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CONFERENCE  
OF LAW,  
ACCOUNTING &  
FINANCE 2025**

*Empowering Innovation: The Role of Law,  
Finance and Accounting in Malaysia's  
Digital Economy*

*CONFERENCE  
PROCEEDINGS*

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Malaysia**

# **International Conference on Law, Accounting & Finance**

Universiti Teknologi MARA

Cawangan Negeri Sembilan, Kampus Seremban

2 September 2025

## **CONFERENCE PROCEEDINGS**

### **Empowering Innovation: The Role of Law, Finance and Accounting in Malaysia's Digital Economy**

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# THE INVISIBLE INSTITUTION: HOW CULTURAL NORMS PERPETUATE CORRUPTION IN MALAYSIA'S CIVIL SERVICE

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## Abstract

Malaysia is renowned for its rich cultural diversity, which forms the foundation of its national identity. However, traditional values such as loyalty to the community and respect for hierarchy have been deeply embedded in daily life, potentially influencing institutional practices and governance outcomes. Despite numerous anti-corruption efforts implemented through institutional, legal and policy approaches, the latest report by Transparency International (2023) indicated that Malaysia's progress in combating corruption remained slow and inconsistent. This situation raised a critical question: why formal reforms have yet to produce substantial and sustained results. In response, this study seeks to explore how cultural norms play a role in sustaining and normalising corrupt practices within Malaysia's civil service. Specifically, it aims to identify how culturally embedded informal institutions interact with formal mechanisms in shaping corruption outcomes. Employing a qualitative research design, the study draws on secondary data sources, including academic literature, policy documents, news media and recorded interviews with key figures such as the Inspector-General of Police, former Chief Commissioner of the Malaysian Anti-Corruption Commission (MACC) and directors of anti-corruption organisations. The findings suggest that cultural norms have a significant influence on the persistence of corruption, sometimes even outweighing the power of laws and official regulations. This study contributes to a deeper understanding of how corruption is embedded within social structures and proposes public sector reform strategies that are more sensitive to local cultural contexts.

**Keywords:** cultural norms, corruption, civil service, anti-corruption strategies, New Institutional Theory

## 1. INTRODUCTION

Corruption continues to undermine governance and development efforts in Malaysia, particularly within the civil service. Governance problems due to corruption such as loss of public funds and misconduct among civil servants (Siddiquee, 2011) become recurring news headlines. Substandard development efforts (Jones, 2022) such as delayed action for water crises in certain states have fueled public frustration and distrust towards the civil service. Citizens disillusioned by repeated disappointments and the absence of justice (Fernandez, 2024) began to question the credibility and integrity of national governance systems.

Even though anti-corruption frameworks such as the National Integrity Plan 2004, National Anti-Corruption Plan (2019-2024) and National Anti-Corruption Strategy (2025-2029) have proliferated in the form of legal instruments and institutional reforms, corruption remain deeply entrenched in Malaysia's civil service. Legal instruments such as the Malaysian Anti-Corruption Commission (MACC) Act 2009, the Whistleblower Protection Act (WPA) 2010 and long-standing campaigns by the Malaysian Anti-Corruption Commission (MACC) have led to thousands of investigations and prosecutions over the years. Nevertheless, corruption cases are

often described as “Stage 4 cancer” in policy discourse which signals a deeper systemic entrenchment in everyday governance structures. This paradox signals a limitation in relying solely on formal mechanisms to combat corruption without adequately addressing the underlying socio-cultural dimensions that enable it.

Corruption, in this context, can be defined as the abuse of entrusted power for private gain, whether through bribery, embezzlement, nepotism or favouritism and whether in petty day-to-day exchanges or in grand political transactions (Transparency International, 2023). While existing studies and policy reforms have focused on strengthening formal institutions (e.g. laws, regulations and enforcement procedures) these efforts often overlook the influence of informal institutions, particularly cultural norms, that shape institutional behaviour, legitimacy and resistance to change.

Informal institutions refer to unwritten, socially shared rules that emerge outside formal legal systems. They shape expectations and structure behaviours within communities which encompass a broad range of societal patterns, including traditions, patronage networks and symbolic practices. Meanwhile, cultural norms are a distinct subset of informal institutions, that refer specifically to the shared values, beliefs and behavioural expectations for what is considered appropriate behaviour within a community. In the Malaysian civil service, some cultural norms include reciprocal gift-giving is interpreted as courtesy but can blur ethical boundaries (Jones, 2022) and protecting superiors is a display of loyalty even when wrongdoing is observed (Quah, 2022). These practices not only shape moral boundaries but also create a shadow system of expectations that can normalise or even valorise corruption.

Grounded in New Institutional Theory (NIT), this article contends that the persistence of corruption in Malaysia cannot be fully understood without acknowledging the influence of cultural norms within formal institutions. NIT offers a valuable analytical lens by distinguishing between three structures: regulative (laws and sanctions), normative (social obligations and values) and cognitive (beliefs and assumptions). These structures help to explain how individuals perceive legitimacy, authority and acceptable behaviour through simultaneous interaction between formal rules and cultural norms. Within this framework, the gap between Malaysia’s well-developed legal instruments and existing corruption practices reflects a misalignment between formal institutional reforms and cultural expectations. The aim of this study is to explore how specific cultural norms within Malaysia’s civil service sustain or normalise corruption despite decades of legal and institutional reforms. By identifying which culturally embedded values enable or inhibit corruption, this research seeks to contribute to a more culturally grounded understanding of governance failure and offer alternative reform pathways.

But how exactly do cultural norms wield such power? Aren’t systemic processes such as meritocracy and legal rules sufficient to address misconduct and ethical violations that give rise to corruption? Why won’t strict enforcement yield desired outcomes that direct anti-corruption efforts? Are there alternative approaches beyond formal enforcement that have been overlooked? If the government is genuinely committed to tackling corruption at its roots, why does corruption continue to linger quietly within the civil service as if it is there to stay?

## **2. LITERATURE REVIEW**

The study of cultural norms in corruption have produced compelling insights. In advanced countries such as Sweden, the United Kingdom and Italy, the link between cultural norms and bureaucratic behaviour has been explored since the 1950s. Scholars (Mungiu-Pippidi, 2017;

Cialdini & Trost, 1998; Banfield, 1958) posited that corruption results from unchecked human behaviours due to misuse of cultural values. However, in Asia, pioneer scholar Syed Hussein Alatas proposed in his 1968 book, that corruption is not merely an ethical lapse or a failure of structured national bureaucratic foresight, but a deeply sociological problem. He argued that corruption is a historical phenomenon rooted in the impacts of wars and colonialism. Syed Hussein Alatas (1995) further theorised that low tolerance for differing ideologies and ways of life among nations give rise to corruption. Subsequently, he explained that ambitious colonisers often manipulated and exploited ideological disagreements. Consequently, corruption became a barometer of strength and a reward system used by the colonial powers to take advantage of the colonised nations.

There are varying outcomes for the discussion on corruption activities. Some scholars (Aspinall & Mada, 2016; Banfield, 1958) controversially argue that corruption may, under certain conditions, facilitate development or administrative efficiency, especially in settings where formal institutions are weak or overly rigid. Despite possible positive indicators, most scholars (Masykurotur et al., 2024; Syed Hussein Alatas, 1995) agree that corruption walks a fine line between securing rights delayed by bureaucratic inefficiencies and unjustly seizing entitlement. Besides that, economic performance has posited an elemental discussion of corruption. North (1990) described corruption as a hidden economic process that redistributes resources. Other scholars echoed similar findings and linked corruption to three societal trends that are the maturity of individuals, the social development of citizens and the political evolution of the state. These trends determine whether a nation's trajectory is guided by rational ambition or compromised by lust and desire.

Over time, studies on corruption have increasingly been used to understand how bureaucratic systems work. Bureaucracies are generally understood to operate through structured, neutral processes that aim to ensure accountability and responsibility of civil service towards the benefit of the state. Rules and regulations are prioritised as they offer transparency and can be applied universally. However, studies (Quah, 2022; Irma et al., 2022; Gomez, 2005) recognised that alongside formal institutional procedures, informal institutional expectations subtly influence bureaucratic decision-making processes. This line of inquiry aimed to test the boundaries of formality and assess how far can individuals deviate from rational objectivity, acknowledging the inherently sentimental nature of human behaviour.

Research on the boundaries of rules and formality revealed the struggle faced by civil servants worldwide. In many Western nations, systems are designed to encourage citizens to take part in solving national issues, thus, the civil servants' duties were only to ensure compliance and procedural enforcement. Contrarily, citizens from other parts of the world did not manage to achieve similar results. The standard of individual discipline and depth of logical reasoning was entrenched by double standards and vague explanations. These discrepancies have prompted researchers to explore how the willpower of individuals and groups swerve from established standards in pursuit of desires and personal gain.

The body of work identified the boundaries beyond rules and formality in three broad levels that discussed the way informal institutional pressures challenge formal rules and regulations. Firstly, the gateway for bureaucratic behaviour. Hofstede's (2001) study introduced six cultural dimensions to analyse the influence of culture on institutional behaviour. The six cultural dimensions can be measured through large data analysis. These dimensions indicated the gateway of bureaucratic behaviour that showed how nations are culturally inclined. The most important indicator is collectivism where the greater benefit and harmony for community precedes

individual righteousness. If nations are culturally inclined, then the gateway of bureaucrats' behaviours is affected by social pressures. These dimensions can foster environments where subordinates defer to superiors unquestioningly as group harmony is valued over rule enforcement. If otherwise, then bureaucrats are highly principled and strive to serve the nation based on ethical principles.

Second is cognitive conditioning. This is a process of integrating general justification of corruption into cultural identities. Many scholars observed that authoritative figures possess significant influence over public discourse in collectivist societies. This is because deference to authority is a cultural ideal for community loyalty. In Malaysia, scholars (Quah, 2022; Ho, 2002) established that Malaysians often revere charismatic figures and equate loyalty to leadership with collective peace and sustenance. Gomez & Jomo (1999) explained that political and economic elites hold great power in their speeches to mobilise general coordination from a group of people and legitimise informal power structures as a parallel to formal authority. These methods often accommodate patronage networks and determine access to public resources, positions and opportunities. Siddiquee & Zafarullah (2020) find that such systems persist due to cultural values that prioritise familial and ethnic loyalty over bureaucratic neutrality. As a result, patronage practices, though formally prohibited, are often culturally justified as expressions of loyalty or reciprocity.

Lastly is cultural normalisation of corruption. Cultural norms can normalise corrupt practices by framing them as customary or necessary (Syed Hussein Alatas, 1995). Many studies (Persson et al., 2013, Ostrom, 1990) argued that a culturally inclined bureaucrat may mechanically ingrain corruption as a social practice. Practices such as gift-giving, returning favours or protecting superiors are not merely tolerated but often demanded by social expectations. However, these practices clash with civil service standards for accountability and integrity in national duties set by Transparency International in 1995. In the Malaysian context, numerous studies (M. Kamal Hassan, 2022; Lim, 2002) have argued that cultural practices like communal loyalty are often maintained while international measures for accountability and integrity are adopted as symbolic gestures. This duality fostered moral ambiguity where corrupt acts are interpreted as fulfilling social obligations rather than breaching ethical standards.

The discussion above calls for clarity of complex practices and behaviours. Since many studies identified that collectivist mentality produced double standards and symbolic compliance, a balance of practicality and common sense must be advocated especially in governance matters. Moreover, pragmatic explanations are needed to ensure deep reasoning to combat the paradoxes and dilemma of choosing global barometers over cultural principalities. This necessitates a new approach to examine bureaucratic compliance and assess anti-corruption policy effectiveness within the culturally dominant Malaysian civil service.

### **Conceptual Framework: New Institutional Theory and Informal Institutions**

The study of institutionalism originated as an effort to understand social behaviours within structured environments. Pioneers of classical institutionalism such as North (1990) and Ostrom (1990) tested the boundaries of structured rules on how resources are allocated within organisational and societal settings. The goal was to identify factors that create an organised method for social governance. However, this approach overlooked the influence of informal institutions. Over time, classical institutionalism studies evolved into NIT to address gaps within the study of social dynamics.

DiMaggio & Powell (1991) elaborated that the dynamics of informal interactions and formal rules follow a systematic process designed to illustrate the relationship of institutional behaviours and social development. Unlike formal rules that are codified in legislation or official procedures, informal institutions consist of socially constructed, culturally transmitted and unwritten rules that influence decisions and actions in subtle ways. Building on these foundations, Scott (2008) re-structured NIT as a framework that involves three interdependent pressures which govern social behaviour, namely, regulative (rules and enforcement), normative (values and obligations) and cognitive (shared beliefs). These dimensions accommodated explanations beyond superficial standards and measurable factors like economic supply and demand. In doing so, NIT extended the scope of classical institutional theory by emphasising the significant interrelationship of formal institutions (rules and regulations) and informal institutions (cultural norms and social beliefs).

NIT posited that institutions operate in a complex manner where socially constructed, culturally transmitted and unwritten routines and habits collide with structured rules and laws. NIT highlights that informal institutions are not always visible but deeply influential. In the context of corruption, NIT suggest that actors do not always respond to formal incentives or deterrents. Rather, they often behave in accordance with social expectations or conformity, even if those behaviours contravene legal rules. This duality creates a complex institutional environment where formal anti-corruption measures may be undermined by prevailing cultural norms such as communal loyalty, reciprocity or deference to hierarchy. In Malaysia, practices like ‘duit kopi’ or symbolic compliance with integrity policies illustrate how deeply rooted norms can legitimise corruption, not as deviance, but as a socially accepted behaviour.

This study adopts NIT to explore how cultural norms within Malaysia’s civil service interact with and often subvert formal anti-corruption mechanisms. By situating corruption within the interplay of regulative, normative and cognitive pressures, the study aims to explain why reforms have achieved limited success. The framework allows for a context-sensitive understanding of corruption as both a legal and cultural phenomenon, revealing how informal institutions may sustain, normalise or reinterpret corrupt practices despite formal reforms.

### **NIT in Practice: Rules and Standards vs Cultural Norms in Practice**

The general prioritisation of rules and standards for national accountability may mitigate corruption. Besides being regulation and enforcement for good governance, laws and legal precedents also function as ethical guidelines for individual civil servants to fulfil their duties with integrity. In contexts like Sweden, where individual progression precedes collectivist harmony, formal rules such as stringent laws are celebrated as individual devotion to social development (Hira, 2016). Subsequently, equity and justice become universally upheld as essential to national stability. Thus, social issues such as abuse of power or unfair distribution of resources are treated as isolated cases rather than characteristic features of Swedish society. However, this generalisation cannot be uniformly applied to other national contexts, particularly those countries that do not share the same sentiment for rules and regulations like Sweden.

In this case, deeper factors from cultural norms, such as respect for hierarchy, emphasis on communal loyalty and obligations of reciprocity, must be considered in analyses of social development, particularly in contexts where these values shape institutional behaviour and governance outcomes (Irma et al., 2022; Lim et al., 2022). Some countries may adopt a more lenient approach to formal rules in order to preserve the cultural heritage they regard as a core component of national identity. Therefore, NIT offers a valuable framework to discuss civil

progression and reform which enables a discussion of the synergy between objective legal standards and obscure social practices.

Through the lens of NIT, this article interprets cultural norms as informal institutions that complement, compete or override formal rules. Studies (Jones, 2022; Quah, 2022; Lim et al., 2022) suggest cultural norms may be dominant in collectivist environments as the regulative, normative and cognitive pressures coordinate to support collectivist ideals. In such settings, institutional actors make decisions not only based on legal requirements (regulative) but also according to culturally shaped habits (normative) and cultural mindsets (cognitive). Formal descriptions of legitimacy, trust and obligation are underlined as accountability and transparency of one's principal when performing duties for the nation. Contrariwise, cultural interpretations of legitimacy, trust and obligation are grounded in established generational practices such as concentrated power by a revered figure and customary expectations that aimed to preserve familial or ethnic continuity.

The contrast between two philosophies of social development, one oriented toward national progress while the other toward sustaining communal or familial lineage. For instance, in public procurement processes, a civil servant may face a legal obligation to remain impartial while simultaneously experiencing the cultural expectation to favour a known supplier connected to their ethnic or familial network. Cultural norms such as prioritising kinship ties, favouring individuals from the same ethnic or community background and upholding long-standing patron-client relationships are often practised to maintain loyalty and reciprocity. These norms may ultimately determine behaviour if a civil servant allows such expectations to override formal standards and professional obligations. This duality often led to institutional incoherence and inertia for bureaucratic efficiency, where the law existed in tension with the spirit of local culture. Consequently, anti-corruption efforts that ignore this complexity risk being ineffective or counterproductive.

### **3. METHODOLOGY**

This qualitative study employed library research as its primary method. Library research is a recognised approach that utilises library resources to gather information, data and knowledge on specific topics. It is a fundamental research method that initiates deeper investigations for research queries. Authorised access was granted to various printed and digital materials, including academic books, peer-reviewed journals, archived forums, official publications and multimedia sources such as open-access interviews. All materials were selected based on their prominence in shaping understanding of corruption within the civil service. To ensure coherence, only publicly available pre-recorded interviews of five authoritative figures<sup>1</sup> were analysed. Thematic analysis was employed to identify recurring patterns and meanings across these sources. Several ethical considerations, such as the risk of researcher bias and selective interpretation, were addressed through data triangulation and data concentration strategies. These techniques enhanced the credibility and reliability of findings by reducing subjective bias and ensuring analytic rigour.

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<sup>1</sup> These individuals are prominent advocates for anti-corruption standards in Malaysia and have consistently contributed to public discourse through media statements and speeches addressing the nation's anti-corruption efforts. The key figures referenced in this study include Tan Sri Abu Kassim Mohamed, Dato' Seri Ayob Khan Mydin Pitchay, Dato' Shafee Yahya, Raymon Ram and Dr. Mohamad Mohan.

#### 4. RESULTS AND DISCUSSION

This section presents thematic findings and analyses derived from a combination of academic literature, secondary sources and open-access interviews. The analysis is organised according to three core themes identified through NIT that illustrate the cultural dimensions that sustain corruption within Malaysian civil service.

The World Bank (1997) emphasised that corruption in the public sector has far-reaching consequences, including inefficiencies, bureaucratic red tape and misallocation of public resources. Numerous scholars concur that corruption undermines public trust, deters domestic and foreign investment and obstructs national development (Jones, 2022). When regulations lack enforcement, policy implementation becomes fragmented thus leading to diminished public confidence. The erosion of trust in institutions subsequently led to civic disengagement and weak national accountability. When corruption is normalised within bureaucratic routines, it compromises civil servants' integrity and ethical standards. This deterioration of values limits the government's capacity to innovate and respond effectively to pressing social issues. Based on the insights gathered, several recurring cultural factors are identified by informants as contributing to the facilitation and perpetuation of corruption within the civil service.

##### *Influence of Collective Sentiment*

The tension between cultural preservation and reformist zeal was a recurring theme in this investigation. Sentiment in this context referred to personal and collective emotional attachment to tradition that often clashed with the passion for progressive change. Sources revealed that cultural sentiment often supersedes formal governance priorities. According to Dato' Seri Ayob Khan (3 December 2024)<sup>2</sup>:

*"We sympathise, feel pity, and fear. In a way, we don't want to air our dirty laundry. That's why the problem persists until today. Only when wrongdoing is acknowledged and action is taken can we address and reduce corruption cases"* (as cited in SelangorKini, 2024).

Ayob Khan's expression reflected that cultural aversion to misconduct, like avoiding shame, may overshadow transparency and accountability. This statement implied that sentiment clashes with nation-building goals and deterred effective anti-corruption enforcements. Other sources also collectively observed that emotional reluctance to confront misconduct impairs enforcement and fosters leniency, thus normalising corrupt practices.

Additional data also highlighted that certain segments of Malaysia's history are selectively emphasised to create nationalistic sentiment around political figures. For example, historical accounts often highlight leaders like Tunku Abdul Rahman while omitting the role of ordinary citizens<sup>3</sup> who contributed significantly to Malaysia's independence. These emotionally charged narratives have institutional effects as reverence for charismatic figures fosters blind loyalty and inhibits accountability within the civil service. Consequently, rational objectivity among civil servants became swayed as they deemed that charismatic leaders who touched on sentiments are ultimate role models for motivation. Therefore, ambiguous narrative played on emotions became

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<sup>2</sup> All verbatim have been translated from Malay to English.

<sup>3</sup> Datuk Siti Rahmah Kassim, along with other citizens of Tanah Melayu at that time, collectively raised funds by contributing their own financial resources and personal jewellery, to pay for Tunku Abdul Rahman's expedition to negotiate Malaya's independence in London. Historical accounts suggest that many of these donors chose to remain anonymous, expressing that their contributions were an expression of duty and love for the nation.

a political leverage for unscrupulous political agenda for personal benefit. As Dato' Shafee Yahya (2010) aptly remarked: *"The PM is so powerful. Who will believe us?"* (Shafee Yahya, as cited in Kalsom Taib, 2010).

### *Social Hierarchy and Institutional Obedience*

Findings revealed that previous vertical hierarchies continued to be in use today. Uncontrolled reverence for authority figures and elites contribute to a culture of silence and complicity. Sources noted that Malaysians generally emulate their leaders which pose a challenge when those leaders exhibit unethical behaviour. Further, foreign political analysts noted that Malaysians are passionately obedient to their leaders. Quah (2022) highlighted this trend during Dato' Seri Najib Razak's tenure, where civil service support remained unwavering despite mounting allegations. This suggests that many Malaysians exhibit a lack of personal willpower and critical initiative to uphold moral principles, particularly when confronted with questionable directives from superiors. Several sources revealed that Malaysians' reverence for their leaders bred blind obedience. Subsequently, studies (Wan Murshida & Mazlena, 2019; Ahmad Faiz et al., 2012) revealed that civil servants often refrain from reporting misconduct despite clear procedural guidelines thus, reflecting low willpower. Ayob Khan emphasised that leaders' conduct and moral principles are the cause for a civil servant's conflict between duty and group cohesion. He highlighted that when leaders themselves engage in corrupt practices, it sets a precedent that normalises misconduct among subordinates. According to him:

*"If the boss takes bribes, then the subordinates will do the same. Everyone conspires to take as much as they can before they die"* (Ayob Khan, 9 August 2024, as cited in WartaOriental, 2024).

This expression illustrates the existence of collusion among certain civil servants, where corruption is not only tolerated but also seen as a shared opportunity for personal gain. He further stressed the urgent need to ensure that both leaders and those appointed to positions of power uphold ethical standards and remain free from corrupt practices: *"We must ensure that corruption is eradicated. Leaders and those appointed must be upright (do not engage in corruption)"* (Ayob Khan, 9 August 2024, as cited in Warta Oriental).

These concerns are supported by empirical data. According to the MACC, civil servants have consistently represented a significant proportion of individuals arrested for corruption. In 2023, MACC reported that a 23% increase of arrests involved civil servants from 323 cases in 2022 (MACC Website, 2024). Additionally, the Corruption Perceptions Index (CPI) by Transparency International ranked Malaysia at 57 out of 180 countries, with a score of 50 out of 100 in 2023. This indicated a stagnation of public confidence towards civil service integrity. These figures underline the systemic nature of corruption and reinforce the argument that moral leadership is central to institutional reform.

This reflects the broader institutional issue: when leadership lacks integrity, it cascades down the hierarchy. Moreover, Malaysia's centralised governance structure reinforces this challenge. The MACC, though legally independent, reports to the Prime Minister. Political interference may question the persecutory powers of the MACC thus, raising concerns about its ability to act impartially. This top-heavy structure undermines decentralisation and reinforces power distances that may discourage institutional challenge or reform. Despite urgency for leaders to ensure continuity of global standards for anti-corruption, further investigations revealed that the MACC website publicly displayed a list of financial fraud and money-laundering offenders among civil servants and ordinary citizens but omitted those among authority figures beginning from the year

2015. Additionally, statistical data for arrests from the last five years showed a total of 2208 arrests were made among civil servants (MACC Website, 2024) but there is a lack of open data records for authority figures. This may dilute the impact of well-intentioned policies and may condemn the rule of justice as powerful perpetrators seemed to be left unarrested. According to Ayob Khan (3 December 2024):

*“We take action against those at the bottom, but if action is taken against those at the top, then the subordinates will be fearful. However, if those at the top are left alone, then those below will act with impunity.”* (as cited in Selangor Kini).

This statement reflects that power hierarchies in Malaysia continue to dictate institutional action, even as various agencies share legal responsibilities. The phrase underscores the symbolic power of punishing senior figures, not merely for legal compliance, but as a behavioural signal throughout the organisational hierarchy. Legal instruments such as the WPA 2010 offer structural support, but enforcement is perceived as inconsistent. Studies have shown that regulatory tools like audits and risk reports often lack impact due to poor implementation. Data from Transparency International and the MACC statistics suggested selective enforcement such as double laws and the lack of public participation are due to political power imbalances. The centralised nature of governance limits the autonomy of enforcement bodies and undermines institutional legitimacy as most anti-corruption initiatives are top-down and controlled by political and economic elites (Gomez & Jomo, 1999). Contextually, various narratives, including religious discourses have been strategically manipulated to blur ethical boundaries and justify questionable practices. In one example, Ayob Khan stressed: *“We don’t need to issue different fatwas (religious rulings). This is not a donation or almsgiving. There’s no donation, no charity, what is haram (forbidden) remains haram”* (Ayob Khan, 5 December 2024, as cited in Armada of Malaysian, 2024)

Additional sources reported widespread hesitation among Malaysians to publicly denounce wrongdoing due to fear of unpopularity or political retaliation. Subsequently, this weakens the moral fabric of governance. However, other sources placed educational efforts as the main factor whether corruption continued or halted. According to Dr Muhammad Mohan, the president of Transparency International Malaysia (2022): *“Although it has been well received, this does not easily guarantee that in the next five to ten years, corruption among youth will decline.”* (as cited in Astro AWANI, 2022)

Other sources unanimously reveal that education is a crucial factor to the success of anti-corruption efforts, but it takes a long time to correct the minds that have been deeply associated with reaction instead of leveraging rational reasoning when faced with ethical challenges. Scholars (Jones, 2022; Beh, 2011) noted that Malaysians are more reactive than philosophical. Thus, there are major concerns among experts on the emulation of global best practices for reforms. These concerns tally with local studies where cognitive pressures are further complicated by a lack of contextual adaptation. Sources reflect that political influences diluted reform outcomes as the influence of political culture where civil servants often prioritise loyalty over accountability especially over ethnic narratives. Ayob Khan also stated:

*“There are also certain parties who try to link corruption to racial issues... If we are Muslims, if our faith is truly strong, we would not engage in corruption. There is no need to blame others”* (Ayob Khan, 8 August 2024, as cited in Malaysia Kini).

Based on the statement above, it is evident that certain parties have attempted to frame corruption through ethnic and religious lenses, thereby distorting collective narratives and diverting attention from the ethical responsibilities shared across all communities. These reflections point that social stigma was diluted with low principle and moral reasoning which may be caused by emotional attachment to charismatic narratives.

### *Leadership Narrative*

Leadership emerged as a critical factor influencing institutional behaviour. While many studies focused on governance structures and legal frameworks, informants emphasised the importance of leadership willpower in upholding ethical standards. According to Tan Sri Abu Kassim Mohamed (2020):

*“Leadership is a critical factor in efforts to strengthen governance, enhance integrity and combat corruption. If we look at human civilisation itself, all changes, especially the actions of leaders and those in positions of power, have a really big effect, a very significant impact on society”* (as cited in Muhammad Asri, 2022)

This response underscores the centrality of leadership in shaping institutional behaviour and public morality. Leadership is framed not merely as administrative but also moral and symbolic which is empowered to catalyse or hinder institutional integrity. Several sources credit that genuine leadership is a powerful tool to change the way a society behaves. In this context, leadership does not refer to an authoritative figure on top of the hierarchy of concentrated power, rather, genuine leadership is defined as personal willpower and moral courage to act ethically even in the face of adversity. Abu Kassim<sup>4</sup> stressed: *“Don’t wait until it appears as though we are not being proactive”* (as cited in Muhammad Asri, 2022). This statement underscores the need for proactive, principle-driven individuals to model accountability and inspire institutional reform. In this context, proactivity is not merely about policy action, but also about taking visible actions to signal responsibility and responsiveness.

### **Implications for Reform**

Comparative experiences from other countries offer valuable insights into how cultural norms and institutional structures shape anti-corruption outcomes. For instance, Indonesia has faced persistent corruption challenges, especially within local governments and law enforcement agencies. However, the establishment of the Corruption Eradication Commission (Komisi Pemberantasan Korupsi, KPK) in 2002 marked a turning point. The KPK’s early success was attributed not only to its strong legal mandate and operational independence but also to widespread public support rooted in civil society’s growing intolerance toward corruption. Despite recent political setbacks that weakened the KPK, the Indonesian case underscores the role of public pressure and normative change in sustaining reform momentum. In contrast, South Korea’s anti-corruption progress has been more closely tied to leadership accountability (Han & Shim, 2021) and institutional responsiveness (Yoonkyung, 2019). High-profile prosecutions of former presidents and business elites, including the impeachment of President Park Geun-hye in 2017, demonstrated the country’s commitment to legal equality and rule of law (Hahm & Heo, 2020). Thus, cultural emphasis on public shame and collective responsibility amplified the social costs of corruption which reinforced formal legal mechanisms. These examples highlight that

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<sup>4</sup> He is known to be a courageous and principled individual. Tan Sri Abu Kassim consistently advocated leadership in the sense of personal strength and willpower to uphold courage and righteous acts.

while institutional design is crucial, enduring reform also depends on cultural values that either support or resist corrupt practices. Integrating such comparative insights helps position Malaysia's challenges within a broader context and reinforces the argument that aligning formal institutions with positive cultural norms is essential for sustainable reform.

Findings from this study suggest that cultural norms are integral to institutional behaviour. Several informants supported that correction on cultural narrative may produce substantial integrity behaviours among civil servants and the general public. However, policies that impose top-down reforms without addressing the cultural substrates of corruption are unlikely to produce sustainable change. Therefore, anti-corruption frameworks and reform strategies must be contextually grounded and culturally sensitive. Several recommendations are proposed. The first is redefining cultural narratives. Cultural and religious narratives that emphasise values of integrity and public accountability should be continuously advocated. Public narratives and educational campaigns should draw on positive cultural archetypes and international benchmarks from Transparency International and the CPI that may assist to educate people to uphold righteous acts. The second is aligning informal and formal institutions. Institutional designs that recognize and work with existing norms should be leveraged. Since Malaysia is generally a collectivist society, reform strategies should leverage this detail as a tool for effective measures. For example, loyalty to community can be reframed as loyalty to national integrity. This may be sufficiently promoted if affirmations and positive reactions towards morally righteous acts are constantly awarded and honoured. Thus, enhancing public trust towards formal institutions.

## **5. CONCLUSION AND RECOMMENDATIONS**

This article underscores the critical role of cultural norms as informal institutions that shape bureaucratic behaviour and institutional integrity. Through the lens of NIT, this study reveals that the persistence and normalisation of corruption within Malaysia's civil service is not merely a result of regulatory shortcomings, but also a consequence of deeply entrenched cultural expectations and practices. Aligned with the study's objective, this study emphasises that anti-corruption reforms must go beyond legal domains and engage with the cultural dimensions that influence everyday bureaucratic behaviour. A culturally informed approach to institutional reform not only enhances theoretical understanding of corruption but also paves the way for more effective and sustainable reforms in public service.

In light of these findings, this study proposes a culturally grounded public policy initiative which is to advocate for community-based integrity education into civil service training modules. Specifically, the government should institutionalise integrity education rooted in local values, such as communal responsibility and respect for elders, as part of mandatory professional development for civil servants. By embedding positive cultural norms into formal training programs, this policy may transform cultural expectations into ethical accountability. Moreover, by engaging local communities to collectively define and promote acceptable practices, this initiative could create a bottom-up social pressure against corruption, complementing formal anti-corruption mechanisms with community-driven moral enforcement. Additionally, future research could explore the implementation and effectiveness of culturally embedded integrity training through pilot programs in specific agencies or states. This would further illuminate how varied cultures influence corruption tolerance and integrity-building, thus refining both theory and practice.

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## AN ANALYSIS ON PERCEPTION OF UNIVERSITY STUDENTS TOWARD CHILDFREE MARRIAGE

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### Abstract

Childfree has become an increasingly preferred choice among married couples, and this growing trend may significantly affect national demographics by shrinking the working-age population, raising dependency ratios, and placing greater financial strain on social support systems, ultimately challenging sustainable economic growth. This study explores the perceptions and key factors influencing the childfree choice among Malaysian youth, with university students from Universiti Teknologi MARA (UiTM) Negeri Sembilan serving as the respondents. Employing a quantitative approach, data were gathered from 217 participants across three campuses to examine the impact of economic, career, health, and lifestyle factors on their reproductive decisions. Data analysis was conducted using the Statistical Package for the Social Sciences (SPSS) Version 29.0. The findings indicate that health and lifestyle significantly shape the decision to be childfree, whereas economic and career factors do not show a significant effect. The results suggest that students value personal freedom, independence, and quality of life, viewing parenthood as a potential limitation due to its time, financial, and lifestyle constraints. These insights reflect a generational shift from traditional beliefs linking childbearing to financial or career stability. This study contributes valuable empirical evidence on the changing reproductive attitudes of Malaysian youth, offering important implications for policymakers, educators, and social planners in responding to emerging demographic and societal trends.

**Keywords:** Childfree, Voluntary Childlessness, Family Planning, Parenting

### 1. INTRODUCTION

The purpose of marriage is multifaceted, evolving, and varying greatly across cultures, religions, and individual beliefs. Marriage is often a foundation for a deep emotional bond and lifelong companionship. It provides a secure base where individuals share life's challenges, joys, and everyday experiences. A strong marital relationship can contribute to personal fulfilment and psychological health, providing stability and belonging. Historically, marriage has been seen as the ideal environment for raising children. It establishes a structured framework for the next generation's upbringing, education, and socialization. Beyond child-rearing, marriage is often associated with passing on family values, traditions, and sometimes property, ensuring continuity across generations. The purpose of marriage, according to these studies, encompasses multiple dimensions. The Islamic perspective highlights building a lasting, happy household and continuing offspring (Sumiati & Jamaluddin, 2023). Marriage is viewed as sacred, aiming to achieve peace, tranquillity, and mutual nurturing between spouses based on love and affection (Sumiati & Jamaluddin, 2023).

Many couples view marriage as a partnership that enables shared financial responsibilities and pooling resources to achieve common goals, whether buying a home, saving for retirement, or

investing in the future. Research suggests that marriage is often viewed as a partnership of equals, with shared financial responsibilities and resource pooling. However, the reality can be more complex. While community property laws support equal ownership of marital wealth (Kelly, 2009), couples who cohabit before marriage are likelier to choose separate property regimes (Vitali & Fraboni, 2022). Marriage establishes a legal framework that defines rights and responsibilities such as inheritance, tax benefits, and medical decision-making, thereby protecting both partners in a variety of circumstances. Marriage is not one-size-fits-all. While traditional reasons like family creation and economic cooperation are still important in many cultures, current perspectives emphasise personal happiness, emotional well-being, and the evolution of individual identity within a committed relationship. Marriage's purpose is ultimately determined by everyone's values, expectations, and life goals.

According to the Department of Statistics Malaysia, there was an 11.5% decline in live births in the first quarter of 2025 compared to 2024. The decline in birth rates reflects shifting societal priorities driven by urbanization and modernization. Many couples, particularly in urban areas, now prioritize careers, financial stability, and personal growth over parenthood. Growing social acceptance of childfree marriages, especially among younger generations, supports this trend. Some couples choose adoption for personal, medical, or ethical reasons, while others remain childfree to focus on their relationship, support extended family, or contribute to society through mentorship, education, or community service. This lifestyle shift highlights evolving norms where marriage is increasingly seen as a partnership focus on companionship rather than reproduction.

As fewer children are born, the proportion of elderly individuals grows, leading to an aging society with fewer young, working-age individuals to sustain economic productivity. This demographic shift results in labour shortages, particularly in key industries such as healthcare, manufacturing, and technology, where skilled workers are needed to drive economic growth (Bloom, Canning, & Fink, 2010). With a smaller workforce, businesses may struggle to maintain output, and governments may face challenges sustaining economic momentum. Moreover, a declining working-age population leads to an increased dependency ratio, where fewer taxpayers must support a growing number of retirees. This places significant pressure on social welfare systems, including pensions, healthcare, and elderly care services, which require substantial funding (Lee & Mason, 2011). Without proactive measures, Malaysia could face long-term economic stagnation and increased financial strain on public resources due to its aging population.

Although study on the childfree culture has gained interest in recent years, there is still a significant gap in understanding the factors that motivate individuals, especially Malaysian youth, to choose a childfree life. While some couples choose not to have children for medical reasons, many do so voluntarily, citing economic restraints, career goals, or lifestyle preferences. Key economic concerns include rising living costs, employment uncertainty, and the financial burden of having children, as well as changing society attitudes, gender roles, and personal interests. These individual choices have broader socioeconomic consequences, contributing to decreased birth rates, an ageing population, labour shortages, and growing strain on Malaysia's welfare systems. Understanding public perceptions and cultural narratives about the childfree life is critical in fostering informed discussion and developing appropriate legislation. This study seeks to investigate the motivations behind childfree marriage decisions from the perspective of university students, focusing on four major factors: economic conditions, career development, health considerations, and lifestyle preferences, with the goal of providing empirical insights to inform future policy and planning.

## 2. LITERATURE REVIEW

Childlessness can result from both voluntary and involuntary decisions. Voluntary childlessness, often known as being childfree, happens when people or couples decide to postpone or avoid having children. This choice may be driven by financial considerations, a focus on personal development, preferred lifestyle, or concerns about their well-being. Childfree people consciously reject traditional pronatalist values and societal norms that regard reproduction as an important life aim. Instead, they derive meaning from personal development, professional achievements, travel, recreation, and other non-parenting activities (Moore, 2018). Ciesielski (2024) agrees with this viewpoint, claiming that the decision to stay childfree is frequently motivated by a strong desire for autonomy and flexibility. Aracı and Ergun (2025) highlights the influence of evolving cultural and gender norms, noting that contemporary, individualistic societies increasingly enable individuals to challenge conventional life paths, including marriage and parenthood. Choosing to be childfree signifies a broader transformation in societal values, where concepts of adulthood, success, and fulfilment are being redefined beyond the framework of traditional family structures.

Economic background can be one of the factors contributing to a childfree decision. Childbearing can be costly for certain people since raising a child requires significant investment in financial and time commitments (Albertini & Kohli, 2017). A young couple who just started their career might find childbearing very costly. A study by Berrington, Kuang, and Perelli-Harris (2024) proved low intentions to have a child among young couples, especially for financially inactive and low-income households. The priorities for having a child have shifted to making proper living conditions rather than raising children due to economic issues and financial burdens (Sharif-Nia et al., 2024). In France, the government has provided financial allowances and tax deductions that offset the costs of employing a registered day-care professional (assistante maternelle agree) to reduce the financial burden of the parents (Köppen et al., 2017). The same incentives have been applied in Malaysia, where parents can claim tax relief for childcare, tuition fees, and breastfeeding equipment. Tanturri and Mencarini (2008) found that even though the government had provided child-related benefits, it was still insufficient to cover the parenthood costs. The increasing patterns from Southern, Central, and Eastern European countries showed that childcare expenses are expensive, and many couples cannot afford the cost and choose to delay or even give up parenthood (Sobotka, 2017). However, contrary to some previous findings, economic conditions do not seem to have an important role in predicting childfree (Tanturri, & Mencarini, 2008).

Job instability, caused by economic fluctuations and a competitive job market, adds another layer of uncertainty, making long-term financial commitments like raising children more daunting. As a result, more couples are shifting their focus toward financial stability, career advancement, or alternative lifestyle choices, leading to a gradual shift in social norms regarding marriage and parenthood (Wilkinson & Rouse, 2023). A non-parent worker has become a trend in Western countries (Eurostat, 2022). Data from the Pew Research Center (2024) indicates a steady rise in the number of individuals in the United States who have not had children and do not intend to from 2018 to 2023. Likewise, the UK Office for National Statistics (2022) reports that more than 50% of women are childfree by the age of 30. Moreover, in France, Lucifora et al. (2021) discovered that childbirth imposes a sustained earnings penalty on mothers. The study compared the career trajectories and income levels of first-time working parents with those of individuals without children, where mothers faced persistent reductions in earnings that extended well beyond the initial period of maternity leave. Many individuals, especially women, are career-

oriented, and some prefer to focus on their professional growth rather than motherhood (Addzaky & Asy'ari, 2025). Dual-income households with demanding jobs may struggle to balance work and family life; hence, they view having children as an obstacle to achieving their goals.

Childfree is increasingly viewed as a wise and health-conscious choice, particularly for personal well-being (Shapiro, 2014). Some people, particularly women, avoid the physical challenges of pregnancy and the psychological demands of parenting. Pregnancy and childbirth can involve significant bodily changes and potential health risks, prompting some women to choose a childfree life to preserve their physical fitness, bodily autonomy, and long-term health. With the emotional demands of raising children being so high, especially for mothers, some feel that staying childfree is the best way to maintain their emotional balance and protect their mental health. According to Aracı and Ergun (2025), some women reject motherhood to safeguard their physical identity and avoid what they view as bodily sacrifice and medical risk. Fears, perceived complications, and a sense of unsuitability for parenthood often influence this choice. These individuals highly value their health and emphasize responsible family planning. Similar perspectives are supported by Höglund and Hildingsson (2022), who found that personal perceptions related to reproductive health and parenting significantly shape the decision to remain childfree.

Another motivation for choosing a childfree life is maintaining a preferred lifestyle. This lifestyle offers greater flexibility in daily routines, long-term planning, and the pursuit of personal goals (Aracı & Ergun, 2025)). Some individuals emphasize personal freedom, career advancement, financial stability, travel opportunities, and leisure. According to Park (2002), those who choose to remain childfree often value autonomy and self-determination, viewing parenthood as a potential obstacle to achieving their personal aspirations. Their lifestyle may become more difficult to sustain while raising children. For some, having children is also associated with a loss of spontaneity and personal time, which are deeply valued aspects of their lives and require greater commitment. Tanturri and Mencarini (2008) found that women who forgo motherhood often perceive it as a time-consuming responsibility. These women are typically well-educated and employed, with limited leisure time, and tend to find fulfilment outside of motherhood, sometimes viewing children as an obstacle to personal achievement.

Widespread childfree choices can considerably impact a country's demographic structure, resulting in a shrinking labour force and increased demand for social support services for the elderly. Lower birth rates contribute to a diminishing working-age population, lowering economic productivity and GDP per capita and creating challenges for long-term economic growth (Kearney & Levine, 2022). Furthermore, a shrinking workforce increases dependency ratios, putting more significant financial pressure on social security, healthcare, and pension systems. For example, Lee and Mason (2017) discovered that countries face increased budgetary strain as fertility rates decrease due to rising expenditures associated with age care. Similarly, Bloom et al. (2020) argue that countries with persistently low birth rates face long-term economic stagnation and increased pressure to reform retirement and healthcare systems.

Government population policies, such as those in Singapore and Japan, have a substantial impact on perceptions of a childfree lifestyle by supporting pronatalist norms that view childbirth as a social or national duty. These programs, which attempt to increase reproduction rates through incentives and family assistance measures, may stigmatize childless people as stray from cultural norms (Teo, 2013; Yamashita, 2023). At the same time, personal issues such as mental health and chronic problems influence childless decisions. Individuals suffering from depression, anxiety, or chronic illnesses may perceive parenthood as emotionally or physically taxing,

leading them to regard a childless existence as a rational and health-preserving option (Teo, 2013). As a result, structural pressures and individual well-being have a substantial impact on how people see the childfree lifestyle.

In summary, existing literature reveals that multiple factors contribute to the decision to remain childfree. Economic considerations, including financial insecurity and job instability, have been shown to influence childbearing intentions. Career aspirations and the demands of modern work environments further contribute to the appeal of a childfree lifestyle. Health-related concerns, both physical and mental, also play a critical role in discouraging parenthood, particularly among women. Finally, lifestyle preferences centered around autonomy, leisure, and personal fulfillment increasingly shape decisions against having children. Drawing from these insights, this study posits the following hypotheses:

**H1:** Students perceive that economic factors significantly influence the intention to remain childfree.

**H2:** Students perceive that career-related factors significantly influence the intention to remain childfree.

**H3:** Students perceive that health-related factors significantly influence the intention to remain childfree.

**H4:** Students perceive that lifestyle-related factors significantly influence the intention to remain childfree.

### 3. METHODOLOGY

This study adopted a quantitative research design, utilizing a questionnaire as the primary instrument for data collection from students at UiTM Negeri Sembilan. A simple random sampling method was applied to ensure that each student had an equal probability of being selected, thereby reducing researcher bias (Sekaran & Bougie, 2016). 217 students from various academic programs completed the questionnaire within the given period. Data was collected through an online survey distributed via Google Forms over two weeks. The measurement items were adapted from previously validated instruments. Constructs related to the factors and perceptions were measured using a five-point Likert scale, ranging from “1” (strongly disagree) to “5” (strongly agree). Economic factors and perceptions were measured using five measurement items. Meanwhile, health, career, and lifestyle were measured using four items. This study uses a questionnaire adapted from Tanturri and Mencarini (2008), with necessary modifications to ensure cultural appropriateness and relevance for Malaysian youth respondents. Adjustments were made to the wording, content, and thematic focus to reflect local values, language use, and contemporary youth perspectives, ensuring greater relevance and validity for the target population. Data analysis was conducted using the Statistical Package for the Social Sciences (SPSS) Version 29.0, involving procedures such as descriptive analysis, reliability testing, correlation, and regression analyses to examine the relationships among the variables and test the research hypotheses.

### 4. RESULTS AND DISCUSSION

#### *Demographic Profile*

A total of 217 questionnaires were usable for data analysis in this study. Table 1 highlights the demographic profile of students involved in the survey. Out of 217 students, a significant majority are female respondents (153), compared to 64 males. Most of them are diploma students,

with 133 pursuing this level of education, while the remaining are degree-level students. The fields of study are varied, with Administrative Science and Policy Studies being the most common (107), followed by Business Management (76), Computer Science and Mathematics (23), Mass Communication and Media (10), and Information Management (1). Most of these respondents are living in urban (152), followed by suburban (41) and rural (24).

Table 1 Demographic profile of respondents

Profiles	Types	Frequencies n= 217	Percentage %
Gender	Male	64	29.5%
	Female	153	70.5%
Age	18-20	127	58.5%
	21-23	78	35.9%
	24-26	12	5.6%
Program Level	Diploma	133	61.3%
	Degree	84	38.7%
Field of Study	Business Management	76	35%
	Information Management	1	5%
	Computer Science & Mathematics	23	10.6%
	Administrative Science and Policy Studies	107	49.3%
	Mass Communication and Media	10	4.6%
Residential	Urban	152	70%
	Suburban	41	18.9%
	Rural	24	11.1%

### Descriptive analysis

Table 2 presents the descriptive statistics for the five study variables. The analysis revealed that the economic dimension had the highest mean score ( $M = 3.93$ ,  $SD = 0.82$ ), indicating that students rated economic considerations most favourably. This was followed by perception ( $M = 3.84$ ,  $SD = 0.58$ ), health ( $M = 3.52$ ,  $SD = 0.83$ ), and lifestyle ( $M = 3.52$ ,  $SD = 0.95$ ). The career variable recorded the lowest mean score ( $M = 2.82$ ,  $SD = 0.66$ ), suggesting relatively lower levels of agreement or satisfaction in this area. Overall, the standard deviation values indicate a moderate spread of responses, reflecting some diversity in participants' views across all dimensions.

Table 2. Descriptive statistics of variables

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>SD</b>
Economy	217	1	5	3.9327	0.82062
Career	217	1	5	2.8166	0.66228
Health	217	1	5	3.5207	0.82785
Lifestyle	217	1	5	3.5161	0.95092
Perception	217	2	5	3.8369	0.58636

### Correlation Coefficient

A Pearson correlation analysis was conducted to determine the strength and direction of the relationships between economy, career, health, lifestyle, and perception. Table 3 presents all correlations as positive and statistically significant at the 0.05 level (2-tailed). The strongest relationship was found between career and lifestyle ( $r = .686$ ), followed closely by health and lifestyle ( $r = .656$ ), and career and health ( $r = .626$ ). These results indicate a high level of

association among these variables.

Additionally, the economy showed moderate correlations with career ( $r = .607$ ), lifestyle ( $r = .531$ ), and health ( $r = .517$ ). Perception exhibited a weaker but still significant correlations with health ( $r = .329$ ), career ( $r = .309$ ), lifestyle ( $r = .322$ ), and economy ( $r = .274$ ). Based on Pallant (2020), correlation values above 0.5 suggest a strong relationship, indicating that most of the hypothesized associations in this study are moderately to strongly correlated.

Table 3. Correlation coefficient analysis

	<b>Economy</b>	<b>Career</b>	<b>Health</b>	<b>Lifestyle</b>	<b>Perception</b>
Economy	-	.607**	.517**	.531**	.274**
Career	.607**	-	.626**	.686**	.309**
Health	.517**	.626	-	.656**	.329**
Lifestyle	.531**	.686**	.656**	-	.322**
Perception	.274**	.309**	.329**	.322**	-

### Reliability

The results in Table 4 indicate that all variables demonstrated acceptable to excellent reliability, with Cronbach's Alpha values exceeding the commonly accepted threshold of 0.70. Specifically, careers showed the highest reliability ( $\alpha = 0.948$ ), followed by lifestyle ( $\alpha = 0.924$ ), economy ( $\alpha = 0.916$ ), health ( $\alpha = 0.869$ ), and perception ( $\alpha = 0.758$ ). These findings confirm that the measurement items for each construct are reliable and consistent, supporting their use in further statistical analyses.

Table 4. Reliability

Variables	Cronbach's Alpha
Economy	0.916
Career	0.948
Health	0.869
Lifestyle	0.924
Perception	0.758

### Multiple Regression Analysis

A multiple regression analysis examined the influence of economy, career, health, and lifestyle on perception. The analysis summary in Table 5 revealed that only H3, health ( $p = 0.016$ ) and H4, lifestyle ( $p = 0.028$ ), were statistically significant at the 0.05 level. These findings indicate that both health and lifestyle significantly positively influence perception, suggesting that students who report better health and more balanced lifestyles tend to have more favourable perceptions.

Table 5: Multiple Regression Analysis

Predictors	Std. Coefficient	Sig.
Economy	0.102	0.191
Career	0.109	0.239
Health	0.206	0.016**
Lifestyle	0.187	0.028**

The significant role of health suggests that students who enjoy better physical and psychological well-being are more likely to develop positive perceptions. In the context of higher education, health may influence motivation, engagement, and overall satisfaction, which in turn shape perception. Students who prioritize their physical and mental health tend to view parenthood as a potential threat to their overall well-being; thus, these students may perceive a childfree lifestyle to preserve their health, freedom, and personal care routines. Moreover, students who perceive themselves as not physically fit or healthy may lack confidence in their ability to meet the physical demands of raising children. The significant influence of health on students' perception of remaining childfree is consistent with prior studies emphasizing the role of physical and mental well-being in reproductive decision-making.

For instance, Höglund and Hildingsson (2022) found that individuals' perceptions of their reproductive health and readiness significantly influence their decision to remain childfree to protect their overall well-being. Similarly, Boiarintseva, Ezzedeen, and Wilkin (2021) highlight that concerns about maintaining mental stability and managing chronic health conditions are pivotal factors influencing young adults' decisions to opt for a childfree lifestyle. This further supports the view that the choice to remain childfree for many students is not merely a personal preference but a deliberate strategy to safeguard their long-term health and psychological resilience.

The significant effect of lifestyle on students' perception of being childfree reflects a growing focus on personal freedom, independence, and overall quality of life among younger generations. The results show that students who love traveling and exploring hobbies often view parenting as a significant constraint on their desired way of living. Additionally, the responsibilities associated with raising children, such as time commitments, financial obligations, and reduced flexibility, are seen as incompatible with the lifestyle they wish to maintain. This aligns with findings by Gillespie (2003), who noted that many voluntarily childfree individuals prioritize self-fulfilment and freedom from traditional roles, especially when those roles are perceived to limit personal development. Similarly, Settle and Brumley (2014) observed that individuals who remain childfree often do so to preserve their independence and avoid lifestyle sacrifices typically associated with parenthood.

In contrast, economy (H1) and career (H2) were not statistically significant ( $p > 0.05$ ), indicating that these variables do not independently contribute to students' perception. Unlike previous generations who linked childbearing to economic security or career stability, today's youth might not see financial or career status as central to their reproductive choices. One possible explanation is that many students have not yet entered a life stage where they directly experience the financial responsibilities of parenthood. As a result, economic considerations may seem less urgent. Furthermore, today's younger generation may view economic instability as a general part of life, rather than a specific obstacle to having children. With everyday challenges like rising living costs, student debt, and uncertain job prospects, students may not see the financial demands of parenthood as a separate or decisive concern. The findings parallel Tanturri and Mencarini's (2008), which suggest that economic conditions do not play a significant role in predicting voluntary childlessness, contrary to what some earlier studies have proposed. While previous studies highlight the financial burden of childbearing, particularly for young or low-income couples, the lack of significant influence in this study suggests that students may view these economic challenges as part of broader life concerns rather than a direct factor in their decision to remain childfree (Albertini & Kohli, 2017; Berrington et al., 2024).

Although career-related demands are often associated with delayed parenthood, the significant effect in this study may be due to students not yet fully experiencing these pressures, as many are still in the early stages of their career paths and have not encountered the conflicts often faced by working professionals (Boiarintseva et al., 2021). With growing career ambitions and demanding work schedules, many individuals, particularly women, view childbearing as a challenge that could interfere with their personal and professional goals (Addzaky & Asy'ari, 2025). The study reveals that health and lifestyle strongly influence students' choice to remain childfree, as they want to protect their well-being and enjoy personal freedom. However, economic and career factors were not significant, likely because students have not yet faced those pressures directly.

## **5. CONCLUSION**

The study reveals that health and lifestyle are the two most significant factors influencing students' perceptions of remaining childfree. Students with better physical and psychological well-being are more likely to associate parenthood with risks to their health, freedom, and self-care routines. Those who perceive themselves as less physically fit may also doubt their ability to handle the physical demands of parenting. This aligns with past research indicating that concerns over mental health, chronic conditions, and reproductive readiness often drive young adults to opt for a childfree lifestyle as a strategy to safeguard long-term well-being.

Similarly, lifestyle preferences, particularly the desire for personal freedom, travel, and uninterrupted pursuit of hobbies, shape students' negative perceptions of parenting. Many view child-rearing as a constraint on the autonomy and flexibility they value. These findings support earlier studies that suggest voluntary childlessness is often rooted in a desire to maintain independence and avoid the sacrifices traditionally associated with parenthood.

In contrast, economic and career factors did not significantly influence students' decisions to remain childfree. This may be due to their current life stage—many students have yet to face the financial or career-related challenges of adulthood fully. As such, they may perceive economic instability as a general life condition rather than a distinct deterrent to having children. Overall, the study highlights that students' decisions to remain childfree are primarily shaped by health and lifestyle preservation concerns rather than financial or career-related considerations.

A multifaceted approach is needed to address students' growing preference for child-free lifestyles, primarily influenced by concerns over health, lifestyle limitations, and uncertain career and financial readiness. Many young adults perceive parenthood as a threat to their physical and mental well-being, as well as to their freedom. To counter this, health and wellness support should be strengthened in educational institutions, including access to mental health services and reproductive health education. Promoting flexible parenting models and showcasing diverse, modern family lifestyles can help reduce the belief that raising children is incompatible with travel, hobbies, or independence. Furthermore, integrating real-life examples through mentorship and inclusive discussions can demonstrate that career success and parenthood are not mutually exclusive. Encouraging work-life balance through policy incentives like parental leave, childcare access, and flexible work environments can further support this narrative. At a broader societal level, reshaping cultural norms and reducing stigma around child-free and parenting choices is essential. This includes fostering open dialogue through education, media, and community engagement, where child-free lifestyles and parenthood are valid personal decisions. Engaging religious, cultural, and institutional leaders can help modernize traditional marriage and reproduction expectations. While today's students may not yet feel the economic pressures of parenthood, proactive policies such as housing support, tax incentives, and affordable childcare

can remove potential future barriers and make parenthood a more accessible option. Ultimately, efforts should focus not on promoting one lifestyle over another but on empowering individuals to make informed, supported, and respectful choices regarding their reproductive futures.

Despite offering valuable insights into students' perceptions of child-free marriage, this study has limitations. Firstly, the study sample may lack diversity, as it is likely limited to students from a specific geographic location, academic institution, or socio-cultural background. This homogeneity can limit the generalizability of the findings to broader populations, including working adults, married individuals, or those from different ethnic, religious, or socioeconomic contexts. Cultural norms surrounding marriage and childbearing vary significantly, and findings drawn from a student population may not reflect the attitudes of society at large. Secondly, the study may be influenced by the respondents' life stage. As university students, many participants have not yet entered full-time careers, long-term relationships, or parenthood, which means their perceptions may be shaped more by ideals, assumptions, or future-oriented thinking rather than direct experience. This may explain why economic and career factors were not statistically significant. In addition, the study's cross-sectional nature limits the ability to assess how perceptions may change over time with life experience. These limitations suggest the need for more longitudinal, diverse, and experience-based studies to gain a fuller understanding of the perceptions and realities of child-free marriage.

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## NOMINEE DIRECTORS: SILENT GUARDIANS OR CORPORATE PUPPETS?

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### Abstract

A nominee director must act in the best interest of the company in addition to the duty to represent the nominator's interest. The Malaysian Companies Act 2016 has stipulated the responsibilities of a nominee director but did not specifically state the actual duties of a nominee director. Nominee directors are appointed to the board to oversee the management of the company. Their presence on the board has raised significant debate over their role and effectiveness. Some studies argued that nominee directors are more of a guardian than a fulfiller of their duties. Thus, this study examined the nature and the duties of nominee directors in companies in Malaysia. Doctrinal research was employed to analyse the laws in statutes, case laws and other relevant documents to ascertain the legal duties and functions of nominee directors. It was found that a nominee director is neither a puppet nor solely a guardian, but rather an appointed representative of a significant shareholder clothed with fiduciary duties. Nominee directors' fiduciary duties are primarily responsible for the company's best interests and not just the interests of the shareholders who appointed them, although their duty to the company may sometimes conflict with the wishes of their nominator. The result of this study will add knowledge to the literature on the duties of nominee directors, whilst legislators and policymakers may use the information to strengthen corporate governance in encouraging transparency and accountability in companies.

**Keywords:** Nominee Directors, doctrinal research, best interest of the company, corporate governance.

### 1. INTRODUCTION

Nominee directors are those who represent the interests of a specific group or people, such as a major shareholder or creditor to the company and are appointed to the board of directors (the board) (Adam, 2015). A nominee director can also be a person nominated to become a board member on behalf of another party outside the company, such as stakeholders, investors, or lenders (Salleh et. al. 2020). A director is a nominee director if he or she is not merely appointed by some identified nominator but also has an extraneous loyalty to the nominator or some interests other than the interests of the company (Ford et al., 2001 as cited in Rizal Salim and Tai Yong, 2008, p. 170). Despite those definitions, the Malaysian Companies Act 2016 (CA 2016) failed to define the term 'nominee director'; instead, CA 2016 stipulates the responsibility of a nominee director as provided under section 217(1), which is a mandatory duty to act in the best interests of the company. The CA 2016 merely states the responsibility of a nominee director but did not explicitly limit the powers of a nominee director nor compel a nominee director to adhere to a nominator's instructions (*What Does the Companies Act 2016 Say about Nominee Directors?*

- *MISHU - Malaysia No.1 Digital Company Secretary*, 2023). One argued that the relationship of the nominator and the nominee directors whom they have appointed is almost similar to that of principal and agent or employer and employee, however, such appointment as a nominee director to some extent would result to a breach of fiduciary duties of a director because the nominee directors are given the full force of obligations of a director when they representing the interests of the appointer (Ramsay & University Of Melbourne. Centre For Corporate Law and Securities Regulation, 1997).

Past studies shown that there is conflict between the duties of nominee director to their nominator and duties to the company in which the nominee serve as a director. On one hand the nominee director must carry out his or her duties as director in good faith and in the best interest of the company as whole, but on the other hand, the nominee director must act in the interest of his or her nominator (Ramsay & University of Melbourne. Centre For Corporate Law and Securities Regulation, 1997; Lekgau, 2016; Rizal Salim and Tai Yong, 2008). The presence of nominee directors on the board has raised significant debate over their role and effectiveness. Some studies argue that nominee directors are more of a guardian (Redmond, 1987) than a fulfiller of their duties (Adam, 2014). In simple term, it can be stated that a nominee director is neither a staff nor an officer because it is employed by a certain company, hence, they stand within the board as a non-executive director (Adam, 2016). Thus, this study examined the nature and the duties of nominee directors in companies in Malaysia to answer the question as to whether a nominee director is a guardian who act in the best interest of the company or a mere puppet acting on the behalf of the nominator.

## 2. LITERATURE REVIEW

Nominee directors are a product of modern corporate governance mechanisms (Rizal Salim and Tai Yong, 2008) and a tool frequently employed by shareholders, creditors, and other stakeholders to safeguard specific interests within a company's board structure (Nachane et al., 2005; Lekgau, 2016; Salleh et al., 2021). There are several reasons why nominee directors are needed. Apart from representing interests of the nominators, institutional investors particularly, appoint nominee directors to safeguard their investment (Annuar, 2015; Lekgau, 2016) and influence the strategic direction of the company (Lekgau, 2016). Past studies have suggested frameworks in the governance since shareholders have rights which will determine the strategic direction of the company (Mihalik, 2016; Roy and Mukerjee, 2021).

Any decision of the board should be in the best interest of the nominators who are also investors of the company. Situations of dual roles as board members and shareholders led to companies like venture capital firms employed nominee directors (Adam, 2014; Adam 2016) and government-linked investment companies (GLIC) in Malaysia such as Permodalan Nasional Berhad and Khazanah Nasional Berhad to appoint nominee directors to oversee investment and ensure compliance with public policy (Adam, 2016). Nevertheless, Roy and Mukerje (2021) found that the influence of non-executive directors such as nominee directors may not be significant in some strategy such as the business segment exposures.

Appointment of nominee director can be made in accordance with the shareholders agreement (Adam, 2016) and nominators should refer to the companies' constitution prior to appointment to ensure compliance with the statutory provisions (Cheong, 2019; Gabi Bellairs-Lombard, 2023). Apart from safeguarding the investment of the nominators, nominee directors also have to ensure that the nominators' interests are considered in the decision-making process (Adam, 2016; Salleh et al, 2021). Nominee directors act as intermediaries and even can improve corporate

governance by serving as information bridges and monitors (Nachane et al., 2005, Adam, 2016). However, having a voice in the company's decision-making process may influence the company's view by fostering a conservative approach toward capital adequacy (Rizal Salim & Tai Yong, 2008). Empirical data indicate that firm-specific factors like profitability, debt composition, and risk level affect how effective the nominee directors are (Nachane et al., 2005).

The interests of the nominator and the company may easily be in conflict since both have their own interests. It is a challenging and difficult task for nominee directors (Rizal Salim and Tai Yong, 2008; Adam, 2016; Abdul Raof et al., 2024). Past studies found that the dual loyalty may interfere with the nominee directors' fiduciary duties, particularly on the issue of confidentiality of company information, to which the nominators believe it is their entitlement to have the company's information, but the nominee director has a duty to protect such information (Hassan and Abd Ghadas, 2017). Nominee directors in Australia and New Zealand are permitted by statutes or court decisions to take their nominators' interests into account while maintaining certain protections (Rizal Salim and Tai Yong, 2008; Ahern, 2011).

Previous study found that it is difficult to reconcile between fiduciary duties and the concept of nominee directors representing an entity. Rizal Salim & Tai Yong (2008) contended that Malaysian approach to the duties of nominee directors is overly prescriptive and inconsistent with commercial reality. Malaysia's strict legal framework has drawn criticism for being disconnected from business reality and restricting corporate flexibility (Rizal Salim & Tai Yong, 2008; Koh, 2008). The problem is made worse by the concerns about information leaking and confidentiality. Reports to the nominators are frequently demanded of nominee directors, particularly those nominated by government agencies or institutional investors. The legal obligation of directors to maintain corporate secrecy and act independently is directly violated by this conduct (Salleh et al., 2021; Adam, 2016). Nominee directors are considered "associated persons" under Section 17A of the Malaysian Anti-Corruption Commission Act 2009, which holds businesses vicariously accountable for corrupt practices carried out by their appointees (Abdul Raof et al., 2024). This exposes businesses to serious legal and reputational risks, particularly if the nominee director acts without the required approval or supervision in the interest of an outside party. Countries such as the United Kingdom (UK), Australia, and New Zealand uphold the fiduciary duty to the corporation whilst at the same time acknowledging the particular difficulties faced by nominee directors (Salleh et al., 2021).

Although nominee directors are legally required to act in the company's best interest, the United Kingdom (UK)'s statutory provisions permit the consideration of nominator interests under certain conditions, as long as they act in the best interest of the company. Under section 217 of CA 2016, a nominee director must act in the best interest of the company, even if that conflicts with the interests of their appointer. This provision effectively rejects the notion that such directors are exempt from general fiduciary principles. The fiduciary duty of nominee directors is an attempt to reconcile "commercial pragmatism" with "legal orthodoxy." Directors, regardless of who appoints them, are fiduciaries of the company and must act in good faith and for a proper purpose (Ahern, 2010).

### **3. METHODOLOGY**

This study utilised doctrinal legal research to examine the nature and duties of nominee directors in a company to answer the question as to whether a nominee director is a guardian who acts in the best interests of the company or a mere puppet acting on behalf of the nominator. This study involved the analysis of statutory provisions, judicial interpretations, case laws and legal

principles relating to nominee directors in Malaysia including case laws from other different jurisdictions such as the UK, Australia and New Zealand. Data collection was conducted through online library-based sources, including reported Malaysian cases, journals and academic writings. Critical and secondary data analysis of legal materials was conducted to identify the specific legal rules and later to discuss the legal meaning of the rules and their underlying principles.

## 4. RESULTS AND DISCUSSION

### 4.1 Common law position

Most cases discuss the duties of nominee directors based on the duties of a director. The basic question is to whom nominee directors owe their duty. According to the case of *Percival v Wright* (1902), duties are owed to the company (Salleh et al., 2021). Lord Greene MR in the case of *Re Smith and Fawcett* (1942, p. 306) stated, “[The directors] must exercise their discretion bona fide in what they consider, not what a court may consider, to be in the interests of the company, and not for any collateral purpose ... It is beyond question that that is a fiduciary power, and the directors must exercise it bona fide in what they consider to be the interests of the company”. Based on the statement by Lord Greene, the duty to act for a proper purpose and in good faith is a legal obligation imposed on directors for the best interests of the company and not for the best interests of individual shareholders (Rizal Salim and Tai Yong, 2008). Thus, the same duty also applies to a nominee director as can be seen in the case of *Bircher Asia Pacific Sdn Bhd v Yeoh Seng Keong & Anor* (2017) where the Malaysian High Court held that a nominee director is subject to the same fiduciary duties and responsibilities like any other director, including acting in the best interests of the company.

In a situation where there is conflict between the interests of the parent and those of one of its subsidiaries as in the case of *Scottish Co-operative Wholesale Society Ltd. v. Meyer* (1959), the parent may instruct their nominee directors on the board of the subsidiary to act in a manner that does not coincide with the best interest of the subsidiary. Lord Denning whose view is concurrent with Viscount Simmons, stated that as soon as the interests of two companies conflicted, the nominee directors were placed in an impossible position as nominee directors. Lord Denning said, “... they probably thought that ‘as nominees’ of the co-operative society their first duty was to the co-operative society. In this they were wrong. By subordinating the interests of the textile company to those of the co-operative society, they conducted the affairs of the textile company in a manner oppressive to the other shareholders” (Sekouti, 2009). The strict approach by the court in the case of *Scottish Co-operative Wholesale Society Ltd. v. Meyer* (1959) is contrary to the decisions of the courts in the cases of *Levin v Clark* (1962) and *Re Broadcasting Station 2GB Pty Ltd* (1964-65) where courts in both cases took into account the commercial reality and stated that the nominee directors may cater the interests of their nominators where these have been agreed by the shareholders (Redmond, 1987). Nonetheless, Malaysian courts are stricter as in the case of *Industrial Concrete Products Bhd v Concrete Engineering Bhd* (2001). In this case, the conflict arose when a decision or strategy proposed by the nominator is not in the best interests of the subsidiary company but rather serves the parent company’s interests at the expense of the subsidiary. The court held that the nominee director’s failure to act independently and had breached his fiduciary duties to the company since he had allowed his duty to the company to conflict with those of his nominator.

#### 4.2 Statutory provisions

The Malaysian Companies Amendment Act 2007 had codified the common law issue on nominee directors, and as a result, the parent Act of CA 1965 was amended in section 132(1E) (*Conflicting Issues Faced by Nominee Directors - Azmi & Associates, 2022*). The same provisions in section 132 (1E) were maintained in section 217 of the CA 2016, which states:

*“(1). A director who was appointed by virtue of his position as an employee of a company, or who was appointed by or as a representative of a member, employer or debenture holder, shall act in the best interest of the company and in the event of any conflict between his duty to act in the best interest of the company and his duty to his nominator, he shall not subordinate his duty to act in the best interest of the company to his nominator.*

*(2). A director who contravenes this section commits an offence and shall, on conviction, be liable to imprisonment for a term not exceeding five years or a fine not exceeding three million ringgit or to both.”*

Pursuant to the provision of section 217 of the CA 2016, a nominee director shall act in the best interest of the company. The provision in section 217 is mandatory, where in the event of any conflict between his duty to act in the best interest of the company and his duty to his nominator, the nominee director shall not subordinate his duty to act in the best interest of the company to his nominator. The same prohibition was dealt with by Lord Denning in the case of *Scottish Co-operative Wholesale Society Ltd. v. Meyer (1959)*.

Nevertheless, section 217 of the CA 2016 only discussed the responsibility of nominee directors without focusing on legislative gaps such as the definition of a nominee director and the transparency and accountability of the duties of nominee directors. Companies Commission of Malaysia have issued a Consultative Document on the Proposed Amendments to the Companies Act 2016 relating to the Nominee Shareholders and Nominee Directors in December 2023 (*Consultative Document on the Proposed Amendments to the Companies Act 2016 relating to nominee shareholders & nominee directors, n.d.*) requiring companies to establish and maintain registers amongst others register of nominee directors. The proposal was intended to strengthen the legal framework for corporate rehabilitation and align with the international best practices and standards advocated by organisations such as the Financial Action Task Force (FATF). The document was meant to address legislative gaps by introducing clear definitions and disclosure requirements relating to nominee directors. However, the consultation document, which is supposed to make changes relating to nominee directors, was not addressed in the Companies (Amendment) Act 2024, leaving the area of nominee directors in the same position as before. No specific nominee directors were reporting compared to the original consultative documents.

#### 4.3 Silent guardian or corporate puppet?

Since a nominee director is a representative who has been appointed and nominated to the board to represent the interests of a specific group or people, such as a major shareholder or creditor, he or she has dual duty, i.e. to the board and to the nominator. When it comes to the duties and responsibilities of the company, the nominee director's duties are no different from those of other types of directors. Nominee directors have the same rights as other directors during board meetings and share the same rights and responsibilities. They have to serve their fiduciary duties diligently and avoid actions that could harm the company they represent. In the event the nominee directors divert business opportunities or use confidential information for personal gain, they are said to have breached their fiduciary duty and can be held personally liable for losses incurred by the company due to the breach of duty.

Investors who are corporate bodies will have nominee directors on the board, providing the services as a guardian for shareholders (Gilson and Kraakman, 1992) and to safeguard the interests of all shareholders. Their role can also be guardian to the nominator since they must keep informing the nominator of the decisions of the board. Nominee director will primarily safeguard the investors by prioritising the shareholders' value and avoiding conflicts of interest. Nominee directors, like the other directors, will ensure the decisions of the board align with the shareholders' interests while providing accurate financial information and ensuring transparency and accountability. Attending regular board meetings in compliance with the policies and procedures will mitigate the risk and financial losses.

Nominee directors have duties and responsibilities to ensure that they maximise the profits of the company. If the nominator uses a nominee director in the manner of a puppet, that is, to blindly follow the instructions of the nominator without discharging his duties diligently, the nominee director can be said to have breached his duties. Nominee director who has little appreciation of the significance of the acts he or she is performing is a puppet to the nominator, and he might not even understand the transaction to be accessed (Redmond, 1987).

#### *4.4 Reassessing the nominee director's fiduciary duties*

The appointment of nominee directors is still a crucial but contentious aspect of corporate governance. Usually, these directors are chosen to safeguard the interests of important parties, like governmental organisations, institutional investors, or large shareholders. Nonetheless, their presence creates difficult ethical and legal issues, particularly the conflict between fiduciary obligations to the company and loyalty to the nominator, even though their presence serves valid oversight and strategic goals (Adam, 2016; Salleh et al., 2021; Abdul Raof et al., 2024; Rizal Salim and Tai Yong, 2008). In Malaysia, nominee directors are legally obligated to act in the company's best interests regardless of their nominator's expectations. Nominee directors are implicitly expected to act or report in a way that benefits the parties that appointed them (Rizal Salim and Tai Yong, 2008). Other common law jurisdictions, like Australia and New Zealand, on the other hand, take a more accommodating stance, permitting modified fiduciary duties in certain situations, such as when they are specified in the company's constitution or approved by all shareholders (Salleh et al., 2021). The criminal prosecution of a penalty of imprisonment for a term not exceeding five years might deter a person from becoming a nominee director, hence no representative on the board. The sanction imposed upon nominee directors' breach of duty under Malaysian law, particularly section 217(2) of the CA 2016, is very harsh. The duties of nominee directors are not easy, and their position creates a tension-filled role. While they are expected to report to their nominators on the company's performance, they are legally constrained from breaching confidentiality or prioritising external interests over those of the company.

Nominee directors are neither guardian nor puppet for their appointer. The legal framework establishes a nominee director as having a fiduciary duty to act independently, and this duty is not only ethical but enforceable. Nominee directors are often expected to provide intelligence and insights just like any other directors during board meetings, although there might be conflict due to the dual loyalty. The UK Companies Act 2006 allows companies to mitigate conflicts through constitutional provisions, whilst Malaysia adopts a more rigid stance underlining the fiduciary priority of the company over any contractual loyalty to the nominator. Comparatively, Australia and New Zealand permit nominee directors in joint ventures to represent nominator interests, provided there is full disclosure, and such behaviour is expressly allowed by the company's constitution.

## 5. CONCLUSION

A nominee director is neither a puppet nor solely a guardian, but rather an appointed representative of a significant shareholder clothed with fiduciary duties. Nominee directors' fiduciary duties are primarily responsible for the company's best interests and not just the interests of the shareholders who appointed them, although their duty to the company may sometimes conflict with the wishes of their nominator. Such appointments of nominee director is frequently the consolidation of corporate or political power at the board level, making the board's function as a group decision-making body may be compromised, and abuse of power is possible. However, nominee directors must prioritise the company's interests over their appointers' interests to avoid conflicts of interest and fulfil their fiduciary duties to the company. This balance is crucial to ensure compliance with legal obligations and maintain the integrity of corporate governance. (Salleh et al., 2021).

The result of this study will add knowledge to the literature on the duties of nominee directors, whilst legislators and policymakers may use the information to strengthen corporate governance in encouraging transparency and accountability in companies. This study adds to the broader discourse on the responsibilities by clarifying the legal and moral limits within the nominee directors operate. It also lays the groundwork for future reforms by pointing to the importance of clearer regulations, greater transparency in board practices, and targeted ethical training. Since this study only look into the legal framework in ascertaining the position of a nominee directors, future studies may conduct interviews with nominee directors to identify the challenges faced by them in discharging their duties.

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# INCORPORATING CORPORATE SOCIAL RESPONSIBILITY INTO LEGAL FRAMEWORKS IN BALANCING PROFITS & PUBLIC INTEREST

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## Abstract

Corporate Social Responsibility (CSR) is a company's commitment to its business model where it integrates social, ethical and environmental considerations into its operations. Such operations of CSR will impact society and the environment while improving its brand reputation and long-term success. CSR reports are typically published annually to disclose sustainability commitments and meet stakeholder expectations. While CSR builds trust and addresses societal needs, some companies use disclosures mainly for marketing or profit, risking reputational damage through exaggerated claims. This misuse undermines CSR's ethical goals, especially when errors or restatements occur, weakening stakeholder confidence. Studies on enforcement, disclosure accuracy and societal impact of CSR remain limited, emphasising the need for deeper analysis to ensure accountability and public alignment. This study examined the current practice of enforcing CSR and its effect on the public and companies. A doctrinal research approach involving structured analysis of statutory provisions, regulatory framework, and judicial decisions was employed. The study found that there is a need to have a proper legal framework that can balance the profit and public interest when implementing CSR. The studies further found that CSR is also interrelated with environmental, social and governance (ESG). Guidelines and standardised reporting of CSR are crucial since the disclosure of information demonstrates the company's accountability and responsibility in not only attracting investors and improving financial performance but also commitment to the public and stakeholders. The outcome of this research will help legislators to have a clear understanding of CSR and draw up a legal framework for CSR. The results of the study also help companies to align their business model with global sustainability goals and lead to a more informed investment decision.

**Keywords:** Corporate Social Responsibility (CSR), profits, public interest, Environmental, Social and Governance (ESG), enforcement.

## 1. INTRODUCTION

Corporate social responsibility (CSR) is a process that focuses on the ethical or responsible treatment of a company or institution's stakeholders (Hopkins, 2006). "Ethical or responsible" refers to treating key stakeholders in a manner that is deemed acceptable according to international standards. Hopkins (2006) also refer to The World Business Council for Sustainable Development (WBCSD)'s definition of CSR which states that CSR as the ongoing commitment of businesses to conduct themselves ethically and contribute to economic development while improving the quality of life of their workforce, the families of their employees, the local

community, and society at large. Thus, CSR is about how the companies give back to communities through contributions for the economic development of communities, employees and their families ethically and responsibly.

According to Lee (2022), the main objective of CSR is to promote sustainable and ethical practices, foster goodwill and a positive reputation, and contribute to the creation of positive social value. Some companies use CSR as a tool to market their business instead of using it to build trust and give genuine commitments to social responsibility. Stakeholders often question the integrity of a company that always boasts about its success and hides its failures. The lack of transparency and regulations allows CSR to be exploited for marketing tools and reputation enhancement instead of ethical business practice. There must be errors in the reporting process, which could weaken public trust (Einwiller & Carroll, 2020).

Ideally, CSR involves giving back to society, engaging in philanthropic causes, and providing tangible social benefits. All organisations, including companies, regardless of their size or nature, must be committed to making a positive impact on all stakeholders through CSR. In areas where institutional oversight is weak, CSR only encourages socially irresponsible conduct. Misuse of CSR can create legal problems and ethical risks as well as unjust policies and superficial initiatives that fail to produce impactful changes (Greendorfer, 2020; Khan & Kamal, 2021). CSR can also lead to financial fraud (Saeed et al., 2025) and employees might develop moral licensing that leads them to justify the unethical practices and questionable conduct after participating in CSR activities (List & Momeni, 2017). Lack of standardised frameworks for monitoring and reporting CSR efforts makes it difficult to determine the true impact of CSR across industries and geographical areas. These consequences put an emphasis on the need for robust legal structures and implementation tools to ensure that CSR activities fulfil ethical responsibilities rather than being misused as mechanisms for reputation control. Thus, this study examined the current practice of enforcing CSR and its effect on the public and companies.

## 2. LITERATURE REVIEW

The concept of CSR has gone through a major transformation over the past decades, where it has evolved from ethics and social obligation of businesses to a stakeholder approach and strategic management (Lee, 2008), as seen in Table 1.

**Table 1. Development of CSR**

	Pivotal Publications	Dominant Theme
1950s and 1960	Bowen (1953)	Ethics and social obligation of business
1970s	Wallich and McGowan (1970)	Enlightened self-interest
1980s	Carrol (1979); Wartick and Cochran (1985); Wood (1991)	Corporate social performance model
1990s	Freeman (1984); Clarkson (1995); Jones (1995); Hart (1997)	Stakeholder approach and strategic management

Source: Extracted from Lee (2008).

CSR adoption varies by country, and its practices are influenced by both local values and international standards. In ASEAN countries, for example, Singapore and Malaysia promote CSR as voluntary through national policies and exchange regulations. The rising concerns over social

justice, environmental sustainability, and ethical governance have seen the efforts of countries in ASEAN, such as pollution reduction, employee welfare, community involvement, and compliance with laws and ethical standards. Those programs aligned with international standards such as UN Global Compact, ILO Multinational Enterprises Declaration, ISO 26000 and UN Sustainable Development Goals (Hashim et al., 2019).

Government initiatives such as the Silver Book and Bursa Malaysia's CSR Guidelines encourage companies to practice CSR. Non-governmental organisations (NGOs) such as WWF Malaysia and Malaysian Nature Society (MNS) actively promote environmental CSR activities. Since CSR helps to attract investors, it can enhance the companies' public image and brand loyalty through structured programs such as employee satisfaction surveys and community outreach. However, some companies still consider CSR as a burden to their company because it has a high cost, which affects the company's profit; hence, companies only undertake CSR activities when necessary or for public image purposes (Hizam et al., 2019).

### *2.1 Public interests*

The implementation of CSR reflects a shift from a profit-centric model to one that balances economic, social, and environmental responsibilities. CSR is beyond mere financial profits since it not only enhances a company's reputation but also reduces risk, attracts and retains talent, and creates long-term value for both the business and society as a whole (Guevara, 2024). CSR has evolved into a multifaceted strategy that includes economic, legal, ethical, and discretionary duties, having begun with charitable endeavours and protective welfare initiatives (Jupiter et al., 2024). This development emphasises how business and society are dynamically intertwined, with firms expected to take into account not only the interests of shareholders but also the welfare of other stakeholders. Not only do businesses need to align their operations with the interests of the public, but doing so can lead to long-term profitability, a competitive edge, and resilience in a world that is constantly changing (Jupiter et al., 2024).

Businesses that exhibit a consistent dedication to environmental sustainability and social causes are more likely to be trusted and supported by consumers, which increases market share and long-term profitability (Guevara, 2024). Companies with effective CSR strategies tend to have higher job satisfaction and lower employee turnover (Jupiter et al., 2024). In addition to giving the organisation financial advantages, CSR advances larger social objectives, including combating climate change and resource conservation (Guevara, 2024). Thus, businesses can cut expenses and lessen their carbon footprint by investing in energy-efficient equipment and sustainable practices.

CSR programs improve healthcare, education, and social welfare at the local level, which raises people's quality of life. It promotes economic growth and equity at the national level and helps the world reach international accords like the Paris Agreement and the Sustainable Development Goals (SDGs) (Jupiter et al., 2024). Proactive CSR initiatives assist businesses in navigating regulatory hurdles, preventing harm to their reputation, and strengthening their resistance to market upheavals from the standpoint of risk management. Building investor confidence and facilitating access to capital requires transparent governance, ethical sourcing, and stakeholder engagement, especially as ESG factors increasingly play a significant role in investment decisions (Guevara, 2024).

New business models, services, and products that tackle pressing social and environmental issues are frequently developed as a result of CSR initiatives. Nevertheless, there are difficulties in

putting CSR into practice. Problems like "greenwashing," in which businesses overstate or falsify their environmental and social achievements, can erode public confidence and the legitimacy of CSR programs (Jupiter et al., 2024). Notwithstanding these obstacles, CSR's rise shows how crucial it is becoming as a strategic requirement for societal advancement and sustainable development.

## 2.2 Profits

CSR is known for generating profits, increasing brand image, garnering customer satisfaction and loyalty, encouraging their employees, and helping businesses adjust to the current market environment, while investors prefer to choose those that manage to demonstrate strong social responsibility. Implementation of social and environmental factors into the decision-making process illustrates a broader picture of the ongoing movement regarding responsible financial management and ESG investing (Hategan et al., 2018).

Despite CSR managing to positively influence financial performance due to the fulfilment of social responsibilities, failure to meet stakeholders' expectations can create market uncertainty, resulting in loss of profit opportunities (Zhang & Liu, 2023; Hirsch et al., 2022). Companies must innovate and discover methods that are efficient in allocating investment so as to improve the financial outcomes from stakeholders' satisfaction. Strengthening both profitability and overall, the companies' value also needs efficient management of resources, especially when it comes to CSR initiatives. This approach not only enhances financial performance but also aids the development of social initiatives that can make a real difference (Cook et al., 2015).

Companies can increase their reputational image by attracting a large number of consumers and promoting loyalty through CSR activities. Promoting the connection between customers and brands that reflect their values will enhance customer loyalty and satisfaction. Furthermore, a positive work environment also contributes to reducing employee turnover and with its impact on reputation, along with customer satisfaction, the combined effects can enhance companies' financial performance (Galbreath, 2010; Hirsch et al., 2022). CSR has become a strategically important approach that companies use to further strengthen their position in the market and improve financial performance by increasing sales and market share, thereby boosting profits.

## 3. METHODOLOGY

This study utilised the doctrinal research approach, which involved a structured analysis of statutory provisions, regulatory framework, judicial decisions, and fiduciary legal principles relating to the establishment of CSR in Malaysian law. The objective is to examine the practice of CSR in Malaysia by evaluating the Malaysian laws, specifically the Companies Act 2016 and other relevant documents which regulate CSR, and how CSR balance the profit-making and public interest. Apart from the doctrinal research approach, this study also incorporates a qualitative content analysis on the documents involving the practice of CSR by companies.

## 4. RESULTS AND DISCUSSION

### 4.1 Community development, environmental protection and employee well-being

CSR is a voluntary initiative by companies which involves social and environmental considerations in their business operations and interaction with stakeholders. Its program encompasses various activities relating to community development, environmental protection

and employee well-being. For communities' development, companies mostly focus on the initiatives that benefit the local community, such as supporting education, health, or infrastructure development. The community aspect revolves around contributing to society through philanthropy, education support, healthcare, and disaster relief. YTL Foundation's "Learn from Home" initiative helps in bridging the education gap for underprivileged students during the pandemic by providing free internet access and online learning tools (*Teach for Malaysia*, n.d.).

As for the environmental aspect, CSR programs include sustainability, pollution control, waste management and climate change mitigation. Some companies, such as Petronas (Petronas, 2025) and F&N (*Capturing Value Sustainability Report 2024*, n.d.), are actively involved in reducing their carbon footprint through reforestation programs and sustainable manufacturing practices. These programs not only help their workers care about the community but also protect the environment.

Since environmental impact is a reflection of a company's commitment, this aspect has been broadened under the framework of environmental, social and governance (ESG), which measures the organisation's level of sustainability. ESG frameworks include guidelines, metrics and criteria that allow companies and investors to develop sustainability reporting standards and evaluate environmental, social and governance risk (*What Are ESG Frameworks? Corporate Sustainability & ESG Risks/ UpGuard*, n.d.). ESG assesses corporate performance and responsibility, hence creating a framework for companies to manage their responsibilities comprehensively (Debnath and Chellasamy, 2024).

For the purpose of employee well-being, companies usually focus on employees' welfare, diversity and inclusion, training and occupational health and safety. For instance, Maybank highlights continuous learning and career development through its internal training academies and employee engagement initiatives (Maybank, 2025). Under the marketplace area, CSR practices focused on ethical business conduct, fair trade, responsible marketing and customer satisfaction. Companies like Nestle Malaysia, do responsible marketing, especially in advertising products to children (*Policy Mandatory Nestlé Marketing Communication to Children Policy*, 2018) and ensure transparency in its supply chain to promote ethical sourcing.

Every company will always have to interact with various stakeholders such as customers, workers, the community and the government; it is a need to build strong relationships with them. This can be done by listening to their concerns, being transparent and working together to make decisions that will be beneficial to everyone. Governments can incentivise companies to embrace ethical business practices by providing tax breaks, subsidies, and preferential treatment in government contracts.

#### 4.2 *Balancing between profits and public interests*

CSR encompasses practices such as ethical behaviour, stakeholder engagement, sustainability, and public reporting. Businesses are expected to do what is right for society, not just focus on making a profit for the company. Halkos and Nomikos (2021) contended that CSR's efficacy in guaranteeing that companies genuinely strike a balance between profit incentives and wider societal goals is limited by its voluntary character.

Sustainability is also a major aspect of CSR. It involves practices that will protect the planet and also support human well-being, both now and in the future. Moreover, companies must also share information on what they are doing to be socially responsible. They need to report something like

charity work, environmental efforts and how they treat their workers. Thus, CSR can be concluded as an accountability of an organisation not only in making economic return but also the accountability of the organisation towards employee welfare, community involvement, product development, energy saving and environmental protection (Hizam et al., 2019).

CSR is no longer seen as optional for companies' activities but an essential part of business strategy; hence, part of the capital of companies should be allocated for CSR programs. Public companies with many resources might not face difficulty in organising CSR programs, but it is not the same for companies with limited resources. Although companies have objectives of CSR programs, it might be difficult to materialise the programs, especially if CSR affects the financial standing of the companies. Thus, one of the obstacles is to balance between the profits of the companies and public interest. Perhaps the best method of balancing between the two elements is to have a proper legal framework for CSR.

#### 4.3 Legal framework for CSR

CSR is only a management concept where companies integrate social and environmental issues into their business elements. There is no legal obligation on the part of companies to have CSR, but it is a norm nowadays for companies to have CSR as part of community projects. CSR lacks a universally binding legal framework, resulting in inconsistencies in corporate accountability. This discrepancy enables businesses to define CSR commitments as they see fit, frequently putting financial gain ahead of social and environmental responsibilities. Regulatory actions are required to create accountability and promote more proactive corporate engagement, in addition to enforcing requirements.

The Malaysian Companies Act 2016, although it encourages but does not mandate CSR reporting. Section 253(3) of the Companies Act 2016 provides that the business review report will form part of the directors' report. The Business Review Report is a non-financial report for which submission to the Registrar is voluntary. The report will be on the management's report on the issues that impact the overall performance of the business, in addition to the financial statement (*Pages - the Business Review Report*, 2021). The report is a disclosure of companies' commitment to CSR. CSR reporting has been considered one of the most important ways for organisations to express their commitment towards environmental and social concerns (Zainal & Zainuddin, 2013).

Bursa Malaysia requires listed companies to disclose their CSR initiative in their annual reports. The disclosure is aimed at promoting transparency and encouraging companies to integrate CSR into their business practices, hence promoting a sustainable and ethically conscious corporate culture in Malaysia. Some companies may only disclose information that can benefit their image and lead to inconsistencies in CSR. Since CSR disclosure is not standardised, thus, it limits its use for effective evaluation and comparison (Ibrahim et al., 2023).

CSR reporting in Malaysia remains largely voluntary, which will lead to inconsistencies in how companies present their social responsibility efforts and make it difficult for stakeholders to evaluate CSR performance effectively (Chan et al., 2022). A structured CSR reporting plays a significant role in ensuring the transparency of the CSR practices. Without having an organised reporting format, the difficulty of evaluating the CSR disclosures will lead to challenges for stakeholders in comparing performance across companies and industries. According to Zainal & Zainuddin (2013), the inconsistency of CSR delays the stakeholder's ability to analyse corporate efforts effectively. Ibrahim et al. (2023) also highlighted that the lack of standardisation limits

the use of the CSR data and can affect the decision-making by external stakeholders. Furthermore, the inconsistency of CSR reporting can open the door to selective disclosure that may shield the real social impact of a company's operations. Hence, it shows that by having standardised guidelines in reporting, it can enhance accountability and responsibility of CSR practices. Therefore, a rule is necessary to make it a formal obligation for all companies to report and disclose their CSR activities. The law will guarantee uniform reporting, transparency, and true accountability across all businesses. Hence, the legal framework will help to balance the profits of the companies and the public interest.

## 5. CONCLUSION

CSR is a voluntary approach and not mandated by law. Its management concept helps businesses operate in such a way that it benefits the company and society, whilst at the same time enhancing the company's brand reputation. Guidelines for CSR practices and reporting should be in place so that companies are able to structure and implement their efforts. A standardized reporting is crucial since its disclosure demonstrates the company's accountability and responsibility.

The findings of this research will assist the legislators by providing valuable insights and enable them to deepen their understanding by developing a comprehensive and well-informed framework for CSR. With a much clearer understanding of its principles and practices, the policymakers will be better informed to create regulations that not only encourage responsible business practices but also promote sustainable development. The outcome of this study will also help companies by efficiently lining businesses up with strategies and global sustainability models. It will not just enhance corporate accountability and ethical performance, but it will also assist companies in making much more strategic and responsible decisions. As for the investors, they will benefit from these insights when they are able to make more informed decisions because companies that practice and prioritise CSR are gradually seen as lower risk and have a more forward-thinking approach. In return, it attracts sustainable investment opportunities. Since the current research only looked into the legal framework of CSR, it is recommended that future research should investigate whether companies are ready for a legislated CSR framework.

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# EVALUATING LEGAL AND GOVERNANCE FRAMEWORKS IN PREVENTING ARTIFICIAL INTELLIGENCE-RELATED FRAUDULENT ACTIVITIES IN PUBLIC COMPANIES

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## Abstract

Artificial Intelligence (AI) has become a cornerstone of technological advancement, driving innovation across industries. The rapid growth of AI in companies requires a robust framework focusing on accountability, transparency, fairness and security. The framework should be able to address potential biases and errors within the AI systems. AI should facilitate innovation, allowing faster and more accurate responses to business challenges whilst increasing efficiency, improving decision-making, reducing cost and enhancing customer experience. Past studies mostly discovered that AI governance is in the infancy stage. Absence of adequate security measures may lead to risks of potential fraud as the companies may lack the monitoring or knowledge to properly handle emerging vulnerable management. This study examined the role of corporate governance mechanisms in regulating the use of AI in public companies with a specific focus on preventing, detecting and mitigating AI-enabled or AI-related fraudulent activities. This study adopted a doctrinal research methodology involving a critical examination of primary and secondary legal sources as well as examining the current legal, regulatory and governance relating to the usage of AI. Findings revealed a significant regulatory inadequacy in Malaysia, where current laws lack decisive provisions to address AI-related fraud. Traditional corporate governance mechanisms may fail to identify, monitor, or respond effectively to fraud. There is a need to update an AI-related legal and governance framework, aligning with global best practices to reduce cases of fraud. This paper contributes to the literature on the governance of AI, and assists legislators and policymakers in balancing accountability, transparency and trust in corporate practices.

**Keywords:** Artificial Intelligence, corporate governance, fraud, public companies.

## 1. INTRODUCTION

With the rise of Artificial Intelligence (AI) in the world of digital technology, the world has become increasingly advanced in the day-to-day business. AI can be described as a computer system that is able to imitate human intellectual abilities. It can understand, identify, make decisions and solve complex problems quickly and efficiently (Aici-umg, 2024). One of the usages of AI is its role in detecting and preventing of investment scams which threaten an organisational integrity and stakeholder trust. With the rise of digital financial platforms and complex investment products, companies face challenges in identifying fraudulent activities that can occur both internally and externally (Ezekiel et al., 2024).

Scammers can use publicly available videos and audio to train the AI to impersonate multiple senior executives in a video call convincing a clerk to authorise large funds transfers. Such a case happened in Hong Kong where a finance clerk at a Hong Kong branch of a multinational corporation fell victim to a deepfake scam resulting in a loss of over \$25 million (Shelwell, 2024). In Malaysia, a former CFO of Maybank Malaysia almost fell victim to a deepfake where the perpetrators used AI to conduct a Zoom call impersonating a colleague from Singapore and Whatsapp messages requesting her to make a transfer of US\$985,426 (about RM4.77 million) to Maybank Singapore via JP Morgan (Shanmugam, 2025). There was no financial loss since JP Morgan manage to hold back the transaction (Ramasamy, 2025)

AI-driven systems enhance governance frameworks by providing real-time monitoring, analysing behavioural patterns, and detecting anomalies that may signal fraudulent investment schemes. By automating the surveillance of financial transactions and communication channels, AI supports compliance with regulatory standards and promotes transparency within corporate structures (Efunniyi et al., 2024). As part of a governance strategy, the integration of AI not only reduces the risk of financial misconduct but also reinforces ethical decision-making and accountability across all levels of an organization.

Corporate governance refers to the mechanisms and processes in which a company is structured and manages how its decision-making processes are organised (Musa et al., 2015). The goal of corporate governance is to balance the interests of several stakeholders while concentrating on the long-term viability and prosperity of the business. Typically, corporate governance offers a structure for accomplishing the organisation's objectives, guaranteeing responsibility and safeguarding the interests of all parties involved, namely stakeholders. By introducing the AI technology, the development and acceptance of AI technology have radically changed the conventional corporate governance model. The main elements of AI, including machine learning and data analytics which can help companies in making better decisions, improve operational efficiency and enhance their risk management capabilities by helping extracting insights from massive volumes of data (Briere et al., 2022).

MCCG documents published by Securities Commission Malaysian on 28 April 2021 did not cover any AI issues and neither the documents entitled Corporate Governance Monitor issued in year 2024. MCCG which operates on a "comply or explain" basis means that public companies must either adhere to its principles or provide reasons for any deviations. Public companies are expected to integrate these MCCG's governance principles into their operations to maintain investors' confidence and ensure ethical conduct. Although MCCG highlights the key governance areas such as board leadership, risk management, and stakeholder engagement, reflecting the growing need for strong governance frameworks in an evolving business landscape, it failed to refer to any risk that will arise from AI technology.

Past studies mostly discovered that AI governance is in its infancy, signifying a lack of well-established norms, evolving understanding of the technology, limited expertise and the absence of comprehensive frameworks for oversight (Birkstedt, 2023; Oberholzer, 2024). Security measures should adequately be in place to properly handle emerging vulnerable management. Lack of knowledge or monitoring of security together with governance immaturity in AI technology may lead companies to risks of potential fraud. Security flaw raises serious concerns since companies might not have the monitoring tools and specialist skills needed to recognize AI issues. Companies become more vulnerable and easier to data manipulations and exploitation of AI system complexity when they lack skill (Hossain et al., 2024), strong governance frameworks

and security procedures, which eventually makes them more vulnerable to fraudulent activity. Thus, this study examined the role of corporate governance mechanisms in regulating the use of AI in public companies with a specific focus on preventing, detecting and mitigating AI-enabled or AI-related fraudulent activities.

## **2. LITERATURE REVIEW**

Corporate governance refers to the system and framework that determines how companies are directed and controlled. It encompasses the responsibilities and roles of management, the board of directors, and shareholders, aiming to promote transparency, accountability, and fairness within the organization itself. Decisions should align with the long-term interests of stakeholders to enhance the integrity of corporate operations. Corporate governance in Malaysia is shaped by the Malaysian Code on Corporate Governance (MCCG), which serves as a benchmark for best practices among public companies (Bhatt & Bhatt, 2017).

Apart from MCCG, other regulatory frameworks such as Companies Act 2016 and Bursa Malaysia Listing Requirements also enforce the need for transparency, accountability, and proper risk management (Mohd-Sulaiman & Rachagan, 2016). These guidelines strongly suggest the adoption of effective corporate governance structures while balancing innovation with ethical considerations and stakeholder interests, hence, ensures that public companies in Malaysia operate responsibly and sustainably. Since there is a growth in adopting AI in public companies, AI technology continues to shape the corporate environment, therefore, there is a need for a strong governance framework (Chatterjee, 2020; De Almeida et al., 2021). Corporate governance will help to mitigate the risks that are associated with AI, such as data breaches and misuse of technology, while at the same time ensuring AI-driven innovations to be aligned with general goals of corporate accountability and public trust.

AI is increasingly and slowly being adapted by public companies across various industries. AI will enhance and upgrade the efficiency of the companies' operations and eventually will improve innovation and decision making (Chui & Francisco, 2017). AI tools are being used to automate the usual routine task, analysing large amounts of dataset for strategic insight or predicting the movement of market behaviour (Okeleke et al., 2024). Despite its growing adaptability, the organisation lacked standardisation protocols or rules for ethical AI usage thus exposing them to risks like breach of data and potentially fraudulent activities. An AI implementation in public companies raises a significant issue towards governance concerns, especially due to absence of the standard and proper accountability mechanisms (Wirtz et al., 2020).

Many organisations recognize the importance of AI in transformative potential and its implementation; however, they did not fully understand the corporate governance risk (Pirson & Turnbull, 2011). Absence of proper controlling mechanisms and regulatory frameworks will contribute exposure to big data manipulation and misuse of AI tools for fraudulent activities. The status of AI usage in public companies, even though it looks promising, will remain in its beginning of the implementation. Many public companies are gradually incorporating AI into their business processes, upgrading it for predictive analytics, customer relationship management, and enhancing the operational efficiency (Al-witwit & Ibrahim, 2020). However, the adoption rate is uneven across industries, with some sectors investing heavily in AI-powered solutions, while others remain cautious due to governance, legal, and reputational concerns.

Financial services firms utilise AI-driven algorithms for fraud detection and customer profiling,

whereas healthcare-related public companies employ AI for diagnostics and patient care improvements (Bohr & Memarzadeh, 2020). Retail and e-commerce giants leverage AI for personalized marketing and inventory management, reflecting the broad applicability and potential of AI in public companies. Generative AI offers seemingly endless potential to highlight both the nature and the scope of fraud against financial institutions and their customers; it is limited only by a criminal's imagination (Satish et al., 2024).

There have been many cases of fraudulent activities that has been known that have been involving AI, but what need to be identified first is what could be classified as fraudulent activities using AI specifically, the ready availability of new generative AI tools can make deepfake videos, voice cloning, and fake documents easily (Sholademi, 2024). Deepfakes videos are already being used to bait potential victims by using an interesting video for "click bait" to attract people into a malicious website to get their card payment details. Others like voice cloning are used to mimic other people's voice to engage a conversation with a person and convince them of their details. Fraudulent activities such as generating fake documents can be used to create tailored emails and image content to create a fabricated accident to claim an insurance scam (Sholademi, 2024). However, past study show that AI can contribute to benefits the public (O'Keefe et al., 2020). Thus, companies should implement their ethical guidelines to mitigate the risk of AI being used in fraudulent activities (Cihon et al., 2021).

Companies dealing with copyrighted works while using AI maybe at risk of infringing works of others. The case of *Andersen v. Stability AI Ltd.* (2024) was the landmark case in United States (US) concerning copyright implication concerning AI-generated arts. The plaintiff claimed that an AI image generation tool infringed the copyright and rights of publicity of artists. The court concluded that there was copyright infringement based on previous cases of fraudulent activities in involving the infringement of other people copyright (Awoyomi, 2024). Lawsuits are expected when corporate works involved AI and its possibilities of infringing copyrights, but there is little evidence to suggest that AI availability will shake up intellectual property and corporate law in a dynamic sense in the short term. The maturity of AI is still in an early stage to pose a significant risk in the short term. A company that has integrated AI in their governance may cause an issue of pinpointing responsibility (Santoni de Sio & Mecacci, 2021).

### **3. METHODOLOGY**

This study applied the doctrinal legal research approach methodology. Secondary data were collected from journals, rules, guidelines to comprehend and analyse legal doctrines and rules. Such research approach either explains the legal rules governing a specific area of law or assesses the relationship between different legal rules, principles and case laws. (Majeed et al., 2023). This library-based research design involves a critical examination of legal sources as well as examining the current legal, regulatory and governance relating to the usage of AI. This method helped to achieve the research aims of examining the role of corporate governance mechanisms in regulating the use of AI in public companies.

### **4. RESULTS AND DISCUSSION**

Findings revealed a significant regulatory inadequacy in Malaysia, where current laws lack decisive provisions to address AI-related fraud. Traditional corporate governance mechanisms may fail to identify, monitor, or respond effectively to fraud. There is a need to update an AI-related legal and governance framework, aligning with global best practices to reduce cases of fraud. On the matter of AI, the Malaysian legal system is still left behind as compared to the

United Kingdom or US. While other countries have used AI in legal practice such as prioritising crimes to be prosecuted, filtering through a large quantity of documents and establishing reasonable suspicion, the Malaysian legal system is still struggling on procedure or guidelines in admitting evidence given by or produced from AI.

With regards to personal data, the statute of Personal Data Protection Act 2010 (PDPA) is relevant because of AI usage generally requires collecting and processing of personal data in commercial transactions. A data user who is defined as a person who processes any personal data shall have to comply with PDPA (Razak et al., 2020). Consent is needed when processing personal data. The data user must ensure that the AI used will not process personal data beyond the scope of the data subject's consent. Security and integrity of personal data are important when AI is used to process personal data. Compliance with the PDPA will likely minimise exposing the data user to liabilities when using AI to process personal data. Malaysia's PDPA lacks such specific restrictions and advice, but country such Singapore has particular prohibitions that allow organisations to use personal data to develop AI systems without authorisation under certain scenarios (Skrine. 2024). Singapore's advisory guidelines make it clear that, under specific circumstances, companies can use the "business improvement exception" to create AI systems that improve an already-existing good or service and the "research exception" to carry out for-profit research to create AI systems that benefit the general public (Skrine, 2024) Although Malaysia provides an exception for research, there is not much complete guidance on how to use the PDPA's exceptions.

The use of generative AI in corporate governance also revolves around the patent of the intellectual property that it has generated. In the context of patent law in Malaysia under the Patents Act 1983 and Patents Regulations 1986, the main issue is whether an AI is the original creator of the document it produces. Whether AI-Generated works are safeguarded by Copyright Act 1987 also remains in the grey area, as the current law in Malaysia is still inadequate in specified current AI utilisation (Razak et al., 2020). In the context of Copyright Act in Malaysia, it specifies the requirement for a human author, which makes it not probable for copyright to apply to any content that are generated by AI. Therefore, whether products qualify for copyright protection would depend on whether they meet the criteria outlined in section 7 of the Copyright Act 1987, which involves assessing whether sufficient effort has been expended to make the work original in character.

Be that as it may, numerous Malaysian ministries, agencies and sector-specific entities have roles or interests related to AI. While each of these organisations may engage in AI related activities or initiatives, they often prioritise their institutional objectives and lack a cohesive framework to guide their efforts (Tan et al., 2025). The current government capability to successfully applying its policies and achieve its objectives is vital for a good governance. This is because there is a notable shortage of professionals' public servant in AI system assessment and this problem is not only unique to Malaysia, but it is a worldwide issue (Tan et al., 2025). The rapid pace of technological advancement highlights the lack of monitoring and evaluation of AI application.

## 5. CONCLUSION

This paper explores the role of corporate governance mechanisms in regulating the use of Artificial Intelligence (AI) in public companies, with a focus on mitigating AI-related fraud and enhancing accountability, transparency, and trust. The rapid integration of AI in public companies has created both opportunities and challenges. On the one hand, AI can drive innovation, improve efficiency, and enable better decision-making processes. On the other hand, the absence of a

detailed legal and governance framework will expose companies to risks such as potential biases in AI systems, security breaches, and AI-enabled fraudulent activities. Without periodic reassessment, policy makers will not be able to ensure that AI systems remain compliant with ethical standard. Translating policies into enforceable legislation requires empirical evidence before the legislation can take effect. Since this study limited to the legal and governance framework using doctrinal analysis, future study should explore qualitative research design and obtain further information from AI users.

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# ARTIFICIAL INTELLIGENCE (AI) AND CORPORATE GOVERNANCE: RETHINKING DIRECTORS' LEGAL RESPONSIBILITIES IN MALAYSIA

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## Abstract

The rapid advancement of artificial intelligence (AI) has significantly transformed corporate governance, introducing both opportunities and challenges for directors in fulfilling their legal responsibilities. As AI increasingly integrates into corporate decision-making and compliance mechanisms, directors face heightened expectations to manage complex technological risks while ensuring accountability and transparency. However, the absence of clear regulatory frameworks complicates their ability to navigate these challenges, raising critical concerns about the adequacy of existing corporate law principles. This paper explores the legal implications of AI on directors' fiduciary and statutory duties, particularly in the context of risk management and decision-making. Despite the well-established principles of directors' fiduciary and statutory duties, there is limited clarity on how these obligations extend to decisions influenced by AI systems, leaving accountability in cases of AI-driven errors or fraud largely unexplored. The research highlights the pressing need for updated governance models and regulatory guidelines through a qualitative, doctrinal analysis of legal literature and comparative case studies, including incidents involving deepfake scams in Malaysia and Singapore. The findings underscore that while AI enhances efficiency, it also amplifies risks, placing an increased burden on directors to exercise due diligence and adapt to emerging threats. The paper concludes by emphasizing the importance of proactive legal reforms to support directors in navigating the evolving corporate landscape shaped by AI.

**Keywords:** Artificial Intelligence, Directors' Legal Responsibilities, AI Risk Management, AI Scams, Deepfake Risks.

## 1. INTRODUCTION

Artificial Intelligence (AI) is increasingly reshaping corporate governance by enhancing transparency, improving risk management, and enabling more efficient decision-making (Trabelsi, 2024; Gilson, 2016). By processing vast amounts of information far more rapidly than humans, AI can facilitate more accurate and data-driven judgments, indirectly supporting boards of directors in fulfilling their governance responsibilities (Wang et al., 2018). This technological shift presents opportunities for stronger corporate oversight but simultaneously introduces novel challenges that demand closer legal examination.

Despite its potential, AI heightens directors' duty of care and responsibility to exercise due diligence, particularly as new forms of risk emerge. Tools such as deepfakes expose corporations to fraud and scams that specifically target senior management, raising concerns about directors' preparedness to anticipate and mitigate these threats. The absence of clear regulatory frameworks in jurisdictions such as Malaysia and Singapore compounds this issue, leaving directors uncertain about their accountability when AI-driven errors or misconduct occur. These developments highlight a pressing gap in existing corporate law principles, which have yet to fully address the implications of AI integration.

This paper therefore examines the legal challenges posed by AI in corporate decision-making and governance. It evaluates the extent to which AI affects directors' fiduciary and statutory duties, with emphasis on their duty of care and diligence, and analyses real-world risks associated with AI through comparative case studies, including incidents of deepfake scams in Malaysia and Singapore. Ultimately, the study seeks to propose governance and legal reforms that can better support directors in navigating the evolving corporate landscape shaped by AI.

## **2. LITERATURE REVIEW**

Artificial Intelligence (AI) systems are founded on the principle of knowledge and skill sharing among multiple intelligent agents, which must effectively organise and coordinate their actions to achieve a unified objective. These systems are structured around complex models of interaction, resulting in strategies such as cooperation, coordination, and negotiation. The application of modularity within these systems reduces the complexity of their overall design and enhances their maintainability (Saba et al., 2021).

AI enhances efficiency by automating routine tasks, allowing human resources to focus on strategic, value-added activities, thereby supporting the core objectives of corporate governance through cost savings and increased productivity (Ustahaliloğlu, 2025). AI is expected to significantly influence corporate governance by facilitating the development and implementation of a wide array of new governance mechanisms and systems (Hilb, 2020). In the realm of corporate governance, AI plays a pivotal role in facilitating better and faster decisions (Verma & Jana, 2024).

The modern advance technologies require corporate governance to innovate and adapt — not just in terms of technology but also in how we view trust, accountability, and decision-making from a basic perspective (Reich-Graefe, 2013). The integration of AI compels companies and boards to rethink foundational governance principles and how they are applied in an increasingly automated environment.

The concept of a 'self-driving subsidiary' brings to the forefront familiar legal challenges, including inefficient risk-taking by shareholders and managers, the issue of 'judgment proofing,' and the potential for shareholder liability through veil piercing doctrines in cases of abuse of the corporate structure. However, the presence of autonomous AI decision-making within corporations may significantly intensify these concerns (Armour & Eidenmueller, 2019). These developments compel a re-examination of directors' responsibilities and corporate legal frameworks in order to maintain accountability and protect stakeholder interests in an AI-driven corporate landscape.

Organizations may be targeted through various means such as payment fraud, stock manipulation driven by fabricated events or automated bots, and orchestrated malicious bank runs (Bateman, 2020). Among the well-known AI method is deepfake. Deepfakes are synthetic media content created by AI that allows the fraudulent phone calls appear more genuine, believable, and lifelike, thereby increasing the victim's trust and boosting the chances of the scam succeeding (de Rancourt-Raymond & Smaili, 2023). Vishing, or deepfake voice phishing, involves using artificially cloned voices to conduct social engineering attacks over the phone. Fraudsters create fake audio or video clips that imitate authoritative figures within an organization to gain access to sensitive data or resources. These cloned voices are typically generated using artificial intelligence (de Rancourt-Raymond & Smaili, 2023). This increases the chances of scam and financial fraud in a corporation.

However, the current literature largely focuses on the potential efficiency and decision-making benefits of AI in corporate governance while giving insufficient attention to the legal implications for directors' duties when autonomous systems malfunction or are exploited through fraud. Much of the scholarship emphasizes technological innovation and organizational performance, but there is limited doctrinal analysis of how established principles of corporate law adapt when directors rely on AI-driven processes in fulfilling their fiduciary and statutory responsibilities. This limitation highlights the need for deeper inquiry into how corporate governance frameworks can meaningfully integrate AI while ensuring accountability and safeguarding stakeholders' interests.

Theoretically, this study is underpinned by corporate governance theory, which emphasizes accountability, transparency, and the alignment of managerial conduct with shareholder and stakeholder interests. Within this context, agency theory provides an important lens, as AI adoption introduces new agency problems by shifting part of decision-making power from human directors to autonomous systems, thereby complicating issues of control, oversight, and responsibility. Similarly, risk governance models reinforce the argument that directors must not only anticipate and mitigate traditional financial or operational risks but also adapt to novel technological risks such as deepfakes, vishing, and AI-driven fraud. By drawing on these theoretical perspectives, the research situates AI not merely as a technological advancement but as a governance challenge that compels a re-examination of directors' duties within contemporary corporate law.

This gap underscores the pressing need for legal scholarship and reform to clarify directors' responsibilities in the context of AI, ensuring that corporate governance frameworks evolve in step with emerging technological risks.

### **3. METHODOLOGY**

This research uses doctrinal qualitative method through literature review and descriptive method. According to Pradeep (2019), doctrinal studies involve with searching unknown facts with the help of review of legal materials to conclude on the matters connected to legal system, policies, laws and judgments of the judiciary without depending on primary study from the field. Doctrinal research is specifically appropriate for this study as it allows a systematic analysis of directors' duties within existing legal frameworks while assessing how these duties respond to novel risks introduced by AI.

According to Pradeep (2019), legal research focused on analysing the impact of legislations through established legal propositions and testing it logically. In order to obtain established legal propositions, thorough research is done through the analysis of the recent statutory amendment in relating to topic. Aside from the analysis of the statute, case law being one of the authoritative references under the scope of the research is also being referred. The use of case law is particularly important in examining how judicial reasoning may be extended to situations involving AI-related risks.

Safdar, M.Abbo, Knobloch, & K.Seo (2016), stated that the qualitative method is used to identify topics related to the researcher. As such, the focus on the discussions made through literature review whereby the relevant legal articles and statutes are being referred to. Hence, this research uses library-based research as the main source, by referring to the primary and secondary sources available. Primary legal sources such as laws enacted by legislatures or better known as statute such as of the Companies Act 2016 is actively referred to especially in overseeing the statutory

duties of a director. Secondary sources referred to are legal commentaries and books in related to the director duties and AI are also referred to. In addition, this study incorporates comparative case studies, with cases involving AI-related fraud and deepfake scams in Malaysia and Singapore selected due to their relevance in illustrating how directors' duties are tested in practice. These case studies are analysed descriptively to evaluate how existing legal doctrines apply, and to identify gaps where reforms may be necessary.

This combined doctrinal and case study approach ensures both theoretical depth and practical relevance, enabling the research to bridge legal principles with real-world corporate risks.

## 4. DISCUSSION

### 4.1 Directors' Duties: Fiduciary and Statutory Perspective

Directors' duties under company law can be broadly divided into two categories: fiduciary duties and statutory duties. Fiduciary duties arise from equitable and common law principles, founded on a relationship of trust and confidence between directors and the company. As noted by Havenga (1997), these duties have evolved through judicial decisions and coexist with statutory obligations codified in legislation such as the Companies Act 2016 (CA 2016).

Figure 1.0 illustrates the framework of directors' duties in Malaysia, mapping fiduciary obligations such as acting in good faith and avoiding conflicts of interest alongside statutory duties under the CA 2016. This framework is particularly relevant when assessing directors' accountability for emerging technological risks such as AI-driven fraud.

#### 1. Duty to Act in Good Faith in the Interests of the Company

This fundamental duty requires directors to act honestly and in what they believe to be the best interests of the company. In *Re Smith and Fawcett Ltd* [1942] 1 All ER 542, the court held that directors must exercise their discretion bona fide and not for any collateral purpose. This was echoed in the Malaysian case of *Ng Pak Cheong v. Global Insurance Co Sdn Bhd* [1995] 1 MLJ 64, where directors were found to owe fiduciary duties to act in the company's interest. This duty is now embedded in Section 213(1) of the CA 2016.

#### 2. Duty to Exercise Powers for Proper Purposes

Directors are not only required to act in good faith but also to exercise their powers for the purposes for which they were conferred. This dual obligation is also found in Section 213(1). In *See Teow Chuan v. Tunku Nadzaruddin Ibni Tuanku Ja'afar* [2007] 2 MLJ 212, the Court of Appeal held that the directors' decision to retire another director was motivated by improper purposes, rendering their actions invalid.

#### 3. Duty to Exercise Reasonable Care, Diligence and Skill

Directors are expected to perform their duties with a level of competence reflective of an ordinary prudent person in a similar position. The principle is illustrated in *Re City Equitable Fire Insurance Co Ltd* [1925] Ch 407. Statutorily, Section 213(2) of the CA 2016 outlines this duty, and Section 214(1) of the CA 2016 provides a 'business judgment rule' that protects directors who act in good faith, for a proper purpose, and in the best interest of the company.

#### 4. Duty to Avoid Conflicts of Interest

The duty to avoid conflicts between personal interests and fiduciary obligations is strictly enforced. In *Aberdeen Railway Co v. Blaikie Bros* [1854] 1 Macq 461, the court held that a director who had an interest in a contract entered into by the company had breached his duty, even though the contract appeared fair. Malaysian law reflects this principle in Section 218 of the CA 2016.

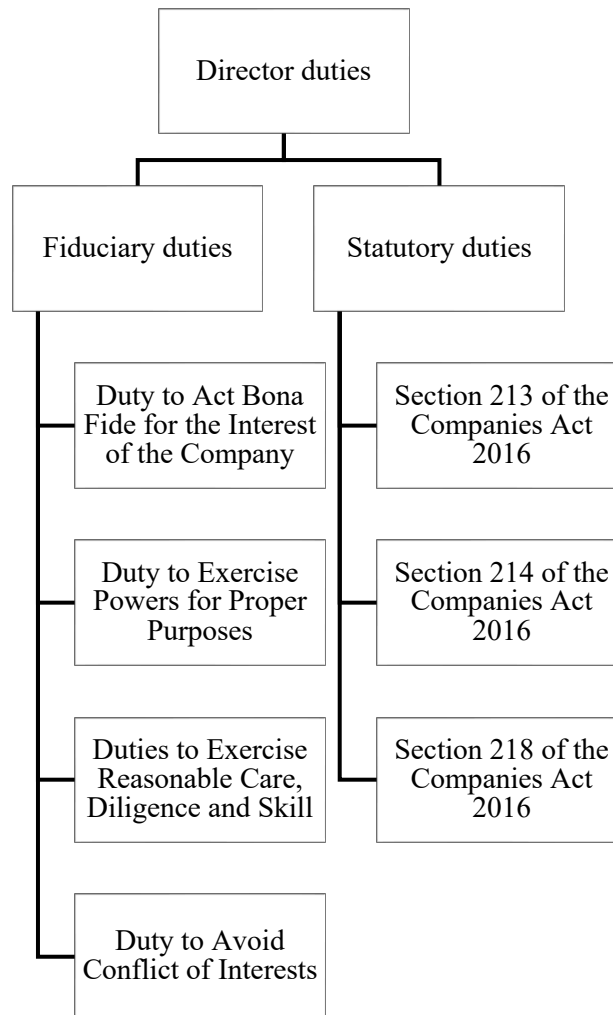


Figure 1.0 – The framework of director’s duty in Malaysia

#### 4.2 Case Study 1: Deepfake Fraud Incident in a Malaysian Bank

Recently, the Malaysian financial industry was shaken by an attempted fraud involving the use of deepfake technology to impersonate a senior executive. According to The Edge Markets (2024), scammers used AI to convincingly impersonate a Singapore-based colleague in a short Zoom call and reinforced the deception via WhatsApp messages, nearly tricking the bank’s CFO into authorizing a transfer of US\$985,426 (around RM4.77 million). The incident only came to light after the transaction was halted, and disciplinary action was later taken against the executive involved.

## Reflection

Although the immediate actor was a CFO and not a director, this case underscores important reflections on directors’ fiduciary and statutory duties. The duty of care, skill, and diligence requires directors to ensure that their companies are adequately equipped to handle emerging risks such as AI-enabled scams. Directors cannot rely solely on operational staff but must ensure that sufficient training, verification procedures, and fraud-prevention mechanisms are embedded in corporate governance structures.

From a reform perspective, this incident demonstrates the need for Malaysian law to go beyond general duties in the CA 2016 by incorporating explicit statutory expectations regarding AI and cyber risk oversight. For example, amendments to the Companies Act or binding guidelines under the MCCG could require directors to demonstrate proactive oversight of digital risks. Such reforms would better align Malaysian practice with global governance trends.

### 4.3 Case Study 2: Multinational Firm Scammed by Deepfake Tech in Singapore

In April 2025, a finance director at a multinational company in Singapore was nearly deceived into transferring S\$670,000 (US\$495,000) through a deepfake scam. As reported in *The Straits Times* (2025), scammers replicated the voices and appearances of senior executives during a video call, making the fraud highly convincing.

## Reflection

This case further illustrates how directors’ duty of care extends to overseeing cybersecurity and AI-related risks. Boards must ensure that risk management frameworks are updated to address emerging threats, including deepfakes and AI-driven impersonation fraud. While the victim was an executive, directors retain the ultimate responsibility for ensuring adequate oversight, training, and verification systems are in place.

### 4.4 Comparative Analysis on AI Governance in Corporate Practice

As AI becomes integral to corporate operations, jurisdictions like the UK and Singapore are adapting governance frameworks to address related risks. Both prioritize transparency, accountability, and ethical AI use, but differ in regulatory philosophy and implementation.

Figure 2.0 (TAGF model) illustrates how Transparency, Accountability, Governance, and Fairness are integrated as pillars of AI governance. When applied to directors’ duties, the TAGF model provides a useful lens for assessing whether companies’ AI risk management practices meet international expectations. For instance, transparency corresponds to directors’ obligation of disclosure, accountability aligns with fiduciary duties, governance reflects statutory oversight under the CA 2016, and fairness ensures that corporate decision-making does not expose stakeholders to undue technological risks.

Aspect	United Kingdom	Singapore	Malaysia
<b>Regulatory Approach</b>	Principles-based approach reflected in UK AI Strategy (2019) and Financial Conduct Authority (FCA) guidance	Prescriptive approach seen in Monetary Authority of Singapore (MAS)’s Model AI	Hybrid approach; no dedicated AI Act yet, but reliance on sectoral regulations such as Bank Negara Malaysia’s Risk

	on AI use in financial services	Governance Framework and Personal Data Protection Commission (PDPC) guidelines	Management in Technology (RMiT) Policy (2020) and Malaysian Code on Corporate Governance (MCCG 2021) emphasising accountability, integrity, and risk oversight
<b>Key Regulatory Bodies</b>	Financial Conduct Authority (FCA): Financial Services and Markets Act 2000 Competition and Markets Authority (CMA): Competition Act 1998 Information Commissioner's Office (ICO): Data Protection Act 2018 (UK GDPR)	Monetary Authority of Singapore (MAS): Monetary Authority of Singapore Act (Chapter 186) Personal Data Protection Commission (PDPC): Personal Data Protection Act 2012	Bank Negara Malaysia (BNM): Financial Services Act 2013 and RMiT Policy 2020 Securities Commission Malaysia (SC): Capital Markets and Services Act 2007 Department of Personal Data Protection (JPDP): Personal Data Protection Act 2010
<b>Focus Areas</b>	Transparency and accountability emphasized under UK AI Strategy and ICO's Data Protection Act 2018 (aligned with GDPR)	Emphasis on ethical AI use and risk management under MAS Model AI Governance Framework and PDPA	Emphasis on cyber resilience, technology risk management, and data protection under BNM RMiT Policy, SC Guidelines on Technology Risk Management, and PDPA 2010
<b>Board-Level Oversight</b>	Directors' duties derive from Companies Act 2006, including duties of care, skill, and diligence extended to technology risks	Directors' duties in managing technology risks outlined under Singapore Companies Act (Cap. 50), with MAS Guidelines on Risk Management	Directors' duties under Companies Act 2016 (ss. 210–213) include acting in good faith and with reasonable care, skill, and diligence, extended by MCCG 2021 to cover emerging technology and cyber risks
<b>AI Ethics Framework</b>	UK AI Strategy outlines responsible AI aligned with human rights and ethical principles	MAS Model AI Governance Framework provides practical ethical standards and transparency principles	Malaysia has no standalone AI ethics law, but National AI Roadmap 2021–2025 promotes responsible, trustworthy AI; MCCG 2021 encourages boards to adopt sustainability and ethical

			considerations in technology adoption
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A comparative review highlights that while the United Kingdom adopts a principles-based framework and Singapore relies on prescriptive regulatory models, Malaysia demonstrates a hybrid but fragmented approach. Oversight in Malaysia is largely sectoral, driven by Bank Negara Malaysia’s RMiT Policy, the Securities Commission’s technology risk guidelines, and the Personal Data Protection Act 2010, rather than a dedicated AI regulatory framework. Although the Malaysian Code on Corporate Governance (MCCG 2021) encourages boards to integrate technology and ethical considerations, the absence of a unified AI governance framework creates ambiguity in directors’ duties when addressing AI-related risks. From the perspective of agency theory, this ambiguity raises concerns over whether directors are adequately monitoring technological risks to protect shareholders’ interests. Similarly, risk governance theory underscores the importance of proactive oversight in mitigating emerging AI risks, which Malaysia’s fragmented framework currently struggles to ensure. This gap highlights the urgent need for clearer regulatory guidance to align directors’ duties with evolving AI challenges.

Malaysia’s AI governance framework is still in its early stages compared to the more mature systems in the UK and Singapore. Malaysia must continue to build on this momentum by refining its AI governance strategy (Said & Nabilah, 2024). While the UK has a well-established AI Strategy and Singapore offers a detailed Model AI Governance Framework, Malaysia’s National AI Framework provides broad strategic guidance but lacks the sector-specific regulations and practical implementation details needed for effective oversight. Additionally, although the Companies Act 2016 sets out directors’ general duties, Malaysia has yet to explicitly incorporate AI risk management and oversight into these responsibilities, unlike Singapore where AI governance is mandatory in certain sectors such as financial sector (Monetary Authority of Singapore [MAS], 2024) and the UK where directors are encouraged to actively oversee AI risks (Roberts et al., 2023). On the ethical front, Malaysia only recently introduced its AI Ethics Framework in 2020, aligned with ASEAN principles, which is still being developed and operationalized. This contrasts with the UK and Singapore, where well-defined and publicly endorsed ethical AI standards are already integrated into corporate governance practices.

## 5. SUGGESTION AND RECOMMENDATION

In order to bridge the gap between the traditional director duties and the AI-driven corporate governance, it is recommendable for the Board of Director to adopt the Technology-Aware Governance Framework (TAGF). TAGF integrates legal and technological principles into a cohesive model to guide directors in AI governance. Building on these findings, this paper proposes the Technology-Aware Governance Framework (TAGF) as a practical model to equip directors with the necessary tools to govern AI responsibly while fulfilling their fiduciary and statutory duties.

Figure 2.0 illustrates the TAGF model, which integrates legal and technological principles into a cohesive governance approach. It evolves around three key features:

### **TAGF – Key Feature 1: AI Risk Governance Charter**

The first feature emphasizes the importance of adopting a board-level charter specifically addressing AI governance. This charter should outline clear responsibilities for AI oversight and

include the appointment of specialized personnel such as digital risk advisors or AI risk experts who can provide informed guidance and ensure that AI-related decisions are aligned with the company's governance objectives.

The purpose of the AI Risk Governance Charter is to safeguard the company and its stakeholders from unforeseen risks associated with the use of artificial intelligence. By providing clear oversight structures and risk management protocols, the Charter supports directors in fulfilling their statutory and fiduciary duties within the rapidly evolving landscape of emerging technologies. Additionally, it fosters a culture of proactive governance, ensuring that digital systems and AI-driven decisions are managed responsibly, ethically, and in alignment with the company's long-term strategic objectives.

### **TAGF – Key Feature 2: Enhanced Duty of Care Standards**

The duty of care expected from directors should be updated to reflect the growing use of AI in corporate decision-making. Directors should have a basic understanding of digital technologies so they can make informed choices when AI is involved. This means they should receive proper training on emerging technologies—especially high-risk tools like generative AI and deepfakes. Additionally, when dealing with complex or sensitive AI systems, directors should be encouraged to seek expert advice or independent validation to ensure the tools are reliable, safe, and used responsibly.

To enhance the duty of care in the AI era, directors must first build basic digital literacy through targeted training on emerging technologies like generative AI and deepfakes. This empowers them to make informed decisions and engage critically with AI-related issues. Secondly, boards should adopt AI-aware governance practices, redefining reasonable care to include the ability to question and assess AI systems. Directors need to understand key risks, ask the right questions, and ensure ethical use of AI. Aside, directors should seek expert advice and third-party audits for high-risk AI tools. Consulting digital risk advisors and validating AI systems through independent reviews ensures compliance, transparency, and protects the company from harm.

### **TAGF – Key Feature 3: AI Transparency and Accountability Mechanisms**

These mechanisms ensure that AI operates in a clear, explainable, and auditable manner, allowing directors to make informed decisions and fulfil their legal and ethical duties. A crucial element of AI transparency and accountability is algorithmic explainability. Directors should insist that AI systems provide clear, understandable reasoning behind their outputs or decisions, particularly in sensitive areas such as fraud detection, credit scoring, or personnel evaluation.

To further strengthen accountability, organizations must maintain real-time audit trails and monitoring systems, capturing detailed logs of AI-generated decisions and activities. Such records enable post-incident investigations, regulatory reporting, and the identification of errors or misuse. For example, if a deepfake attack deceives an AI system, audit logs would help trace the breach and inform future prevention. Lastly, human oversight and intervention remain non-negotiable. Directors must guarantee the presence of clear "human-in-the-loop" or "human-on-the-loop" protocols that allow for human review, override, or suspension of AI operations, especially in high-stakes scenarios.

Ultimately, the goal of the TAGF model is to shift from traditional passive oversight, where directors merely respond to issues as they arise, to a model of proactive governance. Through this

approach, directors actively anticipate emerging risks, particularly those related to AI and digital technologies, and take strategic steps to address them before they escalate. Integrating AI-related responsibilities within established legal and ethical governance frameworks enables directors to more effectively foresee, comprehend, and manage potential risks, ensuring they meet both fiduciary and statutory duties in an era shaped by intelligent technologies.

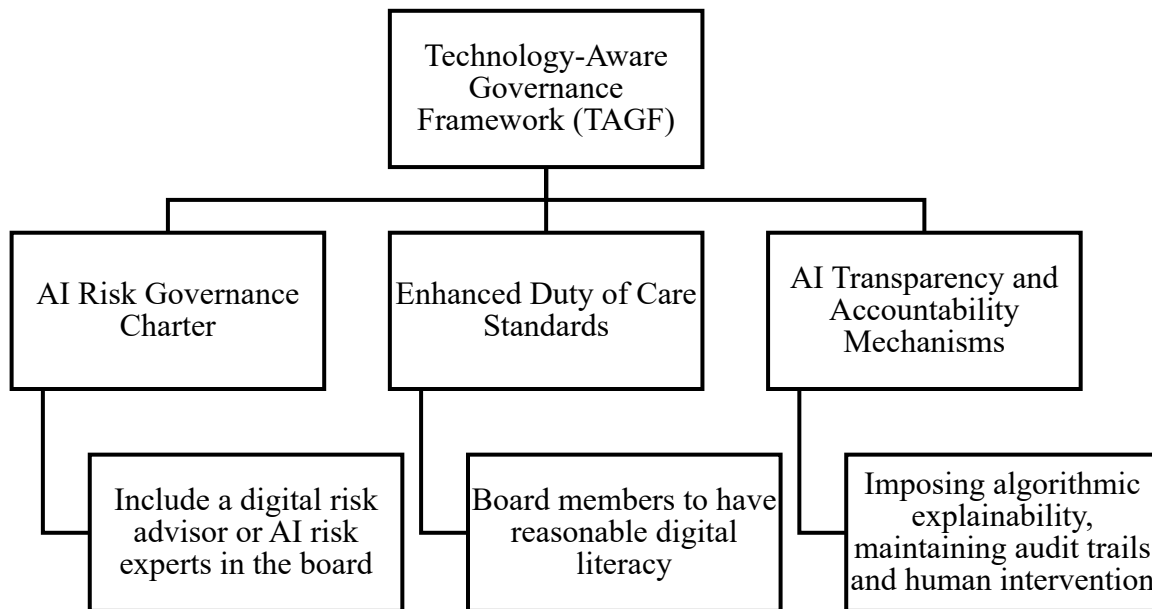


Figure 2.0: Technology-Aware Governance Framework (TAGF)

The goal is to shift from the traditional passive overseeing where directors merely respond to issues as they arise to a model of proactive governance. Through this approach, directors actively anticipate emerging risks, particularly those related to AI and digital technologies, and take strategic steps to address them before they escalate. Integrating AI-related responsibilities within established legal and ethical governance frameworks enables directors to more effectively foresee, comprehend, and manage potential risks, ensuring they meet both fiduciary and statutory duties in an era shaped by intelligent technologies.

## 6. CONCLUSION

The case studies demonstrate that the traditional standard of care imposed on directors requires reconsideration in order to remain effective amidst the rapid growth of artificial intelligence (AI). As Surden (2019) explains, AI is not an autonomous thinking entity but a human-designed system that functions according to programmed instructions. Within this context, Boards of Directors and executives may utilize AI-powered analytics to enhance risk assessment, monitor compliance, and identify emerging governance issues (Sheorey, 2021). However, recent deepfake incidents involving senior executives at leading financial institutions in Malaysia and a large multinational firm in Singapore reveal a critical governance gap: the lack of explicit regulatory frameworks addressing AI and related technological risks within corporate oversight.

This regulatory shortfall places significant pressure on directors, who must rely on traditional fiduciary duties such as the duty of care and risk management when confronting complex AI-driven threats, despite the absence of clear legal benchmarks. As a result, directors are exposed to heightened uncertainty and potential liability, complicating both their decision-making

processes and their compliance obligations. Deepfake technologies, in particular, present profound challenges to the financial sector, where authenticity and trust form the foundation of institutional stability (Khan, Taqi, & Afzal, 2024).

Figure 1.0, which maps the current framework of directors' duties, underscores the reliance on traditional fiduciary principles that do not explicitly address digital risks. This framework, while foundational, appears increasingly insufficient to guide directors in managing emerging AI-related threats. In contrast, Figure 2.0 presents the proposed Technology-Aware Governance Framework (TAGF), which demonstrates how governance structures can evolve to integrate AI-specific oversight, enhanced duty of care standards, and mechanisms for transparency and accountability.

These developments demand the urgent formulation of comprehensive legal guidelines that explicitly integrate AI-related risks into corporate governance frameworks. By aligning statutory and fiduciary duties with the governance reforms illustrated in Figure 2.0, directors would be better equipped to fulfil their responsibilities effectively while safeguarding corporate integrity in an era of accelerated technological disruption. In doing so, this study contributes to the doctrinal exploration of directors' duties by highlighting how legal responsibilities must evolve to address the unique risks posed by AI in contemporary corporate governance.

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## AN OVERVIEW OF THE ABOLISHMENT OF MANDATORY DEATH PENALTY IN MALAYSIA

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### Abstract

The death penalty has always been a controversial issue in Malaysia. Historically, tracing back to British colonial times, Malaysia has adopted capital punishment as a preventive measure against serious crimes. The death penalty was seen as a necessary tool to maintain public order and safety, particularly in response to the increase of crime rates. However, the implementation of the death penalty has faced backlashes from human rights advocates, legal scholars, and the international community, who argue that it is an inhumane and ineffective form of punishment. The mandatory death penalty in Malaysia authorized the courts to punish individuals convicted of certain serious offenses, such as murder and drug trafficking, with a death sentence without the option of alternative punishment. This one-size-fits-all approach to justice raised concerns regarding judicial discretion and the potential for miscarriages of justice. The critics emphasized the lack of consideration for mitigating factors, such as the situations surrounding the crime or the offender's background, which could result in excessively harsh sentences. Accordingly, the mandatory death penalty became a crucial point for debates on legal reform and human rights in the country. Finally in 2023, Malaysia has taken significant steps towards reforming its capital punishment laws, ending in the abolishment of the mandatory death penalty through the enactment of the Abolition of Mandatory Death Penalty Act 2023. This article aims to provide an overview of the abolition of the death penalty in Malaysia. In doing so, it explores the historical context of the issue and the legal implications of the relevant laws. To offer a more holistic perspective, it also highlights developments in neighbouring countries. The significance of this article lies not only in its relevance to Malaysian law but also in its wider implications for human rights and justice in the region.

**Keywords:** criminal, death penalty, justice, mandatory, punishment

### INTRODUCTION

The death penalty in Malaysia has its roots in British colonial law and has been a subject of significant debate and scrutiny in recent years. Despite the global trend towards abolition, Malaysia has retained the death penalty for various crimes, including drug-related offenses and violent crimes (Ali & Khan, 2024). This is pursuant to the Federal Constitution which allows for the deprivation of life in accordance with the law, which has been interpreted to include the death penalty for certain offenses (Kannatu, 2022). The debate around the death penalty in Malaysia is framed by contrasting views: abolitionists argue from a human rights perspective, emphasizing the risk of wrongful executions and the lack of deterrent effect, while retentionists focus on justice for victims and national security (Kannatu, 2022; Singh et al., 2023).

The mandatory death penalty in Malaysia, was introduced in 1983 (Amnesty, 2025), and has been a controversial issue ever since (Mostyn, 2021). This form of punishment means that judges have no discretion and must impose the death penalty upon conviction for certain crimes. The mandatory nature of the death penalty has been criticized for being inhumane and for not allowing consideration of mitigating circumstances (Novak, 2015) (McDermott, 2016). Novak adds,

internationally, there has been a movement towards abolishing mandatory death penalties, with many countries recognizing it as a violation of human rights norms. In Malaysia, however, efforts to challenge the constitutionality of the mandatory death penalty have so far been unsuccessful (Muhammad et al., 2024). However, finally on 3 April 2023, the Abolition of Mandatory Death Penalty Act 2023 (hereinafter will be known as AMDP Act) was passed by the Parliament. The Act came into effect on 4 July 2023 with the objective to abolish the mandatory death penalty and imprisonment for natural life. In addition to that, the Revision of Sentence of Death and Imprisonment for Natural Life (Temporary Jurisdiction of The Federal Court) Act 2023 was also enacted and enforced on 12 September 2023 (hereinafter will be known as the RSD Act). The objective of RSD Act is to provide for the temporary revisionary jurisdiction of the Federal Court to review the sentence of death and imprisonment for natural life imposed on a convicted person following the abolition of the mandatory death penalty and amendment to the relating laws.

The purpose of this article is to provide an overview of the death penalty in Malaysia, focusing on its historical context, current legal framework, and the ongoing debates surrounding its use. By examining the mandatory death penalty and its implications, the article aims to highlight the human rights concerns and how this transformation has reshaped the criminal justice system in Malaysia. The significance of this article lies in its contribution to the broader discourse on capital punishment, offering insights into the Malaysian context and the global movement towards abolition. Understanding the dynamics of the death penalty in Malaysia can enlighten policy decisions and advocacy efforts aimed at promoting human rights and justice (Kannatu, 2022).

## **METHODOLOGY**

This article is a doctrinal legal analysis by examining the relevant statutes and constitutional provisions, complemented by a comprehensive review of secondary sources including scholarly articles, reports from human rights organizations, and empirical studies to assess the legal and human rights implications of the abolition of the mandatory death penalty in Malaysia. This literature-based research approach enables a holistic understanding of the historical context and current legal framework in Malaysia, as well as comparative perspectives from neighboring countries, supporting an informed critique and discussion of the subject matter.

## **HISTORICAL CONTEXT OF THE DEATH PENALTY IN MALAYSIA**

The death penalty in Malaysia is a legacy of British colonial rule, embedded in the legal system since the establishment of the Federal Constitution in 1957. Initially, the mandatory death penalty was enforced for murder. Although the Dangerous Drugs Act (DDA) was established to address the threat posed by drug-related substances, it did not include the death penalty until 1975. That year, amid the government's intensified anti-drug campaign, capital punishment was introduced as a discretionary sentence for drug traffickers. In 1983, this penalty finally was made mandatory (Amnesty, 2025).

As provided in Article 5 of the Federal Constitution, it allows for the deprivation of life in accordance with the law, which has historically included the mandatory death penalty for various crimes, particularly drug-related offenses (Kannatu, 2022). Over the years, Malaysia has maintained strict death penalty practices, often justified as a deterrent against serious crimes (Widyawati et al., 2025). However, the global trend towards abolition and increasing scrutiny from human rights organizations have put pressure on Malaysia to reconsider its stance (Ali & Khan, 2024; Widyawati et al 2025).

Significant legislative changes in Malaysia have been driven by both internal and external pressures. The Criminal Procedure (Amendment) Act 2006 for example, marked a major reform in the criminal justice system, aiming to protect suspects and improve the quality of justice (Farrar, 2009). According to Farrar, for instance Section 28A was introduced to remedy improper treatment while an accused person was in police custody. Among the rights given under this provision are that the arrestee must be informed as soon as may be of the grounds of his arrest and obligations, he also must be allowed to consult with his lawyer within reasonable time, and the police must provide reasonable facilities for communication and legal consultation free of charge. More recently, Malaysia has moved towards by abolishing the mandatory death penalty, influenced by the recognition that it does not effectively deter crime and poses risks of irreversible miscarriages of justice (Ali & Khan, 2024). This shift is part of a broader effort to align with international human rights standards and reshape the criminal justice system (Novak, 2019).

Public and political discourse in Malaysia regarding the death penalty is highly separated. According to Kannatu (2022), abolitionists, including activist lawyers and non-governmental organizations, frame their arguments around human rights and justice, emphasizing the inhumanity and potential for wrongful executions. He added on the other hand, retentionists, including victims' families, argue from the perspective of victims' justice and national security. Apparently, media coverage has played a significant role in shaping public opinion, with major newspapers providing varied coverage on the issue without taking a formal stance (Singh, 2024). From the public opinion surveys, it shows that while there is majoritarian support for the death penalty, this support is often based on a limited understanding of its implications and decreases significantly when people are more informed (Girelli, 2021; Chan-Gonzaga, 2023).

## **LEGAL IMPLICATIONS ON THE ABOLISHMENT OF MANDATORY DEATH PENALTY**

Several studies have explored the legislative reforms have aimed at reshaping the criminal justice system, moving away from mandatory death sentences and aligning with international human rights standards (Novak, 2015; Ali & Khan, 2024; Muhammad et al., 2024). Generally, the abolishment of mandatory of death penalty in Malaysia has legally impacted in two ways; legal framework and judicial discretion.

Previously, before the enforcement of AMDP Act, there were twelve offences which carry mandatory death penalty, including drug trafficking<sup>5</sup>, murder<sup>6</sup>, terrorism<sup>7</sup>, kidnapping<sup>8</sup>, treason and waging war against the Yang di-Pertuan Agong<sup>9</sup>, discharging of firearm<sup>10</sup>. Therefore, the judges had no discretion and had to impose death upon conviction for these crimes. However, after the AMDP Act came into effect, it abolished the mandatory death sentence for all offenses where it previously applied. At present, the judges have discretion to sentence the convicts either to death, or 30 to 40 years imprisonment with at least 12 strokes of whipping, depending on the specific crimes of each case.

The abolishment has also significantly impacted judicial discretion in sentencing. In Malaysia, the shift towards discretionary sentencing is similarly aimed at allowing judges to consider a

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<sup>5</sup> Section 39B (2A) of the Dangerous Drugs Act 1952

<sup>6</sup> Section 302 of the Penal Code

<sup>7</sup> Sections 130C (1)(a), 130I(a), 130N(a), 130O(1)(aa), 130QA, 130ZB of the Penal Code

<sup>8</sup> Section 374A(a) of the Penal Code

<sup>9</sup> Section 121A of the Penal Code

<sup>10</sup> Sections 3 and 3A of the Firearms (Increased Penalties) Act 1971

broader range of factors before deciding on the appropriate punishment (Muhammad, 2024). This move aligns with international human rights norms and the growing recognition of the importance of judicial independence in sentencing matters (Novak, 2019).

According to ADPAN (2025), as of March 2025, the number of prisoners sentenced to death in Malaysia has decreased from over 1,300 to 140. The decrease is due to resentencing hearings before the Federal Court, which considered mitigating factors following the repeal of the mandatory death penalty legislation. For comparison, Malaysia's death row population stood at 1,337 at the close of 2022, dropping to 1,275 by the end of 2023 (Amnesty, 2024a). Based on statistics in 2019, Amnesty discloses that drug trafficking accounted for an estimated 67.5% of all death sentences (Amnesty, 2022). Apparently, the abolishment of the mandatory death penalty in Malaysia marked a significant change in the country's legal landscape.

According to Amnesty (2024b), based on the special jurisdiction under the RSD Act, the Federal Court has a power to resentence 906 people under sentence of death who had already exhausted their ordinary judicial proceedings. According to figures tabled in Parliament, up to November 2024, out of 906 convicts, 877 (96.80%) people were awaiting a decision from the State Board of Pardons, meanwhile 29 (or 3%) people had a final confirmation of their then mandatory death sentence from the Board. Also, further 369 people who had been sentenced to the mandatory death penalty, could still have their sentences reviewed as part of their ordinary appeals before the Court of Appeal and the Federal Court.

The abolishment of death penalty has led to significant changes in the legal frameworks of other countries with unique approaches and outcomes too. For instance, in Singapore, the judges now have the discretion to impose life imprisonment instead of the death penalty under certain conditions, such as the presence of mental illness or substantive assistance in disrupting drug trafficking activities (Amirthalingam, 2018; Chan, 2023). This discretion allows for a more individualized approach to sentencing, considering mitigating factors and the specific circumstances of each case. Consequently, this reform has resulted in fewer death sentences (Chan, 2023; Tanpoco, 2024)

Similarly, the Supreme Court in Bangladesh annulled the mandatory death penalty for specific aggravated murder cases, citing it as in accordance with the international human rights norms and jurisprudence from other Commonwealth countries (Novak, 2015). In other words, it reflects a broader Commonwealth consensus that such penalties constitute cruel and degrading punishment.

Interestingly, Philippines has experienced a fluctuating history with capital punishment. The death penalty was first abolished in 1987, then it was reimposed in 1993, and it was abolished again in 2006. The country's legislative and judicial battles reflect a contentious and indecisive approach to capital punishment (De Ungria et al., 2018; Colmenaris, 2023). These examples highlight a global trend towards the abolition of mandatory death penalties, driven by evolving standards of decency, human rights considerations, and the recognition of the importance of judicial discretion in sentencing (Novak, 2019; Jabbar, 2019). These changes reflect a broader global movement towards the abolition of mandatory death penalties, emphasizing judicial discretion and human rights considerations.

## **DIVERSE PERSPECTIVES ON THE DEATH PENALTY: LEGAL, ACTIVIST, AND FAMILY VOICES**

The abolishment of the death penalty has had profound impacts on various cases, particularly in terms of legal processes, social justice, and human rights. The legacy of constitutional litigation in retentionist jurisdictions has led to significant changes in the criminal justice system. Empirical research shows that the death penalty has been one of the most scrutinized aspects of criminal justice, with courts increasingly recognizing the principle of human dignity, which has contributed to the erosion of capital punishment (Novak, 2019). This shift has influenced other forms of punishment, including life imprisonment, highlighting the broader implications of abolishing the death penalty.

Moreover, the abolition has addressed issues such as racial bias and arbitrariness in the implementation of capital punishment. Studies have shown that the death penalty system is marred by randomness and racial disparities, particularly in cases where Black defendants murder white victims (Jeffrey et al., 2022). This unpredictability in the decision-making process underscores the need for abolition to ensure a fairer and more just legal system.

Legal experts, activists, and affected families offer diverse perspectives on the abolition of the death penalty. Legal scholars argue that abolition is a significant milestone in advancing human rights and justice. They emphasize the importance of sustained constitutional litigation and the growing recognition of human dignity in eroding capital punishment (Novak, 2019). Additionally, the abolition is seen as a necessary step to address the deep flaws in the death penalty system, such as inadequate counsel, racial bias, and the risk of executing innocent people (Finley, 2024).

Furthermore, activists highlight the role of public campaigns and the efforts of bereaved families in confronting injustices and raising awareness about the harms of the death penalty. Bereaved family activism (BFA) has become increasingly important in public debates, with families sharing their experiences to promote solidarity and recognition of injustices (Cook, 2020). These campaigns have been instrumental in shifting public opinion and policy towards abolition.

In contrary, the affected families provide different interesting views of the death penalty's impact. While some families initially support capital punishment for closure, many express uncertainty and complexity in their perspectives. Studies reveal that the death penalty does not always provide the healing and closure that families seek, and there is a growing recognition of alternative forms of justice that focus on forgiveness and recovery (Vollum & Longmire, 2007). This shift in perspective underscores the need for a justice system that prioritizes healing and community restoration over retribution.

## **CONCLUSION AND RECOMMENDATIONS**

In conclusion, abolishing the mandatory death penalty will not just align Malaysia with international human rights standards but also emphasize the right to life and human dignity. Furthermore, it reflects a broader commitment to protecting human rights and reducing the risk of irreversible miscarriages of justice. Moreover, abolition is seen as a transformative step towards a more humane and just criminal justice system. It challenges the notion that severe punishments are necessary for deterrence and encourages the adoption of more rehabilitative and restorative justice approaches. Most importantly, changing the public attitudes towards the death penalty is crucial. As awareness increases about the ineffectiveness and injustices associated with capital punishment, public support for its abolition is likely to grow. This shift in perception can

lead to broader societal changes and greater acceptance of human rights principles. Finally, Malaysia's move towards abolition can serve as an example for other retentionist countries in the region. By demonstrating the benefits of aligning with international human rights standards, Malaysia can influence regional trends and contribute to the global movement against capital punishment.

Therefore, it can be concluded that the abolishment of the death penalty in Malaysia is a significant step towards enhancing human rights, reshaping the criminal justice system, and influencing public perception and regional trends. This move reflects a broader commitment to justice and human dignity, setting a precedent for future legal reforms. This study proposes several recommendations to ensure the effectiveness of this reform could be done successfully in the future. Firstly, a clear understanding about this reform concept and application may lead to an effective enforcement of the law. As such, public awareness relating to the alternatives to the death penalty and the benefits of abolition should be enhanced. This study proposes that the usage of social media must be enhanced. Social media should have been made as a platform to promote and educate the public about this reform. Secondly, it is important to consider alternative sentencing plans that focus on rehabilitation rather than punishment. This method is seen as an effective method as it supports the idea of ensuring for fair trial and preventing harmful convictions. Last but not the least, judicial review is also important to be observed in ensuring all death sentences undergo rigorous judicial review to minimize errors and arbitrariness. Judicial review is significantly crucial to ensure the effective process, and the lawfulness of a decision has been made. It is hoped that the findings from this research will provide an appropriate solution for issues relating to the abolishment of the mandatory death penalty in Malaysia.

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## LEGISLATION

Abolition of Mandatory Death Penalty Act 2023 [Act 846]

Federal Constitution of Malaysia.

Revision of Sentence of Death and Imprisonment for Natural Life (Temporary Jurisdiction of the Federal Court) Act 2023 [Act 847]

# ENHANCING INDIVIDUAL TAXATION EDUCATION THROUGH PEER LEARNING: EVIDENCE FROM NON-ACCOUNTING UNDERGRADUATES

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## Abstract

In contemporary higher education, peer learning has emerged as a key strategy to foster student engagement and shared learning. This study investigates the impact of peer learning on undergraduate students' understanding of basic individual taxation concepts. A quantitative survey design was employed, using a structured five-point Likert-scale questionnaire administered to 77 non-accounting undergraduates enrolled in the *Individual Taxation* course at Universiti Teknologi MARA, Negeri Sembilan. The questionnaire measured students' perceptions of conceptual understanding, application of knowledge and clarity of complex tax topics following structured, instructor-guided group discussions and tax simulation exercises. The findings indicate that a majority of students actively participated in peer learning activities such as group discussions. Peer interactions significantly enhanced students' comprehension of core tax topics, facilitated their understanding of complex concepts and improved their ability to apply tax knowledge to real-life scenarios. High mean scores across these dimensions, coupled with low standard deviations, suggest strong and consistent positive perceptions. However, regression analysis showed that while frequency of peer learning engagement significantly predicted improvements in general understanding and mastery of complex tax concepts, it did not significantly predict perceived gains in real-life application suggesting that other factors such as the quality of discussions, prior experience or instructional design may play a greater role in practical application. The study supports the integration of structured peer learning into tax education to improve conceptual clarity, critical thinking and practical application.

**Keywords:** Peer Learning, Taxation, Students.

## 1. INTRODUCTION

The traditional teaching method is being replaced by more student-centered and interactive learning techniques in modern education. Among the practices that are being adopted is peer learning, where students learn together and assist one another with their learning tasks. Through cooperation and knowledge sharing, students develop critical thinking, enhance problem-solving skills and comprehend the concepts better. Instead of depending on instructors alone to learn, peer learning offers a platform where students are actively involved in learning through sharing ideas, discussing with different perspectives and providing feedback. Group projects are commonly involving peer learning, as teamwork encourages students to learn through discussion and problem-solving. Consequently, effective teamwork is related to higher grades and higher quality outputs (Planas-Lladó et al., 2021).

Peer learning works because it is based on social interaction, which is important for learning and thinking. By explaining things to one another and helping each other to understand difficult subjects, they not only help themselves but also help others learn. Such a process of learning not only improves grades but also builds useful communication skills (Rifah & Sabilah, 2022) and teamwork skills.

Additionally, peer learning is extremely flexible and takes place in both formal and informal settings. The process allows the students to play various roles that switch between that of a student and a teacher, solidifying their grasp and improving their confidence level. Although occurring naturally among students, this kind of approach finds its optimum under the attention of educators through planned structuring and guidance. With proper guidance, learning from one another is an excellent method of fostering engagement, enhancing understanding and creating a team-oriented learning atmosphere that helps all individuals. Consequently, integrating peer learning into the taxation class can be a strategic approach to improve learning outcomes, especially for students from non-accounting disciplines. This paper contributes to the body of knowledge in taxation education, as very limited studies have explored this area.

## **2. LITERATURE REVIEW**

Education has evolved from teacher-centered to student-centered. It engages students and makes them collaborate with each other. There is a well-known technique of increasing the involvement of students and recalling what they have learned, which is peer learning. Students learn together formally or informally. Peer learning improves students' critical thinking, problem-solving and understanding through the exchange of experiences and supporting one another. Instead of just being given information, students learn by discussing, working together and getting feedback from classmates.

Peer learning has much to do with Vygotsky's (1978) sociocultural theory. The theory focuses on how social interaction facilitates learning and thinking. Among the key notions in the theory is the Zone of Proximal Development (ZPD). It holds that students are able to learn more if guided by more intelligent peers or teachers. The view suggests that learning is not a personal endeavor, but is influenced by working with others.

Falchikov (2001) has defined peer learning as a process of learning where students learn and gain knowledge with and from each other in the same class. The author believes that discussion with peers can lead to improved thinking abilities as well as better understanding. Peer learning is 'students learning from and with each other both formally and informally' as Boud, Cohen, and Sampson (2001) define. They also add that peer learning is not just learning in the form of academics but also social and emotional support among learners.

Topping (2005) explained that peer learning is 'the acquisition of knowledge and skill through active helping and supporting among status equals or matched companions. That is people from equal social backgrounds, though not professional trainers, help others to learn and develop skills at the same time. Peer learning is different from classroom learning by students of similar levels of study helping one another to gain knowledge and skills. Both the "teacher" and the "learner" gain - explaining concepts, solidifies understanding, improves communication skills and boosts confidence. This two-way learning makes peer learning an effective and interesting way to learn, allowing students to become actively involved in their own learning process.

Peer learning is a process that is flexible in which students play various roles when they communicate with one another. The instructors also play flexible roles, either actively leading discussion and activities or creating space for student-driven learning through workshops and group projects. This process reinforces a more active and student-oriented learning process, which encourages knowledge to be constructed constructively and not passively received. Keerthirathne (2020) says that even though students can learn from each other, it is better if

teachers help. In the same way, Warwick-Booth (2007) says that group work can be tricky. So, in order to make peer learning work effectively, teachers should plan and supervise it carefully, developing a clear plan that adds to student participation and learning.

Peer learning involves various methods of collaboration in education where the students assist one another to better understand a subject. They apply the social aspect of learning, interposing the students to participate in sharing information, problem-solving and enhancing skills. Through discussion with fellow students, learners consolidate their learning, gain new perspectives and acquire critical thinking skills. Several ways of learning from others have been shown to be effective in schools and each has several benefits for students.

A common way of learning from each other is via cooperative learning. Cooperative learning, including structured study groups, is where students work together in small groups to solve problems, finish assignments or accomplish common educational goals (Peterson & Miller, 2004; Springer et al., 1999; Johnson et al., 1998; Slavin, 1996; Gokhale, 1995). This method supports collaboration, communication and critical thinking, whether in structured classrooms or in free study sessions. Through group discussion, students pose questions, challenge various perceptions and comprehend the course content more effectively. In addition to this, peer feedback and assessment enable students to examine one another's work carefully, providing constructive comments that enhance learning (Li & Steckelberg, 2004; Falchikov & Goldfinch, 2000; Topping, 1998). Through participation in peer assessment, students develop self-reflection capabilities and learn to reflect on content more intensely, which benefits their academic performance.

Peer learning has numerous beneficial effects on the personal and academic development of students. Cognitively, it enhances understanding, critical thinking and knowledge retention since students are engaged in explaining ideas and providing feedback to one another. Socially and emotionally, it fosters cooperation, communication skills and self-esteem through active involvement and support for each other. Pedagogically, peer learning strategies allow students to be responsible for their own learning, rendering learning more engaging and student-centered.

Despite these many benefits, Keerthirathne (2020) reiterated about common criticism that peer learning is a student-centered learning and might involve fully student engagement, thus, some critics perceived peer learning seems to be a waste of classroom time. Peer intervention can also increase tension when disagreements arise. As such, a reminder to cultivate a mindset open to criticism from peers and facing feedback as a chance for them to improve instead of taking it as condemnation (Papanikolaou et al., 2023). Furthermore, some students may have the feeling of inferiority if they are not at the same level of intellectual, since they are helped by a more knowledgeable student (Keerthirathne, 2020).

In summary, while peer learning is not without its challenges, it is crucial in modern learning since it encourages students to engage, collaborate and learn more. When guided and structured effectively, it not only strengthens academic achievement but also equips students with lifelong skills essential for personal and professional success.

## **2.1 Tax Education**

The nature of taxation poses a unique challenge to teach the course especially to non-accounting students due to the perceived complexity and technical nature of tax concepts. Technically, it is more difficult for them to engage with and understand taxation topics due to lack of foundational

knowledge as compared to accounting students. Generally, tax education is only taught at the tertiary level in accounting, taxation or business majors. As such, non-accounting, non-taxation or non-business backgrounds students have lower taxation knowledge (Putro, Ryanto, & Tjen, 2020). Complexity of taxation requires more study to explore the best method to deliver the knowledge such as peer learning to foster more meaningful comprehension of complex tax laws, calculation procedures and ethical issues.

Cechovsky (2020) exploring conceptions and misconceptions concerning taxes and the findings show that the students are missing basic knowledge on taxes. Ernawati, Melani & Widiastuti (2020) study found that peer learning, which is part of their teaching method for the study, can improve students' soft skill and competence on taxation and students were very positive responses to this method. This method allows students to learn from each other's insights and approaches to complex tax scenarios by encouraging peer-to-peer interaction and collaborative problem-solving. Moreover, studies have shown that students' readiness to engage with tax concepts were significantly improved when active learning techniques adopted thus enhance their understanding (Mayburov & Leontyeva, 2017).

These student-centered approaches, specifically peer learning, contribute to a more holistic and effective approach in taxation education. Educators can promote a learning environment by moving beyond traditional lecture-based methods, that not only impart knowledge but also develop critical thinking, problem-solving abilities and a practical understanding of taxation, preparing students for real-world challenges.

### **3. METHODOLOGY**

#### **3.1 Design**

This research employed quantitative research to examine the influence of peer learning on students' comprehension of personal taxation. Information was collected using a structured questionnaire that contained a five-point Likert scale. This scale enabled the measurement of students' perceptions of various aspects, including conceptual understanding, application of knowledge and clarity of complex tax topics. No control group was used; the study focused solely on students who participated in the peer learning intervention.

#### **3.2 Participants**

The participants were non-accounting undergraduate students enrolled in the Individual Taxation course at Universiti Teknologi MARA, Negeri Sembilan (Seremban Campus). All participants had completed the relevant lecture content prior to engaging in the peer learning activities. A total of 84 questionnaires were distributed through an online survey platform. Of these, 77 fully completed questionnaires were returned, resulting in a response rate of 91.7%. All responses were complete and included in the subsequent analysis.

#### **3.3 Peer Learning Intervention**

As a component of the course's active learning approach, students engaged in instructor-guided peer learning activities conducted through structured group discussions. The instructor facilitated each session by providing clarification on task requirements, guiding group interactions where necessary and ensuring all participants contributed to the discussion.

Each group was given documents simulating real tax situations on topics that had been covered in earlier lectures. The topics consist of:

- Resident Status for Individual
- Employment Income
- Business Income
- Allowances and Charges
- Personal Tax

Group sizes were determined based on class enrolment and ranged between four and five students to ensure diversity of ideas while maintaining manageable interaction. Students collaboratively analysed the scenarios and performed tax simulations to determine the amount of income tax payable by an individual. This interactive exercise was meant to supplement what they learned in class and allow them to practice applying tax principles to real-life situations.

### 3.4 Data Collection and Analysis

Data were collected using an online survey that was disseminated after the peer learning sessions. The survey measured student perceptions of the effectiveness of peer learning. Basic statistics were used to examine quantitative responses from the Likert-scale. Important measures like mean, median, standard deviation and interquartile range enabled interpretation of results and confirmed how consistent student responses were. In addition, regression analysis was conducted to examine the relationship between students' engagement in peer learning and its impact on understanding, tax concepts and real-life application, allowing for a deeper investigation beyond descriptive statistics.

## 4. RESULTS AND DISCUSSION

### 4.1 Demographic Characteristics of Respondents

As illustrated in Table 1, the study sample consisted of 77 students, of whom 79.2% were female (n = 61) and 20.8% were male (n = 16). The majority were in semester 4 (83.1%), followed by semester 5 (15.6%) and a small number in semester 6 (1.3%).

Table 1: Demographic Characteristics of Respondents

Category	Variable	Frequency (n)	Percentage (%)
Gender	Female	61	79.2
	Male	16	20.8
Semester of Study	Semester 4	64	83.1
	Semester 5	12	15.6
	Semester 6	1	1.3

### 4.2 Peer Learning Experience in Individual Taxation Course

This section presents a descriptive analysis of students' peer learning experiences in the context of individual tax education. It examines the frequency of students' participation in group discussions and students' comfort levels in engaging with their peers. It shows a generally positive sentiment toward the effectiveness and comfort level in engaging in peer-based academic interactions.

Figure 1 illustrates students' engagement in peer learning activities, specifically group discussions focused on individual tax topics such as the Basis of Malaysian Taxation, Tax Administration, Resident Status for Individuals, Employment Income, Business Income, Allowances and Charges and Personal Taxation. Most students (68.8%) engaged in peer learning frequently (once a week or more). Others participated occasionally (19.5%), rarely (10.4%) while only one student (1.3%) reported never engaging.

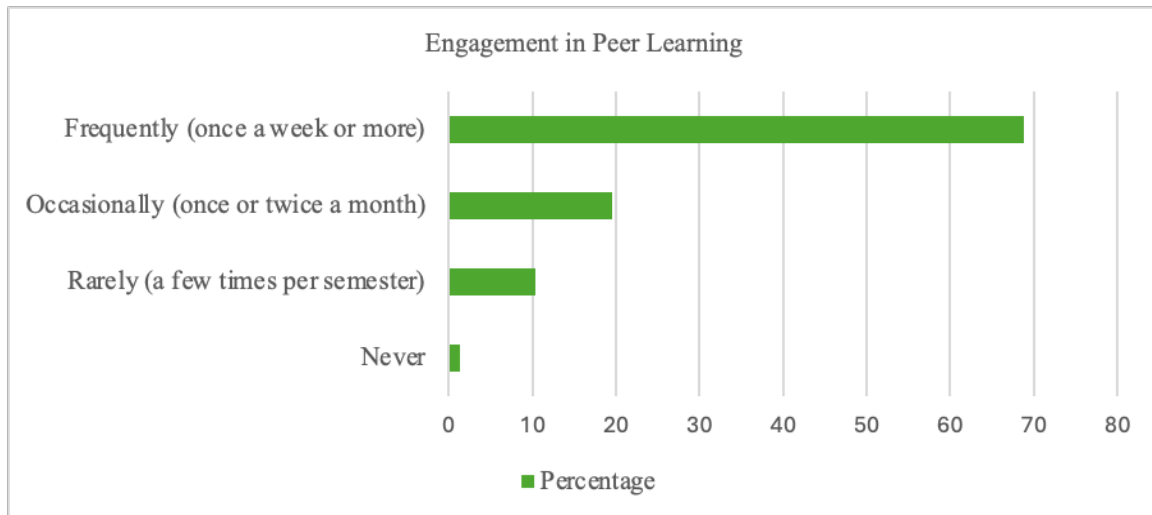


Figure 1: Engagement in Peer Learning

Figure 2 illustrates students' comfort level in asking peers during peer learning activities. Most students felt very comfortable (51.9%) or comfortable (40.3%) asking questions during peer sessions. Only 7.8% were neutral.

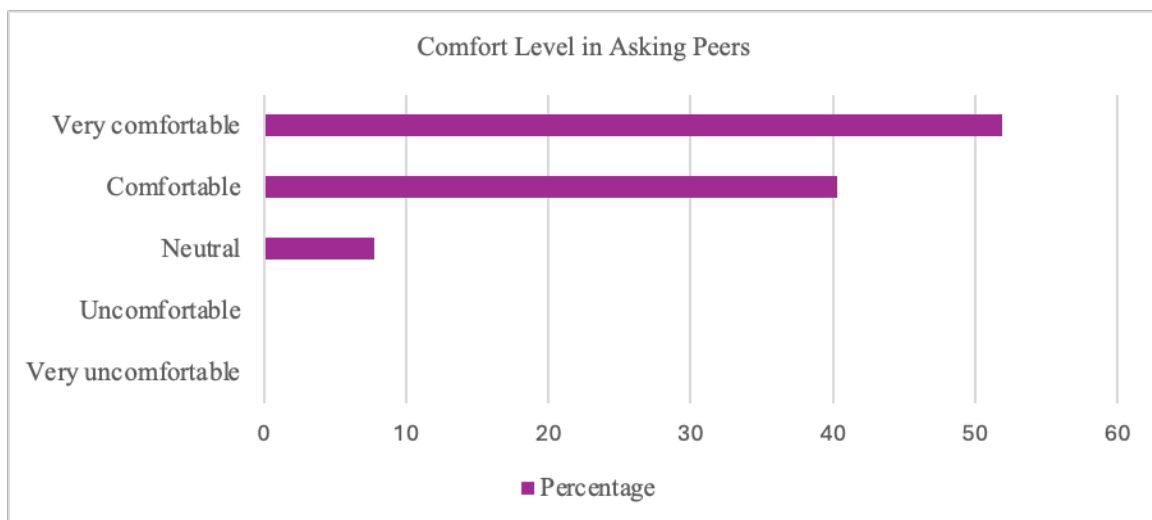


Figure 2: Comfort Level in Asking Peers

#### 4.3 Impact of Peer Learning on Students' Understanding in Individual Taxation Course

Table 2 explores the impact of peer learning on students' understanding of individual taxation, particularly through group discussions. A survey comprising 77 responses was analysed, focusing on three key dimensions: perceived improvement in understanding, ease of grasping complex tax concepts and the ability to apply knowledge in real-life scenarios.

**Table 2: Impact of Peer Learning**

<b>Question</b>	<b>Mean</b>	<b>Median</b>	<b>Std Dev</b>	<b>Min</b>	<b>Max</b>
<b>Understanding improves via peer discussion</b>	4.10	5	1.06	2	5
<b>Easier to understand complex tax concepts after peer discussion</b>	4.18	4	0.70	3	5
<b>Peer learning helps apply tax concepts to real-life situations</b>	4.35	4	0.62	3	5

#### **4.3.1 Improvement in Understanding Through Peer Discussions (e.g.: Basis of Malaysian Taxation, Tax Administration, Personal Taxation)**

Students reported a generally high level of perceived improvement in their understanding of individual tax topics when discussing them with peers. The mean score for this item was 4.10 out of 5, with a standard deviation of 1.06, indicating a positive but somewhat varied perception among students. Notably, 75% of responses were in the upper range (rating of 4 or 5), suggesting that peer discussions significantly enhance comprehension for most learners.

#### **4.3.2 Understanding Complex Tax Concepts (e.g.: tax exemptions, tax deductions, allowances and charges, tax computations)**

The second item explored whether students found it easier to understand intricate tax concept after discussing them with peers. The average rating was 4.18, with a lower standard deviation of 0.70, reflecting a slightly stronger consensus. The results imply that collaborative learning plays a valuable role in simplifying complex theoretical content.

#### **4.3.3 Application to Real-Life Scenarios (based on scenarios in tax simulation)**

The highest-rated impact was observed in the practical application of tax knowledge. Students indicated that peer learning aids them in better applying individual tax concepts to real-world tasks, such as filing personal income tax returns. This item received a mean score of 4.35 with the lowest standard deviation (0.62), indicating a consistent and strong agreement among participants.

These findings underscore the effectiveness of peer learning as an instructional strategy in tax education. The high average scores across all three dimensions suggest that students perceive peer interactions not only as beneficial for conceptual understanding but also for real-world application. The consistency in responses, especially regarding the application of knowledge, implies that peer learning could be instrumental in transforming theoretical insight into practical skills

Overall, the data supports the integration of structured peer learning activities within taxation courses to enhance student engagement, understanding and competency.

#### **4.4 Regression Analysis of Peer Learning Engagement Frequency on Understanding, Tax Concept Mastery and Real-Life Application**

Table 3: Impact of Peer Learning Engagement Frequency on Learning Outcomes

Outcome Variable	$\beta$ (B)	SE(B)	t	p	95% CI LL	95% CI UL	R <sup>2</sup>	F(df1, df2)	p (Model)
Understanding Improvement	0.574	0.153	3.76	<.001	0.270	0.878	.159	14.14(1,75)	<.001
Tax Concept Understanding	0.273	0.106	2.58	.012	0.062	0.484	.081	6.65(1,75)	.012
Real-Life Application	0.144	0.097	1.50	.139	-0.048	0.337	.029	2.24(1,75)	.139

The regression examined whether the frequency of engagement in peer learning predicted three outcomes: perceived improvement in understanding, understanding of complex tax concepts and application to real-life scenarios.

#### 4.4.1 Understanding Improvement

Engagement frequency was a significant positive predictor of understanding ( $B = 0.574$ ,  $SE = 0.153$ ,  $t(75) = 3.76$ ,  $p < .001$ ). The model explained 15.9% of the variance ( $R^2 = .159$ ,  $F(1,75) = 14.14$ ,  $p < .001$ ). This suggests that students who participated more frequently in peer learning reported greater improvements in understanding tax topics.

#### 4.4.2 Tax Concept Understanding

Engagement frequency was also a significant predictor of tax concept understanding ( $B = 0.273$ ,  $SE = 0.106$ ,  $t(75) = 2.58$ ,  $p = .012$ ). The model explained 8.1% of the variance ( $R^2 = .081$ ,  $F(1,75) = 6.65$ ,  $p = .012$ ). This indicates that higher engagement frequency is associated with a clearer grasp of complex tax concepts, though the effect size is smaller than for basic understanding.

#### 4.4.3 Real-Life Application

The regression coefficient was positive but not statistically significant ( $B = 0.144$ ,  $p = .139$ , 95% CI [-0.048, 0.337]). The model explained only 2.9% of the variance ( $R^2 = .029$ ,  $F(1,75) = 2.24$ ,  $p = .139$ ). This implies that engagement frequency alone is insufficient to predict perceived improvement in real-life application of tax knowledge.

While students rated the real-life application of tax concepts most highly in the descriptive analysis, the regression suggests that frequency of peer learning alone does not strongly predict application scores. This mismatch may indicate that other factors such as the quality of discussions, prior experience or instructional design play a more critical role in translating theoretical knowledge into practical skills. In contrast, both understanding of basic topics and complex tax concepts appear more directly influenced by how often students engage in peer learning.

## 5. CONCLUSION

The study examined the application of peer learning in enhancing the understanding of personal taxation among non-accounting undergraduate students at Universiti Teknologi MARA Negeri Sembilan. The findings indicate that peer learning, when implemented through facilitated group discussions, significantly enhances students' comprehension of tax concepts, particularly complex topics like tax computations and real-life application of tax principles.

The participants reported high level of comfort and engagement in peer learning environments, which improved significantly conceptual understanding, critical thinking and self-confidence in taxation application. High scores on every aspect in the surveys and consistency in the overall response support the significance of collaborative learning techniques within taxation. In addition, peer learning not only increases knowledge transfer but also interpersonal skill acquisition, such as improved communication, cooperation and problem-solving skills. This aligns with broader academic discourse highlighting peer learning as a pedagogical approach that fosters deeper learning through social interaction and shared knowledge construction.

However, regression analysis showed that while frequency of peer learning engagement significantly predicted improvements in general understanding and mastery of complex tax concepts, it did not significantly predict perceived gains in real-life application suggesting that other factors such as the quality of discussions, prior experience or instructional design may play a greater role in practical application.

In order to gain the fullest benefits from peer learning in learning individual taxation, the instructors must incorporate collaborative aspects such as group simulation, peer review and case studies within the course framework. Clear guidelines, preassigned roles and preestablished expectations must be given to the students in order to encourage effective participation and enhance high-level involvement.

However, this study has several limitations. The reliance on self-reported perceptions may introduce response bias and the absence of a long-term follow-up, limits understanding of whether the observed learning gains are sustained over time.

Future studies can examine the long-term effects of peer learning on academic achievement and compare the results across disciplines or universities. Using mixed-method approaches, e.g., focus groups or interviews, can provide a fuller picture of the student experience.

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# MAPPING THE RESEARCH LANDSCAPE AND COLLABORATION NETWORKS IN WAQF KNOWLEDGE: A BIBLIOMETRIC STUDY

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## Abstract

Waqf knowledge has gained increasing scholarly attention due to its vital role in fostering public understanding, promoting effective governance, and ensuring the sustainable development of waqf institutions. Despite this growing interest, the intellectual landscape and collaborative dynamics within waqf knowledge research remain underexplored. This study aims to map and visualise the research landscape of waqf knowledge through a bibliometric analysis, using data from the Web of Science (WoS) and Scopus databases, covering the period from 2008 to 2025. Using tools such as RStudio and Biblioshiny, the analysis examines thematic structures, research distribution via treemaps, identifies key sources and prolific authors, and explores collaboration networks among researchers. The findings show that waqf knowledge research focuses on themes such as “Malaysia”, “waqf”, and “developing countries”, while topics like “blockchain” are less explored. The Journal of Islamic Accounting and Business Research emerges as a key publication in this field, whereas journals such as *Bellesten* and *Humanomics* contribute less frequently, reflecting a concentration of research in a few main outlets. Sukmana, R. and Mohamad, N. are identified as leading authors, while collaboration networks highlight strong clusters, particularly around Laila, N. and Mahphoth, M., with other groups being smaller and more isolated. Identifying influential authors and journals offers valuable guidance for researchers seeking collaboration and publication opportunities. Overall, this study provides a comprehensive map of waqf knowledge research, offering insights to inform future academic pursuits and practical strategies for advancing waqf knowledge. Future research should incorporate keyword co-occurrence and citation analyses to reveal deeper thematic connections and conceptual developments within the field.

**Keywords:** Waqf Knowledge, Waqf Education, Waqf Literacy, Waqf Awareness, Bibliometric Analysis.

## 1. INTRODUCTION

Waqf, an Islamic endowment system, has played a vital role in the socio-economic development of Muslim societies for centuries (Çizakça, 2000). Based on principles of charity and sustainability, waqf has been instrumental in funding education, healthcare, and public welfare (Sadeq, 2002). Academic interest in waqf has gradually increased, resulting in a diverse body of research that explores its historical significance, current applications, and future potential. This research also emphasises themes of sustainability, including financial viability, community empowerment, innovative models, environmental sustainability, and governance frameworks (Baharin et al., 2025). However, a comprehensive analysis of the intellectual landscape and collaboration networks within waqf research remains limited.

Bibliometric analysis is a quantitative research method that examines the impact and structure of scholarly literature using statistical and computational tools (Aria & Cuccurullo, 2017). By analysing publications, citations, and co-authorship networks, this approach helps identify the

most influential works, prolific researchers, and dominant research areas. In the context of waqf, bibliometric analysis can reveal how academic discourse has evolved, which regions contribute most actively to the field, and how interdisciplinary collaborations shape the understanding of waqf (Uluyol et al., 2021).

This study aims to conduct a bibliometric analysis of waqf knowledge to systematically map the research landscape and collaboration networks among authors. By evaluating these elements, the findings help identify research gaps, emerging trends, and opportunities for future exploration. Additionally, Abd Aziz et al. (2025) assert that understanding the dynamics of scholarly output can assist policymakers, academics, and practitioners in aligning their efforts to enhance waqf's role in sustainable development and socio-economic progress.

The findings of this study are intended to guide researchers, policymakers, and practitioners in understanding the trajectory of waqf research and its broader implications. As digital technologies and new financial tools reshape charitable giving, it is crucial to examine how waqf is addressed in contemporary academic discourse (Khalim et al., 2025). By mapping influential sources and key areas of focus, this study provides a foundation for scholars to build upon existing knowledge and develop new perspectives on waqf management, governance, and innovation.

In summary, this bibliometric analysis of waqf offers a roadmap for researchers, policymakers, and institutions engaged in Islamic philanthropy and socio-economic development. By systematically analysing the existing body of knowledge, the study highlights the progress made in waqf research and sets the stage for future advancements in the field. The insights derived from this analysis contribute to a deeper understanding of waqf's role in contemporary society and support its future development in both academic and practical contexts.

## 2. METHODOLOGY

This study extracted data from the Web of Science (WoS) and Scopus databases (Donthu et al., 2021). These databases were selected due to their credibility in providing a wide range of peer-reviewed articles, journals, and conference proceedings (Singh & Rejeb, 2024). Data were collected by searching for publications using the keyword waqf in combination with education, knowledge, awareness, and literacy. The search queries used to generate the results were as follows:

i) WoS database search query:

((TS=(waqf knowledge)) OR TS=(waqf education)) OR TS=(waqf literacy)) OR TS=(waqf awareness)

ii) Scopus database search query:

TITLE-ABS-KEY (waqf) AND TITLE-ABS-KEY (knowledge) OR TITLE-ABS-KEY (education) OR TITLE-ABS-KEY (literacy) OR TITLE-ABS-KEY (awareness)

From the search results, 205 published articles were retrieved from the WoS database and 293 from the Scopus database. The bibliometric data from all 498 articles were downloaded in BibTeX format and subsequently cleaned for analysis. To prepare the data, the datasets were merged and duplicate articles removed, resulting in a final dataset of 367 unique publications, as illustrated in Figure 1. The selected publications span the period from 2008 to 2025. The search

was limited to English-language publications to ensure consistency in textual analysis. Bibliometric analysis was conducted using the R Tool package (Aria & Cuccurullo, 2017) and visualised using Biblioshiny in RStudio. The R Tool package is designed to work primarily with WoS and Scopus data. The web-based Biblioshiny application developed by Aria and Cuccurullo (2017) can be run directly from a browser, making it accessible for users without programming experience (Moral-Muñoz et al., 2020).

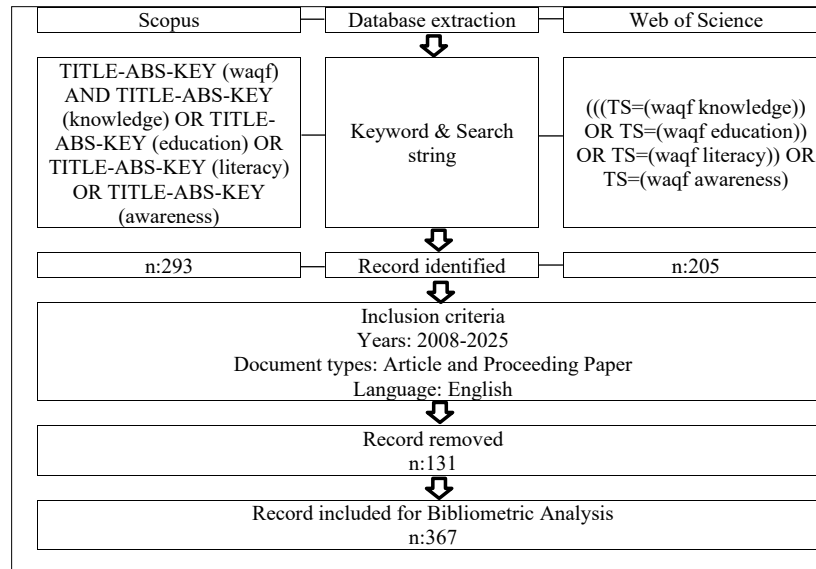


Figure 1. Flow diagram of the search strategy

### 3. RESULTS AND DISCUSSION

#### Thematic Map

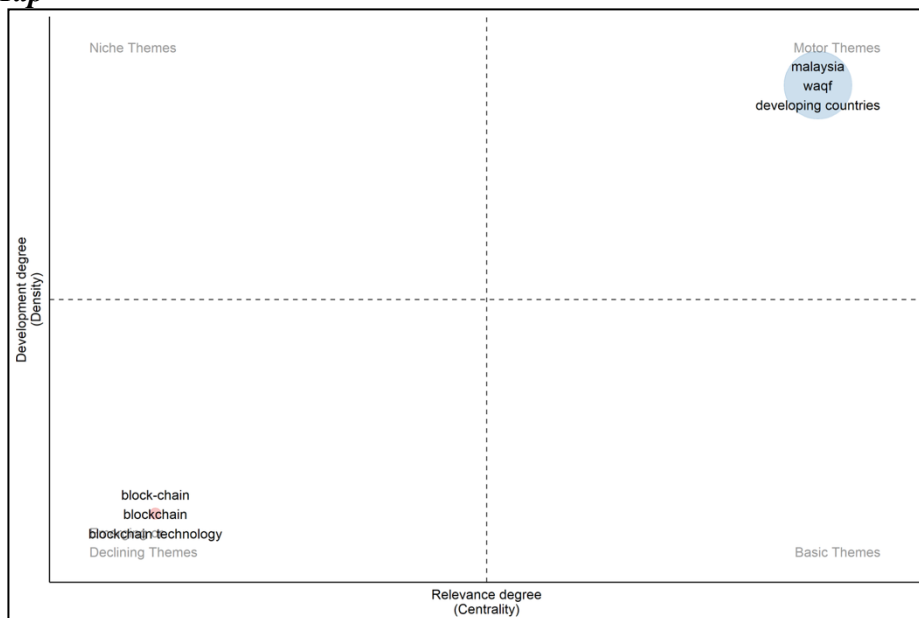


Figure 2. Thematic map

This thematic map presents an analysis of research themes based on two dimensions: degree of development (density) on the vertical axis and degree of relevance (centrality) on the horizontal axis. The plot is divided into four quadrants, each representing a different type of theme: motor themes (top-right), niche themes (top-left), basic themes (bottom-right), and declining themes

(bottom-left). The placement of keywords within these quadrants reflects their significance and maturity within the studied research field.

The Motor Themes quadrant (top-right) contains the most developed and influential topics in the research landscape. In this plot, the key themes in this quadrant are Malaysia, waqf, and developing countries, forming a cluster characterised by high density and centrality. This indicates that research related to waqf (Islamic endowment) in Malaysia and its role in developing countries is well-established, frequently studied, and interconnected with various research areas (Kalbani et al., 2025). The large size of the bubble further suggests strong academic engagement and substantial contributions to the field.

In contrast, the Declining Themes quadrant (bottom-left) includes topics such as blockchain, block-chain, and blockchain technology. These terms appear at the lowest levels of density and centrality, suggesting that their relevance within the research domain is minimal or diminishing. Despite global interest in blockchain technology, its representation in this thematic analysis appears weak, indicating either a lack of integration with dominant themes or a decline in research activity related to waqf and blockchain within this specific study (Abu-Husin et al., 2025). Abu-Husin et al. (2025) also conclude that this declining trend is influenced by the limited number of blockchain-related publications in Islamic finance indexed in the Scopus database.

Although blockchain technology offers considerable benefits to waqf management by enhancing transparency, security, and accountability, its adoption faces challenges such as regulatory hurdles, technological complexities, and limited collaboration between blockchain developers and Islamic finance experts (Mohaiyadin et al., 2022). Despite its potential to revolutionize waqf practices, blockchain integration in waqf management remains limited and requires more interdisciplinary research and supportive legal frameworks to achieve widespread implementation and maximize its impact. Existing studies are largely conceptual, with practical adoption in Islamic social finance still in the early stages.

Notably, no themes appear in the Niche Themes (top-left) or Basic Themes (bottom-right) quadrants. This suggests that the research field is primarily concentrated on the well-developed and influential themes of Malaysia and waqf, while other potential or emerging areas have yet to gain significant momentum. The absence of niche and basic themes may indicate a concentrated research landscape, where dominant topics overshadow exploratory or foundational studies.

### **Treemap**

The treemap visualisation categorises various topics based on their frequency of occurrence, represented by the size of the boxes and the associated percentages. The largest categories, Malaysia and waqf, each account for 5% of the total, indicating their prominence in the dataset. This aligns with the findings of Misbah et al. (2022), who noted that Malaysia ranks as the most productive country in waqf research. Malaysia's prominence is consistent with its role as a global Islamic finance hub, hosting numerous academic centres, conferences, and policy initiatives that promote Shariah-compliant finance (Judijanto et al., 2024). Following these are other notable topics such as blockchain technology, developing countries, finance, blockchain, microfinance, and poverty, each representing 3% of the dataset. This reflects a strong research focus on themes related to regional development, financial systems, and socio-economic issues (Alaeddin et al., 2021).



of Islamic Finance (14 documents), both of which play a substantial role in the dissemination of waqf-related research. Other highly relevant journals include the Journal of Islamic Marketing (12 documents) and the International Journal of Islamic and Middle Eastern Finance and Management (10 documents).

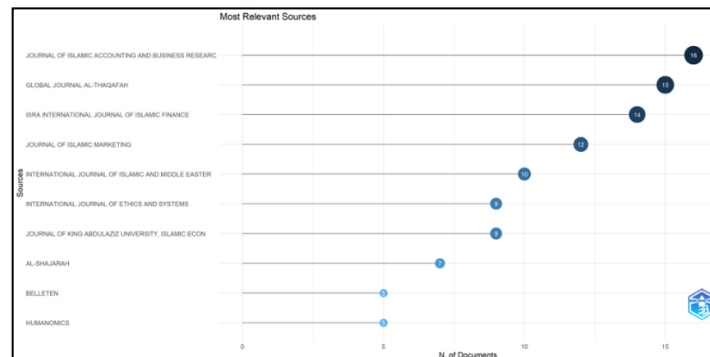


Figure 4. Most relevant sources

Mid-tier sources in terms of publication volume include the International Journal of Ethics and Systems and the Journal of King Abdulaziz University: Islamic Economics, each contributing nine documents. Additionally, Al-Shajarah (seven documents) provides a moderate contribution to the research field. These journals reflect sustained, albeit slightly lower, levels of academic activity compared to the top-tier sources.

At the lower end of the ranking, Belleten and Humanomics each contribute five documents. While these journals remain relevant to the research domain, their lower publication numbers suggest they are not primary outlets for waqf-related research. Overall, the plot highlights that journals focusing on Islamic finance, marketing, and ethics are central to the field, with a noticeable concentration of studies published in a few leading sources.

### Most Relevant Authors

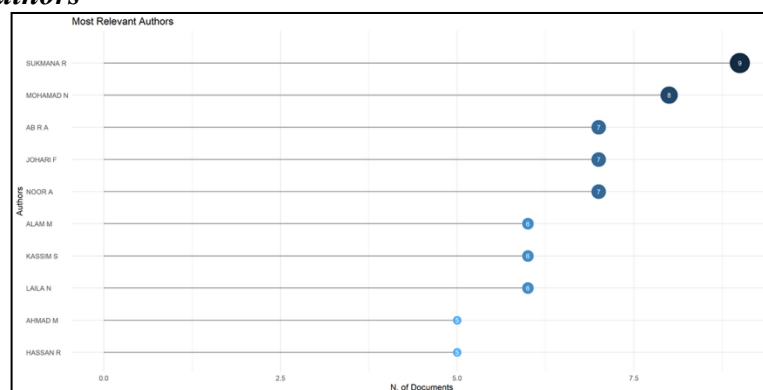


Figure 5. Most relevant authors

Figure 5 provides a visual representation of the most relevant authors based on the number of documents they have contributed. The horizontal axis shows the number of documents, while the vertical axis lists the authors, ranked in descending order of contributions. The plot highlights the dominance of certain authors, with contributions ranging from five to nine documents.

Sukmana R is the most prolific author, contributing nine documents and standing out significantly among the others. Mohamad N follows with eight documents, demonstrating a slightly lower but still notable level of output. AB R A, Johari F, and Noor A each contributed seven documents,

placing them jointly in third position. These authors collectively represent a significant portion of the total contributions, indicating their central role in the dataset.

Alam M, Kassim S, and Laila N each contributed six documents, forming the next tier of contributors. While their contributions are slightly lower than those of the top-tier authors, they remain substantial and reflect active involvement. Ahmad M and Hassan R, with five documents each, round out the list of relevant authors. Although their counts are the lowest on the chart, they still play a meaningful role in the dataset.

Overall, the chart reveals a clear hierarchy in the number of contributions among the authors, with Sukmana R and Mohamad N leading the group. The clustering of authors with similar document counts (seven and six documents) suggests a relatively balanced level of participation among contributors following the top two authors. This analysis helps identify key contributors and provides insights into the distribution of effort within the dataset.

### ***Collaboration Network between Authors***

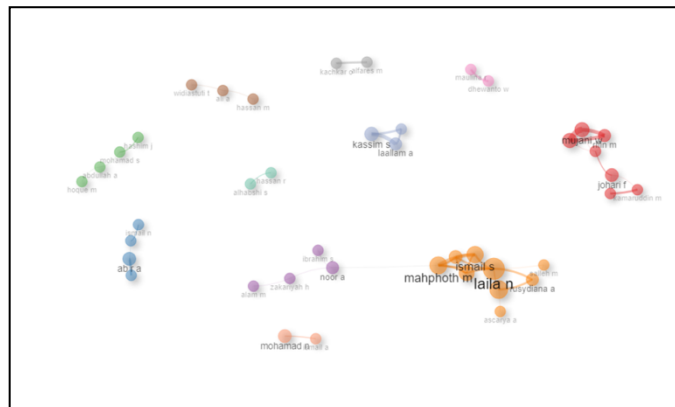


Figure 6. Collaboration network between authors

Figure 6 represents a collaboration network among researchers in the waqf knowledge research area. The network graph visualises the relationships or collaborations between individuals, represented by nodes that are connected by edges. Each node signifies an individual author, and edges between the nodes indicate co-authorship relationships. The nodes are grouped into clusters, indicated by their geographical distances. Different clusters are colour-coded, suggesting distinct research groups or thematic collaborations within the academic field. This also indicates that individuals within each cluster are more closely related to each other. The size of the nodes varies, indicating the significance or centrality of a particular node in the network, with larger nodes denoting more prominent individuals in terms of connections or influence. It also shows that some authors have a higher degree of collaboration compared to others.

From the graph, the orange cluster is the most prominent in the network, centred around Laila N and Mahphoth M. The dense connections within this cluster suggest strong collaboration or interactions among these individuals, likely driving significant contributions to waqf knowledge research. Although Laila N is not classified as the most relevant author in this research area, she has a larger collaboration network with other authors than Sukmana R, who is the most relevant author. Additionally, the connections between this cluster and neighbouring nodes such as Rusydiana A, Ascarya A, and Saleh M suggest some level of interaction with other smaller groups.

Other clusters in the network, such as the red, green, and blue groups, are relatively smaller and more isolated. Each represents a group of researchers who collaborate primarily within their circle, with minimal interaction with other groups. This separation suggests specialised subfields or regional research collaborations. The red cluster, for example, revolves around Mujani W and Johari F, with fewer connections extending outward. The green and blue clusters are similarly compact, indicating smaller, possibly more specialised groups with fewer external interactions. These isolated clusters may represent subgroups or teams working independently or focusing on niche areas.

Finally, some nodes, such as those in the grey and pink clusters, have minimal connections, suggesting supplementary roles or limited interactions with the broader network. These nodes might represent individuals or subgroups that are less central to the overall structure. This could be due to niche research topics, early-stage collaborations, or regional research constraints. The overall visualisation highlights a hierarchical network, with certain nodes playing central roles in bridging connections between different groups, while others maintain isolated or specialised positions. Expanding intergroup collaborations could enhance the exchange of knowledge and innovation within this academic field.

#### **4. IMPLICATION AND FUTURE RESEARCH**

The study offers valuable insights into the current landscape of waqf research by mapping key thematic areas, leading authors, and collaboration networks. It reveals that research collaboration in waqf has grown steadily, yet it remains concentrated within certain regional hubs such as Malaysia and Indonesia (Rahman et al., 2025). Only a few prominent authors serve as essential connectors within the collaborative network, suggesting significant potential to expand and strengthen partnerships across countries and disciplines. Broadening collaboration would facilitate enhanced knowledge sharing and foster innovation in waqf literacy, ultimately benefiting policymakers and waqf institutions that strive to develop more effective literacy programmes and governance strategies.

For future research, expanding bibliometric analyses to include keyword co-occurrence and thematic evolution over time is recommended. These approaches would provide deeper insights into emerging research trends, identify knowledge gaps, and explore potential interdisciplinary linkages within waqf studies. Such comprehensive analyses could enrich the understanding of waqf's evolving role in socio-economic development and sustainable governance, supporting the design of targeted interventions that maximise its socio-economic and developmental benefits.

The study provides important insights into the current state of waqf research by mapping thematic areas, key authors, and collaboration networks. It shows that scholarly collaboration has grown but remains mainly concentrated within specific regions, with few prominent authors serving as key connectors. This highlights a significant opportunity to strengthen partnerships across countries and disciplines, which would enhance knowledge sharing and innovation in waqf literacy. For future research, expanding bibliometric analyses to include keyword co-occurrence and thematic evolution will offer a deeper understanding of emerging trends, identify knowledge gaps, and explore interdisciplinary links within waqf studies.

#### **5. CONCLUSION**

The bibliometric analysis of waqf research provides a comprehensive overview of the field's intellectual landscape, highlighting key thematic areas, prominent authors, and collaboration

networks shaping the discipline. By concentrating on English-language publications, the study effectively maps the development of waqf research across key regions, identifies influential authors, and visualises collaboration patterns, revealing how scholarly efforts are clustered predominantly in certain countries. Consequently, this methodological choice amplifies the accuracy and clarity of the bibliometric review, guiding future research directions and fostering enhanced global academic cooperation in waqf. The study reveals a growing academic interest in waqf, with research expanding across disciplines such as Islamic finance, governance, and socio-economic development (Mahadi & Yusuf, 2025). The increasing number of publications and citations demonstrates the relevance of waqf as a subject of scholarly inquiry, particularly in regions where Islamic philanthropy plays a crucial role in public welfare (Abd Aziz et al., 2025).

A key finding of this analysis is the identification of dominant research themes, including waqf governance, legal frameworks, economic contributions, and the integration of modern financial tools such as blockchain. Additionally, the study highlights collaborative networks among researchers, showcasing the global interest in waqf and the necessity for interdisciplinary approaches. These insights provide a foundation for future research, emphasising the need for innovative strategies to enhance the efficiency and sustainability of waqf institutions.

The analysis shows that while interest in waqf literacy has been growing, research efforts remain somewhat fragmented, with limited global collaboration and several underexplored topics. These insights not only help scholars navigate the existing body of knowledge but also highlight opportunities for future studies to bridge gaps, foster interdisciplinary collaborations, and advance practical applications in waqf management and literacy initiatives.

The analysis also underscores the role of academic journals and institutions in shaping waqf research, with certain sources emerging as key platforms for publishing influential studies. Understanding these publication patterns can help researchers navigate the field more effectively and identify opportunities for impactful contributions (Baharin et al., 2025). Moreover, the increasing application of digital tools and financial technologies in waqf management signals a new direction for research and practical implementation.

In conclusion, this bibliometric study serves as a valuable resource for academics, policymakers, and practitioners interested in waqf and Islamic philanthropy. By mapping the evolution of waqf research and identifying critical gaps, this study contributes to the ongoing discourse on improving waqf's role in sustainable development. Overall, this study provides a clearer understanding of the intellectual structure and development trends within waqf literacy research, serving as a valuable foundation for both academics and practitioners.

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## BEHAVIOURAL INSIGHTS INTO TAX COMPLIANCE AMONG THE M40 GROUP IN SELANGOR

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### Abstract

This study examines the factors influencing tax compliance behavior among the M40 income group in Selangor, focusing on tax knowledge, peer influence, and tax ethics as key determinants. The primary objective is to explore the relationship between these factors and tax compliance behavior. Data were collected through an online questionnaire distributed to respondents within the M40 demographic, with a sample size determined using established sampling methods. The survey measured demographic information, perceptions of tax compliance behavior, tax knowledge, peer influence, and tax ethics. The findings indicate that tax knowledge, peer influence, and tax ethics all have significant positive relationships with tax compliance behavior. Higher levels of tax knowledge and stronger ethical values are associated with better compliance, while peer influence also plays a notable role in shaping tax behavior. These results suggest that enhancing tax education, promoting ethical standards, and leveraging positive peer influence can effectively improve tax compliance among the M40 group. The study provides insights for policymakers and tax authorities to develop strategies aimed at encouraging greater compliance through education, ethics, and social initiatives.

**Keywords:** Tax compliance behavior, Tax knowledge, Peer influence, Tax ethics, M40 income group

### 1. INTRODUCTION

Globally, governments depend heavily on tax revenue to sustain national development. In Malaysia, income tax remains the backbone of government revenue, contributing approximately 70% to total tax collections as reported in Budget 2023. However, despite these seemingly strong figures, the actual rate of public contribution to the national tax base is far less impressive. Research has shown that increased tax compliance is strongly associated with tax revenue growth, a crucial factor in maintaining fiscal sustainability in regulated economies like Malaysia (Ong et al., 2022).

According to the Inland Revenue Board of Malaysia's (IRBM) annual reports, Malaysia's tax revenue fluctuated over the years — RM145.11 billion in 2019, RM123.10 billion in 2020, and RM144.10 billion in 2021. However, a closer look reveals several alarming trends related to non-compliance. In 2023, over 180,000 individuals were barred from leaving the country due to unpaid taxes totaling RM1.884 billion (FMT, 2023). In 2022, tax arrears were recorded at RM12.41 billion, while the National Audit Department reported an estimated RM16.5 billion in taxes and penalties that could potentially be collected by IRBM.

Tax evasion in Malaysia appears to stem from deeply entrenched behaviours and attitudes. Many individuals — including professionals and company directors with significant shareholding — remain unwilling to fulfil their legal obligations (Ranjeet Kaur, 2023). As of 2023, Malaysia had just 1.3 million active individual taxpayers, representing only 4% of the nation's population of over 33.5 million (Chung, 2023). Such statistics highlight a systemic issue in public tax

engagement and raise concerns about the sustainability of the current revenue model.

Non-compliance not only reduces government revenue but also distorts economic decisions. Tax evasion leads to inefficient resource allocation when individuals adjust their employment choices or investment activities to avoid detection. This undermines equitable burden-sharing and creates fiscal pressure that must be compensated either by higher taxes on compliant individuals or reduced public services.

Abdul Ghani et al. (2020) also highlighted that tax compliance remains worryingly low, with only 15.24% (2.27 million) of the 14.9 million registered taxpayers fulfilling their obligations. This issue is further exacerbated by under-reporting: as of June 2022, 31,598 taxpayers had been flagged by IRBM for failing to declare actual income based on asset ownership, income capacity, and loan exposure exceeding RM500,000 (TheSun, 2023).

To combat this, the government has invested substantial resources in public education campaigns to promote tax awareness. These include more than 2.5 million media promotions, 600 talks, 70 programs, and over 20,000 advertisements — using channels ranging from television to public transport branding (IRBM, 2021). While commendable, such initiatives are resource-intensive and unsustainable in the long run. If tax compliance improved organically through greater understanding and ethical awareness, funds currently directed toward awareness efforts could be better invested in high-impact development projects.

According to IRBM's 2022 report, Malaysia's T20 income group contributed 85% (RM33.68 billion) of the total personal income tax, whereas the M40 group accounted for only 13% (RM5.38 billion). This significant disparity raises critical questions about compliance within the M40 group, which represents a substantial segment of the Malaysian middle class.

Thus, this study aims to investigate the level of tax compliance among Malaysia's M40 income group, specifically in the state of Selangor. By examining the behavioural, economic, and structural factors that influence tax compliance within this demographic, the study hopes to contribute meaningful insights to policy development aimed at enhancing voluntary compliance and improving the effectiveness of Malaysia's tax system.

## **2. LITERATURE REVIEW**

### **2.1 Tax Compliance Behaviour**

According to James and Alley (2002), tax compliance can be conceptualized through the notion of the tax gap, which represents the disparity between a taxpayer's actual tax liability and the amount voluntarily paid or collected through enforcement mechanisms. Andreoni et al. (1998) further define tax compliance as the willingness of taxpayers to observe tax laws in order to maintain economic equilibrium within a country. From a broader perspective, Song and Yarbrough (1978) emphasize that, given the centrality of self-assessment and voluntary compliance to the success of the U.S. tax system, tax compliance should be understood as both the capacity and willingness of taxpayers to fulfill tax obligations in accordance with prevailing legal, ethical, and situational conditions. Complementing this, Kirchler (2007) offers a more concise definition, describing tax compliance simply as the willingness of taxpayers to meet their tax obligations.

From a regional standpoint, the concept of tax compliance varies across jurisdictions. For instance, in South Africa, tax compliance is defined as the act of preparing, filing, and paying taxes within the prescribed deadlines. In India, tax compliance is governed by the Income Tax Act of 1961, and is defined as the fulfillment of all tax-related responsibilities as mandated by this legislation (Tax Management India, August 2023)

A substantial body of research has been dedicated to examining tax compliance behaviour. Various determinants of tax compliance have been identified and tested as independent variables in prior studies, including tax knowledge (e.g., Palil, 2010; Hofmann et al., 2008; Twum et al., 2020), ethics (e.g., Alm & Torgler, 2011; Randolph, 2015), fairness (e.g., Saad, 2011; Faizal & Palil, 2015; Tilahun, 2019; Hofmann et al., 2008), motivation (Hofmann et al., 2008), peer influence (Maroney & Rupert, 2000), and trust and power (e.g., Al-Maghrebi et al., 2022; Zieser, 2021; Faizal et al., 2017; Kogler et al., 2022; Mas'ud et al., 2018).

This study draws upon two foundational theoretical frameworks: the Theory of Planned Behavior (TPB) by Ajzen and Fishbein, which emphasizes intention as a key predictor of behaviour, and Rest's Four-Component Model of Ethical Decision-Making, which outlines the cognitive and moral processes individuals undergo when making ethical decisions. These theories serve as the conceptual basis for investigating the determinants of tax compliance behaviour in this research.

## **2.2 The Influence of Tax Knowledge on Tax Compliance Behaviour**

Previous research has produced substantial evidence on the role of tax knowledge in influencing tax compliance behaviour. However, findings across studies are not unanimous and tend to vary based on research methods, sample populations, and contextual factors. While many studies have found that tax knowledge has a significant positive effect on tax compliance, a few have reported otherwise. This section critically reviews both perspectives.

A growing body of literature supports the premise that tax knowledge is a critical determinant of tax compliance behaviour. For instance, Diantimala (2018) employed multiple linear regression to analyse the relationship between tax knowledge and compliance behaviour in Banda Aceh City. Using simple random sampling, data were collected from 100 respondents, revealing that tax knowledge has a significant and positive impact on compliance.

Similarly, Palil (2010) examined the influence of tax knowledge among Malaysian taxpayers within the context of the newly implemented Self-Assessment System (SAS). Drawing on 1,073 responses from a national mail survey distributed to individuals including lecturers, professionals, and laypeople, the findings revealed a strong positive association between tax knowledge and tax compliance behaviour.

In the context of Yemen, Al-Ttaffi et al. (2020) also reported that higher tax knowledge corresponds with increased compliance among taxpayers. Comparable results were found in a study by Oktaviani et al. (2019), who surveyed 100 respondents and concluded that taxpayer awareness, knowledge of tax laws, and service quality significantly contribute to individual compliance.

Further supporting this, Sawitri et al. (2017) conducted survey research targeting 100 registered taxpayers in the Pekanbaru-Senapelan Tax Office. Their findings showed that taxpayer awareness fully mediates the relationship between tax knowledge and tax compliance, thus reinforcing the importance of educational outreach and awareness programs.

Despite the consistency of findings in favour of tax knowledge, some studies have reported contradictory results. Kamil (2015), for instance, found a negative and significant effect of tax knowledge on compliance. The study, which involved data collection from taxpayers in Jabodetabek and Bandung through random sampling, suggests that mere possession of tax knowledge does not necessarily translate into compliant behaviour—possibly due to distrust in the system or other moderating factors.

Similarly, Saad (2014) conducted telephone interviews with 30 respondents in New Zealand and found that participants generally possessed insufficient tax knowledge, which may undermine their ability to comply effectively. This outcome was mirrored by Ang and Manual (2016), who investigated self-employed individuals in West Malaysia. Using a simple random sampling technique, they surveyed 150 respondents online and found no significant influence of tax knowledge on compliance behaviour.

Lestari and Daito (2020), as well as Mei et al. (2012), also reported non-significant relationships in their respective contexts, further emphasizing the potential presence of intervening or contextual variables that moderate the effect of tax knowledge on compliance behaviour.

Overall, while the majority of empirical studies demonstrate a positive correlation between tax knowledge and compliance behaviour, inconsistencies in findings suggest that this relationship may not be universally applicable across different populations and contexts. Factors such as taxpayer type (e.g., self-employed vs. salaried), the presence of tax morale, enforcement mechanisms, and the quality of tax education programs may play moderating roles.

### **2.3 The Influence of Peers Influence on Tax Compliance Behaviour**

Peer influence has emerged as a critical social factor in the study of tax compliance behaviour. It refers to the extent to which an individual's decision to comply with tax regulations is shaped by the actions, norms, and expectations of their social circle. Individuals often adopt behaviours exhibited by their peers to conform, gain acceptance, or emulate those they admire. However, the degree to which peer influence affects behaviour is not uniform across contexts. As Wenzel (2004) contends, peer influence is most impactful when individuals feel a strong sense of identification with the group in question. Without such identification, social norms may have little bearing on one's willingness to comply with tax obligations. Similarly, Venkatesh and Davis (2000) suggest that compliance driven by peer influence often arises from social pressure, making it a complex and context-dependent phenomenon.

A substantial body of empirical literature supports the argument that peer influence plays a significant role in promoting tax compliance. For example, Mohammed Mahdi Abd Obaid et al. (2020), in a study involving 377 respondents, found a positive association between peer behaviour and tax compliance. The findings indicated that individuals are more likely to comply with tax obligations when they observe similar behaviour among their peers. Similarly, Aribowo et al. (2020) employed an experimental survey method to assess how peer information affects compliance decisions. Drawing from the methods of Alm, Bloomquist, and McKee (2016), the study involved 200 participants and revealed that peer compliance information significantly influenced individuals' willingness to comply with tax laws. Notably, the study also identified specific types of peer cues that had a stronger impact than others, highlighting the nuanced nature of social influence.

Consistent findings were also reported by Al-Rahamneh and Bidin (2022), who examined tax evasion behaviour among 212 respondents. Their results confirmed that peer dynamics significantly influence tax-related decisions, with peers often acting as either enablers or deterrents depending on the prevailing group norms. In a related study, Sasmaz (2019) applied both Social Norms Theory and Social Networking Theory using a 3x2 experimental tax simulation to explore the effects of peer interaction on tax compliance. The findings indicated that peer influence contributed meaningfully to individual compliance behaviour, reinforcing the role of social context in tax compliance decision-making.

Despite these findings, not all studies have established a significant relationship between peer influence and tax compliance. For instance, Alshira'h (2019) developed a structural model and employed a probability sampling technique to assess the hypothesised link between peer influence and tax compliance behaviour. Contrary to expectations, the study found no statistically significant relationship, suggesting that peer effects may be contextually limited. Similarly, Peter (2023), in a study conducted in Uganda, found that peer norms did not significantly impact tax compliance behaviour, reinforcing the idea that sociocultural and institutional factors may mediate the role of peer influence.

The literature, therefore, presents mixed evidence. While many studies underscore the relevance of peer influence in shaping tax compliance—particularly in environments where social norms are strong and visible—others highlight its limited role in settings where such norms are either weak or inconsistent. These discrepancies may stem from variations in cultural context, methodological approaches, or the nature of the peer groups studied. Consequently, further research is needed to explore the underlying conditions under which peer influence significantly contributes to tax compliance behaviour. In countries like Malaysia, where informal norms and community ties remain influential, a deeper understanding of peer dynamics could provide valuable insights for policymakers and tax authorities aiming to enhance voluntary compliance through socially grounded strategies.

### **2.3 The Influence of Ethics on Tax Compliance Behaviour**

Ethics—defined as an individual's sense of moral obligation—plays a critical role in shaping tax compliance behaviour. According to Drogalas et al. (2018), tax evasion involves a deliberate violation of tax laws and intentional neglect of fulfilling one's fiscal responsibilities, directly resulting in noncompliance. Individuals with weak ethical standards are more likely to engage in tax evasion, thereby undermining the integrity of the tax system (Alm & Torgler, 2006; Torgler et al., 2008).

Numerous empirical studies have established a significant relationship between ethics and tax compliance behaviour. For instance, Soliz (2015) conducted a study using three independent variables—preparer's enforcement role, taxpayer ethical orientation, and financial risk perception—and found a statistically significant interaction between ethical orientation and tax compliance among 169 participants. Similarly, Randolph (2015) reported that ethically driven individuals in Ghana exhibited higher levels of compliance than their unethical counterparts.

Benkraeim et al. (2021), in a comprehensive cross-country study involving 1,285 observations from 138 countries, also found that ethical behaviour significantly reduced tax evasion. Their results reinforce the notion that enhancing ethical standards can indirectly boost tax compliance. Likewise, Al-Rahamneh and Bidin (2022), through a study in Jordan with 212 respondents, concluded that moral obligations have a significant negative impact on tax evasion, suggesting

that ethically conscious taxpayers are more likely to fulfil their obligations.

Additional support comes from Legwale (2021), who reviewed 46 studies across various economies—ranging from developed nations like the United States and the United Kingdom to developing nations like Kenya and Malaysia—and concluded that individual ethics substantially influence tax compliance behaviour. Furthermore, studies by Alkhatib et al. (2020) in Palestine and Pinar & Belk (2022) in Turkey both highlighted a direct and significant relationship between ethical considerations and tax compliance. However, both studies emphasized the need for further empirical validation to solidify this linkage.

Shekhar (2021) echoed similar sentiments, asserting that ethical reasoning is positively associated with increased compliance, while Bahagia et al. (2021), in a study involving over 350 respondents in Pratama Lubuk Pakam, found ethics to be a strong determinant in encouraging taxpayer adherence. In the academic context, Yasa et al. (2020) studied 34 accounting undergraduates at Ganesha University and observed that ethics education contributed positively to students' understanding of tax obligations, highlighting the role of early ethical instruction in shaping long-term compliance.

Despite the predominance of studies supporting a positive link, there are contrasting findings that warrant attention. Al-Asfour and Abu Saleem (2023), through a study involving 354 Jordanian respondents, found that ethics had the lowest mean score among factors influencing tax compliance. Their results suggested that Jordanian taxpayers did not necessarily view tax evasion as unethical, and compliance was more closely tied to perceptions of fair wealth redistribution rather than moral obligations.

Taken together, these findings suggest that ethical considerations are a crucial but context-dependent determinant of tax compliance behaviour. While a significant number of studies affirm the influence of ethics, regional cultural norms, public trust in government, and perceptions of fairness may mediate this relationship. The inconsistent findings across different geographical and socio-economic settings reinforce the need for further research to explore how ethical values are shaped and how they translate into tax compliance behaviours.

### **3. METHODOLOGY**

This study adopts a quantitative research design, specifically a cross-sectional approach, whereby data were collected at a single point in time to explore the relationships between the key variables of interest. The central objective is to examine the association between tax knowledge, peer influence, and ethics (independent variables) and tax compliance behaviour (dependent variable).

The target population for this research consists of individuals within the M40 income group in the state of Selangor, Malaysia. According to the Department of Statistics Malaysia (DOSM, 2022), Selangor is home to approximately 1.29 million M40 households, making it a substantial representation of the nation's middle-income demographic.

The sample size was determined based on Krejcie and Morgan's (1970) sample size determination table, which recommends a minimum of 384 respondents for populations exceeding one million. Due to constraints in time and accessibility, a convenience sampling technique was employed. Although non-probabilistic in nature, this method enabled the researchers to obtain a sufficient number of responses from participants who were readily available and willing to participate.

Data were collected using a structured online questionnaire developed via Google Forms, comprising five sections. Section A captured respondents' demographic information (e.g., age, education, and income range), while Sections B through E measured the constructs of tax compliance behaviour, tax knowledge, peer influence, and ethics, respectively. All items were rated on a 5-point Likert scale, ranging from "Strongly Disagree" (1) to "Strongly Agree" (5).

The questionnaire link was disseminated through various digital platforms, including email, WhatsApp, and social media, specifically targeting M40 income earners in Selangor. Participants were briefed on the study's objectives, and assurance of voluntary participation, anonymity, and confidentiality was provided to ensure ethical compliance.

The data were coded and analyzed using IBM SPSS Statistics Version 20. Descriptive statistics were used to summarize the demographic profiles of respondents. To assess the hypotheses and investigate the relationships between variables, Pearson correlation analysis was employed, allowing for the evaluation of the strength and direction of the linear associations between the independent variables (tax knowledge, peer influence, and ethics) and the dependent variable (tax compliance behaviour).

#### 4. RESULTS AND DISCUSSION

##### *Profile of the respondent*

**Table 1.1: Demographic Profile of Respondents**

Profile	Types	Frequencies	Percentage (%)
Gender	Male	31	23.8
	Female	99	76.2
Age	19-28	10	7.7
	29-38	30	23.1
	39-48	34	26.2
	49-58	31	23.8
	59 and above	25	19.2
Race	Malay	124	95.4
	Chinese	1	0.8
	Indian	0	0
	Others	5	3.8
Level of Education	Primary school	1	0.8
	PMR or PT3	1	0.8
	SPM	14	10.8
	STPM/Diploma	27	20.8
	Bachelor's Degree	80	61.5
	Masters	7	5.4
Number of Family Members	1-2	11	8.5
	3-4	43	33.1
	5-6	48	36.9
	More than 6	28	21.5
Approximate income per month	RM4849 - RM6000	101	77.7

	RM6001 - RM8000	13	10
	RM8001 - RM9999	6	4.6
	RM10000 - RM10960	10	7.7
Sector of work	Public Sector	42	32.3
	Private Sector	88	67.7
Job Title or Field of Specialization	Manager	8	6.2
	Executive	7	5.4
	Engineer	1	0.8
	Administrative	36	27.7
	Finance	8	6.2
	Salesperson	3	2.3
	Marketing	4	3.1
	Information Technology	3	2.3
	Customer Service	2	1.5
	Others	58	44.6

The demographic profile of the respondents indicates that the majority were female (76.2%) and largely comprised individuals aged between 29 to 58 years, with the highest proportion falling in the 39–48 age group (26.2%). Most respondents identified as Malay (95.4%) and had attained at least a bachelor's degree (61.5%), reflecting a well-educated sample consistent with the M40 income group in Selangor. Family size varied, with most having between 5 to 6 members (36.9%), while the majority (77.7%) reported a monthly income between RM4,849 and RM6,000. Employment was primarily in the private sector (67.7%), and job roles were diverse, with a concentration in administrative positions (27.7%) and a substantial number (44.6%) categorized under "others." These characteristics suggest a mature, educated, and economically active group suitable for examining behavioural patterns in tax compliance.

***Objective 1: To identify the relationship between tax knowledge and tax compliance behaviour***

**Table 1.2: Correlation analysis between tax knowledge and tax compliance behaviour**

		Tax Compliance Behavior
Tax Knowledge	Pearson Correlation	0.726
	Sig (2 tailed)	0.000
	N	125

Based on the correlation analysis presented in Table 1.2, there is a strong positive relationship between tax knowledge and tax compliance behaviour, with a Pearson correlation coefficient of 0.726. The p-value (Sig. 2-tailed) is 0.000, which is less than 0.05, indicating that the relationship is statistically significant. This finding implies that as individuals' knowledge of tax increases, their likelihood to comply with tax regulations also increases. The result supports the notion that better-informed taxpayers tend to understand their obligations more clearly, reducing unintentional non-compliance and fostering voluntary compliance.

**Objective 2: To identify the relationship between peers' influence and tax compliance behaviour.**

**Table 1.3: Correlation analysis between peers' influence and tax compliance behaviour**

		Tax Compliance Behavior
Peers' Influence	Pearson Correlation	0.628
	Sig (2 tailed)	0.000
	N	125

The correlation analysis reveals a statistically significant and moderately strong positive relationship ( $r = 0.628$ ,  $p < 0.001$ ) between peers' influence and tax compliance behavior among the 125 participants. This suggests that individuals are more likely to comply with tax obligations when they perceive that their peers are doing the same. The findings highlight the role of social influence in shaping tax-related decisions, implying that fostering positive peer behavior and leveraging social norms could be effective strategies for improving tax compliance.

**Objective 3: To identify the relationship between tax knowledge and tax compliance behaviour**

**Table 1.4: Correlation analysis between tax ethics and tax compliance behaviour**

		Tax Compliance Behaviour
Tax Ethics	Pearson Correlation	0.741
	Sig (2 tailed)	0.000
	N	125

The correlation analysis shows a strong positive and statistically significant relationship ( $r = 0.741$ ,  $p < 0.001$ ) between tax ethics and tax compliance behavior among the 125 respondents. This indicates that individuals with higher ethical standards regarding taxation are significantly more likely to comply with tax obligations. The strength of the correlation suggests that tax ethics is a key determinant of compliant behavior, highlighting the importance of promoting ethical awareness and moral responsibility in tax matters. Therefore, enhancing tax ethics through education, awareness campaigns, and ethical leadership could be an effective strategy to improve overall tax compliance.

## 5. CONCLUSION

This study examined the relationship between tax knowledge, peers' influence, and tax ethics with tax compliance behavior among the M40 income group in Selangor. The findings demonstrate that all three factors have a significant and positive relationship with tax compliance. Notably, tax ethics recorded the strongest correlation ( $r = 0.741$ ,  $p < 0.001$ ), indicating that individuals with a strong moral belief in the importance of paying taxes are more likely to comply. This highlights ethics as a foundational driver in shaping honest tax behavior. Meanwhile, tax knowledge also showed a strong and significant positive correlation with compliance, suggesting that individuals who are better informed about tax laws, procedures, and their obligations are more likely to comply voluntarily. This finding underscores the importance of accessible and effective taxpayer education. Additionally, peers' influence revealed a moderately strong correlation ( $r = 0.628$ ,  $p < 0.001$ ), showing that the social environment and norms within peer groups significantly affect taxpayer behavior. When individuals observe that their peers are tax compliant, they are more inclined to follow suit, driven by social expectations or the desire to maintain a positive image. Taken together, these results confirm that both cognitive (knowledge) and social-ethical (ethics and peer influence) factors play crucial roles in promoting tax

compliance within the M40 segment. These findings suggest that tax authorities and policymakers should adopt a more holistic and behaviorally informed approach to improving compliance. In addition to enforcement, strategies should include enhancing tax education, promoting ethical tax values, and leveraging positive peer influence, such as through testimonials, peer ambassadors, or community campaigns.

Although this study provides valuable insights, it is limited to the M40 group within Selangor and focuses on only three behavioral factors. Future research could expand to include other demographic segments (e.g., B40 or T20) or geographical regions for broader generalizability. Further investigation into factors such as trust in tax authorities, perceived fairness, penalty awareness, or digital literacy could enrich the understanding of compliance behavior. Longitudinal studies or mixed-method approaches may also uncover how these relationships evolve over time or in response to policy changes. Additionally, qualitative research could provide deeper insights into the personal and cultural reasons behind taxpayers' decisions, supporting the development of more targeted interventions.

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