UNIVERSITI TEKNOLOGI MARA

THE EFFECT OF CORPORATE GOVERNANCE CHARACTERISTICS AND ORGANIZATIONAL CLIMATE ON WHISTLEBLOWING POLICIES DISCLOSURES LEVEL IN MALAYSIAN PUBLIC LISTED

NORAISAH BINTI SUNGIP

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ABSTRACT

According to studies on voluntary disclosure and financial reporting, companies with certain characteristics of good corporate governance disclose more voluntary information than their counterparts. The scope of this research has now expanded to include the examination of companies' whistleblowing policy disclosure. Having an adequate whistleblowing policy disclosure would send a positive message to stakeholders that such a company is concerned about safeguarding their interests. The study contributes to the literature by investigating whether different types of board composition and organizational climate influence whistleblowing policy disclosure in the Top 100 Malaysian listed companies. The study specifically investigate whether Malaysian corporate whistleblowing policy disclosure is influenced by the proportion of independent directors, board size, frequency of board meetings, ethical climate and readiness to change. The study also investigated whether the proportion of female directors moderates the relationship between independent directors, board size, frequency of board meetings, ethical climate and readiness to change to the whistleblowing policy disclosure. The relationship between these five types of board composition and the level of whistleblowing policy disclosure is tested using an OLS regression model. The findings reveal that board independence and readiness to change are significantly and positively associated with whistleblowing policy disclosure. However, board size, frequency of the board meetings and ethical climate do not exhibit significant relationships with whistleblowing policy disclosure. Board gender diversity of women significantly moderates the relationship between board independence, readiness to change and ethical climate on the whistleblowing policy disclosure level. However, the board's gender diversity of women does not have a moderating effect on the relationship between board size and frequency of board meetings. The sample is made up of the top 100 Malaysian publicly listed companies in 2022. This paper presents the first empirical study where principal-principal conflict theory is extended to explain drivers of whistleblowing policy disclosure and, hence, brings new insights to the literature on whistleblowing policy disclosure

Keywords: board composition; corporate governance; organizational climate; disclosure; Malaysia; whistleblowing

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CHAPTER 1
INTRODUCTION

1.1 Introduction

This chapter deals with the initial part of the study. It fundamentally comprises the background of the study, problem statement, research questions, research objectives, scope of the study, limitations of the study, significance of the study and organization of the study. Figure 1.1 exhibits the flow of this chapter.

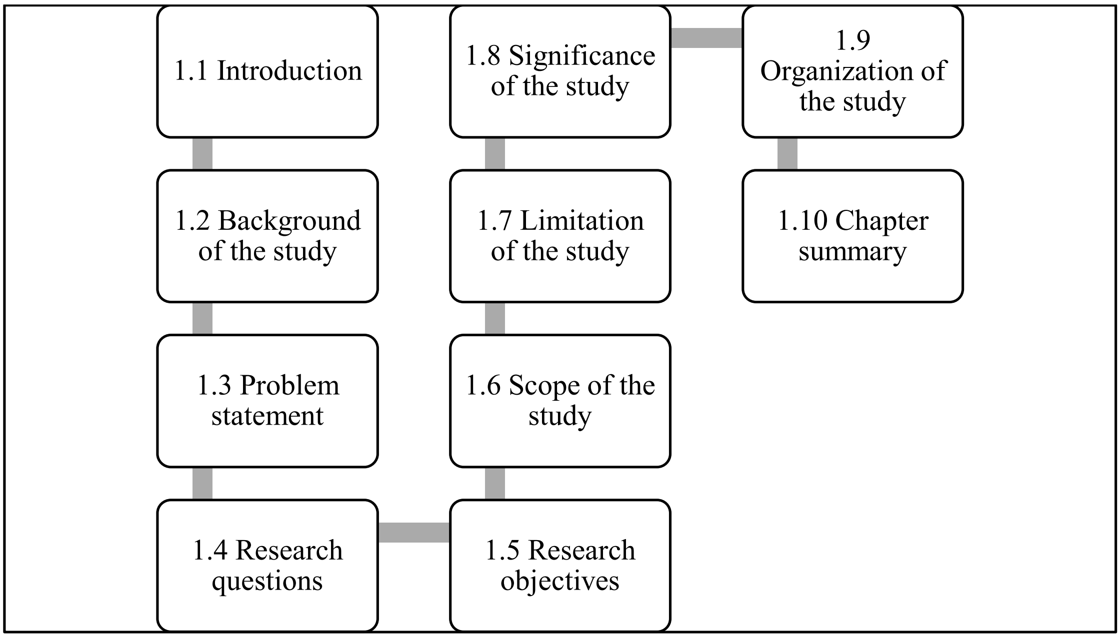

Figure 1.1 Flow of Chapter 1

Sound corporate governance should play a significant role in protecting shareholders, especially the minority, and ensuring they receive a return on their investment (Arslan & Alqatan, 2020). There is an increasing call and relevance for whistleblowing, a mechanism for corporate governance, which is also known as protected disclosure, and good faith or anonymous reporting. It's acknowledged as crucial for the organization's internal control mechanism. The most common definition of whistleblowing used is that of Near & Miceli (1985), which states that it is the exposure of unlawful or immoral activities in a company or organization by a current or former employee or organization member that can result in action being taken against the employer.