

CORPORATE GOVERNANCE PRACTICES & DISCLOSURE AMONG MALAYSIAN SMEs



Many corporate collapses and accounting scandals were due to poor corporate governance practices. Flaw in corporate governance and low quality of transparency are considered as a main cause for corporate collapses and accounting scandals. Consequently, stakeholders demand stronger practices of corporate governance to be implemented in business organisations and for them to disclose it.

Background of study

It is commonly recognised that disclosure is one of the paramount objectives of financial reporting system as it becomes a principle indicator for good corporate governance practices. As emphasised by Melis (2004), in order to produce a good system of corporate governance, it requires a good level of disclosure and adequate information to lessen the possibility of information asymmetries and simultaneously encouraged corporate insiders to be accountable for their action. With adequate information incorporated in financial reporting and disclosure practices, it can reduce the possibility of fraudulent actions among the top managements.

Research Objectives

Recognising the importance of comprehensive corporate governance mechanisms, it is significant to conduct a study concentrating on the level of corporate governance practices and disclosure among Malaysian SMEs who play a critical role in country's economic development.

The research attempts to examine corporate governance practices and disclosure among SMEs in Malaysia.

Research Methods

Two methods of data collection will be employed:

- 01** Qualitative approach: Semi-structured interviews will be conducted. The respondents are the person-in-charge who involves in financial reporting in the SMEs.
- 02** Quantitative approach: An online survey will be distributed to the SMEs to gather findings related to their corporate governance practices and disclosure.

Research Framework

The study adopts Wan Mohammad and Sulong's (2010) three characteristics of corporate governance in identifying SMEs' corporate governance disclosures practices among SMEs.

- 01** The existence of Board of Directors in the organisation and the proportion of independent non-executive directors in the Board.
- 02** The existence of Audit Committee and the proportion of independent non-executive directors in the Audit Committee.
- 03** The practice of a separate CEO and a chairman of the board.

Research Implications

It is hopeful that the research is able to shed some light on the numbers of SMEs that incorporated all three characteristics of good corporate governance in their organisation, and whether they disclose their corporate governance practices in their annual reports.

The research findings are expected to produce new findings through an identification of internal and external factors that play significant roles for SMEs to incorporate comprehensive corporate governance practices. The outputs from the finding might unveil what are the factors that push the SMEs to engage or abandon comprehensive corporate governance practices.



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