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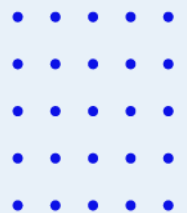
eProceeding



INTERNATIONAL ACCOUNTING COLLOQUIUM

**(FACULTY OF ACCOUNTANCY UiTM CAWANGAN KEDAH &
MINDANAO STATE UNIVERSITY- ILIGAN INSTITUTE OF TECHNOLOGY)**

**Organized by
FACULTY OF ACCOUNTANCY UiTM CAWANGAN KEDAH, MALAYSIA**



e ISBN 978-629-98461-0-9



9 786299 846109

eProceeding International Accounting Colloquium (IAC2023)

Published by
Faculty of Accountancy
Universiti Teknologi MARA (UiTM) Kedah

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Faculty of Accountancy, UiTM Kedah
eISBN 978-629-98461-0-9

The editorial board would like to express their heartfelt appreciation for the contributions made by the authors, co-authors and all who were involved in the publication of this bulletin.

Published by : Faculty of Accountancy
Universiti Teknologi MARA (UiTM) Kedah

Cover Designed by : Syahrini Binti Shawalludin

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PREFACE

The heartiest congratulation is proffered to the Faculty of Accountancy of UiTM Kedah Branch for the successful organization of the first *International Accounting Colloquium (IAC2023)* in collaboration with Mindanao State University-Iligan Institute of Technology on 31st January 2023. This colloquium marked another milestone for UiTM Kedah Branch as an intellectual hub where stimulating and prolific academic presentations and discussions could always be found.

It is indeed truly encouraging to see UiTM Kedah Branch forging ties with international universities to further strengthen itself in the aspects of research and innovation. This colloquium which covered a wider scope of knowledge had managed to accrue a broad set of perspectives not only in accountancy and business but also in other facets in which those two areas could be applied.

Thus, this colloquium could be viewed as a platform that brought together academicians who were interested in mobilizing innovative and creative global practices in accountancy and business for a sustainable business environment. Hopefully, our valued presenters and participants had not only gained new ideas from others but also managed to share their experiences, ideas and expertise which had been an enriching as well as a fulfilling experience for everyone.

Finally, to all participants and presenters, without your contribution, this colloquium would not have been possible. I would like to take this opportunity to express my immense gratitude and appreciation to you.

Thank you.

PROFESSOR DR. ROSHIMA HJ. SAID
Rector
Universiti Teknologi MARA (UiTM) Kedah
08400 Merbok, Kedah, Malaysia.

PREFACE

Alhamdulillah, my utmost gratitude to Allah SWT as with His blessings and mercy, the *International Accounting Colloquium (IAC2023)* could be successfully held on 31 January 2023. I would like to thank the Rector of UiTM Kedah Branch, Deputy Rectors, and esteemed members of the management for their support and encouragement in making IAC2023 a success. I would also like to extend my heartfelt thanks to Ms. Noora'in Omar, the Chairperson of IAC2023, for her dedication and commitment in accomplishing this program. My humble gratitude also goes to IAC2023 Committee Members and Team for their continuous hard work and effort.

The research effort is essential in educational organizations. Hence, the publication of this online eProceeding comprising of 10 (ten) extended abstracts is an effort by the Faculty of Accountancy, Universiti Teknologi MARA Kedah Branch (UiTM Kedah) to encourage accounting academics to be involved in academic writing. The IAC2023 eProceeding provides a platform for accounting academics to share and disseminate their academic knowledge to a larger audience. The experience gained in writing extended abstracts may help them improve their writing skills and be more confident in producing academic materials in the future.

Finally, the Faculty of Accountancy of UiTM Kedah, organizer of IAC2023, is very proud to share this avenue with academics, students, and industry practitioners. Thanks, and congratulations to all involved.

Thank you.

ASSOCIATE PROFESSOR DR. HAJAH INTAN MARZITA SAIDON

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PREFACE

Alhamdulillah, all praises to Allah, by whose grace and blessings made it possible to conduct our first *International Accounting Colloquium (IAC2023)* on 31st January 2023. This colloquium was organised by Faculty of Accountancy of UiTM Kedah Branch. The main participants were lecturers of UiTM Kedah Branch, Malaysia and Mindanao State University-Iligan Institute of Technology, Philippines. Hence, I would like to take this opportunity to thank the Rector of UiTM Kedah Branch, Deputy Rectors, Head of Centre of Studies and esteemed members of the management for their support and encouragement in making IAC2023 a success.

As a result of the colloquium, we are now publishing an online eProceeding IAC2023 comprising of 10 (ten) extended abstracts covering various topics such as money laundering, fraudulent financial reporting, ESG and sustainability. Some of the articles highlight the current issues in accounting, current development of related concept in accounting and its application in Malaysia and the Philippines. It is hope that this effort will encourage more academicians of local and foreign countries from different backgrounds to present and publish their research in their respective fields.

On behalf of the colloquium organiser, I would like to thank all presenters and authors for your participation and contribution. Special thanks to all the committee members of the *International Accounting Colloquium (IAC2023)*, I owed all of you so much and I want you to know that this is the best team ever!!! Last but not least, to all participants, we hope to see you in our next colloquium.

Thank you.

HAJAH NOORA'IN BINTI OMAR

Chief Editor

eProceeding International Accounting Colloquium (IAC2023)

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Director's Networks And Environmental, Social And Governance (ESG) Performance

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Abstract

This study attempts to examine the relationship between board network centralities and a company's environmental, social and governance (ESG) performance. Four main network centralities measure namely, degree, eigenvector, closeness and betweenness measure the social capital using social network analysis. This study can potentially unveil network centralities powers which influence social capital and information advantages to the companies to effectively, timely and accurately deal with the pressures from stakeholders, leading to better ESG performance.

Keywords: Director Networks; ESG Score; Company Performance; Board of Directors

1. Introduction

The appointment of directors in a board indirectly generates network effects, as the nomination committee member is influenced by their interpersonal relationship in selecting a new director. For instance, a well-connected director acquainted with different corporate governance practices of other companies, relatively would lead the company's corporate governance practices towards the practices of those other companies [1]. Consequently, there is a probability that convergence of corporate governance practice could create unnecessary network effects that could detriment company's value [2]. Although extensive studies on board of director's role associated with company's financial reporting quality have been previously carried out, the effect of board of director's networks on other company's performance measures is still unclear [3]. Therefore, this study offers an attempt to identify the board of director's networks structural pattern at a macro-level associated with company ESG performance.

This study is an evaluation of applicable main theory sought to elucidate the trend and pattern of the board of director's networks and its association with the company's ESG performance. This study attempts to reduce the knowledge gap by introducing the effect of board of director's networks on ESG performance. It adds to recent literature showing the links between the board of director's network and ESG performance, but in a different institutional setting. This study considers Malaysia as an appealing case because it has identified important relationships between politicians and companies before capital controls are imposed [4]. Politically connected companies may generally differ in unobservable ways relative to unconnected companies, but in the Malaysian data, it is possible also to examine other variations of company performance within the set of politically connected companies [5].

2. Prior Studies

Currently, the existing evidence of the implications of the board of director's network value is mixed [6], [7]. The number of studies using the network concept for the decision-making and monitoring process of the company's performance is increasing. The emphasis is on the effectiveness of corporate governance in the corporate decision-making process which has been affected significantly by the director's networking. Prior studies have associated social networks concepts with company performance [8]; career outcome [9]; compensation and remuneration [10]; corporate policies [11]; accounting standards regulations [12]; political connection [13] and other board of director's behaviour [14].

Prior studies within the social network perspective have also examined the director's network both within companies and external companies. [15] denote those individual connections within company or internal company network have impact over individual performance. Individual with better connections with each other within a company may achieve better result either being the most influential person within a company or earned better promotion. A prior study discovers that an internal company network among individual directors is able to increase a company's social capital, thus enhancing company's value creation [16], [17]. [18] found that leaders centrality position for both within and with external friendship significantly associated with the leader's group performance as well as the leader reputation across organisation as effective leader.

However, the study on consequences of the internal company network on a company's performance so far limited [19]. Therefore, study on the association between individual director internal company network and company's performance is yet conclusive which promote for potential future research. Prior studies have also shown that board of director's networks play a major role to provide an important source of information [20]. Eventually, it will support the company's strategic decisions and control direction [21] and enhance the board's advising role [22].

Furthermore, the central part of corporate governance is the board of directors, specifically their networks [23]. Prior research and current practices show that the allocation of the connected board of directors across companies is not random [7]. Company with powerful executive are likely to appoint directors that are more connected for reasons that are more pleasant and friendly from the perspective of shareholders. At the company's level, the theoretical and the sociological approach has provided both quantitative and qualitative evidence on corporate elites. The surveys done among corporate elites show that the independent directors from large companies tend to tolerate social norms. The independent directors become substantial if they also serve as senior managers from other companies.

The directors with high motivation to take advantage or make a profit from the board appointments are also found to behave the way other companies would perceive the director as important to their companies. These directors who misbehave to gain favourable acceptance by deliberating effort toward other directors are more likely to being appointed at other companies either directly or indirectly [24]. These directors commonly compromise with ethical behaviour through flattery, opinion conformity, and favour rendering. From this point of view, the director's personal characteristics and influence could overpower the advantages gained from an elite background, ethnicity, gender or other demographic status.

The argument of director's effectiveness and efficiencies to access and secure valuable information and resources to contribute to the companies is also a part of main concern when examining the board of director's networks. For example, [25] a prior study provided evidence that independent directors are often inefficiently prepared to contribute during board discussions as their focus, time, information and resources are also shared with other companies where the directors hold other board appointments. This is an example of how busy a director might be and the effects toward company performance [26]. Therefore, the study suggests that there is a significant amount of information or resources flows in and out among companies through networking.

3. Conclusions

This study contributes to the literature on the formal network by examining the impact of directors' network on ESG score. Regarding the network literature, this study in one of the few studies that extend the growing literature by examining the network created by directors. Existing studies have only been confined to a dichotomous measure; this study took a more profound approach by examining the dimensions of the network of connected directors [27]. Also, two important implications can be derived from this research. First, although not explicitly, this research warrants further investigation on the nature of appointments of the directors on the board of directors. It implies that to increase monitoring and enhance quality resources, the number of multiple directorships should be limited to a certain number of appointments. The second implication is the role of directors on the board of directors, and subsequently, the capital market.

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