The impact of COVID-19 and Corporate Governance: The Empirical study of Malaysia emerging market

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Abstract: Corporate governance has been a key pillar of company performance. Past research has highlighted the importance of corporate governance and the Securities Commission Malaysia has recently introduced the Malaysia Code of Corporate Governance 2021 to enhance corporate practice. There were different concepts of corporate governance being practice globally, and Malaysia being a commonwealth country is practicing the Anglo-American approach of corporate governance. The corporate governance in Malaysia emphasis on board of directors, monitoring mechanism of management and align with what being mentioned in the Agency theory where there is a misalignment of goal between shareholders and management. In light of the COVID-19 Pandemic, there is new norm being practice such as virtual audit and virtual meeting, monitoring mechanism and corporate governance have changed. This empirical research reviews the past literature on corporate governance and conceptualizes a research framework that includes COVID-19 factors that might affect corporate governance in Malaysia. In addition, this research paper performed a empirical study to assess the impact corporate governance incorporating the COVID financial factors - on firm's performance.

Keywords: Corporate governance; COVID-19 Pandemic; Corporate Performance

Type: Research paper

1. Introduction

The COVID-19 pandemic is an unprecedented health crisis to the world and the virus is a deadly disease that threatens the survivability of mankind. It was first reported in Wuhan, China towards the end of 2019 and it marks the beginning of the most tragic outbreak in modern history (Wang, Wang, Ye, & Liu, 2020). The first case of the COVID-19 virus was reported in Malaysia on 23rd January, the number continues to grow from single-digit to a triple-digit infectious rate (Shah et al., 2020). To combat this infectious disease, the Malaysia government have announced the Movement Control Order ("MCO") which were implemented starting from 18th March 2020 under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 to curb the spread of the virus (Bernama, 2020). There are few phases of MCO to date as shown in Table 1, during the first phase of MCO, is total lockdown which industry under essential service is only allowed to operate at a limited capacity, and eventually, when the cases started to decline, the Malaysia government have subsequently introduced a more relax MCO to reopen the economy. According to the Prime Minister of Malaysia, it cost RM 2.4 billion a day during the MCO in the year 2020 (Muhamad, 2020).

Table 1: Summary of MCO

Type of Movement Control order	Phase	Start Date	End date
Movement Control Order (MCO)	Phase 1	18th March 2020	31st March 2020
	Phase 2	1st April 2020	14th April 2020
	Phase 3	15th April 2020	28th April 2020
	Phase 4	29th April 2020	3rd May 2020
Conditional Movement Control Order (CMCO)	Phase 1	4th May 2020	12th May 2020
	Phase 2	13th May 2020	9th June 2020
Recovery Movement Control Order (RMCO)	Phase 1	10th June 2020	31st August 2020
	Phase 2	1st September 2020	31st December 2020
	Phase 3	1st January 2021	31st March 2021
Movement Control Order (MCO) by state		31st March 2021	31st May 2021
Full Movement Control Order (FMCO)	Phase 1	1st June 2021	14th June 2021

Source: Karim, Haque, Anis, and Ulfy (2020)

Many of the economic sectors were experiencing an impact such as the tourism, retailer sector, or the non-essential sector (Karim et al., 2020). However, some retailer that managed to capitalize on e-commence outperform their peers and it is believed that the change of strategies is due to better governance and leadership(Jiang & Stylos, 2021). Nonetheless, some industries outperform such as the healthcare and the technology industry (Azhar; & Lin, 2020). Among the healthcare and technology sector, some companies outperform their peers and one of the contributing factors of their great performance could be corporate governance (Bhatt & Bhatt, 2017). Despite the effort by the relevant authority in the developed world, high-profile scandals persist, for instance, Theranos, a unicorn company that fakes their revolutionary blood-test technology which does not work in the reality (Blood, 2020). In the case of Malaysia recently, Serba Dinamik Holdings Berhad, a Public Listed Company ("PLCs") that operates in the Oil and Gas industry which also ventures into the technology industry has benefited from the pandemic by achieving a year-on-year profit after tax growth of approximately 27% according to their 2020 fourth-quarter report (TheBorneoPost, 2021), however, in May 2021 Serba Dinamik Holdings Berhad auditor's KPMG have raised a red flag on suspicious sales transaction of RM 3.5 billion with 11 customers (FMT, 2021), and the company dispute with auditor have led to group intention of dismissal KPMG as the auditor with the unpleasant findings. This raises severe governance concerns especially when the group independent directors and audit committee are silent over this matter (SunBiz, 2021). Hence, adequate corporate governance is essential for the company's success. This study provides reviews on literature in corporate governance taking account of the on-going COVID-19 pandemic.

Malaysian government started to look into corporate governance after the 1997 Asia Financial crisis as one of the major contributing factors to the crisis was inadequate corporate governance among local company which resulted in a reduction of investor confidence in Malaysian corporations (Kassim & Noordin, 2015). As such, to regain the confidence Malaysia's authority has formed a World-Class Committee focus on Malaysia Corporate Governance, and the first Malaysia Code of Corporate Governance was launched in the year 2000 which is a shadow of the UK Cadbury, Greenbury, and Hampel report (NG, 2015). After MCCG 2000, revised MCCG was subsequently introduced in the year 2007, 2012, 2017 and the latest MCCG was introduced in 2021 to accommodate and enhance the relevance of the standard in the fast-changing business world. Although MCCG 2017 was adopted in some companies such as Serba Dinamik Holdings Berhad, yet, governance issues arise. Hence, MCCG were constantly being reviewed and revised.

Malaysia Code of Corporate governance 2021 ("MCCG 2021") defines corporate governance as "The process and structure used to direct and manage the business and affairs of the company towards promoting business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value while taking into account the interest of other stakeholders". On the other hand, Company Act 2016 ("CA 2016") clearly stated that the board of director direct and manage all business affair of company. Considering the movement restriction, the traditional method of physical meeting and audits is not possible, the new norm of virtual meeting or audit which is unusual before the pandemic has to be implemented instantly.

This research aims to study how does COVID-19 impacts the relationship between corporate governance and the company's performance of Malaysian Public Listed Companies. This study will provide the background of the study in section 2, followed by Discussion and Analysis in section 3, and ended with a conclusion.

2. **Background of the Study**

There are many corporate governance approaches being practice globally namely the Anglo-American, Japanese, Latin, and Germanic approaches (Kimani, 2017). All these approaches emphasize different parties of the business. The Anglo-American approach stress on the shareholder, where Japanese, Latin, and Germanic approach of corporate governance focus on the stakeholder of the business (Weimer & Pape, 1999). In a dynamic capital market economy such as Singapore, Hong Kong, US, UK, are adapting to the Anglo-American model of Corporate Governance (Areneke, 2018). The Anglo-Amerian approach of corporate governance reflects the principle of English common which widely practice in Commonwealth countries including Malaysia (Kimani, 2017).

There were many theories related to corporate governance mentioned in the past research, for instance, Agency Theory, and Stewardship Theory, Stakeholder Theory (Azutoru, Obinne, & Chinelo, 2017; Bhatt & Bhatt, 2017; Mohammad, Wasiuzzaman, & Salleh, 2016). Agency theory was first introduced by Jensen & Meckling (1976), where due to the separation between the management being the agent and the shareholders being the principal, there is a misalignment of goals between both parties. Shareholders' goal is to have the highest equity value and management would be more interested in having a great remuneration package (Fama, 1980). The introduction of MCCG is to curb the agency problem, for example, there is a monitoring mechanism such as having an independent director on board and all board committee chairman shall be made of independent directors (SC, 2021). One theory that conflicts with agency theory is stewardship theory, where the management is the steward of the company and will work towards the interest of shareholders (Donaldson & Davis, 1991). Steward is motivated to work for shareholders not only for great remuneration but the self-esteem and self-actualization according to Maslow's Hierarchy of Need (Sadri & Bowen, 2011). In addition, the reputation of the steward itself will further enhance their motivation to work for the shareholder considering that it will impact their future career path (Xinhui Chen, 2019).

The Angle-American approach of corporate governance concentrates on the shareholder, and various mechanisms recommended in MCCG are related to the Board of Directors ("BOD"). As a result of the separation between the manager and the owners, agency issues occur as self-interest managers might work in their interest at the expense of the owner which is highlighted in the agency theory (Jensen & Meckling, 1976). Past literature suggests a few common elements of corporate governance as per Table 2 (Alabede, 2016; Xihui Chen, 2019; Ciftci, Tatoglu, Wood, Demirbag, & Zaim, 2019; H. Khan, Hassan, & Marimuthu, 2017; Mohammad et al., 2016). Table 2 shows that element of corporate governance which are related to the BOD of companies and MCCG objective is to address issues related to BOD (Bhatt, 2016). Furthermore, the past research study examines the relationship between corporate governance and another variable such as firms' performance, corporate finance, board effectiveness, corporate disclosure, corporate competitiveness, etc (Alebrahem, 2018; Ho, 2005; John & Senbet, 1998; Khatib & Nour, 2021; Kyere & Ausloos, 2020). Also, Ebeke, Jovanovic, Valderrama, and Zhou (2021) mentioned COVID-19 pandemic impacts firms' performance the most. Hence, this research paper proposes to study the impact of the COVID-19 pandemic on the relationship between corporate governance and firm's performance.

COVID-19 impacts almost all industries, however, some industries suffered more as compare to others, for example, the aviation industry is far worse as compared to the food and beverage industry as due to travel restrictions, flights are mostly grounded but the food and beverage industry can opt with delivery (Shafi, Liu, & Ren, 2020). Studies have shown that the COVID-19 pandemic indeed impacted corporate governance, and some corporate governance characteristics are beneficial to the company (Khatib & Nour, 2021). An active board with certain interventions in company policies restructuring could help the company in combating the pandemic (Foss, 2020).

During MCO, only essential sectors are allowed to operate at up to 50% capacity, eventually, CMCO is open to almost all economic sectors but with limited capacity, then during RMCO businesses resume to normal capacity (Flander, 2021). The limited operation capacity has impacted the financial performance of the company, especially company is required to pay rent and salary (Yunus, 2020). A majority of the economic sectors are not allowed to operate during the MCO as well as limited operational capacity during CMCO has impacted company revenue and has affected the company's survivability especially companies liquidity and for companies with high leverage, it is more challenging to maintain company solvency (Guerini, Nesta, Ragot, & Schiavo, 2020). Hence, the proposed conceptual framework includes solvency and liquidity as the COVID-19 factors that potentially impact the relationship between the corporate governance element and the company's performance.

According to MCCG 2021, remuneration of BOD shall consider the complexity of individual responsibilities, sustainability factors, and the remuneration package shall not conflict with the independence of the independent director. MCCG 2021 also highlight on the importance of remuneration transparency by disclosing the full remuneration of management and BOD which allow stakeholder of the company to assess the remuneration of the management. The Corporate Governance Monitor 2020 shows that FTSE Bursa Malaysia Top 100 Index executive directors' remuneration decline by 14.5% and non-executive directors increase by 6.2% in 2020, this reflects executive director remuneration have made a pay adjustment as a result of the PLCs financial hits by COVID-19 pandemic. However, investors give green light for non-executive remuneration increment as investors acknowledge the importance of independent non-executive directors in safeguarding their interest. One incentive to close the gap between the principal and agent is through adequate board remuneration, and an attractive remuneration package is more likely to attract talent to the organization (M. I. Khan & Kouser, 2020).

As for the relationship between these corporate governance elements and firm's performance, past findings suggest a different outcome. Some academia suggests that there are significant relationships between corporate governance and firm's performance (Abdoush, 2017) and some academia found that there was no significant relationship between corporate governance and firm's performance (Chang, 2016). Nonetheless, all these studies exclude COVID-19 factors, as the

COVID-19 pandemic has impacted the operation of companies and introduce the new norms of business operations.

Table 2: Summary of Corporate Governance Element

Corporate Governance Element			
1	Board Size	17	Ethnicity
2	Board Independence	18	Qualification Of Board Committee
3	Size Of The Audit Committee	19	Director Remuneration
4	Ownership Structure	20	Board Meeting
5	Duality	21	Board Attendance
6	Risk Management Committee	22	Stock Option
7	Remuneration Committee	23	Audit Committee Meeting
8	Directors Ownership	24	Nomination Committee Meeting
9	Institutional Ownership	25	Board Tenure
10	Ownership Of Largest Shareholder	26	Multi Directorship
11	Ownership Of The Largest Three Shareholders	27	CEO Tenure
12	Institutional Ownership	28	Right Of Shareholder
13	Family Ownership	29	Equitable Treatment Of Shareholder
14	Concentration Ownership	30	Disclosure And Transparency
15	Director's Age	31	Shareholders' Rights
16	Gender Diversity	32	Big 4 Auditor

Source: Bhatt and Bhatt (2017); Ciftci et al. (2019); Khatib, Abdullah, Elamer, and Abueid (2021); Mohammad et al. (2016); Shao (2019)

There were many corporate governance elements used in the past literature as shown in Table 2. According to MCCG 2021, the latest revision of MCCG emphasis the board composition for corporate sustainability, and the update of the MCCG is based Corporate Governance Monitor Report (SC, 2021). The corporate governance monitor report indicated that few corporate governance elements could be improved such as independence of the board, board diversity, and board remuneration (SC, 2020).

For the board size, it could be seen as the total number of directors in the BOD. MCCG 2021 recommends having a minimum of 50% of independent directors in the BOD in the PLCs and a majority of independent directors for large companies but did not specifically mention a total number of board of directors. A larger board could contribute more to the organization in terms of time and ideas (Kyere & Ausloos, 2020). Under the agency theory, the presence of the external director is to monitor the management as a result of the separation of principal and agent, hence, it closes the gap of information asymmetric between both parties (Akbar, Hussain, Ahmad, & Hassan, 2020). It is worth noting that with more directors, it could lead to communication breakdown between directors and the decision-making process would be prolonged (M. T. Khan, Al-Jabri, & Saif, 2021).

Azutoru et al. (2017) suggest that director's remuneration is more important and director's ownership especially on remuneration package directly connected to company performance such as share price as well as profit, nonetheless, excessively paid independent director might no longer able to stay independent in monitoring the management to avoid the removal of their directorships. Khatib and Nour (2021) argue that director with higher remuneration is comfortable in their position which makes them more unlikely to challenge the management. Some studies suggest that when a high meeting allowance is offered, generally, there will be more meetings being organized and could deteriorate company performance (M. I. Khan & Kouser, 2020). Akbar et al. (2020) argue that only lucrative remuneration could further motivate directors to carry their monitoring tasks.

As a measurement for company performance, few indicators have been used in the past research. Bhatt and Bhatt (2017) used Return on Equity (“ROE”), Return on Asset (“ROA”), and Return on Invested Capital (“RIC”) as these indicators reflect internal performance and such accounting-based measurements are more relevant to emerging market such as Malaysia. ROE measures company profit over shareholders equity, which shows the profit generated by the company using the money invested by its shareholders, ROA measure profit over the total asset which shows the level of profit generated from the invested capital asset, RIC measure profit over invested capital which indicate the profit generated from total invested capital (Epps & Cereola, 2008). Another measurement of company performance is Tobin’s Q ratio which measures the market value of equity over the book value of the company. Tobin’s Q ratio is a market-based measurement and incorporates the market expectation of the company (Akbar et al., 2020).

Research Framework and Research Model

After reviewing past literature and considering the current COVID-19 Pandemic, this paper would propose a research framework as per Figure 1.

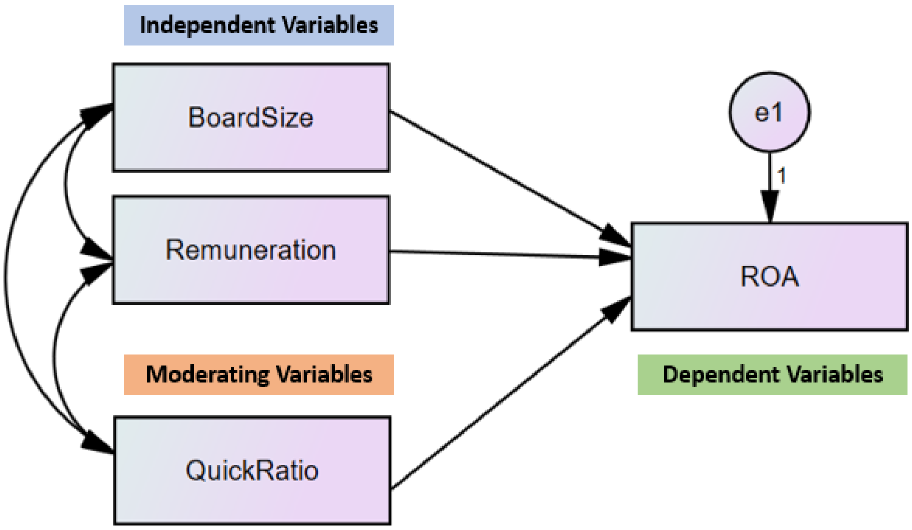

Figure 1: Research Framework

The framework shows the relationship between the endogenous variables being corporate governance elements and the exogenous variables being the company performance which is common in past research. An exogenous variable is also the independent variable and endogenous variables are also the dependent variables. The relationship between corporate governance and firm performance has been inconsistent as such, the proposed study attempt to re-examine the relationship between corporate governance and firm performance. In addition, since there was no attempt in the past research that include the impact of COVID-19 in examine the relationship between corporate governance and firm performance in Malaysia. As mentioned above, COVID-19 Pandemic has impacted most of the operation, therefore, it might impact the company operationally and financially (Ebeke et al., 2021). Hence, this study proposes a framework of which includes COVID-19 factors in analyzing the relationship between corporate governance and firm performance.

This research exogenous variable includes two corporate governance elements, board size (BSIZE), directors' remuneration (REMU). In addition to the two variables, this study also includes one moderating variable, which is liquidity (LIQ). These variables are being measured by the endogenous variable which is ROA. There was two research model, the first model consists of the hypothesized variables without the moderating variables and the second model include the two corporate governance variables and the moderating variables. Table 1 explained the variables of the model.

$$ROA = \alpha + \beta_0 BSIZE + \beta_1 REMU + \varepsilon \qquad \text{Model 1}$$

$$ROA = \alpha + \beta_0 BSIZE + \beta_1 REMU + \beta_2 LIQ + \varepsilon \qquad \text{Model 2}$$

Table 3: Unit of Analysis of research variables

Variables	Acronym	Measurement
Dependent Variable		
Return on Asset	ROA	Profit after tax divided by total asset
Independent Variable		
Board Size	BSIZE	The number of directors on the board
Director Remuneration	REMU	Log5 of the total board of directors' remuneration
Moderating Variable		
Liquidity	LIQ	Current Asset without inventory divided by Current Liability

Hypothesis development

Based on the framework in section 5, this paper attempts to research two corporate governance elements namely board size and the average director's salary as the independent variables.

The MCCG 2021 did not specifically indicate the minimum numbers of directors on the board, however, MCCG 2021 mentioned minimum of half of the board should be independent directors, the independent chairman is encouraged, board committee should consist of a minimum of three members, and all the members are required to be independent directors in which independent chairman are not allowed to sit in the board committee (MCCG, 2021). It implies that there is a minimum of four independent directors, if these four independent directors represent half of the board, then, it might imply a board size of eight directors. Research shows larger board could enhance company performance with more members contributing to the organization (Kyere & Ausloos, 2020), another argument is that a larger board might have more ideas that might be conflicting and delay the decision-making process (Akbar et al., 2020). Hence, the below hypothesis is proposed,

H_1: Board Size has a significant relationship with company performance.

Agency theory suggests that due to misalignment of interest between the owners and the manager of the company, the manager might not work in the best interest of the owners (Jensen & Meckling, 1976). To align both interests of management and shareholder, director's remuneration is used as a common tool to alight both interests, research shows that an attractive remuneration package could attract the highly qualified individual to run the company which will enhance company performance (M. I. Khan & Kouser, 2020). Therefore, the below hypothesis was formed.

H_2: Directors Remuneration has a significant relationship with company performance.

One of the biggest impacts of the Covid-19 Pandemic is the company survivability, especially the restriction of operation has impacted the income stream of the company while there is still commitment such as bank loan or payables to be serviced and can be seen via liquidity of the company.

H_3: Liquidity moderates the relationship between corporate governance and company performance.

Research Method

This study adopts a quantitative research approach. In analyzing the data, this research adopted the Partial Least Square (PLS), as PLS is the most common statistical analytical methodology in accounting research (Nitzl, 2016). PLS is predictive-orientated and it is suitable for research with a small population (Goodhue, Lewis, & Thompson, 2012). Lee, Petter, Fayard, and Robinson (2011)claimed that PLS could test on a complex research model that includes moderating variables which is more beneficial as compared to the convention regression analysis. Research involves assessment of the latent construct with archival data are best with PLS (Lee et al., 2011). A descriptive analysis was applied to studying the relationship between corporate governance elements and a firm's performance, and how COVID-19 impacts the relationship. The two corporate governance elements mention in section 4 such as board size and director's remuneration are the exogenous variables, and the firm performance is then measured by ROA which is the endogenous variable. The research will include a moderating variable which is liquidity.

In terms of the sample size, Lee et al. (2011) recommend the "10 cases per variables" rule where the sample size is determined based on the number of variables multiple by 10 as the lowest number of the sample that research could have. This research would focus on companies listed in the Main Market and ACE Market of Bursa Malaysia under the sector of technology, which consists of 90 companies. The corporate governance elements and financial data were extracted from the 2020 Annual Report of the companies which make available on the Bursa Malaysia website. The data were undergoing descriptive analysis which includes mean, standard deviation.

3. Discussion and Analysis

There are 90 companies listed in the Main Market and ACE Market of Bursa Malaysia under the sector of technology, however, only 89 companies' information was able to extract from the Bursa Malaysia website. Based on the summary of data of the exogenous variables, on average there are about 6 to 7 directors on the board, below the bar chart shows the frequency of the board size about technology PLCs. For the remuneration, the mean of the Log5 remuneration is about 8.706, inverse Log5 is RM 1,216,838, which mean, the average of the board remuneration is RM 1,216,838. Based on the Skewness and Kurtosis, both show that two independent variables are standard normal data.

As mention, there are two research models, the below diagram shows the PLS Path Diagram of Model 1 and Model 2

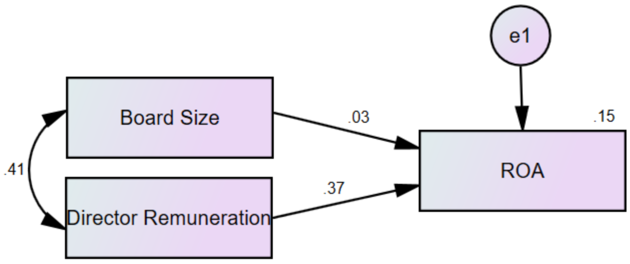

Figure 2: PLS Path Diagram of Research

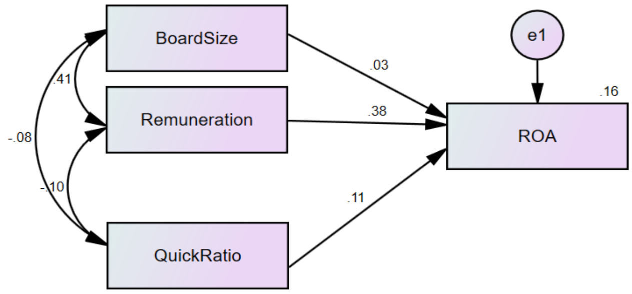

Figure 3: PLS Path Diagram of Research

Based on the path diagram in figure 2, the correlation value is less than 0.80 between the exogenous variables. Figure 3 indicates a similar result of correlation value between the exogenous variables and the moderating variables. Hence, the result with a correlation value below 0.8 suggests that there is an absence of multicollinearity between the exogenous variables as well as moderating variables. The summary of the correlation value is as per table 4.

Table 4: Correlation value between exogenous variables and moderating variables

Model 1			**Estimate**
Board Size	<-->	Remuneration	0.411
Model 2			**Estimate**
Board Size	<-->	Liquidity/Quick Ratio	-0.082
Board Size	<-->	Remuneration	0.411
Remuneration	<-->	Liquidity/Quick Ratio	-0.099

The R-squared of Model 1 and Model 2 indicate that both models influenced ROA 14.6% and 15.7% respectively which is lower than the threshold of 0.7. Hence, this reflects a weak relationship between the endogenous variables – ROA and the two exogenous variables, namely Board Size and Directors remuneration as well as the moderating variables – Quick Ratio. With the presence of the moderating variable in model 2, R Squared value shows a slight increment in value showing the moderating variables have enhanced the relationship between the exogenous variables and the endogenous variables. Nonetheless, since the R Squared value is lower than 0.7, both models suggest a weak relationship.

Table 5: Path Coefficient - ROA

	Model 1	Model 2
Board Size	0.028	0.033
Remuneration	0.37	0.378
Liquidity/Quick Ratio		0.106
R Squared	0.146	0.157

P-Value ≤ 0.01 reflects the significance of the exogenous variables. Based on the data of table 6, only directors remuneration shows significance in both models

Table 6: P-Value with two exogenous variables and one moderating variable

		Model 1	Estimate	S.E.	C.R.	P
ROA	<---	Board Size	0.081	0.309	0.261	0.794
ROA	<---	Remuneration	2.507	0.732	3.425	***
		Model 2				
ROA	<---	Board Size	0.096	0.307	0.311	0.756
ROA	<---	Remuneration	2.564	0.729	3.516	***
ROA	<---	Liquidity/Quick Ratio	0.06	0.056	1.076	0.282

This data support the research from M. I. Khan and Kouser (2020), where highly-paid directors are more likely to attract more competent individual in running the company which could better enhance company performance, and it could align the interest between shareholder and manager and eliminate agency issues (Jensen & Meckling, 1976).

Board size and liquidity seem not significant to company performance. For board size, the result shows that board size is not significant to the company performance which is opposed to Kyere and Ausloos (2020) findings, this indicates that bigger board size contributes to the company in the context of other countries but not in Malaysia. In addition, since directors are being paid fixed fees, therefore, directors might not want to challenge the management which might risk their position being removed (Khatib & Nour, 2021).

Explicit knowledge is relatively easier to diffuse between organizations than is tacit knowledge. Thus, new explicit knowledge can be relatively easily understood and utilized by the knowledge receiving organization. On the other hand, tacit knowledge is too difficult to effectively transfer among weakly-connected organizations. The presence of tacit knowledge in other organizations is often inaccessible. There is insufficient shared context and understandings to identify the knowledge if it is present. Even if identified, tacit knowledge is frequently difficult to capture in an open network with weakly connected organizations. These relationships are depicted in Figure 1.

Table 7 : Latent Variable Correlations

		ROA	Board Size	Director Remuneration	Liquidity/Quick Ratio
Pearson Correlation	ROA	1.000			
	Board Size	.180	1.000		
	Director Remuneration	.382	.411	1.000	
	Liquidity/Quick Ratio	.066	-.082	-.099	1.000
Sig. (1-tailed)	ROA		.046	.000	.270
	Board Size	.046		.000	.224
	Director Remuneration	.000	.000		.178
	Liquidity/Quick Ratio	.270	.224	.178	

In the correlation table, both board size and director remuneration are significantly correlated with a correlation of 0.411, which means both variables are 41.1% related. ROA is also significantly correlated with board size and director remuneration. ROA is 18% related to board size and 38.2% related to director remuneration.

4. Conclusion

This research seeks to examine the relationship between corporate governance and firm's performance as a result of the inconsistent conclusion from past literature. Since the introduction of MCCG 2017, about 70% of PLCs in Malaysia adopted the recommendation as of the year 2020, despite the adoption of MCCG 2017, the recent issues of Serba Dinamik Holdings Berhad involving billion-dollar unverified contract persist, and due to the gap, the Securities Commission Malaysia have introduced MCCG 2021 with the objective to enhance governance among PLCs. Given the current COVID-19 Pandemic, there was no attempt to study the impact of COVID-19 on the corporate governance of company. Hence, this paper proposes research on the impact of COVID-19 on the relationship between corporate governance and firm's performance.

Despite the weak relationship shown in the model summary, the coefficient analysis indicates that only director remuneration has a significant relation with business relations, therefore it supports hypothesis H_2. Moreover, liquidity slightly enhances the influence of remuneration on company performance despite insignificant.

Hypothesis	Result
H_1: Board Size has a significant relationship with company performance.	Not Supported

H_2: Directors Remuneration has a significant relationship with company performance.	Supported
H_3: Liquidity moderates the relationship between corporate governance and company performance.	Not Supported

In future research, more corporate governance elements, company performance indicators, and moderating variables could be included to provide a more holistic view of corporate governance and financial performance. The proposed research contributes to the body of knowledge by identifying corporate governance elements that are significant to the firm's performance. Furthermore, the research also examines the impact of COVID-19 on company performance, and highlight corporate governance elements that help company performance during the pandemic. In addition, this research creates an awareness of ESG[1] from the perspective of governance considering the recent ESG issues involving a healthcare players in managing their foreign workers (Fong, 2021). The research also intends to create a framework that highlights governance issues that potentially lead to the next corporate scandal.

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