research design is to shows the direction for the whole research to be carried out and ensure that the evidence collected is unambiguously for the researcher to answer the research questions. (Vaus, 2001)

During the research, it allows the researchers to collect many types of data by using two methods such as qualitative research or quantitative research for analysis and interpretation. A qualitative research means generates non-numerical data such as conducting an interview while quantitative research means generates quantifiable and numerical data such as collected data through a questionnaire.

To achieve the objective of this study, a quantitative research method was being used as it is a suitable method for collection and utilization of data in order to confirm the validity of the hypothesis in this study. The data of the five independent variables are collected from the questionnaire which set to determining the satisfaction scale from the targeted population. These variables are Board

Independence and Responsibility (BI), Corporate Reporting and Disclosure (CR), Audit and Risk Management (AR), Communication with Shareholders (CS) and Board Diversity (BD). The dependent variable that we used in this study is the effectiveness of the new corporate governance reporting from shareholders' perspectives (SP). The purposes to conduct this research is to measure and test the connection between dependent variable and independent variables. Hence, research's statistical outcome will be collected, observed, analyzed and presented via the Statistical Package for Social Science (SPSS) software. This study is using SPSS software Version 17.0 to conduct the test on the descriptive analysis, reliability, factor analysis, regression model and the correlations.

3.2 Data Collection Method

According to Lancaster (2009), data collection is one of the important elements being used during the research process as it might lead to invalid and untrustworthy results. Essentially, the researchers employed primary and secondary data are in order to examine the outcome of a research. (Saunders, Lewis, & Thornhill, 2009) In this case, primary data are used to carry out this research to study on the shareholders' perception toward the effectiveness of the new corporate governance reporting. Through this study, it aims to look at the extent to which the independent variables would affect the shareholders' perception.

3.2.1 Primary Data

Primary data collection methods comprise of four principal methods which involve data collection from the original sources for the specific purpose of study such as interview, observation, administering questionnaires and experiments (Sekaran & Bougie, 2016). This study will also carry out the primary data as a quantitative method by way of the questionnaire. The questionnaire is constructed for this study with the purpose of collecting data based on shareholders' perception and opinion. The target population will be shareholders those who are attending the Annual General Meeting of the Companies which located in Ipoh, Kuala Lumpur, and Penang Area.

The targeted location is chosen because the location is accessible and these areas are developing rapidly in recent years. The questionnaire is designed to address general information and provide an answer to each of the research questions.

3.2.2 Secondary Data

The secondary data was collected through Bursa Malaysia and SSM databases to generate information from the annual report of the companies. This is mainly due to the annual report of the public listed companies, either in hardcopy or softcopy are the most convenient and easiest to collect through the website (Ya'acob, 2016). Bursa Malaysia is the regulator for listed companies while SSM is the regulator for both listed and non-listed companies. Moreover, some of the relevant secondary data were picked from the research articles and journals, magazines, newspapers, and data that being published via the Internet such as ScienceDirect and University Tunku Abdul Rahman's library e-databases such as Emerald Management eJournal Collection and ProQuest Ebook Central.

3.3 Sampling Design

In this section, the researcher will continue discussion on the sampling technique and sampling size.

3.3.1 Sampling Technique

Sampling technique is being used in this study because of the large population in Ipoh, Kuala Lumpur, and Penang which requires a big effort in term of time and money. Therefore, a sample is chosen in an appropriate way in order to reflect the characteristics of the particular population and draw a conclusion for the whole population. Simple sampling technique such as convenience sampling technique and snowball sampling technique will be chosen and conducted in this research study. Convenience sampling technique is commonly used because it is the best way of getting some basic

information quickly, efficiently and save cost. Moreover, a snowball sampling technique will also be used in this research while certain questionnaires will be distributed through friends and any subsequent respondent is referred by a first respondent. In short, this study collects data from a sample that randomly selected from the population of those who attended the Annual General Meeting of the Company.

3.3.2 Sampling Size

According to Hair, Black, Babin, Anderson & Tatham (2010), a sample size of 200 respondents can represent the big population. The target respondent in this research study is 200 respondents and a total of 200 survey questionnaires will be answered by the shareholders. The researcher is using electronic device such as handphone and iPad to assist the shareholders on answering the questionnaire. This method is environmentally friendly and also convenience for shareholders by just clicking their desire answer through the electronic device. The questionnaires will be attached to a covering page with indication of the objective of the study and encouraging participants' participation. Besides, the researcher also made a statement to assure the anonymity and confidentiality of any information that provided by the respondents.

3.4 Research Instrument

The questionnaire will be pre-tested to make sure all questions and instructions provide a clear understanding to participants. The first pilot study targeted to be taken by the lecturer who was undertaking their doctoral studies in the area of Corporate Governance. Their comments and ideas were useful and they also provide some helpful suggestion. The second pilot study will be undertaken in a secretarial firm with two qualified Chartered Secretaries with the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) holders, to make sure the translation is accurate and each question stated in questionnaire is understandability. The third pilot study will be taken by 15 respondents who are the

shareholders in the Ipoh area had been selected to answer the pilot questionnaires. After filling in the questionnaire, the respondents are required to concentrate on the questions and welcome to express their opinions toward each item. A clear explanation is provided when the respondents are uncertain about the definition of the questions. After the pilot test, the questions become more relative and stability, an actual test can be carried out to evaluate the association between the dependent variable and independent variables. Then, data will be re-arranged and key in into the computer and process the data collected by using SPSS software Version 17.0. In this research study, the researcher will use SPSS software to generate descriptive analysis, factor analysis, reliability test and also multiple regression.

3.5 Construct Measurement

The questionnaires will be using Likert Scale of 1 to 5, where 1 = Strongly agree, 2 = Agree, 3 = Neutral, 4 = Disagree, and 5 = Strongly disagree. The Likert's 5-point scale method was being use as it is fit and adequate for this research. Besides it also provides excellent viability and most importantly it is convenient to the respondents to understand and respond to the questionnaires. This method also widely adopted by most of researchers as it is convenient to build and set up. However, the researcher also needs to aware of the disadvantages adopting this tool as it does not provide an equal appearing intervals and data needs to be validate before starting the analysis. Besides, researchers require validate the data and treat it as an interval scale.

Each questionnaire consists of 41 questions in total. They have been set in the questionnaires which involved in three sections: Section A, Section B and Section C. Section A addressed the questions related to demographic information of the respondents. It consists of 6 questions which are gender, age, occupation, type of company works with, and the duration for the current position held. While Section B and C addressed the respondents, who are the shareholders of the Company and their perception or opinion towards new corporate governance reporting in Malaysia. There is a total of 35 questions for the independent variable and dependent variable in Section B and Section C. The dependent variable for the

questionnaire is shareholders' perception towards new corporate governance reporting in Malaysia and independent variable includes board independence and responsibility, corporate reporting and disclosure, audit and risk management, communication with shareholders and board diversity. The 5-point likely scale will use to determine the dependent variable and independent variables.

3.5.1 Independent Variables – Measurement Scale

This research study consists of five independent variables which will be carried out and tested such as board independence and responsibility, corporate reporting and disclosure, audit and risk management, communication with shareholders and board diversity.

3.5.1.1 Board Independent and Responsibility

Six questions were developed by Lee (2016) and being modified and adopted to test on the Board Independent and Responsibility from the shareholders' perspective. All questions were measured by using Likert Scale from strongly disagree (1 point) to strongly agree (5 point).

3.5.1.2 Corporate Reporting and Disclosure

Six questions were developed by Lee (2016) and being modified and adopted to test on the Corporate Reporting and Disclosure from the shareholders' perspective. All questions were measured by using Likert Scale from strongly disagree (1 point) to strongly agree (5 point).

3.5.1.3 Audit and Risk Management

Six questions were developed by Lee (2016) and being modified and adopted to test on the Audit and Risk Management from the shareholders' perspective. All questions were measured by using Likert Scale from strongly disagree (1 point) to strongly agree (5 point).

3.5.1.4 Communication with Shareholders

Six questions were developed by Ismail (2013) and being modified and adopted to test on Communication with Shareholders from the shareholders' perspective. All questions were measured by using Likert Scale from strongly disagree (1 point) to strongly agree (5 point).

3.5.1.5 Board Diversity

Six questions were developed by Chee (2016) and being modified and adopted to test on the Board Diversity from the shareholders' perspective. All questions were measured by using Likert Scale strongly disagree (1 point) to strongly agree (5 point).

3.6 Data Processing

According to Wikipedia (2018), data processing means data collection, data entry, data editing, transforming and manipulating the data into meaningful information. The first step is to collect questionnaire data from the respondents, then all the results will be directly and automatically saved to Google Form without manual keying in. Next, the researcher retrieved all the results from the Microsoft Excel in Google Form and copied to SPSS 17.0 software for further analysis. After that, the researcher will recode the demographic data in Section A into different variables.

For instance, gender will be coded by using 0 = Male and 1 = Female. This coding approach is called dummy coding. As mentioned by Sekaran & Bougie (2016), this approach is the most popular and recommended approach in the data analysis stage as it is easier and convenient to researcher. Hence, the same approach will also use for others demographic data such as age, education level, occupation, type of company and also current position. Upon completion, the incorrect data will be detected and corrected to ensure the results are correct and precise (Sekaran & Bougie, 2016).

3.7 Data Analysis

This research project is using SPSS 17.0 software to analyze the data as it is a data management and analysis program designed to do statistical data analysis, sophisticated inferential and also multivariate statistical procedures which include of factor analysis and regression analysis (Sekaran & Bougie, 2016). In this research, there are 4 types of method were being used such as descriptive data analysis, reliability test, factor analysis and multiple regression.

3.7.1 Descriptive Analysis

Descriptive data analysis has depicted the data by using 3 procedures such as Frequencies, Descriptive or Explore. Different procedures will depend on whether the researcher have categorial or continuous variable. In this research study, the researcher makes use of categorial variables where analyze the data by following the procedure of Frequencies. By using categorial variables, the data will show how many people gave each response such as how many females and males took part in the research project. Moreover, the researcher should make sure that there are no errors in the data file. However, the results after that can also be transformed into scatterplots, frequencies, chart, pie and lists. Under categorial variables, it does not include mean, mode, median and standard deviation (Pallent, 2011).

Next, for continuous variable such as age, it would be easier to use Descriptive, whereby it will provide with the “summary” statistic such as mean, median, mode and standard deviation. Under this continuous variable, it helps to summarize all the values as it may involve hundreds of values and the researcher no need listed every single value. Under the descriptive procedure, it also provides some information concerning the distribution of scores on continuous variables such as skewness and kurtosis. This information only needed if the researcher is using parametric statistical techniques such as t-tests, analysis of variance. The Skewness value represent the indication of the symmetry of the distribution while Kurtosis provides the information relating to the “peakedness” of the distribution. If the results of skewness and kurtosis contain the value of zero, it represents the distribution is perfectly normal (Pallent, 2011). Positive skewness value will come out with positive skew which will score the lower value and cluster to the left side. However, while negative value will come out with negative skew which will score the higher value and cluster to the right side as shown in the graph.

After that, the researcher needs to inspect the data file see whether contain of any missing data as sometimes the respondent might fail to answer some of the question. Hence, the researcher needs to run descriptive to find out and detect what percentage of values is missing for each of the variables. However, in this research study, the researcher has set all the questions to compulsory to answer. If the respondents fail to answer one question in one section, then the respondent cannot continue to another section. This method assists the researcher to prevent on any missing data from the respondents. Under this section, the respondent’s demographics such as gender, age, education level, occupation, type of company and also current position will be tested and described.

3.7.2 Scale Measurement – Reliability Test

Under reliability test, it is important for the researcher to find out which the selecting scales are reliable. The major concerns are on the scale's internal consistency and it refer to the degree of which the items will “hang together” to make up the scale (Pallent, 2011). The most common indicator to test the internal consistency is Cronbach's Alpha Coefficient and this indicator has been selected to assists measure the reliability in this research study.

According to DeVellis (2003), it is ideal that the Cronbach's Alpha Coefficient should have a scale above 0.7 and means that it has a good reliability. Under Table 3.1, it provides the description for the range for Cronbach's Alpha Coefficient and the table is constructed by Zikmund, Babin, Carr & Griffin (2010). Reliability test will be conducted only for Section B and Section C in the questionnaire which represent the independent variables and dependent variable.

Table 3.1 Coefficient Alpha

Coefficient Alpha Range, α	Description
0.80 to 0.95	Very Good Reliability
0.70 to 0.80	Good Reliability
0.60 to 0.70	Fair Reliability
$\alpha < 0.60$	Poor Reliability

Note. Adapted from Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2010). Business research the methods (8th ed.). New York: South-Western/Cengage Learning.

3.7.3 Factor Analysis

The researcher has used factor analysis to assess the validity of the measurement constructs in this study. Factor analysis also known as statistical method is often used by researchers to examine on how well latent variables and the loadings of its measured variables are consistent with what was expected in the pre-establish theory. Moreover, Factor analysis can be used to determine validity and reliability of the respective constructs (measurement model assessment) and the adequacy of their goodness-of-fit to the data. It was documented that validity and reliability tests should be emphasized in the research and to assess the usefulness and quality of the data (Sekaran & Bougie, 2016).

Sekaran & Bougie (2016) highlighted that the measurement for the constructs is reliable if the instrument is stable and consistent. Moreover, the measurement is considered valid if the instruments can measure what it should measure. As for the context of reliability, a reliability test was used to test the consistency for the measurement. Commonly, Cronbach alpha was used to assess the internal homogeneity among measurement items, with the value of the coefficient alpha for the particular construct should exceed 0.70 (the cut-off value for acceptable reliability) in order to be considered reliable.

3.7.4 Multiple Regression Analysis

Multiple Regression is a family of technique that used to probe the forecast relationship of numbers of independent variables on one continuous dependent measure (Pallent, 2011). In this research study, one continuous dependent variable refers to the effectiveness of corporate governance reporting from shareholders' perspective while independents variables refer to Board Independence and Responsibility (BI), Corporate Reporting and

Disclosure (CR), Audit and Risk Management (AR), Communication with Shareholders (CS) and Board Diversity (BD).

Multiple Regression is based on correlation and it allows more sophisticated exploration of the interrelationship among a set of variables. This model can be used to address a variety of research questions and it can show how well a set of variables is able to predict a particular outcome. There are three types of multiple regression analyses such as standard or simultaneous, hierarchical or sequential and stepwise. (Pallent, 2011)

3.8 Conclusion

In conclusion, Chapter 3 explained all the main research methodologies that were used in this research study such as research design, sampling design, a method of data collection, questionnaire design, the scale of measurement and data analysis. Next, the following chapter will continue to explain the results which are linked to the previous research questions and the hypothesis as mentioned in Chapter 2.

CHAPTER 4

RESEARCH RESULTS AND INTERPRETATION OF RESULTS

4.0 Introduction

In Chapter 4, SPSS 17.0 software will be adopted by the researcher to analyze, interpret the information being gathered through questionnaire and later the results will be presented under this chapter. Chapter 4 comprise of 5 parts. At the beginning, the researcher will use descriptive analysis to analyze respondent's background and following by the reliability test result will also be presented. Next, factor analysis will be analyzed to access the validity of the measurement constructs. Moreover, the researcher also using multiple regression to predict the one dependent continuous variable from different sets of independent variables. Lastly, a compendious conclusion is bestowed at the tip of this chapter.

4.1 Descriptive Analysis

In this research study, the researcher makes use of categorial variables where analyze the data by following the procedure of Frequencies. As mentioned in the previous chapter, the respondent's demographics will be tested and the bar graph is being formed for the following variables such as Gender (Figure 4.1), Age (Figure 4.2), Education Level (Figure 4.3), Occupation (Figure 4.4), Type of Company Worked For (Figure 4.5) and also Current Position held in the Company (Figure 4.6). By using bar graph, it allows the researcher to have an abstract or brief outline of the distribution of scores for those variables being tested.

Furthermore, Table 4.1 demonstrates the summary demographic profile of the shareholders in Malaysia who took part in this research study. Based on the statistical figures in Table 4.1, is shown that there are 79 males (39.5%) and 121

females (60.5%) took part in this research study. Furthermore, as for the variable age from 200 shareholders, majority of the shareholders was from 21 to 30 years old which consists of 69 persons (34.5%) and was followed closely by shareholders from 31 to 40 years old which consists of 61 persons (30.5%). For the age group 41 to 51 years old, there are only 43 persons (21.5%) and only 22 persons (11%) in the age group 51 to 60 years. Among all the age group, for 61 years old and above, there are only 5 persons (2.5%) took part in the survey.

In terms of education level, the statistics show that 74 shareholders earned a bachelor degree (37%) and 43 shareholders (21.5%) earned Pre-U or Diploma. Followed by 39 shareholders (19.5%) earned a Master and PHD level and 24 shareholders (12%) earned Professional Certificate. The least education level was fall in the category of primary and secondary which consist only 20 persons (10%).

Moreover, majority of the shareholders were in Executive/Senior executive position (32.5%) and Manager/Senior Manager (27%). Furthermore, based on the results, 25 shareholders (12.5%) represent the directors and senior management and followed closely by 24 persons who are the Company Secretary in the Company. Next, for other professional such as accountant, tax agent and lawyer only consist of 16 persons which represent 8% in total. The result also found that there are 10 persons (5%) are come from unemployed or retiree group. Lastly, the internal and external auditor only represent a minor percentage of 3% which consists of 6 persons.

In addition, the statistics show that there are 68 shareholders (34%) were worked in Private or Public Company and followed by 49 shareholders (24.5%) were worked in Public Listed Company. There are 29 shareholders (14.5) are from government linked company and 12 persons (6%) from partnership. While there are also 26 persons (13%) from professional firm.

Majority of the shareholders were working for their company for 2 to 5 years (31.5%) and 6 to 9 years (30.5%) while only 7.5% of the shareholders worked for their company for more than 15 years. Results also highlighted that there are 32 shareholders (16.0%) who worked for their company less than 2 years and 29

shareholders (14.5%) who worked for their company 10 to 14 years. A summary of the descriptive result are shown in Table 4.1.

Figure 4.1 Gender

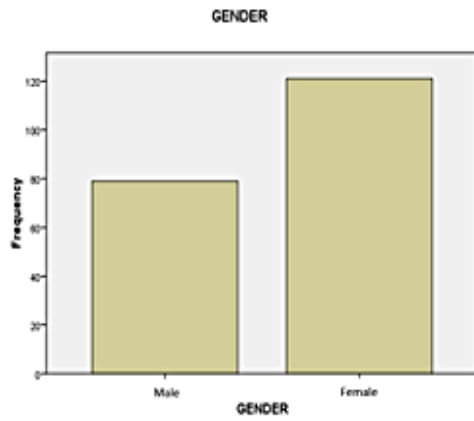


Figure 4.4 Occupation

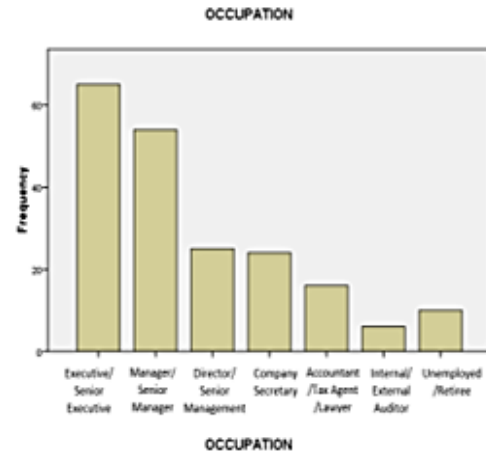


Figure 4.2 Age

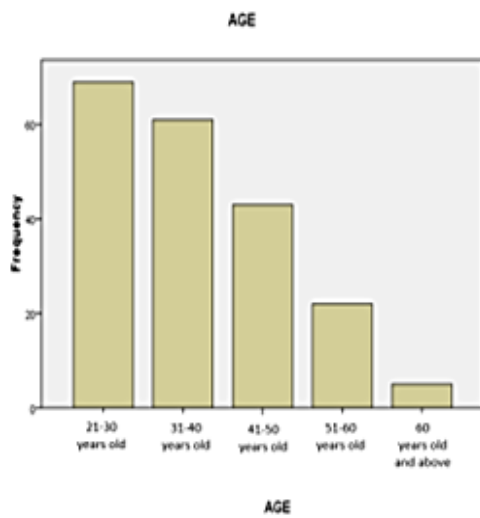


Figure 4.5 Type of Company Worked For

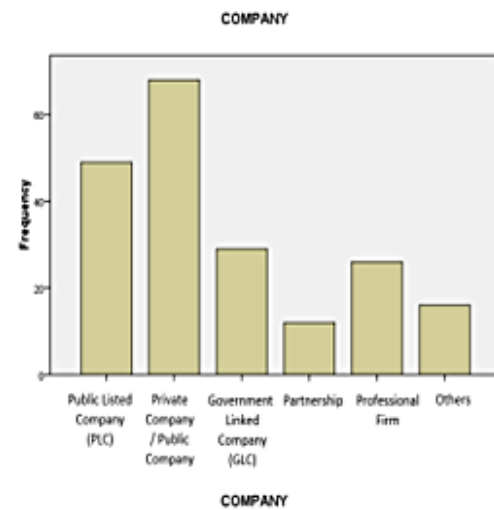


Figure 4.3 Education

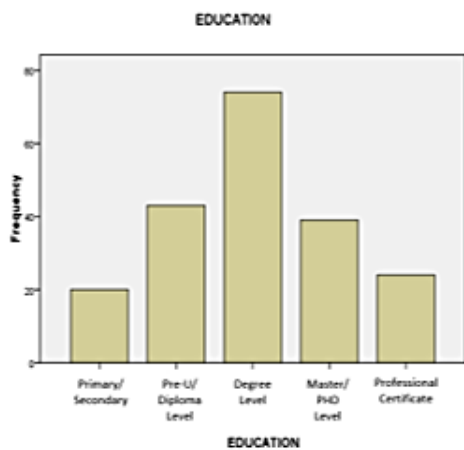
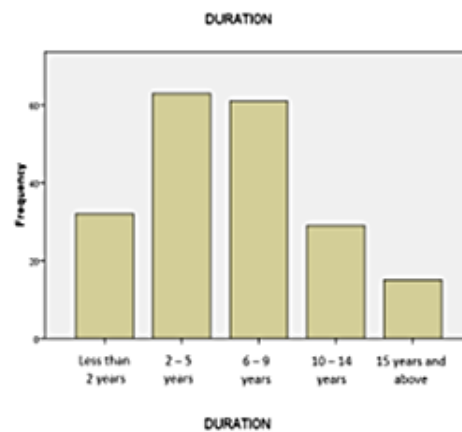


Figure 4.6 Current Position held in the Company



Source: Developed for the research

Table 4.1 Demographic Profile of the Respondent

Demographic	Valid Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	79	39.5	39.5	39.5
	Female	121	60.5	60.5	100.0
	Total	200	100.0	100.0	
Age	21 – 30 years old	69	34.5	34.5	34.5
	31 – 40 years old	61	30.5	30.5	65.0
	41 – 50 years old	43	21.5	21.5	86.5
	51 – 60 years old	22	11.0	11.0	97.5
	61 and above	5	2.5	2.5	100.0
	Total	200	100.0	100.0	
Education Level	Primary/Secondary	20	10.0	10.0	10.0
	Pre-U /Diploma Level	43	21.5	21.5	31.5
	Degree level	74	37.0	37.0	68.5
	Master/PHD Level	39	19.5	19.5	88.0
	Professional Certificate	24	12.0	12.0	100.0
	Total	200	100.0	100.0	
Occupation	Executive/Senior Executive	65	32.5	32.5	32.5
	Manager/Senior Manager	54	27.0	27.0	59.5
	Director/Senior Management	25	12.5	12.5	72.0
	Company Secretary	24	12.0	12.0	84.0
	Accountant/Tax Agent/Lawyer	16	8.0	8.0	92.0
	Internal/External Auditor	6	3.0	3.0	95.0
	Unemployed/Retiree	10	5.0	5.0	100.0
	Total	200	100.0	100.0	

Demographic	Valid Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Type of Company Worked For	Public Listed Company (PLC)	49	24.5	24.5	24.5
	Private Company / Public Company	68	34.0	34.0	58.5
	Government-Linked Company (GLC)	29	14.5	14.5	73.0
	Partnership	12	6.0	6.0	79.0
	Professional firm	26	13.0	13.0	92.0
	Others	16	8.0	8.0	100.0
	Total	200	100.0	100.0	
Current Position held in the Company	Less than 2 years	32	16.0	16.0	16.0
	2 – 5 years	63	31.5	31.5	47.5
	6 – 9 years	61	30.5	30.5	78.0
	10 – 14 years	29	14.5	14.5	92.5
	15 years and above	15	7.5	7.5	100.0
	Total	200	100.0	100.0	

Note. Developed for the research

4.2 Scale Measurement – Reliability Test

Reliability test is one of the methods that use to test the scale' internal consistency and ensure the degree of items will make up the scale of “hang together”. The researcher will use Cronbach's Alpha Coefficient as the most common indicators for internal consistency. Hence, it will be using the SPSS 17.0 software to carried out the reliability test from all the questionnaire and the result as shown in Table 4.2.

Table 4.2 shown that all construct shows that reliability value consists exceed 0.60 which means the constructs are internally consistent. According to Zikmund (2010), the range of 0.60 to 0.70 for the reliability analysis was considered fair reliability. However, BI has obtained a Cronbach's Alpha Coefficient of 0.607 with 3 items deleted, and it is above 0.60 so it is considered fair reliability. Moreover, item BI3's Corrected Item-Total Correlation construct revealed the lowest figure of 0.355 as compared to other measured constructs. Besides that, AR has obtained a Cronbach's Alpha Coefficient of 0.858 and is considered have a very good reliability and there is no item deleted under AR. While CR, CS and BD was in the range of 0.70 to 0.80 which represent that three of these variables also have a good reliability. CR obtained 0.792 with 3 items being deleted and CS obtained 0.792 with also 3 items being deleted. Lastly, BD obtained a result of 0.797 with 3 items being deleted. However, under these three variables, there are 3 items in each variable being deleted. As for the dependent variable, SP has obtained a Cronbach's Alpha Coefficient of 0.843 which also represent that it has a very good reliability without any item deleted under this variable.

Table 4.2 Scale Statistics for Reliability Analysis

Construct	Items	Corrected Item – Total Correlation	Cronbach’s Alpha if Item Deleted	Cronbach’s Alpha Based on Standardized Items
Audit Committee and Risk Management (AR)				0.858
AR1	The Company should ensure that the Chairman of the Audit Committee is not the Chairman of the Board and comprise solely of Independent Directors.	0.615	0.840	
AR2	The Audit Committee should ensure financial statements comply with applicable financial reporting standards.	0.704	0.823	
AR3	The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors.	0.651	0.834	
AR4	The Audit Committee should ensure the internal audit function is effective and able to function independently.	0.643	0.835	
AR5	The Company should establish a Risk Management Committee which comprises majority of independent directors to oversee Company’s risk management framework.	0.632	0.837	
AR6	The Board should able to determine the company’s level of risk tolerance and monitor the key business risk.	0.643	0.835	

Construct	Items	Corrected Item – Total Correlation	Cronbach’s Alpha if Item Deleted	Cronbach’s Alpha Based on Standardized Items
Board Independence and Responsibilities (BI)				0.607
BI1	The Board should establish clear understanding on their role and responsibilities in discharging its fiduciary and leadership functions.	0.411	0.496	
BI2	The Board should formalize ethical standards through a code of conduct and ensure its compliance.	0.470	0.415	
BI3	The Board should ensure it is supported by a suitably qualified and competent company secretary.	0.355	0.592	
Corporate Reporting and Disclosure (CR)				0.792
CR4	The Company should disclose the detailed remuneration of each individual directors in named basis which include fees, salary, bonus, benefit-in-kind and other emoluments.	0.647	0.701	
CR5	The Company should fully disclose the remuneration of top five senior management in named basis which include salary, bonus, benefit-in-kind and other emoluments.	0.634	0.717	
CR6	The Board should ensure the policies and procedures to determine the remuneration of directors and senior management are periodically reviewed and made available on the company’s website.	0.620	0.731	

Construct	Items	Corrected Item – Total Correlation	Cronbach’s Alpha if Item Deleted	Cronbach’s Alpha Based on Standardized Items
Communication with Shareholders (CS)				0.792
CS4	The Board should ensure there is effective, transparent and regular communication with its shareholders.	0.614	0.737	
CS5	The Company should adopt integrated reporting based on globally recognized framework to promotes greater transparency and accountability.	0.618	0.735	
CS6	The Company should leverage technology to facilitate greater shareholder’s participation and enhance the proceedings of General Meeting.	0.669	0.678	
Board Diversity (BD)				0.767
BD4	The Company should take steps to ensure that women candidates are sought in its recruitment exercise for board and senior management positions.	0.663	0.614	
BD5	The Board should use different approaches and sources to identify the most suitably candidates.	0.524	0.767	
BD6	Board gender diversity provide constructive debates and lead to better strategic decision.	0.617	0.667	

Construct	Items	Corrected Item – Total Correlation	Cronbach’s Alpha if Item Deleted	Cronbach’s Alpha Based on Standardized Items
Effectiveness of the New Corporate Governance Reporting from Shareholders’ Perception (SP)				0.843
SP1	Do you think that the effectiveness of Board Independence and Responsibilities meet your expectation?	0.630	0.815	
SP2	Do you think that the level of Corporate Reporting and Disclosure meet your expectation?	0.619	0.818	
SP3	Do you think that the role of Audit Committee and Risk Management have effectively carried out transparency, focus and independent judgment?	0.649	0.810	
SP4	Do you think that the ongoing engagement and communication between the Company and shareholders have effectively carried out and meet your expectation?	0.714	0.792	
SP5	Do you think that the Board Diversity has effectively serve as a talent pipeline for board candidacy?	0.629	0.815	

Note. Developed for the research

4.3 Factor Analysis

Factor analysis is one of the ways for data reduction. It holds large set of variables and reduced and summarize the date into smaller set of factors. The researcher has involved in the development and evaluation of tests and scales. There are two main methods for factor analysis such as exploratory analysis and confirmatory analysis. Exploratory factor analysis is normally used in the beginning stages of research and collect all the interrelation variable. As for the confirmatory analysis, it is a complex method that being use under the confirm hypotheses together with the variables set. Under descriptive part, initial solution and KMO and Bartlett's test of sphericity will be chosen to conduct this research. There are many types of ways that can be used for conducting the factor analysis such as principal axis factor, alpha factoring, generalized least square, unweighted least square, image factoring and maximum likelihood. This research analysis, the researcher has chosen principal axis factoring and correlation matrix to test the data. Besides, there are also many types of rotations that can be done after the initial extraction of factors such as varimax, quartimax, equamax, promax and direct oblimin. The researcher has chosen direct oblimin to analyze the data and the maximum iterations for convergence is 100.

Table 4.3 as below shown that the Pattern Matrix that constructed by the researcher. Pattern matrix represent the loadings whereby each row will represent the standardized observed variable and regression equation which can define on the function of the factors. The structure of the pattern matrix will lead the connection between the factors and variables. Such loadings also represent the regression coefficient. By using pattern matrix, it must have sufficient sample size. However, if the researcher wants to use for pilot study and more comprehensive and detailed explanation, they should opt for structure matrix. In this research study, the researcher had chosen Principal Axis Factoring as Extraction Method and Oblimin with Kaiser Normalization as Rotation Method.

Table 4.3 Pattern Matrix

	Factor					
	1	2	3	4	5	6
AR5	.736					
AR6	.692					
AR2	.615					
AR1	.584					
AR3	.541					
AR4	.530					
SP4		.811				
SP1		.769				
SP2		.656				
SP3		.647				
SP5		.643				
BD4			-.740			
BD6			-.727			
BD5			-.570			
CR4				.774		
CR5				.659		
CR6				.620		
BI1					.703	
BI2					.610	
BI3					.316	
CS5						.608
CS6						.591
CS4						.493

Extraction Method: Principal Axis Factoring.

Rotation Method: Oblimin with Kaiser Normalization.

a. Rotation converged in 9 iterations.

Note. Developed for the research

4.4 Multiple Regression Analysis

Multiple Regression Analysis helps to explain the relationship between the five Independent variables (Board Independence and Responsibility, Corporate Reporting and Disclosure, Audit and Risk Management, Communication with Shareholders and Board Diversity) and dependent variable (Effectiveness of the new corporate governance reporting from shareholders' perspective).

As shown in Table 4.3, the R^2 value of 0.202 describes the correlation coefficient and variance level in the dependent variable (Shareholders' perception towards new corporate governance reporting in Malaysia) and independent variables of Board Independence and Responsibility, Corporate Reporting and Disclosure, Audit and Risk Management, Communication with Shareholders and Board Diversity. Since the R^2 value is less than zero, then it shows that there is no connection between the dependent and independent variable. However, R^2 value of 0.202 indicates that there is only 0.202 variability of the dependent variables. Furthermore, referring to ANOVA Table 4.4, the p-value is 0.000 which less than 0.05 so it represents that the model is significant and it is good fit for the data.

Table 4.4 Model Summary for Shareholders' Perception

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.449 ^a	.202	.181	.84011610	1.633

- a) Predictors: (Constant), Board Independence and Responsibility, Corporate Reporting and Disclosure, Audit and Risk Management, Communication with Shareholders and Board Diversity
- b) Dependent Variable: Shareholders' Perception towards New Corporate Governance Reporting in Malaysia

Note. Developed for the research

Table 4.5 ANOVA for Shareholders' Perception

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.563	5	6.913	9.794	.000 ^a
	Residual	136.924	194	.706		
	Total	171.487	199			

- a) Predictors: (Constant), Board Independence and Responsibility, Corporate Reporting and Disclosure, Audit and Risk Management, Communication with Shareholders and Board Diversity
- b) Dependent Variable: Shareholders' Perception towards New Corporate Governance Reporting in Malaysia

Note. Developed for the research

Table 4.5 below shows the coefficient between independent variable and dependent variable. The icon B represent beta value, while if the significant value is lower than 0.01 mean the hypotheses null will be rejected. For the first variable AR, the beta value is -0.178 and the significant value is 0.08 which represent that there is a negative relationship between AR and SP and since significant figure is more than 0.01 means the hypothesis null is not rejected. For the second variable BD, the beta value BD is -0.259 with a significant value of 0.001, hence the hypothesis null is rejected and there is a negative relationship between BD and SP. As for the third variable CR having the beta value of 0.249 and significant value is 0.003 so it means there is a positive relationship between CR and SP and the hypothesis null is not rejected. For the fourth variable BI, the beta value for BI is 0.210 and the significant value is 0.016 which indicates that there is a positive relationship between BI and SP and the hypothesis null is rejected. For the last variable CS, CS contains beta value of 0.116 and the significant value of 0.193 which represent a positive relationship between CS and SP and the hypothesis null is rejected.

Table 4.6 Coefficient for Shareholders' Perception

Model	Coefficients				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-4.087E-16	0.059		.000	1.000
Audit and Risk Management (AR)	-0.178	0.101	-0.177	-1.758	0.080
Board Diversity (BD)	-0.259	0.077	-0.250	-3.380	0.001
Corporate Reporting and Disclosure (CR)	0.249	0.082	0.241	3.045	0.003
Board Independence and Responsibility (BI)	0.210	0.087	0.188	2.429	0.016
Communication with Shareholders (CS)	0.116	0.089	0.109	1.306	0.193

a. Dependent Variable: Shareholders' Perception towards New Corporate Governance Reporting in Malaysia

Note. Developed for the research

Figure 4.7 Multiple Linear Regression Equation

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5$$

Where

Y= Predicted linear relationship of shareholders' perspective (Dependent variable)

a= Constant Value

β = Un-standardized Coefficients

X= Dimensions contribute to shareholders' perspective (Independent variables)

Note. Developed for the research

Shareholders' Perspective = 0.408 + 0.210 (Board Independence and Responsibility) + 0.249 (Corporate Reporting and Disclosure) - 0.178 (Audit and Risk Management) + 0.116 (Communication with Shareholders) - 0.259 (Board Diversity)

4.5 Conclusion

In conclusion, all the respondents' information has been analyzed by adopting SPSS 17.0 software. All demographic data has been summarised by using descriptive frequency and also formed in the bar graph for easy reference. The overall reliability of the results is considered internally consistent and good and fair reliability. Next, regression analysis also being conducted in this Chapter. However, Cronbach's Alpha Coefficient are being selected as indicators for internal consistency checking. Lastly, the researcher also using factor analysis and multiple regression analysis to test the relationship between independent variables and dependent variable. The hypotheses for the model are being construct and results also being presented.

CHAPTER 5

DISCUSSION AND CONCLUSION

5.0 Introduction

In the last Chapter, the researcher will provide more explanation for each single research outcome. At the beginning, a summary of statistical analysis will be provided in this Chapter and followed by discussions on the major findings and implications. Next, there are few disadvantages will be highlighted in this section and followed by some suggestion for future research. Lastly, a compendious conclusion is bestowed at the tip of this chapter.

5.1 Summary of Statistical Analysis

In short, the results of reliability tests for the selected variables such as (Board Independence and Responsibility (BI), Corporate Reporting and Disclosure (CR), Audit and Risk Management (AR), Communication with Shareholders (CS) and Board Diversity (BD), shows that most of the constructs were show good reliability. It shows that the items in these constructs more rely on the evaluation of shareholders' perspective.

5.2 Discussions on Major Finding

Referring to Table 5.1 shown that Research Question 1, there is the negative relationship between the Shareholders' Perception towards New Corporate Governance Reporting and Audit and Risk Management Committee as the outcome of the analysis indicates that the p-value was 0.080 (beta value = -0.178) which represent that there is no significant relationship towards the Audit and Risk Management Committee.

Moreover, Research Question 2 shows that there is the negative relationship between the Shareholders' Perception towards New Corporate Governance Reporting and Board Diversity as the outcome of the analysis indicates that the p-value was 0.001(beta value = -0.259) which represent that there is significant relationship towards the Board Diversity.

Next, Research Question 3 shows that there is the positive relationship between the Shareholders' Perception towards New Corporate Governance Reporting and Corporate Reporting and Disclosure as the outcome of the analysis shows that the p-value was 0.003 (beta value = 0.249) which represent that there is significant relationship towards the Corporate Reporting and Disclosure.

Furthermore, Research Question 4 shows that there is the positive relationship between the Shareholders' Perception towards New Corporate Governance Reporting and Board Independence and Responsibility but it represents a very small and low positive association as outcome of the analysis demonstrate that the p-value was 0.016 (beta value = 0.210), where the p-value is more than 0.05 which represent that there is no significant relationship towards the Board Independence and Responsibility. Thus, this certify that the results do not support the hypothesis.

Lastly, Research Question 5 shows that there is the positive relationship between the Shareholders' Perception towards New Corporate Governance Reporting and Communication with Shareholders but it also represents a very small and low positive association as the outcome of the analysis demonstrate that the p-value was 0.193 (beta value = 0.116), where the p-value is higher than 0.05 which represent that there is no significant relationship towards the Communication with Shareholders. Hence, this certify that the results do not support the hypothesis.

Table 5.1 Hypotheses Testing Results

	Hypotheses	P-value	Result
Research Question 1	<p>H1:</p> <p>H₀: Board Independence and Responsibility are associated negatively towards Shareholders' Perception towards New Corporate Governance Reporting in Malaysia.</p> <p>H₁: Board Independence and Responsibility are associated positively towards Shareholders' Perception towards New Corporate Governance Reporting in Malaysia.</p>	<p>p = 0.016</p> <p>β = 0.210</p>	<p>Reject H₀</p> <p>Accept H₁</p>
Research Question 2	<p>H2:</p> <p>H₀: Corporate Reporting and Disclosure are associated negatively towards Shareholders' Perception towards New Corporate Governance Reporting in Malaysia.</p> <p>H₁: Corporate Reporting and Disclosure are associated positively towards Shareholders' Perception towards New Corporate Governance Reporting in Malaysia.</p>	<p>p = 0.003</p> <p>β = 0.249</p>	<p>Reject H₀</p> <p>Accept H₁</p>
Research Question 3	<p>H3:</p> <p>H₀: Audit Committee and Risk Management are associated negatively towards Shareholders' Perception towards New Corporate Governance Reporting in Malaysia.</p> <p>H₁: Audit Committee and Risk Management are associated positively towards Shareholders' Perception towards New Corporate Governance Reporting in Malaysia.</p>	<p>p = 0.080</p> <p>β = - 0.178</p>	<p>Reject H₁</p> <p>Accept H₀</p>

	Hypotheses	P-value	Result
Research Question 4	<p>H4:</p> <p>H₀: Communication with Shareholders are associated negatively towards Shareholders' Perception towards New Corporate Governance Reporting in Malaysia.</p> <p>H₁: Communication with Shareholders are associated positively towards Shareholders' Perception towards New Corporate Governance Reporting in Malaysia.</p>	<p>p = 0.193</p> <p>β = 0.116</p>	<p>Reject H₀</p> <p>Accept H₁</p>
Research Question 5	<p>H5:</p> <p>H₀: Board Diversity are associated negatively towards Shareholders' Perception towards New Corporate Governance Reporting in Malaysia.</p> <p>H₁: Board Diversity are associated positively towards Shareholders' Perception towards New Corporate Governance Reporting in Malaysia.</p>	<p>p = 0.001</p> <p>β = -0.259</p>	<p>Reject H₀</p> <p>Accept H₁</p>

Note. Developed for the research

5.3 Implications of Study

Based on the above findings, among the five independent variables, this study believe that shareholders are most concern about Corporate Reporting and Disclosure in the Company. Hence, it is important that for all companies to embrace the new MCCG 2017 as a guideline for enhancing the disclosure and transparency in the Company. For instance, the Company need to make announcement to public on any transactions or dealings that involved substantial amounts between the company or the directors. Besides that, it is the responsibility for the Board to ensure the accuracy of the financial report and annual report. These two reports assist the shareholders to have better understanding on the Company's financial status and also the corporate governance practices that adopted by the Company.

Secondly, the shareholders also concern about the Board Independence and Responsibility as the directors are the main person to manage and drive the company move towards its company's mission and vision. Moreover, Independent Director also play an important role in the Company, as their function is like a watchdog to oversee the financial reporting process and disclosure on any related party transaction. Hence, the Independent Director should always ensure their independence and do not participate in the Company's business affairs. As for the tenure of the Independence Directors, the board is required to seek for annual shareholders' approval for those independent directors who serve the company for more than 9 years. If tenure exceed 12 years, the board is required to seek for shareholders' approval through two-tier voting process.

Next, the shareholders also concern about the Company communication with the stakeholders and create a meaningful relationship with stakeholders. In order to build trust and understanding between the stakeholders and company, ongoing engagement and communication is very important. The company should always understand shareholders' concern and take into consideration when making decision. The company also should practice to have leverage technology to conduct the meeting in remote location ensure the shareholder able to participate in the General Meeting especially for that absentia.

Moreover, Audit and Risk Committee are also place an important role in shareholders' mind. The Chairman of the Audit Committee cannot be the Chairman of the Board. However, the audit committee should consist solely of Independent Director. Their function is same as independent director that mentioned in the above paragraph as a watchdog to oversee the financial reporting process and disclosure on any related party transaction. In addition, the Audit Committee are also responsible on assessing internal and external auditors. Besides that, Risk Management Committee also plays a crucial role in a Company, they are responsible to consistently monitor the level of risk that able to take by the Company.

Lastly, the results show that the shareholders are less concern on the board diversity as compared to another four factors. However, board diversity is indispensable. In tradition, most of directors are predominantly occupied by male directors. With the new decade, female directors are welcome to join in the Board and decision making as shareholders believed that female director have better decision-making skill and also can protect their interest. In addition, all the directors and senior management should possess a sufficient skill, knowledge and experience enables them to discharge their duties efficiently and effectively.

5.4 Limitation of Study

Throughout this research study, there are three main limitation that required to highlight as follows:

The first limitation of this research study is the target respondent. The respondents in this research study is only limited to shareholders. However, in future study, the target respondents can be expanded to other stakeholders such as supplier, government sector, employees, customers and so on. As this research study from the view of shareholders, which represent only minor percentage from stakeholder group. Additionally, this may lead to the researcher cannot see clearly on the effectiveness of new reporting system. Hence, the researcher can further expand its

target respondent to understand and get different point of view from different level of people on the effectiveness of new corporate reporting.

The second limitation of this research study is the time and financial constraint. The total time consuming for this research study is only seven months. This is not an ideal timeline for a research study especially for those part-time students and working adults. In addition, it also involves the financial constraint as the researcher might need to travel to different places to collect the data from the respondent. Hence, it forces the researcher to lower down the sample size to 200 shareholders and restricted the location only within Ipoh, Kuala Lumpur and Penang areas. However, these three locations cannot signify and represent the entire Malaysia's population.

The third limitation of this research study is professional term that being used in questionnaire. However, the researcher found that most of the shareholders have difficulty in understanding the professional wording being used in the questionnaire even though the researcher has tried to use the laymen term to simplified the wording that being used. As shown in the descriptive analysis, most of the respondent are from executive level and manager level and only 24 respondents have the professional certificate. So, among the executive and manager level respondents, they might not from professional line such as Company Secretary. This group of respondents might not understand the professional words that being used in the questionnaire. This may result to the research results not so accurate as they only simply select on the item but without understanding the meaning in the sentences.

5.5 Recommendation for Future Research

The following shows several recommendations that provided to future researcher to overcome the limitation of this research study:

Firstly, future researcher focusing more on different stakeholders as target respondents such as supplier, government sector and so on. The researcher can have more understanding on the effectiveness of new corporate reporting from different point of view. Besides that, in-depth interviews with stakeholders would also be useful, however, the researcher can immediately get the first-hand data and information from the respondents, as they can share out their own views and thought on the new reform corporate governance reporting. So, in future, qualitative technique in this research topics is strongly recommended.

Secondly, the time frame of this research study should further extend especially for those part time student or working adult, so that the researcher has sufficient time to make sure that the results is valid and meaningful. Besides that, future researchers can also expand their sample size and target population to more places. With the larger sample size and population, the researcher will have more accuracy findings and also meaningful results.

Lastly, future studies are strongly recommended the researcher to provide explanation for the professional word that being used. The researcher can make a remark at the bottom to provide some definition or explanation to ensure that all target respondents understand on the professional word or terms that being use in the questionnaire. Besides, the researcher can also face to face explain to the respondents on any ambiguous wording that may make confuse to the shareholders. Besides, the researcher can also prepare some video or presentation slide to let the respondents have more understanding on the research topic.

5.6 Conclusion

This chapter had concluded the findings of the research. The chapter had discussed major findings from the analysis of data, contribution of good corporate governance reporting practice to all the Malaysia's companies, and the limitations of the study. The researchers had also made recommendations for future researchers to obtain better findings.

In conclusion, the five independent variables such as Board Independence and Responsibility (BI), Corporate Reporting and Disclosure (CR), Audit and Risk Management (AR), Communication with Shareholders (CS) and Board Diversity (BD) are significant to the effectiveness of the new corporate governance reporting in Malaysia. In fact, shareholders are more concern to what companies they are investing. The more disclosure information from the Company, the higher the confidence the shareholder possess before they invest their money in the Company.

Based on the finding in this research project, it is stated clearly that Corporate Reporting and Disclosure devote the highest variation marks in shareholders' perspective. The second highest variation score are Board Independence and Responsibility, Communication with Shareholders, Audit and Risk Management and Board Diversity. The new reporting system is aimed to strengthen corporate culture in Malaysia, increase the accountability and transparency level, heightening investors' confidence level.

Moreover, Malaysia's investors believe that their investment return is highly related to a good compliance corporate governance practice in the Company. From their perspective, high compliance with the corporate governance practice could easily affect the company management and transparency and indirect affect the shareholders' confidence level. For example, low reporting standard represent many misleading information disclose to shareholders via internet, Company's financial statement and annual report. Shareholders are worried their interest is being affected by that misleading news hence leads them to make a wrong investment decision. Thus, this is responsible for the Company to take steps on

placed a greater emphasis on the internalization of corporate governance. It is good if all the directors can make the good corporate governance practices to strengthen shareholders' confidence level.

As an overall conclusion for this research project, we can see that the most of the MCGG dimensions may not have significant relationship toward the good corporate governance practice, however, all companies should embrace all the good corporate governance reporting together with the recommendation of all principles in MCGG2017 elements in order to strengthen the effectiveness of corporate governance framework and maintain strong competitive advantage in the Malaysia.

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ACADEMIC RESEARCH SURVEY FORM
EFFECTIVENESS OF THE NEW CORPORATE
GOVERNANCE REPORTING IN MALAYSIA FROM
SHAREHOLDERS' PERSPECTIVES

Dear Respondents,

I am a postgraduate candidate of Master of Business Administration (Corporate Governance) at Universiti Tunku Abdul Rahman (UTAR). I am currently conducting a research study on the topic of “Effectiveness of the New Corporate Governance Reporting in Malaysia from Shareholders’ Perspective”. The objectives of this research are to identify the shareholders’ perception towards the new corporate governance reporting in Malaysia and to enhance transparency, develop and regulate the corporate and capital market toward good corporate governance.

Along with this letter, there is a questionnaire for you to answer. Your participation in this survey is entirely voluntary and the instructions for completing the questionnaire can be found on the form itself. This survey form consists of three parts which are Section A, Section B and Section C. It should take you about 15 to 20 minutes to complete the questionnaire.

Please do not state your name on the questionnaire form. All the information provided by you will be kept strictly private and confidential and solely for research purposes.

Thank you for your time and cooperation; your participation in this survey study is very much appreciated.

Yours sincerely,

Chan Wai Man

SECTION A: DEMOGRAPHIC INFORMATION

Please tick (✓) for the most appropriate answer for each question, unless indicated otherwise.

1. What is your gender?

Male

Female

2. What is your age group?

21 – 30 years old

31 – 40 years old

41 – 50 years old

51 – 60 years old

61 and above

3. What is your highest education level?

Primary/Secondary

Pre-U /Diploma Level

Degree level

Master/PHD Level

Professional Certificate

Others (Please specify):

4. Please choose one of the following best describe your occupation?

Executive/Senior Executive

Accountant/Tax Agent/Lawyer

Manager/Senior Manager

Internal/External Auditor

Director/Senior Management

Unemployed/Retiree

Company Secretary

Other (Please specify):

5. What type of company you currently working with?

- Public Listed Company (PLC)
- Private Company / Public Company
- Government-Linked Company (GLC)
- Partnership
- Professional firm
- Others (Please specify):

6. How long have you held your current position in the Company?

- Less than 2 years
- 2 – 5 years
- 6 – 9 years
- 10 – 14 years
- 15 years and above

SECTION B: THE NEW CORPORATE GOVERNANCE REPORTING

The following section relates to your perceptions towards the effectiveness of the new corporate governance reporting. For each of the statements, please rate how much you agree or disagree by circling the number that represent your opinion the most.

No.	Board Independence and Responsibilities (BI)	Strongly Disagree (SD)	Disagree (D)	Neutral (N)	Agree (A)	Strongly Agree (SA)
BI1	The Board should establish clear understanding on their role and responsibilities in discharging its fiduciary and leadership functions.	1	2	3	4	5
BI2	The Board should formalize ethical standards through a code of conduct and ensure its compliance.	1	2	3	4	5
BI3	The Board should ensure it is supported by a suitably qualified and competent company secretary.	1	2	3	4	5
BI4	The position of Chairman and Chief Executive Officer should hold by different individuals.	1	2	3	4	5
BI5	The Board should comprise at least half of the Board are independent directors and undertake an assessment of its independent annually.	1	2	3	4	5
BI6	The tenure of an independent director should not exceed a cumulative term limit of nine years.	1	2	3	4	5

No.	Corporate Reporting and Disclosure (CR)	Strongly Disagree (SD)	Disagree (D)	Neutral (N)	Agree (A)	Strongly Agree (SA)
CR1	The Board should ensure the Company has appropriate corporate disclosure policies and procedures.	1	2	3	4	5
CR2	The Board should establish formal, transparent remuneration policies and procedures to attract and retain directors.	1	2	3	4	5
CR3	The Company should ensure the board charter, code of conduct and ethics, terms of reference are published on the Company's website.	1	2	3	4	5
CR4	The Company should disclose the detailed remuneration of each individual directors in named basis which include fees, salary, bonus, benefit-in-kind and other emoluments.	1	2	3	4	5
CR5	The Company should fully disclose the remuneration of top five senior management in named basis which include salary, bonus, benefit-in-kind and other emoluments.	1	2	3	4	5
CR6	The Board should ensure the policies and procedures to determine the remuneration of directors and senior management are periodically reviewed and made available on the company's website.	1	2	3	4	5

No.	Audit Committee and Risk Management (AR)	Strongly Disagree (SD)	Disagree (D)	Neutral (N)	Agree (A)	Strongly Agree (SA)
AR1	The Company should ensure that the Chairman of the Audit Committee is not the Chairman of the Board and comprise solely of Independent Directors.	1	2	3	4	5
AR2	The Audit Committee should ensure financial statements comply with applicable financial reporting standards.	1	2	3	4	5
AR3	The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors.	1	2	3	4	5
AR4	The Audit Committee should ensure the internal audit function is effective and able to function independently.	1	2	3	4	5
AR5	The Company should establish a Risk Management Committee which comprises majority of independent directors to oversee Company's risk management framework.	1	2	3	4	5
AC6	The Board should able to determine the company's level of risk tolerance and monitor the key business risk.	1	2	3	4	5

No.	Communication with Shareholders (CS)	Strongly Disagree (SD)	Disagree (D)	Neutral (N)	Agree (A)	Strongly Agree (SA)
CS1	The Board should ensure that shareholders are given sufficient notice and time to consider the resolutions.	1	2	3	4	5
CS2	The Board should ensure the presence of all directors and provide opportunity to promote effective communication and proactive engagements with shareholders.	1	2	3	4	5
CS3	The Board should have dialogue with shareholders and take their concerns into account when making decisions.	1	2	3	4	5
CS4	The Board should ensure there is effective, transparent and regular communication with its shareholders.	1	2	3	4	5
CS5	The Company should adopt integrated reporting based on globally recognized framework to promotes greater transparency and accountability.	1	2	3	4	5
CS6	The Company should leverage technology to facilitate greater shareholder's participation and enhance the proceedings of General Meeting.	1	2	3	4	5

No.	Board Diversity (BD)	Strongly Disagree (SD)	Disagree (D)	Neutral (N)	Agree (A)	Strongly Agree (SA)
BD1	The Board should ensure the appointment of board member is based on objective criteria, merit and with due regard for diversity in skills, knowledge, experience, age, cultural background and gender.	1	2	3	4	5
BD2	The Company should ensure the appointment of senior management is based on objective criteria, merit and with due regard for diversity in skills, knowledge, experience, age, cultural background and gender.	1	2	3	4	5
BD3	Board Composition should support objective and independent deliberation.	1	2	3	4	5
BD4	The Company should take steps to ensure that women candidates are sought in its recruitment exercise for board and senior management positions.	1	2	3	4	5
BD5	The Board should use different approaches and sources to identify the most suitably candidates.	1	2	3	4	5
BD6	Board gender diversity provide constructive debates and lead to better strategic decision.	1	2	3	4	5

Section C: Shareholders' Perception on New Corporate Governance Reporting

The following section relates to your perceptions on the effectiveness of the new corporate governance reporting in Malaysia. For each of the statements listed below, please indicate your satisfaction level by circling the number that represents your opinion the most.

No.	Effectiveness of the New Corporate Governance Reporting from Shareholders' Perception	Strongly Dissatisfied (SD)	Dissatisfied (D)	Neutral (N)	Satisfied (S)	Strongly Satisfied (SS)
SP1	Do you think that the effectiveness of Board Independence and Responsibilities meet your expectation?	1	2	3	4	5
SP2	Do you think that the level of Corporate Reporting and Disclosure meet your expectation?	1	2	3	4	5
SP3	Do you think that the role of Audit Committee and Risk Management have effectively carried out transparency, focus and independent judgment?	1	2	3	4	5
SP4	Do you think that the ongoing engagement and communication between the Company and shareholders have effectively carried out and meet your expectation?	1	2	3	4	5
SP5	Do you think that the Board Diversity has effectively serve as a talent pipeline for board candidacy?	1	2	3	4	5

~Thank you for your time and participation in this research study~