THE INFLUENCE OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE IN THE HOSPITALITY INDUSTRY

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The Influence of Corporate Governance on Financial Performance in the Hospitality Industry

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TABLE OF CONTENTS

	Page
Copyright Page	iii
Declaration	iv
Table of Contents	v
List of Figures	vii
List of Tables	viii
Abstract	ix

CHAPTER 1: INTRODUCTION 2

1.0 Introduction 2

1.1 Research Background 2

1.1.1 Definition and Current Phenomenon of the Hospitality Industry 2

1.1.2 Corporate Governance in Hospitality Industries 5

1.2 Problem Statement 6

1.3 Research Objectives 8

1.4 Research Questions 8

1.5 Significance of Study 8

1.6 Chapter Layout 9

1.7 Conclusion 10

CHAPTER 2: LITERATURE REVIEW 11

2.0 Introduction 11

2.1 Theoretical Framework 11

2.1.1 Agency Theory 12

2.1.2 Resource Dependency Theory 14

2.1.3 Stakeholder Theory 15
2.2 Dependent Variables 17
2.2.1 Return on Assets 18
2.2.2 Earnings Per Share 19
2.3 Independent Variables 19
2.3.1 Environmental Disclosures 22
2.3.2 Social Disclosures 24
2.3.3 Board Size and Composition 25
2.4 Control Variables 27
2.4.1 Company Size 27
2.5 Proposed Research Framework 28
2.6 Conclusion 28
CHAPTER 3: RESEACRH METHODOLOGY 29
3.0 Introduction 29
3.1 Sample and Data 29
3.2 Variable Definition 31
3.3 Econometric model 33
3.4 Data Analysis 34
3.4.1. Descriptive Analysis 34
3.4.2. Correlation Matrix 34
3.4.3. Multicollinearity Test 34
3.4.4. *T*-test analysis 35
3.4.5. Multiple regression analysis 35
3.4.6. Robustness test 35
3.5 Conclusion 36
CHAPTER 4: DATA ANALYSIS 37
4.0 Introduction 37

4.1 Descriptive Statistics 37
4.2 Correlation matrix and multicollinearity test 38
4.3 *T*-test analysis 40
4.4 Multiple regression analysis 42
4.5 Robustness Test 44
4.6 Summary of Hypothesis Result 46
4.7 Conclusion 46
CHAPTER 5: DISCUSSION AND CONCLUSION 47
5.0 Introduction 47
5.1 Implication and recommendation 47
5.2 Limitation and recommendation for future study 49
REFERENCES 50
Appendix I: Lists of Listed Companies for the Research Study 57

LIST OF FIGURES

Figure 1.1: Market size of the hotel and resort industry worldwide (Statista, 2023) 3
Figure 2.1: Agency Relationship Model, adapted from Mitnick (1982), Ross (1973)............13

LIST OF TABLES

Table 3.1: Population Breakdown....30
Table 3.2: Sample Selection 30
Table 3.3: Sample Distribution....31
Table 3.4: Definition of Variables 31
Table 4.1: Descriptive Statistics 37
Table 4.2: Correlation matrix and multicollinearity test....39
Table 4.3: T-test Prior and Post COVID-19 40
Table 4.4: Regression analysis....42
Table 4.5: Regression analysis: Before and After COVID-19 Sub-Samples 44

ABSTRACT

The performance and stability of the hotel sector have suffered because of COVID-19's widespread distribution. Mechanisms for corporate governance (CG) are essential for guaranteeing regulatory compliance, fostering stakeholder responsibility, and lowering risk in the hospitality industry. This study aims to look at how CG may have affected the financial results of the listed hospitality firms between 2018 and 2021. 66 publicly traded hospitality organisations from across the world have been chosen as the subject of this research project. Earnings per share (EPS) and return on assets (ROA) are used to measure a company's success in terms of finances. The following CG practises practices are examined in this study: diligence, board size, board makeup, board meetings, and environmental and social disclosures. On the other side, the research study's control variable will be the size of the firm. This research is going to use the correlation matrix, the multicollinearity test, the multiple regression analysis, and *T*-test analysis. The results of each of the factors have been considered while interpreting and discussing the analysis. According to the data, the CG mechanism that has a substantial beneficial influence on company performance is the proportion of independent board members and the size of board. Also, following the COVID-19, environment pillar score appeared to be considerably improving the company performance (the years 2020 and 2021).Hence, it can be inferred from the study that while not all CG measures may significantly affect financial performance, some of them may have positive or negative effects on the financial performance of listed hospitality organisations. Finally, this study on the effects of CG and COVID-19 on financial performance can offer operators and directors in the hotel sector with useful information that will help them make decisions that will boost business success and stakeholder confidence.

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter of the research is focused at review the Corporate Governance (CG) background in the listed hospitality companies and the relevant CG practices that can affect the overall financial performance of the companies. The problem statement presents a more detailed explanation of the issue. Furthermore, the research objectives and research questions are designed accordingly. The importance of the study is covered in greater detail in the next section.

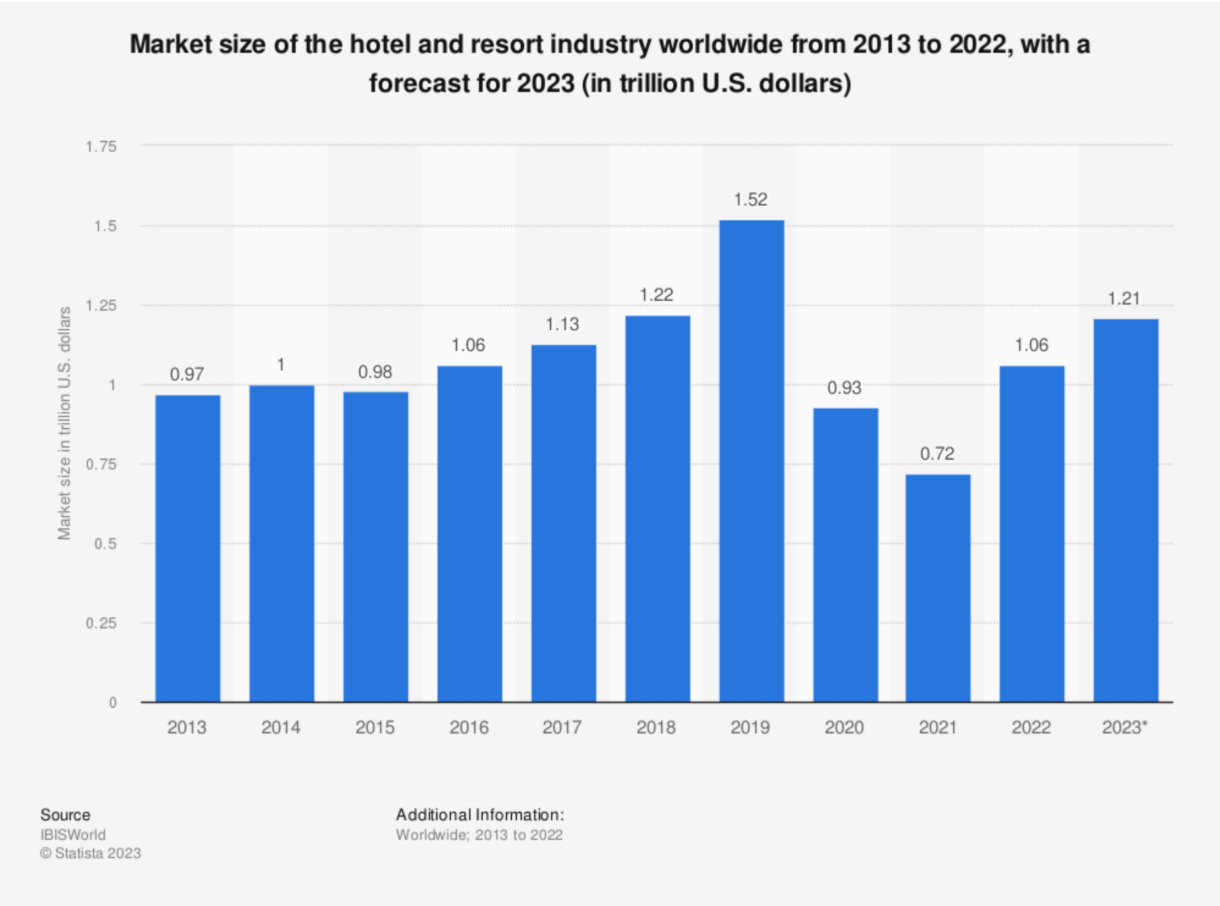
1.1 Research Background

1.1.1 Definition and Current Phenomenon of the Hospitality Industry

According to Revfine (2022), the hospitality industry, generally construed, comprises a range of housing alternatives, from resorts and hotel complexes to Airbnb homestays; food and beverage services and businesses, including restaurants, fast food chains, bars and cafes, coffee shops, and nightclubs; and travel and tourism, including package vacation tours, river and ocean cruises, and bars and cafes. In addition, a hospitality package is typically an essential component of a wide range of sporting, entertaining, and leisurely events, and locales. Traditionally, a number of features of the hospitality industry have been seen as luxuries that people may enjoy after taking care of their basic needs for food, clothing, and shelter.

For businesses, investors, decision-makers, and a few other markets in the recent years, the coronavirus (COVID-19) crisis is one of the most important and unprecedented events. Major capital markets and economic sectors have also been badly impacted along with the disease's global expansion, which has harmed the performance and stability of the hotel industry. Most severely affected by the COVID-19 issue are service-oriented companies like the hotel and restaurant business. The creation of new jobs and the growth of the global economy are both significantly influenced by the hospitality sector. Many economic activities are supported by it, and it is directly and indirectly responsible for regional growth, a wide range of jobs, industries, and sub-industries. (Aharon et al., 2021).

Figure 1.1: Market size of the hotel and resort industry worldwide



From "Market size of the hotel and resort industry worldwide from 2013 to 2022, with a forecast for 2023", by Statista Research Department, 2023, (https://www.statista.com/statistics/1186201/hotel-and-resort-industry-market-size-global/#statisticContainer). Copyright 2023 by Statista.

The market for hotels and resorts worldwide peaked in 2019 at 1.52 trillion dollars. In 2020 and 2021, the market size was below $1 trillion due to the COVID-19 pandemic. In 2023, it was projected that the market will grow to $1.21 trillion. The expectation is made due to the hospitality industry continue to recover from the impact brought by the COVID-19 pandemic since year 2022 onwards.

The industry is starting to recover, however, as vaccination rates rise, and limitations loosen. While some companies have closed their doors permanently, others are adjusting to the new normal and coming up with creative ways to draw clients. To reassure customers, many hotels and restaurants are putting new health and safety procedures into place. They also provide accommodating booking procedures and special prices to promote tourism. In general, the hotel sector's recovery will probably take time, but with the appropriate plans in place, businesses can recoup faster and more successfully than before.

According to predictions from Coldwell Banker Richard Ellis Group (CBRE), the hospitality sector may anticipate a strong improvement in demand and room revenue across the accommodation sector in 2023 (CBRE Hotels, 2023). More revenue increases are anticipated as prices grow in line with inflation and rising demand. This is consistent with data from Deloitte's "European Hotel Industry Study" for 2022, which predicts that by 2023, at least half of Europe's lodging providers can anticipate returning to 2019 performance levels (Deloitte, 2020).

On the other side, the most recent study from CBRE indicates that optimism in the Asia Pacific hotel and hospitality sector is continuing to rise as borders reopen, investment appetite increases, and operating performance approaches pre-pandemic levels. The recovery is largely being driven by domestic travel demand, particularly in North Asia and the Pacific markets. By 2024, it is anticipated that overall tourist arrivals in the Asia-Pacific area will have reached pre-pandemic levels. International visitors to the area are increasing, but they are still significantly lower than they were before the outbreak (CBRE Hotels, 2022).

Many different sorts of studies have been done to analyse how COVID-19 has affected the financial performance and the commercial performance of the hospitality industry. Aharon et al. (2021) showed that other industries connected to the hospitality sector are also impacted negatively by COVID-19 and government initiatives, in addition to the hospitality sector itself.

However, little research has been done on the effectiveness of CG practices during the pandemic, even though it has been demonstrated that they have a favourable impact on business performance in the sector. This is probably because of the urgent and pressing difficulties that companies are having, such coping with closures and putting new health and safety procedures in place. To find best practises and make sure that organisations are set up for long-term recovery, it is crucial to keep researching how CG affected the hospitality sector throughout the pandemic. Hence, by doing this, the companies can ensure that they are ready for potential disasters and can survive in an uncertain world.

1.1.2 Corporate Governance in Hospitality Industries

One of the three key pillars of CG is ESG (Environmental, Social, and Governance). To direct business decisions, uphold the law, and meet stakeholder obligations, CG assesses how well a company uses rules and controls. Failures in CG, including fraudulent tax avoidance, corruption, excessive CEO pay, or continuous lobbying, harm reputations and erode trust. The hospitality sector will need to collaborate with other businesses to improve its performance on all three ESG indicators (Corporate Governance in Travel & Tourism, n.d.).

According to Turnbull (1997), all the factors that have an impact on an institutional process are referred to as CG, including those that point to the controllers and regulators responsible for coordinating the creation, distribution, and sale of goods and services. The mission of CG is to promote effective, creative, and ethical management that will guarantee the long-term prosperity of the company. (ICAEW, n.d.).

In the last two years, it has been found that most of the studies in the hospitality industry concentrated on the impact of COVID-19 on the company’s financial performance and business performance (Crespí-Cladera et al., 2021; Song et al., 2021; Aharon et al., 2021). However, other than COVID-19, which is considered an external factor, there are still other internal factors such as the adoption of CG mechanisms which need to be analysed on their impacts on financial performance. Therefore, this study is going to concentrate on analyse the influence of the current CG practices adopted by the listed hospitality companies on their financial performance.

In the hospitality industry, CG mechanisms are crucial since they make sure that businesses run ethically, successfully, and efficiently. CG procedures can assure regulatory compliance, foster stakeholder accountability, and help to reduce risk in the hospitality sector. This is crucial given the industry's complexity and frequently high-risk factors, which include managing a wide range of stakeholders from customers and local communities to employees and suppliers. Good CG procedures can contribute to the development of stakeholder trust and confidence, which can enhance brand reputation, long-term sustainability, and profitability. As a result, effective CG practises must be implemented for the success of businesses in the hospitality sector.

1.2 Problem Statement

Obviously, COVID-19 had a substantial impact on the travel and tourist business as well as the hotel sector. Global tourism is significantly impacted by decisions to shut down hotels, restaurants, theme parks, and movie theatres as well as by the wider disruptive effect of the travel ecosystem. This has caused the hospitality industry to face challenges in the supply and income chains, together with cash flow and working capital problems since the year 2020 (Manen et al., 2020).

Many countries and regions had quarantines, entry bans, or other restrictions in place for citizens of or recent visitors from the most affected localities because of the outbreak, and even restricted the ability of their citizens to travel overseas. Together with a decreased propensity to travel, the limitations have had a negative economic impact on the hotel business in those locations. In addition, everyone worldwide disliked going out to eat and preferred cooking their meals during the year COVID-19. Therefore, the hospitality sector was severely impacted. This situation is further proved by the statistic that the month of March 2020 had a 67% year-over-year decline in foreign arrivals (Dudeja, 2021).

Theoretically, good CG can result in a healthy business, which also can give the business a competitive advantage. By offering a framework for efficient decision-making and risk management, good CG procedures can assist hospitality businesses better withstand the effects of COVID-19. Businesses with robust risk management procedures, for instance, are better able to recognise and counteract possible threats to their operations, such as disruptions in the supply chain or shifts in consumer behaviour. Like this, organisations that have developed ethical standards and a code of conduct are better prepared to handle difficult situations and uphold the confidence of their stakeholders. Also, organisations that have established efficient lines for communication and engaged with their stakeholders are better equipped to react to changing conditions and modify their strategies, as necessary. Therefore, businesses in the hotel industry can set themselves up for long-term success and adaptability in the face of unpredictability by placing a high priority on sound CG standards (Khatib & Nour, 2021; Gelter et al., 2021;Jebran & Chen, 2020).

To promote good governance in publicly listed companies, governments, and CG organisations have adopted one of two strategies: the "comply or explain" approach or they have passed regulations to assure compliance. In any case, there is a common understanding across industry organisations that solid CG helps the management team while also benefiting the community, the employees, and the shareholders (Legair, 2016).

Unfortunately, there hasn't been much research on how CG affects the hospitality sector's financial performance in the context of COVID-19. The existing studies only showed that there are positive impacts of CG on financial performance, but they are conducted before the year 2018. For instance, Guetat et al. (2015) implied that CG practices affect how well hospitality companies perform. The result also found that the independent directors' board and the dual structure can enhance the competence and dedication of leaders and encourage improved hotel performance.

Therefore, to fill up this research gap, this study intends to investigate the connection between CG mechanisms and the financial performance of hospitality businesses during the COVID-19 epidemic. The objective of this study is to determine whether CG helps to reduce the detrimental effects of the COVID-19 pandemic on the financial performance of hospitality businesses. The results of this study will thus add to the body of existing knowledge in the hospitality industry by providing additional evidence of CG processes in the COVID-19 dilemma.

1.3 Research Objectives

General Objective:

To investigate the relevant factors that are influencing the financial performance of the hospitality industry in the context of CG.

Specific Objective:

1. To illustrate the relationship between the CG mechanisms and financial performance of the listed hospitality companies.
2. To examine the impact of CG on the financial performance of the listed hospitality companies before and after COVID-19.

1.4 Research Questions

The questions that this research aims to answer are represented as research questions. The research questions for this study are:

1. What is the relationship between the CG mechanisms and financial performance of listed hospitality companies?
2. What is the impact of CG on the financial performance of the listed hospitality companies before and after COVID-19?

1.5 Significance of Study

The connection between CG and financial success has generated a lot of scholarly discussion throughout the years. In various ways, this research paper advances the field of literature. In the framework of COVID-19, there have been a few studies on CG. Therefore, the samples from worldwide countries have been selected to further investigate the connection between CG practices and listed hospitality companies' profitability during the COVID-19 pandemic because there have not been any studies on this area of the topic in this region since 2018.

Second, this study can help to examine whether CG practices help to reduce the detrimental effects of the COVID-19 epidemic on hospitality companies’ profitability. As a result, this would have significant ramifications for business executives and decision-makers who are trying to promote CG practices in the hospitality industry.

Finally, a longer time frame enables us to examine CG procedures' crucial contribution to the understanding of hotel profitability before and after the COVID-19 pandemic. This is the first attempt, to the best of knowledge. However, the existing research in the hospitality industry will gain greater support from the results of this study that CG systems played a role in the COVID-19 pandemic.

Additionally, by providing new information on how CG affects hospitality organisations' performance as assessed by accounting and marketing indicators both before and after the COVID-19 epidemic, this study contributes to the corpus of knowledge in the field. The paper also provides managers and practitioners with some useful guidance on how to handle the difficult relationship between CG and financial performance.

1.6 Chapter Layout

This study is divided into five chapters overall. The first chapter gives a general overview of the research background, problem statement, objectives, questions, and importance of the research. The literature review, which includes reviews by prior researchers, theoretical models, a conceptual framework, and the construction of study hypotheses, is illustrated in Chapter 2. Chapter 3 will also go through the research data and methods. The third chapter will cover the data gathering technique, research model, sample utilized, and diagnosis checking. In addition, chapter four will evaluate and interpret the SPSS Software results using the econometrics model presented in chapter 3 as a foundation. Chapter 5 will finish with the study's findings, implications, limitations, and suggestions for further research.

1.7 Conclusion

In Chapter One, there are concise explanations of the research's background, problem statement, objectives, research questions, and research significance. As previously mentioned, the hospitality sector accounts for a significant portion of the global economy, so finding the key variables that will affect the listed hospitality firms' financial performance is essential. This study will look at how CG mechanisms have affected the hospitality sector's financial performance over the course of four years, from 2018 to 2021. The review carried out by the prior researcher, the underlying theory, and the conceptual framework are all described in the Chapter Two.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

The fundamental theories that underpin the CG variables are presented in this chapter. In addition, earlier research is examined for the pertinent research variable. This research will often use independent, dependent, and control variables. In addition, this chapter will include a conclusion, the research framework, and the formulation of the hypotheses.

2.1 Theoretical Framework

The CG framework was developed throughout time because of numerous research due to CG's widespread application. The agency theory will be covered in this section. Subsequently, two theories are being developed namely resource dependency theory and stakeholder theory. A discussion of the fundamental theories is provided here.

According to Muchemwa et al. (2016), the two main theoretical streams in the literature that explain the connection between board size and composition and corporate performance are agency theory and resource dependency theory. On the other hand, Setiany (2018) states that the stakeholder framework may be used to understand the link between environmental and social disclosures and financial performance.

2.1.1 Agency Theory

The agency theory is one of the fundamental theoretical theories. This is because it has become a widely used instrument for locating and clarifying the CG issue in the business sector. According to Eisenhardt (1989), the presence of an agency theory indicates that the principal has given another party authority to act on the principal's behalf..

Managers (agents) aim to satisfy the expectations of shareholders (principals) by raising the value of the business to have promising performance prospects and be able to endure in a time of fierce competition. However, in practice, a lot of managers are shown to be working in a manner that conflicts with the company's stated objectives, namely, to promote investor welfare. This occurs because the management is more knowledgeable than the owner about the company's current situation (Sofia & Januarti, 2022).

Hence, agency theory always said that conflicts of interest make it fundamentally difficult to establish a relationship between directors and investors. Asymmetric Information is a problem that can result from tensions and tug-of-war aspirations between management and shareholders. Directors have the potential to misuse the management of corporate resources for personal gain because of information asymmetry, particularly if their interests do not agree with those of shareholders (Salin et al., 2019).

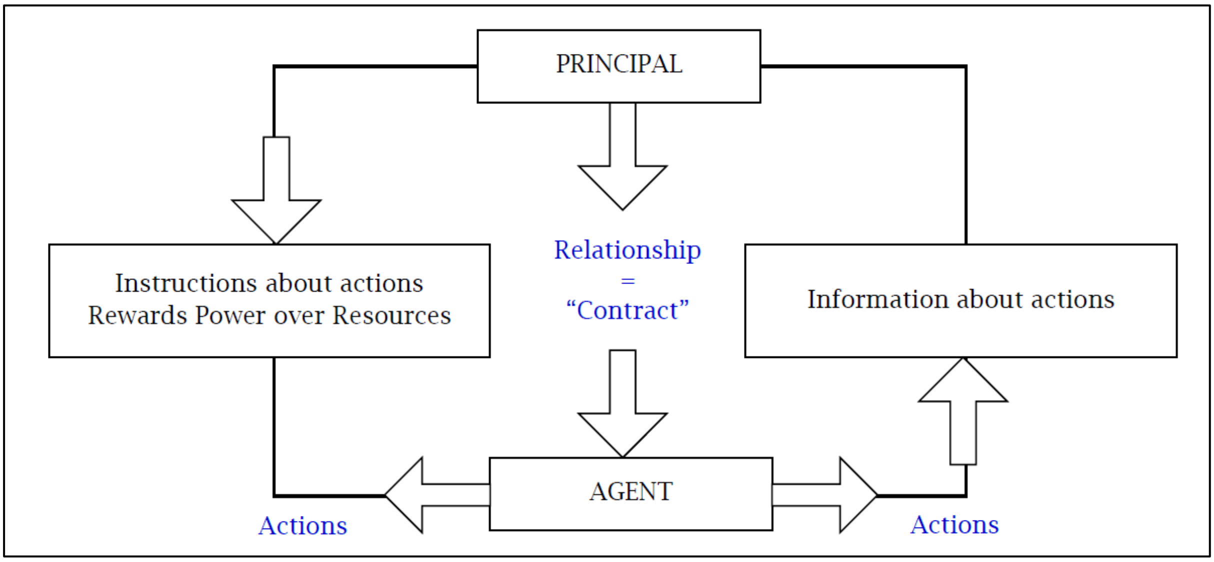
To prevent the conflict of interests, CG procedures that are effectively implemented safeguard investors by ensuring that they receive returns on their investments fairly and efficiently and guarantee that corporate executives behave in the public interest (Mahrani & Soewarno, 2018). This is well supported by the agency theory that strengthening CG is the best course of action for minimising disputes between agents and principals (Musallam, 2020).

For instance, agency theory supports independent directors as necessary monitors to make sure businesses and organisations are operating by the Corporate Governance Code's best practices. Annuar & Rashid (2015) argues that independent directors are crucial because they offer a check and balance system that helps to reduce agency issues.

Since they can monitor the performance of managers like the CEO to ensure that power is maintained separate to maximise shareholder value, independent directors are essential, as shown by the agency theory. The idea also recommends separating the roles of CEO and chairman since doing so will reduce the influence of directors on the board. The shareholders will choose the directors to meet the Malaysian Code of Corporate Governance (MCCG) requirements to run the company, hence the MCCG plays a significant role.

Yet, there are several problems with the agency theory, such as the possibility of an interest conflict between the main or managers and the agents and the inconsistency between the goals of the principal and the agents (Eisenhardt, 1989). To enhance the interests of both parties, the business or principle is obligated to pay the expense, frequently referred to as an agency cost. The cost that the principle must pay to make sure the agent operates in the principal's best interests is known as the agency cost (Jensen & Meckling, 1976).

Figure 2.1: Agency Relationship Model



Source: Adapted from Mitnick (1982), Ross (1973)

Agency theory is applicable to CG in the hospitality industry because of the principal-agent relationship that exists between stakeholders. The owners (principals) of a hospitality business delegate responsibility and decision-making power to managers (agents) to run the business on their behalf. Agency theory focuses on the potential conflicts of interest that arise between principals and agents and how to mitigate these conflicts.

In the hospitality industry, principals may be concerned with ensuring that managers act in the best interest of the business, rather than pursuing their own personal gain. Good CG practices, such as establishing clear lines of communication, setting performance metrics, and aligning incentives with performance, can help to mitigate these conflicts and promote accountability. Additionally, agency theory can be applied to the relationship between hospitality businesses and their customers, where businesses may have an incentive to prioritize short-term profits over long-term customer satisfaction. By implementing strong CG practices, businesses can help to ensure that they act in the best interest of their customers and maintain their reputation over the long-term.

2.1.2 Resource Dependency Theory

According to the principle of resource dependency, any organisation needs resources to be operational throughout time. This hypothesis also considers the fact that other organisations are seeking for the same resources in this setting and that they can only obtain them locally. Also, having successful boards can reduce uncertainties and risks for organisations by building stronger commercial ties with significant stakeholders. (Pfeffer & Salancik, 1978). Strong board structures can therefore increase the pressure on businesses to adopt sensible environmental policies and strategies in order to win over key stakeholders and thereby secure access to essential resources (De Villiers et al., 2011).

On the other hand, resource dependency theory said that the company can create connections with components of the external environment through the board of directors to lessen dependency and acquire these resources. The three advantages that the company can get through the connections of the board of directors are advice and counsel, legitimacy, avenues for information dissemination, and preferential access to commitments or assistance from significant external elements (Hillman & Dalziel, 2003).

Although agency and resource dependence theories emphasise the value of strong governance structures in enhancing corporate environmental duties and performance, these theories are flawed in that they primarily concentrate on the financial benefits and competitive advantages of environmental performance (Haque, 2017). Businesses may, however, also make a commitment to excellent environmental performance practises to enhance their image and demonstrate that they adhere to community norms and values (Branco & Rodrigues, 2008).

According to Adeabah et al. (2019), gender diversity is seen in this context as a relationship-oriented characteristic that influences attitude, behavior, and social processes and can predict performance. Gender diversity is a resource from the perspective of resource dependence theory that improves the standard of decision-making. Resource dependency theory thus focuses on the provision and utilisation of resources to compel higher performance and competitive advantage. The resource dependence hypothesis also emphasises the board's advising and intermediary roles.

Businesses in the hospitality sector must efficiently interact with a wide range of stakeholders, including staff members, clients, suppliers, and regional communities. Good CG practices can help to manage these dependencies by establishing transparent and collaborative relationships with stakeholders, which can help to build trust and reduce the risk of conflict. For example, businesses that engage with their local communities and establish strong supplier relationships are better able to manage their resources effectively and mitigate potential disruptions to their operations. Additionally, by prioritizing the interests of their stakeholders, businesses can ensure that they maintain a positive reputation and attract future investment. Therefore, resource dependency theory highlights the significant of effective CG practices for managing external dependencies and promoting long-term success in the hospitality industry.

2.1.3 Stakeholder Theory

Edward Freeman developed the stakeholder theory in 1984, which provides a more comprehensive understanding of CG than the agency theory. The stakeholder theory contends that various stakeholder groups have unique demands and expectations, and as a result, businesses have distinctive social contracts with various stakeholder groups. Stakeholder theory is a key study methodology in the social and environmental literature on a global scale and is used to determine and explain why a corporation has established specific social and environmental reporting practises. It also provides a framework for analysing the drivers of voluntary disclosure and the variables that affect it in both developed and developing countries. (Almagtome et al., 2017).

Generally, stakeholder theory considered the management's obligations to a variety of stakeholders. Shareholders, employees, consumers, financial institutions, governments, and suppliers typically make up a company's stakeholders. According to this view, an organization's directors should possess a network of contacts they can call upon. This theory also highlights that no group of interests is presumed to predominate over others and that managerial decision-making, and the interests of all stakeholders have intrinsic value. Hence, a strong CG framework is required to increase the confidence and trust required to ensure the long-term survival of the capital market in the business and the economy. It is also considered a key component in formulating corporate strategy and long-term objectives in the context of integration and incorporation of the firm's environmental, social, and economic components into the CG structure.

According to Schaltegger et al. (2012), there are two justifications for connecting stakeholder interests with the company's sustainability initiatives. First, the creation of economic value through voluntarily undertaken social and environmental initiatives is a key component of corporate activity. The second is that through supporting efforts for sustainable development, the value of developing sustainability activities for stakeholder groups will result in the creation of economic value. The most prevalent illustration of the relationship between value creation and stakeholder theory is the idea that value can be created for stakeholders through the production of high-quality goods, the creation of new jobs, the payment of taxes, or the provision of advantages to financial institutions.

Stakeholder theory suggests that businesses should prioritize the interests of their stakeholders, rather than just their shareholders, to achieve long-term success. In the hospitality industry, good CG practices can help to build trust and promote collaboration among stakeholders. By engaging with stakeholders and understanding their needs and expectations, businesses can make informed decisions that benefit all parties involved. For example, businesses that prioritize the safety and well-being of their employees and customers are better able to establish long-term relationships and maintain a positive reputation. Additionally, businesses that prioritize environmental sustainability and community involvement can create a positive impact on the local community and enhance their brand reputation. Therefore, stakeholder theory highlights the importance of effective CG practices in the hospitality industry for balancing the interests of stakeholders and achieving long-term success.

2.2 Dependent Variables

Financial Performance

Financial performance broadly reflected the ability of the corporation to increase company value. A company's ability to produce profits, which shows strong performance, is essential to its success (Puni & Anlesinya, 2020). Typically, the annual report of the company is the informational source that may be used to evaluate the financial performance of the organisation. For those who use financial statements as a key factor in decision-making, the valuation of financial statements is intended to gather information about a company's balance sheet and changes in its financial situation (Sofia & Januarti, 2022).

Typically, the company's stakeholders always place a high focus on its financial performance. According to Suhardjanto et al.(2018), businesses in the hospitality industry need to increase their hotel offerings in addition to fundamental changes occurring in all parts of life. The issues with the financial performance of hospitality companies have received little media attention. Yet, a hotel company's financial performance can still be demonstrated based on the information gathered and the level of occupancy it attained.

The spread of COVID-19 caused societal and personal constraints that had a negative effect on the firms' revenues and thus decreased their financial performance. As China is one of the country’s most severely affected by the current epidemic, the researchers have centred their efforts on looking at how the COVID-19 pandemic affected the corporate financial performance of Chinese enterprises (Rababah et al., 2020).

Additionally, Devi et al., (2020) learn that the financial performance of all segments of publicly listed firms on the Jakarta Stock Exchange decreased during the crisis, especially in terms of their ability to produce a profit, as demonstrated by a notable loss in return on assets (ROA). This is because the fall in consumer spending brought on by the economic crisis brought on by the COVID-19 epidemic would surely affect sales activity in the manufacturing sector. So, the dropping sales value of the industrial sector will surely have an impact on reducing earnings and a reduction in cash inflows, which can assist improve current assets. Thus, the profitability and activity ratio of businesses are significantly impacted by the economic crisis brought on by the COVID-19 epidemic.

2.2.1 Return on Assets

According to Husna & Satria (2019), the amount of ROA reveals a company's quality and influences an investor's desire to invest in it. Yet, there are three financial performance indicators that could affect whether a company's profit level is high or low: the current ratio (CR), debt-to-assets ratio (DAR), and total asset turnover. This study looked at manufacturing companies that were listed on the Indonesia Stock Exchange from 2013 to 2016 to see if variables including dividend payout ratio (DPR), ROA, DAR, and CR influenced firm value. Annual financial statements were employed in this study to gather the necessary data. According to the finding's results, the firm value is influenced by ROA, firm size, DAR, and payout ratio has no impact on the firm value.

Return on equity (ROE) and net interest margin (NIM) are two financial performance measures in addition to ROA. For companies to be successful and stable, these three financial performance measures are crucial. Puspitasari et al. (2021) investigate the function of NIM as a moderating variable in strengthening the impact of capital adequacy ratio and loan-to-deposit ratio (LDR) on ROA based on empirical conditions and findings from previous studies. By this study, bank management must maintain a high level of NIM to boost ROA. This is due to the NIM's contribution to the LDR's enhanced impact on ROA. Therefore, in banks with strong net interest margins, a high LDR will boost ROA. It demonstrates how much money the bank is making from interest on loans compared to how much money it is losing from interest on deposits. The findings of this study are anticipated to support the use of NIM and ROA as financial performance measures for banks.

Pointer & Khoi (2019) point out that a company's capital structure is made up of all the debt and equity that the company has on hand. In fact. state-owned commercial banks dominate the Vietnamese financial sector. Data from a representative sample of Vietnamese companies in the banking and insurance industries that are listed on the Ho Chi Minh Stock Exchange will be used in this study to analyse the variables that affect ROA and ROE. Empirical results show that internal variables, which are controlled by firms' financial management actions, are the main predictors of return on equity and ROA, two essential financial ratios.

2.2.2 Earnings Per Share

Investors use earnings per share (EPS) as a metric to demonstrate the profitability of each share. A statistic used to evaluate management's performance in producing profits for shareholders is the book value ratio, also referred to as the EPS ratio. To calculate EPS, net income is divided by the number of outstanding shares. Investors must think about how changes in income impact their investment when assessing a company's success. The corporation makes more money when its EPS are higher; conversely, when its EPS are lower, it makes less money. Hence, it can be concluded that the more profit the company makes, the higher the EPS. High returns can also refer to the number of profits that are still left over after taxes. Benefits are available to common shareholders in the form of profits less taxes, dividends, and other privileges for priority owners. (Safitri & Affandi, 2022).

In contrast, Almeida (2019) explores current empirical data that link short-termism behaviour to the presence of EPS targets. Stock repurchases, research and development (R&D) spending, capital expenditures, employment, and the format of mergers and acquisitions (M&A) deals are all impacted by EPS targets. In addition to having an adverse impact on economic development and welfare, the practise of chasing EPS with adjustments to real investments seems to produce long-term underperformance. Therefore, according to this discussion, analysts, investors, and businesses should stop using EPS as a performance indicator, as this could resulted in the short-termism behaviour and not benefited the company in the long-term view.

2.3 Independent Variables

Corporate Governance's Effect on a Company's Financial Performance

Numerous academic scholars have investigated the connections between CG and a company's financial performance over the past few decades. As many businesses undergo considerable modifications because of the synergistic effects of technical advancement, socio-political shifts, and economic tendencies toward more globalisation, CG is a topic of growing relevance in developing countries.

Firstly, Danoshana & Ravivathani (2019) demonstrate that the performance of a firm and CG mechanisms are strongly correlated. Increases in board and audit committee size have positive effects on the company's financial performance, whereas increases in meeting frequency have negative effects. Through meeting and discussion, the board can gain more understand on the formulation and implementation of strategy, thus ensuring that it is always align with the company goals and objectives.

Secondly, Puni & Anlesinya (2020) found that both insiders and outsiders might improve CG mechanisms and financial performance by serving on the business board. The presence of audit committees generally had a mixed effect on the company's financial performance, while the dual role of the CEO had no effect on it.

Thirdly, Al-Homaidi et al. (2019) said that institutional ownership, board composition, board diligence, and business size have a considerable influence on NIM, but board size, audit committee size, and audit committee diligence had a modest impact on it. They contend that board size, board composition, board diligence, audit committee composition, business age, audit committee size, diligence, and institutional ownership all have a considerable impact on EPS, whereas these factors have less of an impact on EPS.

Last but not least, Al-ahdal et al.(2020) discovered a favourable correlation between firm performance and CG, which is based on the CG index. Their findings show that CG mechanisms have an impact on how well a company performs. In contrast to managerial ownership, which has a negative effect on a company's performance, state ownership, which has a significant positive impact on a company's performance, and a supervisory board, which has a positive impact, ownership concentration has a significant positive impact on a company's performance.

In conclusion, from the review of prior research, CG is beneficial to the financial performance of a company. Through the adoption of CG practices in an organisation, it can be concluded that the business is being high reputable and trusted by the shareholders. The financial performance also to be affected, since the board diversity and meetings and involvement of independent directors and audit committee can improve the quality of the decision made. The implementation of the decision also can be monitored with the proper CG mechanisms; thus, the benefit of the company and shareholders always being concerned. However, the cost to comply the CG is a significant element, as the success organisation should not make the cost more than the benefit decision, which also can be known as inefficiency decision making.

Importance of Corporate Governance in Hospitality Industries

Li & Singal (2022) have undertaken a thorough assessment of the literature on CG research in the Hospitality and Tourism (HT) field using a sample of 120 peer-reviewed articles that have been printed in 24 HT journals since 1961. Even though the HT industry stands out from other industries by having substantial financial leverage, there aren't many studies that have looked into the impact debt plays in the CG of HT enterprises. Besides that, Li & Singal (2022) also learn that additional study is need to fully comprehend how the HT sector uses debt to limit managerial self-interest and how debt affects business performance when combined with other governance measures.

Furthermore, Hui Kwan & Yeap Lau (2020) has revealed that board characteristics are essential to examine the changing landscape of the hospitality industry and the behavior of hospitality firms. Based on their findings, primarily in the setting of concentrated ownership, directors play a significant role as a CG measure. At first, the directors need to investigate whether these governance characteristics are associated with corporate cash holdings among hospitality sector companies. Second, this research examines the overall impact of CG procedures at the firm level and surplus cash holdings on business performance in the hospitality industry.

In addition, Setiany (2018) points out that businesses need to make an effort to be socially responsible because it makes the business sustainable, on the other hand, benefits the relationships with the government and other regulatory authorities, and business reputation. As a result, social transparency is essential to building trust between businesses and stakeholders. At first, the outcome backs up the stakeholder framework's claim that management should carry out tasks in line with stakeholders' expectations and report these tasks to their directors. To manage the information needed by many stakeholder groups, disclosure is a management tool. Second, managers can utilise this outcome as a guide to manage solid relationships with their stakeholders. The company's sustainability depends on this close bond between the management and stakeholders.

For instance, hospitality company that implements good CG practices may have a board of directors with diverse backgrounds and expertise who provide oversight and guidance to the company's management team. The board may also have committees dedicated to overseeing specific areas of the business, such as finance, risk management, and sustainability. Besides, the company may also have a code of conduct and ethics policy that outlines its commitment to ethical business practices and provides guidance to employees on how to conduct themselves in the workplace. The company may also have a system in place for employees to report concerns or violations of the code of conduct, which is managed by an independent committee or authority.

Therefore, by implementing these and other CG practices, the hospitality company can improve its decision-making, increase transparency, and mitigate risks, which can ultimately benefit the company and its stakeholders.

2.3.1 Environmental Disclosures

Procedures for environmental reporting and disclosure allow an organisation to inform its stakeholders of the environmental impact of its operations. Reporting that is both financial and non-financial is appropriate. Chaklader & Gulati (2015) did a study on the methods Indian corporations used for environmental disclosure. The study's findings showed that the sampled Indian companies tended to exclusively report on their positive environmental performance and to make little or no mention of any negative or detrimental environmental effects.

Wang et al. (2020) shown that there is a positive correlation between financial performance and environmental information sharing. The voluntary disclosure argument, which contends that companies release more environmental data for commercial gain rather than in response to institutional pressure, is supported by this finding. In addition, this finding is in line with earlier research that shows a higher level of environmental information disclosure is linked to improved company performance; these findings go against those of and, who hypothesised that there is either no correlation or a negative correlation between environmental information disclosure and financial success.

Zhou et al. (2022) Investigate the relationship between ESG performance, financial performance, and market value of publicly listed companies, as well as the function of financial performance as a mediating factor. The findings demonstrate that an improvement in an organization's ESG performance is advantageous to its operating capacity but has no appreciable impact on its profitability or growth potential. Operating capacity is a crucial mediating component in how ESG performance influences a company's market value, and an improvement in an organization's ESG performance helps boost its market value.

On the other hand, Xi & Xiao (2022) suggest that academics now have the chance to examine how China's obligatory environmental disclosure affects listed companies' earnings management strategies, accounting conservatism, and the relationship between these factors and environmental disclosure, as well as how CG at these listed companies acts as a moderator. Furthermore, this study advances the literature on how corporate information disclosure affects earnings management practices and conservative accounting. As a result, this study discovers a negative linkage between corporate environmental disclosures and earnings management and a positive relationship between corporate environmental disclosures and accounting conservatism.

Besides that, Yoo & Managi (2022) claim that ESG would have a good impact on financial performance would be false as publishing and ESG initiatives are both essential components of improving financial performance. Their findings suggest that action is key for long-term profitability while media disclosure is essential for immediate returns. As a result, it demonstrates that while the action is critical for long-term financial performance, media disclosure is essential for profitability. It also suggests that publishing reports and sharing information would be a better way to increase short-term earnings than activities that would cost time and money.

The following is how the hypothesis is developed considering the literature review:

Hypothesis 1

The null hypothesis ($H1_0$) for the first hypothesis developed is that there is no significant relationship between the environmental disclosures and financial performance.

The alternative hypothesis ($H1_1$) for the first hypothesis developed is that there is a significant relationship between the environmental disclosures and financial performance.

2.3.2 Social Disclosures

Social disclosures are defined as the practice of providing information about societal initiatives carried out by an organisation. Companies that publish information about their social initiatives are responding to public demands and expectations for social disclosure (Palazzo, 2019).

Babajee et al. (2022) are examining the association between CSR (Corporate Social Responsibility) and financial success in the hotel business in Mauritius using a sample of 43 hotels from 2007 to 2018. The empirical findings support the view that CSR has a positive and significant impact on financial performance and vice versa for some hotels in Mauritius by demonstrating a positive and significant two-way link between CSR and ROA. Their findings also demonstrate that CSR programs are important to the expansion and enhanced performance of Mauritius hotels.

Tanggamani et al. (2022) have concentrated on analysing the connection between CSR and financial performance, using Tobin's Q as the market-based statistic and ROA as the accounting-based metric. This study also identifies the mediating effect of business reputation in the relationship between CSR initiatives and the two financial success metrics. As a result, they have found that CSR performance and business reputation and financial performance are directly related. This study also shows that reputation is a mediator in the relationship between CSR and financial success, notably the profitability of the company.

In contrast, Maharantika & Fuad (2022) find out that CSR disclosure hurts financial performance. This demonstrates that basic information in the form of CSR disclosure reports has not been able to enhance the financial performance of the organisation. In addition, the effects of operational activities—both favourable and unfavourable—are revealed in CSR reports. Therefore, this can result in both advantageous and negative impacts on the companies. This outcome is in line with research showing that CSR has little impact on a company's financial performance as indicated by ROA metrics.

Nevertheless, Nguyen et al. (2022) find out that CSR disclosure generally has a detrimental effect on financial performance. The environmental side of CSR shows the most negative effects, which may be brought on by rising environmental protection expenses. Therefore, this can end up being a significant burden for businesses operating in developing nations. Since environmental CSR activities have been shown to have a detrimental impact on firm performance, they should be carried out with improved monitoring and planning to ensure better performance.

The hypothesis is derived as follows considering the literature review:

Hypothesis 2

The second null hypothesis ($H2_0$) is there is no significant relationship between the social disclosures and financial performance.

The second alternative hypothesis ($H2_1$) is that there is a significant relationship between the social disclosures and financial performance.

2.3.3 Board Size and Composition

The relationship between the board of directors and the financial performance of the companies has been the subject of numerous studies. Theoretically, the board of directors is tasked with overseeing and advising management as well as giving the firm strategic direction. The effective implementation of CG concepts in businesses depends on board characteristics. Hence, board attributes such as size, diversity, independence, board meetings, and committee structure could impact the effectiveness of the CG processes of the companies (Elah et al., 2019).

To understand the role and importance of the board of directors in the companies, Adegboyegun & Igbekoyi (2022) have carried out a study with the objective investigate how Nigerian manufacturing companies' financial performance is impacted by board diversity. The firm's financial performance improved because of the variety of the board's financial experience. This study provides information about the effect of board diversity in terms of gender, ethnicity, financial acumen, and educational background on the financial performance of listed industrial businesses in Nigeria based on this data. This study also identified a significant relationship between board diversity and financial performance in Nigeria, notably in the industrial sector.

Muchemwa et al. (2016) have carried out a study to determine whether board composition, specifically the ratio of independent non-executive directors to executive directors and board size, in the context of South Africa, are related to variances in business performance. The theory that hypothesises correlations between these variables and company performance is tested using data from the years 2006 to 2012. Overall, these findings refute the claim that the share of non-executive directors and firm performance are significantly and favourably correlated, as suggested by prior empirical investigations. Based on their valuable oversight and advisory roles on behalf of firm shareholders, these studies have usually argued for the benefits of having more independent non-executive directors on boards. On the other hand, these results are in line with those of, which contend that the presence of more independent directors on a board may not be associated with improved performance and that boards that grow for political reasons sometimes include an excessive number of outsiders.

The following hypothesis is developed in light of the research reviewed:

Hypothesis 3

The third null hypothesis ($H3_0$) is that there is no significant relationship between the board size and financial performance.

The third alternative hypothesis ($H3_1$) is that there is a significant relationship between the board size and financial performance.

Hypothesis 4

The fourth null hypothesis ($H4_0$) is that there is no significant relationship between the board composition and financial performance.

The fourth alternative hypothesis ($H4_1$) is that there is a significant relationship between the board composition and financial performance.

Hypothesis 5

The fifth null hypothesis ($H5_0$) is that there is no significant relationship between the board meetings and diligence and financial performance.

The fifth alternative hypothesis ($H5_1$) is that there is a significant relationship between the board meetings and diligence and financial performance.

2.4 Control Variables

2.4.1 Company Size

A company's size can be categorised in a number of ways, such as the amount of its revenue, total assets, and total equity. Although the performance of the company can be determined by its size. Investors typically have more faith in huge corporations because they are perceived as having the ability to continually enhance the performance of their businesses by attempting to increase the quality of their profits. The size of the firm has an impact on the quality of the earnings since a larger organisation will have a longer history of operations, which will improve financial performance and reduce the need for earnings manipulation (Pratiwi, 2021).

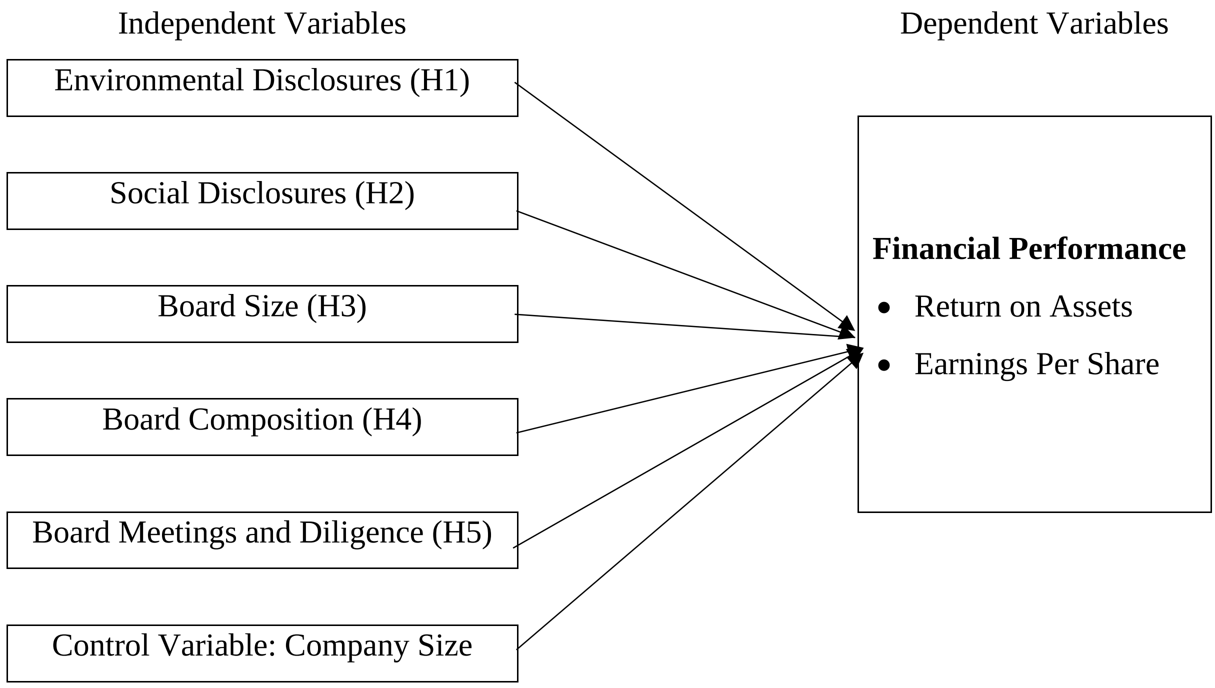
In addition, a lot of research is looking into the connection between firm size and performance. According to statistical analysis among the 117 participant organisations carried out by Younis & Sundarakani (2020) , there is a link between business size and three performance outcomes, including economic, social, and environmental performance. The association between business size and operational success, however, was not found to be beneficial.

Besides, according to Corvino et al. (2019), the empirical data demonstrated that business size has a moderating effect on the association between relational capital (RC) and cost of goods sold (COGS). This outcome supports prior research that suggests business size has a moderating effect in the interaction between firms and their market environment. This demonstrates how firm size might impact the market viewpoint from a technical and interpersonal standpoint.

Moreover, according to the capital structure theory, any increase in debt will lower the value of the company if the capital structure position is above the optimal capital structure target. As a result, firm size reflects the size or quantity of assets a company owns and affects the company's worth. The price of a company's shares on the capital market will rise if demand for its stock increases. Based on the analysis's findings of Hirdinis (2019), it was found that capital structure significantly increases firm value whereas firm size significantly decreases it. While corporate size has a significant beneficial impact on profitability, there is no clear connection between profitability and the organization's value.

2.5 Proposed Research Framework

The following provides the research framework, which is based on the literature examined:



Source: Own Construction for Research

2.6 Conclusion

In conclusion, this chapter examined the research on how CG mechanisms impacted the financial performance of the company through the evaluation of ROA and EPS. This chapter also examined how COVID-19 affected the organization's financial performance. Additionally, this chapter also reviews the pertinent theories that pertain to the CG, including the agency theory, resource dependency theory, and stakeholders' theory. It also entails developing the research framework and hypotheses.

CHAPTER 3

RESEACRH METHODOLOGY

3.0 Introduction

Chapter 3 will provide details on the techniques used for sample selection, data collection, and data analysis. The first section of this chapter will cover the research design. The techniques for gathering data will next be explained, followed by the selection of the study's sample and a list of the tools that will be employed. In the final part, the conclusion will be given.

3.1 Sample and Data

This research study's goal is to determine how CG mechanisms have affected the financial performance of the hospitality industry during a four-year period, from 2018 to 2021.

The sampling period covered in this research is from year 2018 to 2021. The purpose of this is to contrast the pre-pandemic (i.e., 2018 to 2019) and pandemic periods (i.e., 2020 to 2021). The similar sampling period also have been adopted in the study by Hsu & Yang (2022) which is to ascertain how COVID-19 will affect the financial reporting standard. On the other hand, Achim et al. (2022) have selected 218 Romanian listed companies for period from 2019 to 2020 to ascertain how COVID-19 has affected financial management. As a result, it can be said that the sampling period of 2018 to 2021 is appropriate for examining the impact of the CG mechanism on the financial results of the listed hospitality companies both before and during the COVID-19 epidemic.

The Refinitiv, one of the most dependable sources of secondary data, served as the foundation for this research (El Khoury et al., 2022). Refinitiv serves more than 40,000 institutions in more than 190 countries as a global provider of financial market data and technology.

The target population comprises 1,597 public listed companies under the "Hotel and Entertainment Services" sector. Out of the 1,597 public listed companies, it consists of 421 companies under Leisure and Recreation, 178 companies under Casinos and Gaming, 436 companies under Restaurants and Bars, and lastly 562 companies under Hotels, Motels and Cruise Lines. All the four categories of the public listed companies are be included in the study.

Table 3.1: Population Breakdown

Hotel and Entertainment Services	**Total**	**Percentage**
Casinos & Gaming	178	11.15%
Hotels, Motels & Cruise Lines	562	35.19%
Leisure & Recreation	421	26.36%
Restaurants & Bars	436	27.30%
Grand Total	**1,597**	**100.00%**

Firstly, there are 119 public listed companies under the "Hotel and Entertainment Services" with available environmental and social pillar score have been selected, and 1,478 public listed companies are excluded because did not have the environment and social pillar score for the study period. This sample size is further refined with the availability of data on the Board Meeting Attendance Average and Actual ROA. This refinement results in the sample of 66 firms are being analysed in this study. Further details on the sample determination are provided in Table 3.2.

Table 3.2: Sample Selection

Sample Selection	**Total**
Number of observations with Environmental and Social Pillar Score (FY 2018 to 2021)	119
Dropping Missing Board Meeting Attendance Average data	(26)
Dropping Missing Actual ROA data	(27)
Final Sample Size	**66**

Table 3.3 shows the sector-wise distributions of the data. Results show that 21 from Casinos and Gaming (31.82%), 21 from Restaurants and Bars (31.82%), 14 from Hotels, Motels, and Cruise Lines (21.21%) and 10 from Leisure and Recreation (15.15%). All the four sectors are under "Hotel and Entertainment Services" industry. The list of the 66 listed hospitality companies used in this research study is listed at the Appendix I.

Table 3.3: Sample Distribution

Sector	Total	Percentage
Casinos & Gaming	21	31.82%
Hotels, Motels & Cruise Lines	14	21.21%
Leisure & Recreation	10	15.15%
Restaurants & Bars	21	31.82%
Grand Total	**66**	**100.00%**

3.2 Variable Definition

The chosen variables that will be used for this research are defined in Table 3.4 below. It typically consists of the variables that are explained, the explanatory variables, and the control variables.

Table 3.4: Definition of Variables

Variable Symbols	Measurement / Definition	Reference used for the variable
Dependent Variables		
ROA	**Return on Assets** Actual ROA reported by the company.	(Altass, 2022; Yoo & Managi, 2022; Kyere & Ausloos, 2021)
EPS	Earnings per Share Actual EPS reported by the company.	(Puni & Anlesinya, 2020)

Independent Variables		
ENV	**Environment Pillar Score** It shows how effectively a company uses best management practises to reduce environmental risks and seize environmental opportunities to maximise long-term shareholder value.	(Yoo & Managi, 2022)
SOC	**Social Pillar Score** It evaluates a business's capacity to cultivate trust and loyalty among its staff, customers, and the general public through the use of the best management techniques.	(Yoo & Managi, 2022)
BSIZE	**Board Size** The whole number of board members as of the fiscal year's end.	(Altass, 2022; Goel et al., 2022; Kyere & Ausloos, 2021)
IND	**Percentage of Independent Board Members** Percentage of the board that is made up of independent directors, according to the corporation.	(Altass, 2022; Goel et al., 2022; Kyere & Ausloos, 2021)
MEET	**Average Board Meeting Attendance** The corporation disclosed the typical overall attendance rate for board meetings.	(Altass, 2022)
Control Variable		
CSIZE	**Company Size** The logarithm of total assets.	(Altass, 2022; Adeabah et al., 2019)

3.3 Econometric model

To assess the effect of CG mechanisms on the financial performance of listed hospitality companies, a multiple regression analysis was used. The relative impact of each CG attribute on performance was examined using the estimated multiple regressions below. The study suggests the model below to analyse how CG mechanisms affect the financial performance of the companies as assessed by two indicators: ROA and EPS. The multiple regression model is illustrated as below:

Equation 1

$$\mathrm{ROA}_{\mathrm{it}} = \beta_0 + \beta_1\mathrm{ENV}_{\mathrm{it}} + \beta_2\mathrm{SOC}_{\mathrm{it}} + \beta_3\mathrm{BSIZE}_{\mathrm{it}} + \beta_4\mathrm{IND}_{\mathrm{it}} + \beta_5\mathrm{MEET}_{\mathrm{it}} + \beta_6\mathrm{CSIZE}_{\mathrm{it}} + \varepsilon_{\mathrm{it}}$$

Equation 2

$$\mathrm{EPS}_{\mathrm{it}} = \beta_0 + \beta_1\mathrm{ENV}_{\mathrm{it}} + \beta_2\mathrm{SOC}_{\mathrm{it}} + \beta_3\mathrm{BSIZE}_{\mathrm{it}} + \beta_4\mathrm{IND}_{\mathrm{it}} + \beta_5\mathrm{MEET}_{\mathrm{it}} + \beta_6\mathrm{CSIZE}_{\mathrm{it}} + \varepsilon_{\mathrm{it}}$$

Whereas,

i	= Public Listed Hospitality Companies
t	= Year
ROA	= Return on Asset
EPS	= Earnings Per Share
ENV	= Environment Pillar Score
SOC	= Social Pillar Score
SIZE	= Board Size
IND	= Percentage of Independent Board Members
MEET	= Average Board Meeting Attendance
CSIZE	= Company Size
ε	= Error term

3.4 Data Analysis

3.4.1. Descriptive Analysis

In this study, the data will be analysed using a descriptive analysis in order to pinpoint the characteristics of the sample. The mean, minimum, standard deviation, and maximum values may be determined using the descriptive analysis. It is claimed that descriptive analysis may be used to find descriptive statistics like mean, minimum, standard deviation, maximum, correlation, kurtosis, skewness, and others in order to analyse the information gathered from the collected data. Moreover, descriptive analysis provides the details required for a summary of the collected data. This method will be used in this research project to collect information on the mean, minimum, standard deviation, and maximum values.

3.4.2. Correlation Matrix

A correlation matrix is used in this study to identify the relationships between all variables in a dataset. By analysing the correlation coefficients, it is possible to determine which variables are positively correlated, negatively correlated, or not correlated at all. A correlation matrix is being presented in a table form for displaying the correlation coefficients between multiple variables. The intensity and direction of the linear link between two variables are measured by correlation coefficients. In a correlation matrix, the values range from -1 to +1, with +1 denoting a perfect positive correlation (both variables rise or fall together), 0 denoting no correlation, and -1 denoting a perfect negative correlation (as one variable increases, the other decreases).

3.4.3. Multicollinearity Test

To determine whether multicollinearity exists and how severe it is in a regression model, perform a multicollinearity test. In these tests, correlation coefficients between the independent variables are often calculated, and tolerance and variance inflation factors (VIF) for each independent variable are typically examined. If multicollinearity is detected, steps can be taken to address the issue, such as removing one of the highly correlated variables, transforming the variables, or combining them into a composite variable.

3.4.4. *T*-test analysis

A statistical test called the T-test can be used to detect whether the means of two groups of data differ significantly. It is used to compare the means of two groups in order to ascertain whether or not there is a statistically significant difference between them. The test computes a t-value based on the means of the two groups and compares it to a critical value derived from the t-distribution. The difference between the means is deemed statistically significant and not the result of chance if the t-value is higher than the critical value.

3.4.5. Multiple regression analysis

A statistical method known as multiple regression analysis is used to find and measure the relationship between a dependant variable and two or more independent variables. With the use of the values of the independent variables, regression analysis attempts to forecast the value of the dependant variable. When determining if a multiple regression analysis is a good fit for the data, the significance of the coefficients is considered. The intensity and direction of the link between the independent and dependent variables are represented by the coefficients. The coefficients are deemed statistically significant if the p-values are less than the significance level, which is typically 0.05.

3.4.6. Robustness test

A robustness test is a statistical technique used to examine the consistency and reliability of an analysis's or model's conclusions. Regression analysis will be used in this study to examine the effects of COVID-19 on the CG and financial performance of the organisations utilising two subsamples based on the time periods before COVID-19 (Years 2018 and 2019) and after COVID-19 (Years 2020 and Year 2021). Robustness tests are used to evaluate how sensitive the outcomes are to changes in the analysis's hypotheses, data, or techniques. By performing robustness tests, the potential weaknesses or limitations in the analysis could be identify and determine the extent to which the results are dependent on certain assumptions or factors. For example, in regression analysis, a robustness test might involve changing the sample size, adding or removing variables, or using different estimation techniques to see how the results change.

3.5 Conclusion

In this chapter, the independent variables, dependent variables, and control variables are extracted from the Refinitiv. Besides, several data analysis methods have been explained and will be perform in the next chapter. The following chapter will interpret, analyses, and discuss the statistical results in detail.

CHAPTER 4

DATA ANALYSIS

4.0 Introduction

The results analysed and generated from SPSS Version 21 will demonstrate in a form of table and the relevant interpretation will be provided in this chapter. This chapter will initiate with the descriptive analysis for the econometric model, followed with data analysis and results.

4.1 Descriptive Statistics

Table 4.1: Descriptive Statistics

Variables	Obs.	Mean	Median	Maximum	Minimum	SD
ROA	264	0.0508	0.0483	0.4185	-0.1930	0.08908
EPS	264	2.3173	0.5790	102.57	-19.1900	10.3937
ENV	264	54.5473	57.0389	95.1100	1.4900	24.5986
SOC	264	60.4751	61.8498	94.1600	10.0900	20.5795
BSIZE	264	9.7841	10.0000	21.0000	5.0000	2.5399
IND	264	67.6405	71.0084	100.0000	14.2900	18.1954
MEET	264	87.8526	92.8900	100.0000	70.2100	11.2518
CSIZE ($'mil)	264	11,658.10	6,840.60	69,977.04	182,272.00	12,575.14

Table 4.1 provides descriptive data for the research's variables, together with their mean, standard deviation, maximum and minimum values (SD). On average, the listed hospitality

companies as shown in Table 4.1 have a ROA of 5.08% and an EPS of 2.3173. The minimum value of ROA is -19.30% and EPS is -19.19, while the maximum value is 41.85% and 102.57. The negative ROA and EPS demonstrates the worst impact of COVID-19 on the financial performance of the listed hospitality companies.

The board size shows that there can be a maximum of 21 members and a minimum of 5, with a mean of 9.7841 and a standard deviation of 2.5399. The value of the board's independence ranges from a minimum of 14.29 to a maximum of 100.00, with a mean of 67.6405 and SD of 18.1954. The average board meeting attendance revealed a minimum of 70.21 attendees and a maximum of 10.00, with a mean of 87.85 and SD of 11.25. These findings show that the board has at least one independent member, and that more than 70% of the members participate in board meetings.

The minimum score for the environment pillar was 1.49, while the maximum score was 95.11, with a mean score of 54.5473 and a standard deviation of 24.5986. The social pillar score, on the other hand, shows that the minimum value is 10.09 and the maximum value is 94.16, with a mean value of 60.4751 and SD value of 20.5795. In short, this illustrates that there are at least 54 marks in the environment and social pillar score generally, and this shows that all the companies in the samples showing ‘passing’ score in both scores.

4.2 Correlation matrix and multicollinearity test

The correlation matrix assessment was used to analyse the relationship between the dependent and independent variables, as shown in Table 4.2. The limited association between all variables and financial performance is evident. The first proxy for financial performance is ROA, which has a high connection with the environment pillar score (-0.218) and a low correlation with the social pillar score. Financial performance is measured by these two indicators: ROA and EPS (-0.106). The second metric for financial performance, profits per share (EPS), shows a strong negative connection (-0.183) between average board meeting attendance and board size (0.108).

The Variance Inflation Factor (VIF) results show that multicollinearity is not a concern among the independent variables. Since all VIF values in this study are less than 5, there are no problems with multicollinearity among the independent variables. The VIF is displayed in Table 5, Panel B, as seen below.

Table 4.2: Correlation matrix and multicollinearity test

Variables	ROA	EPS	ENV	SOC	BSIZE	IND	MEET	CSIZE
Panel A: Correlation matrix								
ROA	1.000							
EPS	0.384	1.000						
ENV	-0.218	-0.149	1.000					
SOC	-0.106	-0.149	0.706	1.000				
BSIZE	-0.164	0.108	0.335	0.255	1.000			
IND	0.150	0.171	-0.018	0.085	-0.131	1.000		
MEET	-0.114	-0.183	0.179	0.205	-0.170	-0.433	1.000	
CSIZE	-0.186	0.045	0.363	0.158	0.379	0.163	-0.086	1.000
Panel B: Multicollinearity test								
VIF			2.131	2.146	1.320	1.416	1.523	
Obs	264	264	264	264	264	264	264	264

4.3 *T*-test analysis

Table 4.3: T-test Prior and Post COVID-19

Variables	Before COVID-19 (2018 & 2019)			After COVID-19 (2020 & 2021)			Mean Difference	T-Test
	Obs.	Mean	SD	Obs.	Mean	SD	Mean (post) – Mean (prior)	Sig
ROA	132	0.0885	0.0665	132	0.0130	0.0930	-0.0755	0.0000
EPS	132	3.5537	10.5071	132	1.0810	10.1688	-2.4727	0.0000
ENV	132	50.9043	25.4523	132	58.1903	23.2430	7.2860	0.1000
SOC	132	57.8304	20.1688	132	63.1197	20.7217	5.2893	0.0010
BSIZE	132	9.6970	2.5501	132	9.8712	2.5365	0.1742	0.0060
IND	132	65.8781	18.3750	132	69.4029	17.9102	3.5248	0.0000
MEET	132	87.0545	11.1103	132	88.6508	11.3775	1.5963	0.0030
CSIZE ($'mil)	132	10,620.37	11,031.19	132	12,695.83	13,914.68	2,075.46	0.0000

The mean value of each variable utilised in this study is compared before and after the COVID-19 pandemic using the t-test technique. The declining mean value of ROA and EPS, as shown in Table 4.3, provides unmistakable proof that the COVID-19 pandemic has had a detrimental impact on the financial performance of the listed hospitality organisations. However, the CG structure in the listed hospitality companies has improved before and after the COVID-19, as per indicated by the increased mean value of environment pillar score, social pillar score, board size, percentage of independent board members and average board meeting attendance.

The t-test study revealed that the ROA, EPS, social pillar score, board size, percentage of independent board members, and average board meeting attendance varied significantly between the pre- and post-COVID-19 periods. As a result, it is evident that the COVID-19 epidemic has had a substantial influence on financial results. It is important to notice that the difference in the environment pillar score between the before and after COVID-19 has a p-value of 0.1, which is not statistically significant.

It should also be mentioned that the COVID-19 dilemma in 2020 and 2021 is a result of the listed hospitality companies' poor performance. Most of the enterprises have not generated a profit, as seen by the lower ROA than the previous year.

Besides, the ESG scores are positively affected by the COVID-19 pandemic for the majority of the listed hospitality companies. The pandemic has highlighted the importance of social responsibility and governance, especially in the hospitality companies, which has been significantly impacted by the COVID-19. The hospitality companies that demonstrated good governance by prioritizing the safety of their employees and customers, providing support to their communities, and implementing ethical business practices during the pandemic may have seen an improvement in their ESG scores.

Before and after the COVID-19 epidemic, the CG framework, including the size of the board, the proportion of independent board members, and the average attendance at board meetings, somewhat improved. This is mainly due to the pandemic has put greater scrutiny on the effectiveness of board, thus the companies have been taking steps to make sure that their boards are functioning well in the current challenging environment. This has led to a focus on the board composition, including board size and the percentage of independent board members, to ensure that the board has the necessary expertise and diversity to lead the company go through the crisis.

In addition, the pandemic has necessitated changes in how board meetings are conducted, with many boards shifting to virtual meetings. This has made in easier for board members to attend meetings, which may have led to an improvement in average board meeting attendance. On the other hand, virtual meetings have made in easier for boards to bring in outside experts and stakeholders to provide additional insights and perspectives, which can improve the quality of board discussions and decision-making.

In conclusion, due to the adverse impact brought by the COVID-19 pandemic to the financial performance, boards have been under pressure to address issues related to social responsibility and sustainability, which have become increasingly important to investors and other stakeholders. Boards that have demonstrated a commitment to these issues may have seen an improvement in board composition and attendance as they work to address these concerns.

4.4 Multiple regression analysis

Multiple regression analysis is used to examine the relationship between the independent and dependent variables. Multiple linear regression analysis is used to assess the accuracy of the regression sample function in speculating the actual value by analysing the goodness of fit of the regression model.

Table 4.4: Regression analysis

Variables	ROA			EPS		
	Coefficient	T	Sig	Coefficient	T	Sig
(Constant)	12.651	1.739	0.083	-5.904	-0.701	0.484
ENV	-0.084	-2.671	0.008	-0.050	-1.379	0.169
SOC	0.040	1.053	0.293	-0.067	-1.523	0.129
BSIZE	-0.381	-1.584	0.115	0.844	3.035	0.003*
IND	0.046	1.329	0.185	0.115	2.856	0.005*
MEET	0.055	-0.935	0.351	-0.012	-0.174	0.862
R Square	0.081			0.096		
Adjusted R Square	0.063			0.079		
F	4.539			5.510		
Sig	0.001			0.000		
Obs.	264			264		

$^{**}p < 0.01$, $^{*}p < 0.05$

The regression model used in this study is fit because the F value of 4.539 with 0.001 significance qualifies as a strong overall model fit of regression model, allowing the model to be used to predict the simultaneous influence of the five independent variables on ROA. On the other hand, the F value of 5.510 with 0.000 significance value shows that the regression model in predicting the impact of CG mechanisms on EPS used in this study is fit.

The first hypothesis, which is tested for in Table 4.4, on the environment pillar score yields a significant value of 0.008 and a coefficient of -0.084, indicating that the environment pillar score has no obvious influence on ROA. Also, the significant value of 0.169 and the coefficient of -0.050 indicate that the environment pillar score has no noticeable influence on EPS. These findings imply that the initial null hypothesis, according to which there is no meaningful connection between environmental disclosures and corporate performance, is accepted. This result is align with the findings by Yoo & Managi (2022) the ESG actions are the long term strategy in reducing the risk and improve the profitability. Hence, it needs longer time to reflect on the ROA of the company. Our sample only has data from the past four years; thus it is unlikely to show a substantial correlation between the environment pillar score and company performance.

The results of the second hypothesis test, which are displayed in Table 4.4, indicate that the social pillar score does not significantly affect the ROA. The significant value of the social pillar score is 0.293, and the coefficient is 0.040. The substantial value of 0.129 and coefficient of -0.067 further demonstrate that the social pillar score has a little impact on EPS. The second null hypothesis, according to which there is no meaningful connection between social disclosures and corporate performance, is therefore accepted. However, this result is not align with the findings by Suhardjanto et al.(2018) which the social disclosures has the positive impact of the ROA. This favourable outcome is predicated on the concept that hospitality businesses are more well-known to the public; hence, it requires assurance to persuade individuals that the company's operations will not have a bad impact on them.

The third hypothesis' testing is then displayed in Table 4.4 for the board size variable. There is no discernible effect of the board size on the ROA, as indicated by the significant value of 0.115 and coefficient of -0.381. On the other hand, the board size has a positive substantial impact on the EPS, as indicated by the significant value of 0.003 and coefficient of 0.844. The third null hypothesis is thus rejected, and it is recognised that there is a meaningful relationship between board size and company success. This result is supported by Kyere & Ausloos (2021), the large board size could improve the financial performance of the companies. Resource dependency theory suggests that larger board could assist in planning and allocating the works to the suitable candidates, thus could enhance the company’s growth and financial performance.

The results of the fourth hypothesis test, which are shown in Table 4.4, indicate that there is no relationship between the percentage of independent board members and ROA, with a significant value of 0.185 and a coefficient of 0.046. Also, the significant value of 0.005 and coefficient of 0.115 demonstrate that the proportion of independent board members positively impacts EPS. The alternative hypothesis, according to which there is a strong correlation between the percentage of independent board members and firm performance, is accepted. The fourth null hypothesis is thus rejected. This is supported with the findings by Sarpong-Danquah et al.(2018). The existence of independent director could enhance the firm performance. This finding also supports the assertions of advocates of resource dependency and agency theories that board independence and company performance are positively correlated.

The average board meeting attendance indicated a significant value of 0.351 with a 0.055 coefficient in the fifth hypothesis testing provided in Table 4.4, indicating that there is no relationship between average board meeting attendance and ROA. Also, the substantial figure of 0.862 with a -0.012 coefficient demonstrates that the average board meeting attendance has no effect on EPS. The fifth null hypothesis, according to which there is no substantial correlation between business performance and average attendance at board meetings, is therefore accepted. This discovery, however, goes against what was found in earlier research. Puni & Anlesinya (2020) suggest that regular board meetings frequently have a positive impact on financial performance, primarily because there is more communication and discussion about the planning and implementation of the company's strategy. On the other hand, Danoshana & Ravivathani (2019) assert that the frequent board meetings would increase management costs, which would have a negative influence on financial performance.

4.5 Robustness Test

Table 4.5: Regression analysis: Before and After COVID-19 Sub-Samples

Variables	ROA		EPS	
	Before COVID-19 (2018 & 2019)	After COVID-19 (2020 & 2021)	Before COVID-19 (2018 & 2019)	After COVID-19 (2020 & 2021)
(Constant)	0.405	0.822	0.628	0.441
ENV	0.178	0.046*	0.710	0.191
SOC	0.228	0.502	0.122	0.465
BSIZE	0.238	0.347	0.008**	0.111
IND	0.045*	0.091	0.007**	0.118

MEET	0.953	0.944	0.579	0.561
R Square	0.094	0.095	0.157	0.061
Adjusted R Square	0.058	0.060	0.123	0.024
F	2.618	2.660	4.681	1.650
Sig	0.027	0.025	0.001	0.152
Obs.	132	132	132	132

**p < 0.01, *p < 0.05

The sample has been divided into two subsamples based on the periods, prior COVID-19 (Year 2018 and 2019) and after COVID-19, in order to assess the impact of COVID-19 and if the effect of CG on financial performance is asymmetric (Year 2020 and Year 2021). The regression analysis for the subsamples is shown in Table 4.5. Results of the regression analysis reveals that the environment pillar score significantly affect the ROA of the companies, however, the none of the independent variables significantly affect the EPS of the companies during the post COVID-19 period.

After the COVID-19 pandemic, there has been a growing awareness and emphasis on sustainability and environmental responsibility, and consumers are interested in supporting companies that prioritize these values. Since ESG become an increasingly important factor in consumer decision-making, companies that prioritize sustainability which has higher ESG scores are likely to attract and retain customers, leading to higher revenue and profitability, which can positively affect their ROA.

In the period before COVID-19, the percentage of independent board members significantly affect the ROA and EPS, while the board size could significantly affect the EPS. However, these become not significantly affect the ROA and EPS after the COVID-19 period. The reason for this result is due to the COVID-19 has caused significant disruptions and changes in the market, which may have overshadowed the impact of these governance factors. For instance, shifts in consumer behaviour, problems with the supply chain, and new rules from the government have all had a big impact on the financial performance of businesses in the hospitality sector. The good CG mechanisms may be more relevant for long-term sustainable growth rather than short-term financial performance. With having a diverse and independent board can lead to better decision-making and risk management, these factors may take time to translate into tangible financial benefits.

4.6 Summary of Hypothesis Result

Hypothesis	Description	Decision
Hypothesis 1 $H1_0$	There is no significant relationship between the environmental disclosures and financial performance.	Do not reject $H1_0$, Reject $H1_1$.
Hypothesis 2 $H2_0$	There is no significant relationship between the social disclosures and financial performance.	Do not reject $H2_0$, Reject $H2_1$.
Hypothesis 3 $H3_1$	There is a significant relationship between the board size and financial performance.	Reject $H3_0$, Accept $H3_1$.
Hypothesis 4 $H4_1$	There is a significant relationship between the percentage of independent board members and financial performance.	Reject $H4_0$, Accept $H4_1$.
Hypothesis 5 $H5_1$	There is no significant relationship between the average board meeting attendance and financial performance.	Do not reject $H5_0$, Reject $H5_1$.

4.7 Conclusion

In this chapter, several measurements were used to evaluate and analyse each hypothesis. Also, all the results have been evaluated, tabulated, and marked with the significant variables. The summary of the findings, which includes the implications of the study, suggestions for future research, limitations, and finally, a conclusion, will be offered in the following chapter.

CHAPTER 5

DISCUSSION AND CONCLUSION

5.0 Introduction

The implications of the study, its limits, recommendations for future research, and its conclusion are all included in this chapter.

5.1 Implication and recommendation

Since year 2020, the global hotel sector had been severely hit by the COVID-19 outbreak. To protect both customers and employees, hotels, restaurants, and other hospitality-related businesses had to adjust to new health and safety laws. Travel restrictions had been implemented by several nations, which had resulted in a substantial loss in tourism and a reduction in profits for hotels and other hospitality-related enterprises. However, two years after the outbreak of virus, with the widespread use of vaccines, the situation had improved in some locations and limitations had loosened in others. While some hotels and restaurants had resumed operations and were beginning to recover, others were forced to close permanently because of the pandemic's financial impact.

Due to a scarcity of study in this area, it is yet unclear how COVID-19 will impact listed businesses and, more specifically, how CG and firm performance are related given that CG is one of the most highly debated topics at the moment, especially in the wake of the previous financial crisis. Using a sample of 66 publicly traded hospitality organisations from the years 2018 to 2021, this study examined the effects of COVID-19 on company and governance characteristics as well as the connection between governance performance and firm performance (before and during the crisis).

According to the research's findings, the COVID-19 crisis had an effect on all business characteristics, including performance, CG structure, dividend amount, liquidity, and leverage, although not to a substantial degree because there was little change between before and after the crisis. Also, the regression analysis showed that the CG mechanism with the greatest positive influence on company performance is the size of the board and the proportion of independent board members. However, it is discovered that both factors are irrelevant during the ambiguous era of the current crisis after dividing the sample based on the time period. Intriguingly, the environment pillar score looked to be negatively correlated with company performance the year before, whereas after the crisis, it appeared to be significantly positively correlated. This is because since the creation of COVID-19, the issue of ESG has received increased priority.

Such research can assist business operators in determining how CG procedures affected financial performance during the COVID-19 epidemic. Operators can determine which CG procedures are most effective at reducing risks and guaranteeing business continuity by examining data on both financial performance and CG practises. This can lead to improved financial performance, increased investor confidence, and better brand reputation.

Such research can assist firm directors in understanding how CG procedures contributed to the effective handling of the COVID-19 epidemic. Directors can pinpoint the company's governance structure's strong and weak points by studying information on CG procedures and the company's response to the pandemic. This can help improve decision-making processes, enhance risk management, and ensure compliance with regulations, ultimately leading to improved financial performance and stakeholder satisfaction.

Overall, research related to CG and COVID-19 to financial performance can provide valuable insights to both operators and company directors in the hospitality industry. By identifying effective governance practices and their impact on financial performance during the pandemic, operators and directors can make informed decisions that lead to improved business outcomes and increased stakeholder confidence.

5.2 Limitation and recommendation for future study

By expanding the limited knowledge of how epidemics and pandemics affect a number of firm-level characteristics both before and after crises, this study contributes to the sparse body of literature on the subject. To the best of my understanding, the purpose of this analysis is to investigate empirically how COVID-19 affects the relationship between CG and business performance. The COVID-19 is entering to the recovery phase; thus, this study does have certain limitations. Hence, further research in both developed and developing markets may also be required. It is not advised to simply conduct a study replication, but future research may consider a bigger sample size, comparisons with different industries, or the long-term effects of COVID-19. Moreover, not all CG traits are included by the study. Thus, including additional mechanisms such various ownership structures, numerous directorships, board diversity, and national-level governance is suggested. Furthermore, it has been argued that this epidemic has had a variety of repercussions on businesses. So, future study may need to evaluate a number of firm- or country-level elements as well as COVID-19's impact on organisational outcomes.

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Appendix I: Lists of Listed Companies for the Research Study

No	Company Name
1.	888 Holdings PLC
2.	Accor SA
3.	Aristocrat Leisure Ltd
4.	Booking Holdings Inc
5.	Brinker International Inc
6.	Cafe De Coral Holdings Ltd
7.	Carnival Corp
8.	Carnival PLC
9.	Cheesecake Factory Inc
10.	China Travel International Investment Hong Kong Ltd
11.	Chipotle Mexican Grill Inc
12.	Choice Hotels International Inc
13.	Cinemark Holdings Inc
14.	Cineworld Group PLC
15.	Compass Group PLC
16.	Corporate Travel Management Ltd
17.	Darden Restaurants Inc
18.	Domino's Pizza Enterprises Ltd
19.	Domino's Pizza Inc
20.	Elior Group SA
21.	Entain PLC
22.	Flutter Entertainment PLC
23.	Full House Resorts Inc
24.	Galaxy Entertainment Group Ltd
25.	Genting Bhd
26.	Genting Malaysia Bhd
27.	Genting Singapore Ltd
28.	Greggs PLC
29.	Hilton Grand Vacations Inc

30.	Hilton Worldwide Holdings Inc
31.	Hyatt Hotels Corp
32.	InterContinental Hotels Group PLC
33.	Jack in the Box Inc
34.	Las Vegas Sands Corp
35.	Marriott International Inc
36.	Marriott Vacations Worldwide Corp
37.	Marston's PLC
38.	McDonald's Corp
39.	Melco International Development Ltd
40	MGM China Holdings Ltd
41.	MGM Resorts International
42.	Minor International PCL
43.	Mitchells & Butlers PLC
44.	Norwegian Cruise Line Holdings Ltd
45.	Playtech PLC
46.	Restaurant Brands International Inc
47.	Royal Caribbean Cruises Ltd
48.	Sands China Ltd
49.	SeaWorld Entertainment Inc
50.	Shenzhen Overseas Chinese Town Co Ltd
51.	Six Flags Entertainment Corp
52.	SJM Holdings Ltd
53.	Skycity Entertainment Group Ltd
54.	Sodexo SA
55.	SSP Group PLC
56.	Star Entertainment Group Ltd
57.	Starbucks Corp
58.	Tabcorp Holdings Ltd
59.	TUI AG
60.	Vail Resorts Inc
61.	Wendys Co

62.	Whitbread PLC
63.	Wynn Macau Ltd
64.	Wynn Resorts Ltd
65.	Yum China Holdings Inc
66.	Yum! Brands Inc