The Effect of Corporate Governance Mechanisms on Corporate Performance in Malaysia during COVID-19 Pandemic

Muhammad Hafiz Muhamud Fuzi[1], Mohd Taufik Mohd Suffian[2♣] , Mohammad Rokibul Kabir[3] and Nor Bahiyah Omar[2]

[1]MBSB Bank Berhad, Menara MBSB Bank, PJ Sentral, Petaling Jaya, Selangor
[2]Faculty of Accountancy, Universiti Teknologi MARA, Perak Branch, Tapah Campus Perak, Malaysia
[3]Department of Business Administration, Daffodil University, Daffodil Smart City, Birulia 1216, Bangladesh

ABSTRACT

This research aimed to explore how corporate governance mechanisms affect the performance of firms in Malaysia. The study focused on 135 companies listed in the Bursa Malaysia Main Market within the consumer sector, covering the years 2020 and 2021. The dependent variable in this investigation was firm performance, while the independent variables were corporate governance mechanisms, specifically board size, board independence, board meetings, and board expertise. Amidst the COVID-19 pandemic, all aspects of companies, including corporate performance, governance structure, dividend, liquidity, and leverage level, were impacted. However, there remains a lack of a comprehensive understanding of the specific effects of the pandemic on these factors. Therefore, this study sought to shed light on how corporate governance mechanisms influenced corporate performance during the COVID-19 pandemic in Malaysia. The analysis revealed varied outcomes concerning the impact of board size, board independence, and board meetings on corporate performance; in which only board meetings were significantly related to corporate performance. This research contributes to the existing but limited body of literature by providing empirical evidence of the relationship between corporate governance mechanisms and corporate performance during the COVID-19 pandemic in Malaysia.

Keywords: Corporate Governance, Corporate Performance, COVID-19, Consumer Product

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♣ Corresponding Author: Mohd Taufik Mohd Suffian; Faculty of Accountancy, Universiti Teknologi MARA, Perak Branch, Tapah Campus, 35400 Tapah Road, Perak, Malaysia; Email: taufik815@uitm.edu.my; Tel: +60194129586

INTRODUCTION

Corporate governance (CG) is a practice that has grown quickly in recent years, and its significance has been emphasised all over the world. Even nations that do not have laws governing the use of CG in organisations have accepted it. Because it supports a company's operational structure, CG is of interest to companies all around the world. Therefore, since the company is committed to using the principles and mechanisms, which in the broadest sense amounts to an effective monitoring of a company's activities, the adoption and implementation of the CG practice is anticipated to benefit a company, particularly when the principles of disclosure and transparency are adopted (Saari et al., 2018; Grantham, 2020). The COVID-19 viral pandemic has negative effects on businesses' operations and the operations of their governing bodies in all nations of the world. The questions raised by the pandemic are being sought after by all parties involved in management processes. The rules governing the conduct of significant corporate actions of companies, the disclosure of information about their activities based on the results of the completed period and about the current period, are being reviewed by regulators to determine what changes are necessary (Beksultanova et al., 2021).

While CG has received significant attention from industrialized nations, it's clear that all nations, irrespective of their economic development level, must address the issue. This entails implementing good practices of corporate governance, which encompass the procedures, structures, and processes employed by firms to manage and direct their operations and affairs (Turnbull, 2019). Moreover, corporate governance enhances a firm's performance and increases long-term shareholder value by fostering managerial responsibility and addressing the conflict of ownership and control (Jebran & Chen, 2021). However, in Malaysia, there is a lack of understanding of governance among companies, and the current practices are not deeply rooted in Islamic perspectives, leading to weaknesses in corporate governance (Ibrahim, 2016). This study utilized the MCCG 2017 as a framework, focusing on four key mechanisms: board size, board independence, board meeting, and board expertise, which are fundamental aspects of how boards operate and are structured. These mechanisms will be analyzed to determine their impact on corporate performance, specifically within the consumer sector during the COVID-19 pandemic in Malaysia.

The COVID-19 pandemic had a profound impact on Malaysia's consumer product sector, primarily due to disruptions in the supply chain. Like many other countries, Malaysia experienced difficulties in sourcing raw materials, components, and finished products due to lockdowns and travel restrictions. These disruptions led to delays in production and shortages of goods, further exacerbating the challenges faced by manufacturers and retailers. Additionally, the closure of non-essential retail outlets, malls, and markets during lockdowns significantly hampered sales of consumer products (Nair et al, 2022). Even as restrictions eased, consumer footfall remained low, as individuals prioritized essential purchases and avoided unnecessary outings, contributing to the sector's struggles.

Moreover, the economic fallout from the pandemic deeply impacted consumer spending habits in Malaysia (Kamarudin et al., 2021). With widespread job losses, salary cuts, and economic uncertainty, households tightened their budgets, focusing on essential expenses and cutting back on discretionary purchases. This reduction in consumer demand for non-essential items further strained the consumer product sector. Furthermore, the shift to online shopping, while providing some relief, did not fully compensate for the loss of in-store sales. Many smaller businesses in Malaysia struggled to adapt to e-commerce, facing challenges such as logistics, digital marketing, and competition with larger online retailers. Overall, the confluence of supply chain disruptions, decreased consumer demand, retail closures, economic challenges, shift to online shopping, and manufacturing disruptions presented formidable obstacles to the consumer product sector in Malaysia during the Covid- 19 pandemic.

The current COVID-19 pandemic-related problem has profoundly impacted every aspect of a company's performance, both financially and non-financially, with companies actively monitoring market developments since its onset (Ariff et al., 2023; Gazi et al., 2022; Rahman et al., 2021). To navigate operational difficulties, maintaining good corporate governance is essential for directors to meet performance expectations during crises. The ability to maintain liquidity through adequate cash flow helps businesses avoid external borrowing, crucial in times of crisis (Xu & Jin, 2022). The pandemic has highlighted the importance of effective board leadership, strategic oversight, and agile

decision-making in steering organizations through unprecedented challenges toward long-term success and resilience. Given the grave impact on Malaysian enterprises, particularly in terms of sales revenue, it is imperative to assess whether board effectiveness hinges on factors like size, independence, and frequency of meetings to ensure peak performance. By participating in this study, there was an opportunity to extend knowledge on analyzing the board's impact on corporate performance during the pandemic, emphasizing the need for sound corporate governance and clear delineation of board and management duties. Additionally, given the consumer sector's heightened vulnerability during the pandemic, understanding the effect of corporate governance mechanisms on corporate performance in the Malaysian consumer industry is paramount (Dunn et al., 2020).

This study aimed to offer a comprehensive understanding of organizational corporate governance and its impact on business performance, particularly in crisis management like the COVID-19 pandemic. By exploring the roles of the board of directors and management in resolving financial distress issues during health crises, organizations can better prepare for future challenges. The findings will benefit organizations and inform policymakers in developing strategies to enhance corporate governance practices across Malaysian companies. Despite strong governance practices in place pre-pandemic, the crisis underscored the need for boards to demonstrate agility and resilience. Additionally, this study expanded academic knowledge on the effects of CG on corporate operations during health crises, potentially enhancing supervision measures and the attractiveness of the capital market to investors.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The Agency Theory and Stewardship Theory provide complementary perspectives on corporate governance, each addressing the dynamics of the principal-agent relationship within organizations. The Agency Theory highlights the inherent conflict of interest between principals (shareholders) and agents (management), driven by information asymmetry and the potential for agents to prioritize their self-interest over shareholder wealth maximization (Tilton et al., 2023). To address this, corporate governance mechanisms such as board oversight and executive compensation are implemented to monitor and align the interests of agents with those of principals. These mechanisms aim to mitigate agency costs and ensure that managers act in the best interests of shareholders by incentivizing performance and accountability.

In contrast, the Stewardship Theory offers an alternative view, suggesting that managers can act as trustworthy stewards who voluntarily prioritize the long-term success of the organization over their self-interest (Löhde et al., 2021). The Stewardship Theory emphasizes building trust between principals and agents, empowering managers with autonomy and responsibility, and fostering a culture of shared values and goals. Corporate governance practices informed by the Stewardship Theory focussed on creating an environment where managers are motivated to act as stewards, promoting ethical behavior, leadership development, and long-term value creation. By integrating elements of both the Agency and Stewardship theories, effective corporate governance structures can balance the need for monitoring and control with the cultivation of trust and empowerment, ultimately enhancing organizational performance and shareholder value.

According to the Agency Theory, when independent outside directors oversee the boardroom, senior executives are subjected to more intense oversight (Khatib et al., 2020). Independent directors can preserve shareholders' interests, mitigate agency concerns, and provide a superb form of monitoring to manage the firm's resources because they are financially independent of management and free of bias. Furthermore, a more independent boardroom sends a signal to the market that the firm is well-managed, causing fund providers to view the company as more creditworthy. As a result, debt financing would make it easier to raise long- term capital (Khatib et al., 2020).

The concept of the Agency Theory posits that when independent outside directors oversee the boardroom, senior executives are subjected to increased scrutiny and supervision (Adithipyangkul & Leung, 2018). These independent directors, being financially independent of the management and free of bias, are tasked with preserving shareholders' interests and mitigating agency concerns within the organization. They provide a crucial form of monitoring to ensure effective management of the firm's resources. Additionally, a boardroom with greater independence signals to the market that the company is well-governed and managed competently, which enhances the perception of the firm's creditworthiness among fund providers. Consequently, this increased credibility may lead to greater ease in accessing debt financing, facilitating the raising of long-term capital for the company's operations and growth initiatives. In essence, the presence of independent directors not only serves as a mechanism for governance and oversight but also contributes to the overall financial health and stability of the firm in the eyes of investors and creditors.

On the other hand, the boardroom is one of the most crucial aspects influencing a company's financial decisions and approval of strategic choices (Detthamrong et al., 2017). In consonance with the Agency Theory, a vast boardroom is viewed as a well-governed corporation, permitting access to external capital (Khatib et al., 2020). The positive interconnection between board size and a firm's performance appear to support the idea that firms with more directors may tap into their directors' networks, giving them better access to external finance. Furthermore, Waheed & Malik (2019) mentioned that increasing board size brings about advantages for businesses such as variety in perspectives, competencies, and essential resources.

Meanwhile, according to Hearn et al. (2017), the size and makeup of the board play a significant role in determining management pay and help keeping corporate governance practices stable during hard times. Additionally, it has been asserted that companies with larger boards may find it easier to access outside resources like external funding and suppliers due to their wider networks of contacts (Khatib & Nour, 2021). This, in turn, affects the implementation of strategies and makes transactions and contracts with external resources easier, all of which improve corporate performance. Moreover, larger boards are said to offer a wider variety of experiences and abilities that are necessary to secure firms' resources as they may provide management with sound guidance and counsel, which will enhance corporate performance (Jebran & Chen, 2021). In this regard, García-Martín and Herrero (2018) suggested that larger boards would be better able to supervise the CEOs and maintain the power necessary to thwart efforts at domination or exploitation by management since they had more experts and qualified members. As a result, they would contribute to improving managerial operations' quality and financial results.

One of the key governance aspects in past studies was board size. Past studies that investigated the relationship between the size of the board and corporate performance practices have yielded mixed results. According to Kumar and Singh (2013), a smaller board is linked to fewer agency issues. Smaller board sizes may improve the board's ability to supervise management, whereas larger boards cause more agency issues because they lose influence over the firm's management. According to the Stewardship Theory, small boards are better since they can be swiftly dominated and flexible due to the possibility of social cohesion, and unlike large boards, it takes less time for the board's members to agree (Aduda et al., 2013). The Stewardship Theory provides a framework for understanding the relationship between managers and shareholders and offers insights into how effective corporate governance can promote responsible and sustainable management practices for the benefit of all stakeholders (Kavadis & Thomsen, 2023).

On the other side, larger boards, according to the Agency Theory Type I perspective, enable effective monitoring by limiting the CEO's influence within the board and safeguarding stakeholders' well-being (Ghazali et al., 2018; Cao et al., 2018). Andriof et al. (2017) endorsed a big and well-expanded corporate board size to accommodate and expedite the orientation of each principal's interests, particularly those that generate value for the corporation, to objectify board efficiency and performance. As a result, promoting stakeholder participation in corporate governance can greatly enhance organisational performance. Therefore, the following hypothesis was proposed:

Hypothesis 1*: There is a positive relationship between board size and corporate performance.*

A board of directors typically includes both executive and non-executive directors (Goh & Gupta, 2016). However, there is a differing perspective on their proportion and independence. The Malaysian Code on Corporate Governance (MCCG) stated in their practices that independent directors must comprise at least half of the board and the board of directors of big corporations comprises a majority number of independent directors. Independent directors' duties are not limited to the governance routine, but they can also play a crucial role throughout a crisis (Jebran & Chen, 2021). Because of independent directors' skills and experiences, they can improve decision-making competency in working out their tasks to oversee upper management because independent directors have the motivation to enhance reliability in decision-making.

Consequently, a more significant percentage of independent directors on the board may lessen the probability of collaboration and appropriation of shareholder cases by upper management, hence decreasing agency costs (Rashid Khan et al, 2020). In terms of the positive influence of board independence on business value, Kao et al. (2019) discovered that firms with a more significant share of independent directors outperform in terms of accounting performance. Independent directors with such a bond are more likely to speak about the firm's creditworthiness to outside stakeholders, especially during crisis conditions. They can provide vital information, counsel, and/or essential resources necessary for re-emergence from bankruptcy (Arora, 2016).

According to several past research, businesses whose boards are controlled by outsiders have a higher chance of improving corporate performance (Bhren & Staubo, 2016). The selection of independent members who can objectively evaluate managers' performance, determine their compensation, provide workable solutions to agency problems, and keep an eye on executive actions is how board independence is attained and shows a positive relationship between board independence and corporate performance (Arora & Sharma, 2016). The idea that boards with a high percentage of independent outside directors promote the integrity of the financial reporting process and can improve good governance by effectively representing stakeholders' interests and monitoring managers is generally supported by a significant body of research (Idris et al., 2018). Therefore, the following hypothesis was proposed:

Hypothesis 2*: There is a positive relationship between board independence and corporate performance.*

Regular board meetings are vital because they give companies a way to deal with the challenges they face. As a result, board meetings are critical to a company's survival and growth. When board members meet regularly, they have plenty of time to communicate, discuss, and share ideas, and plan the firm's strategies (Hanh et al., 2018). From the Agency Theory perspective, it has been indicated that more frequent board meetings can be used to efficiently monitor business decisions (Eluyela et al., 2018). The purpose of these meetings is to address the firm's current condition, any issues that arise, and any new ideas. It has been suggested that board meeting frequency is a monitoring tool that leads to increasing firm value. The Stewardship Theory, on the other hand, contends that board meetings are unimportant to the fulfillment of a board's governance duties because monitoring is an endogenous process (Hahn & Lasfer, 2007).

The board meeting is a forum for members of the Board to deliberate on crucial problems and matters to make critical choices for the advancement and development of any business. The conscientiousness of board members is frequently evaluated by the regularity with which each board member attends board meetings (Eluyela et al., 2018). Furthermore, no statutory governance regulation establishes the minimum number of sessions that a board member must attend. As a result, the chairman of that meeting has internal and subjective control overboard members' diligence. Regular board meetings are encouraged under the MCCG, as is a periodic publication of meeting facts such as frequency and member participation. Board meetings are supposed to improve the effectiveness of the Board and drive board members closer together by providing a channel for sharing necessary knowledge about the company's success with all board members. Eluyela et al. (2018) discovered that boards that met infrequently fared worse than boards that met frequently.

According to Hanh et al. (2018) there is a positive relationship between board meetings and corporate performance because the board members often met through meetings, and their capacity for consultation, supervision, and management expanded. This condition resulted in substantial financial performance. Furthermore, the company's board of directors should frequently meet so that all decisions may be made after complete discussion, fruitful discussions, and careful analysis. When boards meet frequently, they are more credible to stay educated and well-informed about the company's pertinent performance, allowing them to extract or guide and direct the required effort to remit the issue (Ahmad et al., 2017). Different findings were reported in earlier literature about frequent board meetings and businesses. In other words, a greater number of meetings is taken into account as a sign of an open governance environment and appropriate communication for various business levels (Ntim & Osei, 2011). Therefore, the following hypothesis was proposed:

Hypothesis 3*: There is a positive relationship between a board meeting and corporate performance.*

An alternate proxy to gauge a board's capacity to perform its services is expertise (Crifo & Roudaut, 2022). According to Dass et al. (2014), expertise is intrinsically multifaceted and includes knowledge of the business sector, information particular to a company, and other director-craft skills like political connections, financial literacy, or commitment to sustainable development. Directors gain competence through their education, professional experience, and involvement in the firm's business activities (Reeb & Zhao, 2013). However, it is asserted that while the experience may enhance the quality of advisory services, it comes at a cost and will likely contribute to a lack of independence and greater leniency among directors (Crifo & Roudaut, 2022).

Board expertise medium, on the other hand, has a negative association with corporate performance based on Donaldson & Davis, (2023). It indicates that the higher number of board experts did not contributeto overall corporate performance. Past studies done by Hasan et al. (2019) and Crifo and Roudaut (2022) have found evidence of a negative relationship between the number of board expertise and corporate performance. Nor and Rahman (2019) suggested that conflicts of interest are more likely to arise for directors in terms of expressing their opinions. Furthermore, although having a variety of experiences might be beneficial, a director's skill and subject-matter knowledge may be diluted if they serve on too many boards (Nugraha, 2023). Deep knowledge and specialized insights are essential for making wise decisions in highly regulated or complex industries. Directors who overextend themselves may find it difficult to stay on top of the changing risks, developing trends, and quick rate of change in their industry (Crifo & Roudaut, 2022). Hence, this study hypothesized that:

Hypothesis 4*: There is a negative relationship between board expertise and corporate performance.*

METHODOLOGY

The scope of this research was confined to Malaysian Public Listed Companies (PLC) in the Bursa Malaysia Berhad (BMB) under Main Market on the consumer products & services sector from 2020 to 2021 during the COVID-19 pandemic. As for latest information, there were 982 listed companies (Bursa Malaysia, 2021). However, for this research, the population involved 169 public listed companies under the main market in Bursa Malaysia in the consumer products & services sector. The final sample was 135 companies with 270 firm-year observations from 2020-2021. This was after excluding the unavailability of data. This study only focused on the consumer sector due to the second-largest sector in Malaysia (Bursa Malaysia, 2021). With a total market value of RM265.202 billion (15.89% of the main Market), the consumer products and services industry, as represented by the Bursa Consumer Products & Services Index, was the second-largest sector in Malaysia. Agribusiness, automotive, customer services, food & beverage, home goods, personal goods, retailers, travel, leisure, and hospitality businesses were all included in this industry. Nestle Malaysia Berhad and PBB Group Berhad, retailer MR D.I.Y Group (M) Berhad, casino and hospitality operator Genting Berhad, and

downstream petroleum product retailer Petronas Dagangan Berhad round up as the top 5 businesses from among all those listed in this industry.

The data for this study was gathered using secondary sources. Secondary data may include information obtained previously and considered for renovation for a new study for which the conclusions were not originally intended (Martins et al., 2018). The data was obtained by studying the annual reports of publicly listed firms in Bursa Malaysia under the Main Market on the consumer sector from 2020 to 2021 to demonstrate results during the pandemic. It was also to engage with the Securities Commission Malaysia's MCCG 2017. Furthermore, financial data was available and was collected from sources such as Refinitive Eikon.

Dependent Variable

The dependent variable in this study was corporate performance. The operational definition for corporate performance was a set of financial and non-financial measures that provided information on accomplishing goals and outcomes (Suffian et al. 2022; Taouab & Issor, 2019). The market-based performance metrics, as defined by Tobin's Q, was the second category. As for this study, the dependent variable used was Tobin's Q as it was the most popular metric for evaluating market-based performance (Shatnawi et al., 2021). Tobin's Q evaluates corporate performance using stock returns, which has the propensity to emphasise anticipated future success rather than actual business performance (Singh et al., 2018). Tobin's Q was formulated by dividing the market value by total assets (Suffian et al, 2022).

Independent Variables

The word independent variable indicates a variable whose value affects the value of another variable. Such a variable is uninfluenced by the weight of another variable, while it impacts the value of another (Satishprakash, 2018). This research had three independent variables, which were board size, board independence, and board meeting.

Board size can be defined as the size of the board member who is accountable for the company's performance and management (Suffian, 2021; Waheed & Malik, 2021). Based on previous research and MCCG (Suffian, 2021; Waheed & Malik, 2021; MCCG, 2021), board size can be measured as follows:

BSIZE: The total number of directors on the firm's governing bodies at the end of the year

Next was board independence. Board of independence refers to a member of the board of directors. They are not associated with the inner directors or managing shareholders, along with independence from business or other relationships that may influence their capacity to perform independently or in the firm's best interests (Suffian, 2021; Du & Xu, 2018). Based on previous research and MCCG (Suffian, 2021; Du & Xui, 2018; MCCG, 2021), board independence can be measured as follows:

BIND: The number of independent non-executive directors on the board.

Thirdly was the board meeting. A board meeting is an organized gathering of the board of directors in an organization to debate and resolve pertinent topics linked to their former knowledge, current situation, and progressive challenges as they connect to the company's existence (concerned) (Suffian, 2021; Eluyela et al., 2018). Based on previous research and MCCG (Suffian, 2021; Eluyela et al., 2018; MCCG, 2021), board meetings can be measured as follows:

BM: The number of board meetings held throughout the financial year.

Lastly was the board's expertise. According to Irianto and Anugerah (2018), and Suffian (2021), expertise is intrinsically multifaceted and includes knowledge of the business sector, information particular to a company, and other director-craft skills like political connections, financial literacy, or commitment to sustainable development. Directors gain competence through their education,

professional experience, and involvement in the firm's business activities (Reeb & Zhao, 2013). However, it is asserted that while the experience may enhance the quality of advisory services, it comes at a cost and will likely contribute to a lack of independence and greater leniency among directors (Crifo & Roudaut, 2022).

BEXP: The number of directors with accounting qualifications (at least a bachelor's degree).

Control Variables

Three control variables, namely, firm size, firm leverage, and firm growth were added to assess the relationship between board characteristics and firm performance. Firm size refers to the size or scale that represents a company's size (Buallay et al., 2017), firm leverage refers to a business plan for increasing assets, cash flows, and returns (Khatib & Nour, 2021), firm growth refer to the provision of a forecast of the company's performance (Hussein et al., 2019). Many researchers on corporate governance have used these variables (Suffian, 2021; Suffian et al., 2022; & Boussenna, 2020). Hashmi et al. (2020) claimed that the financial performance of the corporation would increase as assets increased, capital was invested, money was circulated, and market capitalization increased as much greater firm size and improved business performance. Leverage can reveal the capital structure of the business, which has an impact on how directors make decisions and how well the business performs (Xu & Jin, 2022). Furthermore, it has been noted that company growth is a function of decisions a director makes, such as how to grow internally or externally with the influence of variables like strategy, organisation, and the characteristics of the company owners. As a result, company growth is a crucial indicator of a flourishing business (Gupta et al., 2013).

Regression Models

The following equation was the regression model for all three independent variables in this study:

$$FP = \alpha_0 + \beta 1BSIZE + \beta 2BI + \beta 3BM + \beta 4BEXP + \beta 5FSIZE + \beta 6LEV + \beta 7GROWTH + \varepsilon_{it} \quad (3.1)$$

Where,

FP	Tobin's Q (market value by total assets)
BSIZE	Number of board directors on the board
BI	Number of independent directors on the board
BM	Number of board meetings in the company
BEXP	Number of board expertise in financial or accounting background
$FSIZE_{i,t}$	Company size is measured by the natural logarithm of total assets for company
$LEV_{i,t}$	Leverage is measured by total debt divided by total assets for the company
$GROWTH_{i,t}$	The market value of a company at the end of the year divided by book value of the total assets for company
$\varepsilon_{i,t}$	Error term

FINDINGS AND DISCUSSION

Normality Assumption

Based on Table 4.1 below, this study relied on kurtosis and skewness for normality tests. The kurtosis for the number of board size, number of board meetings, number of independent directors, and number of board expertise were 1.017, 15.275, -.1.940 & .885 respectively. The skewness for the same variables was .881, 2.852, 1.024 & .918 respectively. The kurtosis for Tobin's Q was 5.994, respectively. The skewness for Tobin's Q was 1.642, respectively. Finally, the control variables of firm size, leverage, and firm growth had a kurtosis of 1.346, 6.132, and 63.566, respectively. Finally, the skewness for the variables was .948, 1.651, and 7.336 accordingly.

The kurtosis values for variables such as board size, board meetings, independent directors, and board expertise indicated the degree of peakedness or tail heaviness in their distributions, with some exhibiting more extreme values than others. Similarly, the skewness values for these variables illustrated the asymmetry of their distributions around the mean, with positive skewness indicating a longer right tail. Tobin's Q, a measure of firm performance, also exhibited significant kurtosis and skewness values, suggesting deviations from a normal distribution. Additionally, the control variables of firm size, leverage, and firm growth displayed varying degrees of kurtosis and skewness, reflecting the distributional characteristics of these factors within the dataset. Overall, these statistical measures provided insights into the shape and characteristics of the data distributions, which were essential considerations for further statistical analysis and interpretation in the study.

Table 4.1: The Descriptive Results

N=270	Min	Max	Mean	Skewness	Kurtosis	Std. Dev.
Number of board size	4	16	7.42	.881	1.017	2.042
Number of board meetings	1	19	5.28	2.852	15.275	1.796
Number of independent directors	1	8	3.47	1.024	1.940	1.004
Number of board expertise	1	7	2.48	.918	.885	1.169
Tobin's Q	.0001	1.3382	.1958	1.642	5.994	.1826
Firm Size	4.4603	8.0100	5.6458	.948	1.346	.6418
Leverage	.0001	1.3380	.1972	1.651	6.132	.1815
Firm Growth	.0001	.0331	.0013	7.336	63.566	.0032

Note: This table presents the descriptive statistics of all variables for a final sample of 270 firm-year observations. Corporate Governance mechanisms are represented by the number of directors in the board; number of the meetings held by the company; the number of board independent directors; and the number of board expertise in financial or accounting background. Corporate performance was measured with Tobin's Q. Firm Size was measured by natural total assets; Leverage is measured by total debts deflated by total assets; and Firm Growth was based on the market value of a company at the end of the year divided by book value of the total assets.

Linear Regression

The effects of independent variable on Corporate Performance

Based on the result in Table 4.2, this study indicated that number of board size had an insignificant and positive relationship between Tobin's Q. For number of independent directors gave a negative direction with no significance, while for number of board meetings, it gave a negative direction with a significance value of 10% (t-value=-2.560). For number of expertise director, it also gave a negative direction with no significance. For control variables, this study indicated that all the control variables had a positive relationship with Tobin's Q. For firm size, the significance value showed 1% (t-value=4.060), while for leverage, the significance value showed 1% (t-value=27.016), and firm growth gave a positive direction with no significance.

The adjusted R-squared for this variable was at 78.1%. The results were significant with previous studies that documented a relatively high adjusted R-squared at 74.9% (Singh et al., 2017). This showed that the variance in dependent variables was explained considerably well by the independent variables for a linear regression model. The F-statistic values were relatively high with a value of 156.075.

Table 4.2: Multiple Regression on Corporate Performance

	Tobin's Q
Constant	-.118
	(-2.759)*
BSIZE	.012
	(.299)
BI	-.001
	(-.025)
BM	-.080
	(-2.560)*
BEXP	-.003
	(-.106)
Firm Size	0.132
	(4.060)***
Leverage	.864
	(27.016)***
Firm Growth	.014
	(.474)
R Square	.781
Adjusted R^2 F Statistic	.776
	156.075
N	270

*** Significant at the 1% level (1-tailed); **Significant at the 5% level (1-tailed); *Significant at the 10% level (1-tailed).

This table presents the descriptive statistics of all variables for a final sample of 270 firm-year observations. Corporate Governance mechanisms were represented by the number of directors in the board; the number of the meetings held by the company; the number of board independent directors; and the number of board expertise in financial or accounting background. Corporate performance was measured with Tobin's Q. Firm Size was measured by natural total assets; Leverage was measured by total debts deflated by total assets; and Firm Growth was based on the market value of a company at the end of the year divided by book value of the total assets.

Discussion of Findings

Based on Table 4.2 for the number of directors on the board, this study found a positive insignificant association with corporate performance on Tobin's Q. Hence, the findings did not support hypothesis 1. These findings demonstrated that corporate performance would intensify if a firm has a larger number of boards of directors. Therefore, the findings were consistent with the studies of Kijkasiwat et al. (2022); Khatib et al. (2020), and Detthamrong et al. (2017) where they discovered evidence of a positive relationship between the number of directors on the board and corporate performance.

Furthermore, as board size expanded, the effectiveness of interpersonal communication among directors tended to diminish, leading to increased coordination challenges (Anis et al., 2017). While smaller boards may be more susceptible to CEO dominance due to agency costs, larger boards offer benefits such as enhanced management oversight and representation of diverse stakeholders (Ching Yat David et al., 2021). Studies have shown that larger boards provide access to a wider range of skills, experience, and communication diversity, which can positively impact company performance. Additionally, a larger board size brings a broader spectrum of expertise and knowledge, potentially improving monitoring capacity and external linkages, and thereby enhancing corporate performance (Kao et al., 2019).

However, the notion of larger board sizes contradicts the traditional Agency Theory which suggested that higher board sizes may impede mutual agreements and reduce board efficiency due to coordination issues (Shatnawi et al., 2021). Smaller boards are often associated with quicker decision-making and adaptation to market changes, thereby improving management effectiveness and coordination (Kumar & Singh, 2013). Despite this, research advocates larger board sizes to better supervise organizations and mitigate operational issues such as information gaps and conflicting interests. A company's board composition and structure are crucial aspects of its performance, with larger boards providing more opportunities to establish connections with external stakeholders and manage corporate performance effectively.

On the other hand, independent directors were found to be negatively associated with corporate performance. Hence, these findings did not support hypothesis 2. These findings demonstrated that corporate performance did not intensify when a company had a high number of independent directors. However, these findings were consistent with the studies of Fuzi et al. (2016) and Mishra (2020) where they discovered evidence of a negative relationship between several independent directors and corporate performance.

On the other hand, having a larger number of independent directors on the board may not ensure the protection of the interests of minority shareholders, as independent directors are ultimately chosen by the company's executives (Chen et al., 2022). This raises concerns about the effectiveness of independent directors in mitigating agency conflicts, particularly Type II agency problems, where there is a misalignment of interests between shareholders and management despite mechanisms such as independent directors (Jebran & Chen, 2021). The appointment of independent directors based on their allegiance to management, rather than their ability to challenge management decisions, may compromise their independence and ability to provide effective oversight (Mirshra, 2020).

Furthermore, independent directors on a company's board may not significantly mitigate the agency issue, as they may not always act in the best interests of shareholders (Azim et al., 2018). The market may interpret voluntary resignations of independent directors negatively, impacting stock price, corporate governance, and firm value (Ren et al., 2020). Additionally, the study suggested that a board's independence does not guarantee improved corporate performance due to the ineffective oversight

functions of independent directors, who may face information overload and lack unity with management (Rashid, 2018; Garg, 2007). This challenges the notion that board independence is the key attribute for effective monitoring and increased corporate performance, as proposed by the Agency Theory and the Stewardship Theory (Nadarajah et al., 2018).

Based on Table 4.2, the independent variable for several meetings held by the company was negatively associated with corporate performance. Hence, these findings did not support Hypothesis 3. These findings demonstrated that corporate performance did not increase when a company had a high number of board meetings. The findings also indicated that the number of board meetings during the pandemic was not going to intensify the performance of the company. These findings are consistent with the studies of Naim and Aziz (2022), Kyei et al. (2022), Shamsudin et al. (2022), and Eluyela et al. (2018) where they discovered evidence of a negative relationship between several board meetings and corporate performance.

The frequency of each board member's attendance at board meetings is often used as a measure of their diligence (Qadorah, 2018). However, there is no statutory governance regulation specifying the minimum number of meetings a board member must attend, leaving the meeting chairman with discretionary control over their diligence levels (Eluyela et al., 2018). Interestingly, studies have suggested that fewer overall board meetings may correlate with better-reported company performance (Hanh et al., 2018). Johl et al. (2015) even found an unfavorable link between board diligence and business performance, recommending fewer but more significant meetings.

Based on the analysis, board meeting frequency showed a negative association with corporate performance in this study, suggesting that the number of meetings did not contribute positively to overall corporate performance (Yakob & Abu Hasan, 2021). This finding contradicted the Agency and Stewardship theories, which proposed that meeting frequency may impact company success (Van Puyvelde et al., 2013). Moreover, some companies, particularly in sectors like banking, demonstrated ineffective monitoring due to irregular board committee meetings, highlighting the importance of both general board and committee meetings for effective governance (Habtoor, 2022). This emphasized the need to evaluate the significance of each committee meeting in contributing to overall board success, challenging assumptions about the optimal meeting frequency for different committees and its impact on board effectiveness.

Based on Table 4.2, the independent variable for board experts in the company was negatively associated with corporate performance, but insignificant. Hence, these findings did not support hypothesis 4. These findings demonstrated that corporate performance did not increase when a company had a high number of board experts. The results also showed that the company's success would not be enhanced by the increased board expertise during the pandemic. These findings were consistent with the studies of Nor and Rahman (2019) and Crifo and Roudaut (2022), where they found a significant negative relationship between the number of board experts and corporate performance.

An alternate proxy for assessing a board's capacity was expertise, which encompassed various facets such as business sector knowledge, company-specific information, and directorial skills like financial literacy or political connections (Crifo & Roudaut, 2022; Dass et al., 2014). Directors acquired expertise through education, professional experience, and involvement in the firm's activities, which can enhance the quality of advisory services but may also compromise independence and lead to leniency (Reeb & Zhao, 2013; Crifo & Roudaut, 2022). However, in this study, board expertise showed a negative association with corporate performance, suggesting that a higher number of expertise may not contribute positively overall (Nor & Rahman, 2019).

Moreover, conflicts of interest may arise for directors, potentially compromising their ability to act independently and in the best interests of the organization, particularly when fiduciary duties conflict with those of directors on other boards (Johl et al., 2015). Additionally, directors' skills and subject-matter knowledge may be diluted if they serve on multiple directorships, making it challenging to stay abreast of industry trends and regulatory changes (Nugraha, 2023; Crifo & Roudaut, 2022). Despite the potential benefits of diverse experiences, over extended directors may struggle to make informed decisions in highly regulated or complex industries, indicating that simply having a variety of experiences may not guarantee effective board performance (Crifo & Roudaut, 2022).

CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

The primary aim of this study was to investigate the influences of corporate governance mechanisms (board size, board independence, board meeting, and board expertise) on corporate performance during the COVID-19 pandemic. Past literature posited that a firm or company may take advantage of corporate governance aspects to fulfill their interest to increase their performance, especially during a pandemic occurrence. This method can be considered a common internal arrangement and can fulfill the economic needs of a company. In general, a company can use corporate governance influences as a tool to optimize the efficiency of their daily operations, reduce transaction costs, and address difficulties in production and liquidity.

The empirical results revealed a positive correlation between board size and corporate performance measured by Tobin's Q, suggesting that firms with larger boards tended to perform better. This finding aligned with previous studies by Kijkasiwat et al. (2022), Khatib et al. (2020), and Detthamrong et al. (2017), which also found a positive relationship between board size and performance. However, despite the consistency with the alternate hypothesis, the finding itself was deemed insignificant. The second objective aimed to assess the impact of board meeting frequency on corporate performance, confirming the hypothesis of a favorable association. However, the regression analysis indicated that board meeting frequency had no significant impact on performance measured by Tobin's Q, contradicting the hypothesis. This refutation suggested that fewer board meetings may improve financial performance (Agustia, Harymawan, & Nowland, 2022), aligning with the principles of the Agency Theory addressing issues arising from the separation of ownership and control in companies.

Based on Tobin's Q results of the regression, it was discovered that the percentage of independent directors on the board was inversely correlated with the success of the company. Few arguments for this unfavorable association were put out in this study. First, independent directors were less knowledgeable than a company's management group, which may lead to less effective decision-making. Second, their lack of independence during a pandemic might render their presence ineffectual, as they may lack the authority to enact meaningful changes. Lastly, the comparable result for board expertise and Tobin's Q showed negative results for corporate performance, suggesting that having more expertise directors may compromise independence and increase accommodation. Additionally, conflicts of interest were more likely to arise for directors due to conflicting fiduciary duties and commitments.

Although the Agency Theory has dominated the literature on corporate governance, it is argued that it offers very little insight into the operation and behavior of actual boards of directors (Petrovic, 2008). Consequently, there is a need for broader theoretical diversity and in-depth consideration of board dynamics (Roberts et al., 2005). They contended that rather than board size, meetings, or independence determining board effectiveness, it was instead determined by the actual behavior of the directors. Most of the board committee's effects on governance, according to Turley and Zaman (2007), took place outside of the formal structures and procedures. This supported a previous finding that corporate governance was a social activity and should thus be studied from a social perspective.

The findings offer valuable insights for regulators and policymakers due to the significant impact of corporate governance on resource allocation, capital market functioning, and overall business performance in today's globalized economy. Promoting corporate governance principles among Malaysian boards, audit committees, internal auditors, and institutional investors is crucial, especially considering the economic implications and effectiveness of different governance systems highlighted in the study. These insights are essential for adopting effective governance strategies, particularly during a pandemic when accountability, transparency, and integrity become even more critical. Emphasizing ethics as the foundation of integrity awareness is imperative in light of recent epidemics, as it enables individuals to connect ethical decision-making with real-life behavior. Advocating for professional ethics in the accounting profession can further enhance business performance by fostering sound corporate governance practices.

The current findings highlight how organisational governance can enhance high-level decision-making, leading to improved performance. Effective governance fosters open communication and access to information through board size, while poor governance through board independence, board meetings, and board experts are correlated with performance failures. Robust governance structures enhance

organizational sustainability during economic challenges, but variations in outcomes across nations and the need for additional governance characteristics and performance measures present constraints. Furthermore, the study's applicability was limited to publicly traded Malaysian enterprises in the consumer market, warranting further examination of the impact of corporate governance mechanisms on corporate performance, particularly amidst the COVID-19 pandemic.

The findings have proven that firms can manage their performance by planning and implementing good corporate governance practices only through board size, however, the finding was insignificant. Nevertheless, some gaps went unfulfilled in this study. As such, future research can pursue a few directions to fill the gaps that were left behind by this study. An ideal priority for future research is to evaluate a wider institutional environment through a comparative study instead of focusing on a single country. The current study can be improved by factoring in other South-East Asian countries besides Malaysia. A study that assembles the situation in multiple countries will produce greater empirical evidence. Moreover, a longer longitudinal study would promote better analysis and greater substantiation of the relationship between the explanatory variables.

Second, future research can be conducted to analyse the effects of COVID-19 on organisational results and various firm- or country-level factors on a different aspect of corporate governance. Therefore, future research can incorporate additional mechanisms, such as various ownership arrangements, additional board diversity metrics, multiple directorships, and national governance. Third, future research might include sectors other than the consumer sector to produce more in-depth information about the impact of corporate governance procedures on business performance. The findings can later be applied to all Malaysian publicly traded corporations.

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