UNIVERSITI TEKNOLOGI MARA

eProceeding

iAC

INTERNATIONAL ACCOUNTING COLLOQUIUM

(FACULTY OF ACCOUNTANCY UiTM CAWANGAN KEDAH & MINDANAO STATE UNIVERSITY- ILGAN 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

INTERNATIONAL ACCOUNTING COLLOQUIAM (IAC2023) eProceeding

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

EDITORIAL BOARD

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
Head of Faculty
Faculty of Accountancy
Universiti Teknologi MARA (UiTM) Kedah
08400 Merbok, Kedah, Malaysia.

PREFACE

Alhamdulillah, all praises to Allah, by whose grace and blessings made it possible to conduct our first *International Accounting Colloquium (IAC2023)* on 31^{st} January 2023. This colloquium was organised by Faculty of Accountancy of UiTM Kedah Branch. The main participants were lecturers of UiTM Kedah Brach, 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)

TABLE OF CONTENTS

Preface - Rector -- ii

Preface - Head of Faculty -- iii

Preface - Chief Editor -- iv

Director’s Networks and Environmental, Social and Governance (ESG) Performance ----------- 1

Corporate Board Diversity and Sustainability Report Disclosure Mediated by Information Asymmetry --- 5

Factors Influencing Decision to Issue Going Concern Opinion in The Post-COVID-19 Era: Malaysian Evidence -- 10

Fraudulent Financial Reporting and Audit Committee Characteristics: A Systematic Review --- 14

The Role of ESG Reporting in Reshaping Businesses -- 20

Money Laundering Propensity Amongst Accountants in Malaysia --------------------------------- 24

Factors Influencing Occupational Stress: A Study on Its Effect on The Performance of Msu-Iit Faculty During Covid-19 Pandemic --- 27

Predictors Of Bankruptcy Risk of Food Franchising Companies in The Philippines ------------- 32

#Cancelled: Predictors of Cancel Culture in The Philippines --------------------------------------- 36

Factors Influencing the Filipino-Muslims’ Willingness to Participate in The Takaful Industry -- 41

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

Mohd Faizal Jamaludin[1], Roshidah Safeei [2]
[1, 2] Faculty of Accountancy, Universiti Teknologi MARA Cawangan Kedah, Malaysia
mfaizalj@uitm.edu.my

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.

References

[1] J. Engelberg, P. Gao, and C. A. Parsons, "The Price of a CEO's Rolodex," *Rev. Financ. Stud.*, vol. 26, no. 1, pp. 79–144, 2013, doi: 10.1093/rfs/hhs114.

[2] C. H. S. Bouwman, "Corporate Governance Propagation through Overlapping Directors," *Rev. Financ. Stud.*, vol. 24, no. 7, pp. 2358–2394, May 2011, doi: 10.1093/rfs/hhr034.

[3] D. F. Larcker, E. C. So, and C. C. Y. Wang, "Boardroom Centrality and Firm Performance," *J. Account. Econ.*, vol. 55, no. 2–3, pp. 225–250, Apr. 2013, doi: 10.1016/j.jacceco.2013.01.006.

[4] K. S. Jomo, "Malaysian Debacle : Whose Fault ?," *Cambridge J. Econ.*, vol. 22, pp. 707–722, 1998.

[5] S. Johnson and T. Mitton, "Cronyism and Capital Controls: Evidence from Malaysia," *J. financ. econ.*, vol. 67, no. 2, pp. 351–382, 2003.

[6] E. A. Abdul Wahab, M. F. Jamaludin, D. Agustia, and I. Harymawan, "Director Networks, Political Connections, and Earnings Quality in Malaysia," *Manag. Organ. Rev.*, vol. 16, no. 3, pp. 687–724, 2020, doi: 10.1017/mor.2020.26.

[7] C. Fracassi and G. Tate, "External Networking and Internal Firm Governance," *J. Corp. Financ.*, vol. 67, no. 1, pp. 153–194, 2012, [Online]. Available: http://ssrn.com/abstract=1213358.

[8] D. F. Larcker, E. C. So, and C. C. Y. Wang, "Boardroom Centrality and Firm Performance," 2012.

[9] J. Horton and G. Serafeim, "Security Analyst Networks , Performance and Career Outcomes," *J. Financ.*, pp. 1–37, 2012, [Online]. Available: http://ssrn.com/abstract=1522313.

[10] J. Engelberg, P. Gao, and C. A. Parsons, "The Price of a CEO ' s Rolodex," no. June 2009, 2012.

[11] C. Fracassi, "Corporate Finance Policies and Social Networks," *Manage. Sci.*, vol. 63, no. 8, pp. 2420–2438, 2017.

[12] A. J. Richardson, "Regulatory networks for accounting and auditing standards: A social network analysis of Canadian and international standard-setting," *Accounting, Organ. Soc.*, vol. 34, no. 5, pp. 571–588, Jul. 2009, doi: 10.1016/j.aos.2008.11.005.

[13] M. F. Jamaludin and E. A. Abdul Wahab, "Director Networks and Accruals Quality in Malaysia," in *Journal of Contemporary Accounting & Economics Annual Symposium*, 2016, no. January.

[14] E. H. Kim and Y. Lu, "The Independent Board Requirement and CEO Connectedness," *Accounting, Corp. Governance, Law Institutions eJournal*, vol. 3, no. 75, pp. 1–59, 2011, [Online]. Available: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1970591.

[15] D. J. Brass, J. Galaskiewicz, H. R. Greve, and W. Tsai, "Taking Stock of Networks and Organizations: a Multilevel Perspective," *Acad. Manag. J.*, vol. 47, no. 6, pp. 795–817, 2004.

[16] W. Tsai, "Knowledge Transfer in Intraorganizational Networks: Effects of Network Position and Absorptive Capacity on Business Unit Innovation and Performance," *Acad. Manag. J.*, vol. 44, no. 5, pp. 996–1004, 2001.

[17] W. Tsai and S. Ghoshal, "Social capital and value creation: The role of intrafirm networks," *Acad. Manag. J.*, vol. 41, no. 4, pp. 464–476, 1998, doi: 10.2307/257085.

[18] A. Mehra, B. R. Smith, A. L. Dixon, and B. Robertson, "Distributed Leadership in Teams: The Network of Leadership Perceptions and Team Performance," *Leadersh. Q.*, vol. 17, no. 3, pp. 232–245, Jun. 2006, doi: 10.1016/j.leaqua.2006.02.003.

[19] A. M. Kleinbaum and T. E. Stuart, "Network responsiveness: The social structural microfoundations of dynamic capabilities," *Acad. Manag. Perspect.*, vol. 28, no. 4, pp. 353–367, 2014, [Online]. Available: 10.5465/amp.2013.0096.

[20] J. Horton, Y. Millo, and G. Serafeim, "Resources or Power? Implications of Social Networks on Compensation and Firm Performance," *J. Bus. Financ. Account.*, vol. 39, no. 3–4, pp. 399–426, 2012, [Online]. Available: papers.ssrn.com/sol3/papers.cfm?abstract_id=1416935.

[21] I. N. Durbach and H. Parker, "An Analysis of Corporate Board Networks in South Africa," *South Africa J. Bus. Manag.*, vol. 40, no. 2, pp. 15–27, 2009.

[22] T. E. Stuart and S. Yim, "Board interlocks and the propensity to be targeted in private equity transactions," *J. financ. econ.*, vol. 97, no. 1, pp. 174–189, Jul. 2010, doi: 10.1016/j.jfineco.2010.03.012.

[23] O. Pesämaa, J. Klaesson, and A. Haahti, "Board Network Characteristics and Company Performance in Sweden: The Case of Gnosjö Companies and their Board Members in Southern Sweden," in *European Entrepreneurship in the Globalizing Economy*, A. Fayolle and K. Todorov, Eds. Cheltenham, UK, Sweden: Edrward Elgar Publishing limited, 2011, pp. 125–138.

[24] J. D. Westphal and I. Stern, “The Other Pathway to the Boardroom : Interpersonal Influence Behavior as a Substitute for Elite Credentials and Majority Status in Obtaining Board Appointments,” *Adm. Sci. Q.*, vol. 51, pp. 169–204, 2006.
[25] M. A. Carpenter and J. D. Westphal, “The Strategic Context of External Network Ties: Examining The Impact of Director Appointments on Board Involvement in Strategic Decision Making,” *Acad. Manag. J.*, vol. 4, no. 4, pp. 639–660, 2001.
[26] S. N. N. Htay, S. A. Salman, and I. Shaugee, “Invisible Hands Behind the Corporate Governance Practices in Malaysia,” *World J. Soc. Sci.*, vol. 3, no. 1, pp. 119–135, 2013.
[27] A. J. Hillman, A. A. J. Cannella, and R. L. Paetzold, “The Resource Dependence Role of Corporate Directors: Strategic Adaptation of Board Composition in Response to Environmental Change,” *J. Manag. Stud.*, vol. 37, no. 2, pp. 235–256, 2000, doi: DOI: 10.1111/1467-6486.00179.

Corporate Board Diversity And Sustainability Report Disclosure Mediated By Information Assymmetry

Muslimah Mohd Jamil[1], Muhammad Hariz Hamid[2], Marzlin Marzuki[3], Siti Sakinah Azizan [4]
[1, 2, 3,4] Faculty of Accountancy, Universiti Teknologi MARA Cawangan Kedah, Malaysia
muslimahmj@uitm.edu.my

Abstract
Stakeholders and companies are reciprocal and often complement each other. One element to complement this is through organizing social activities. These social activities can create values for the company and get the stakeholders' attention. Thus, reporting the sustainability issue can be one mechanism to disseminate the information. Preparing for sustainable reporting is not compulsory, but it is encouraged . However, the standard financial authority does not specify the content of sustainable reporting. The pressure of preparing sustainable reporting is determined by the controller of the company's policies and the board of directors. This is because they are the ones to give instructions and evaluate the performance of the management. By utilizing the resource-based view theory and agency theory, this study will propose evaluating the corporate board's composition in terms of the board size, gender diversity, age diversity, academic qualification diversity and ethnic diversity on the sustainability reporting disclosure. The board's knowledge level is likely to strengthen the decision made by the board toward the sustainability reporting disclosure.

Keywords: Corporate board; sustainability diclosure; information assymmetry; resource-based theory; agency theory

---

1. Introduction

“Life is an echo” becomes a dominant proverb when the Covid 19 hit the world. Limitation of resources makes people understand that human interaction is reciprocal. Companies are recommended to conduct corporate social responsibility program towards the stakeholders. Indirectly, the corporate social responsibility programs give significant impacts to corporate performance, trust, reputation, strong stakeholders relationship, transparency, accountability, corporate legitimacy and better cash flow management (Khan, Khan & Senturk, 2019). Companies can conduct various programs, but it will become meaningless if they do not publicize their activities. Potential investors might not see it as relevant to their investment. Majority investors are only familiar with the financial reporting disclosures like income statement, financial statement, and cash flow statement. These are compulsory documents for the company and act as a legal bind. They cannot see the organized activities as being impactful to the company. The accounting regulator, International Federation of Accountants (IFAC) had published several technical papers on how the company can report their non-financial reporting activities. It is because they believed that non-financial reporting disclosure is important to be published. It is because it can enhance the transparency and enhance the sustainable development goals of the companies and country.

According to European Union, the non-financial reporting disclosure is defined as the disclosure of non-financial information that is vital for managing change towards a sustainable global economy by combining long-term profitability with social justice and environmental protection.” It is a very comprehensive documents that evaluate many factors that cannot be justifiable with the monetary item. It further supported by the Global Reporting Initiative (GRI) because non-financial reporting disclosure help the organisation to understand, organise and publicise the effort toward the sustainability development goals (Cosma, S., Leopizzi, R., Nobile, L. and Schwizer, P. 2022). The board of directors are responsible for managing the CSR agenda by utilizing the company resources and developing strategies for sustainability (Khan, Khan & Senturk, 2019). Therefore, this study would like to propose a study to evaluate the whether the company board of director is practising on sustainability reporting mediated with the information asymmetry.

2. Literature review

2.1 Sustainability Reporting

The reporting of the corporate social responsibility program had been introduced in early 1960 where public become aware about the importance of its program. Due to that, it shapes the accounting and reporting structure of the company. It is where the companies start to report their activities that had been conducted to the public. It is known as the CSR report. The CSR disclosure is a report that demonstrates the influence of firms' activities on society, environment, and uses of natural resources (Khan, Khan & Senturk, 2019). The definition of the CSR report is still not comprehensive and does not meet the expectation of stakeholders. The word "sustainability" was being introduced during the World Commission on Environmental and Development in 1987. According to Brundtland this definition which refers to the sustainability report is a report to explain a development that meets the needs of the current generation without compromising the needs of future generations to meet their own needs. It is a very complex report that covers environmental, social and governance issues (Gold & Taib, 2023).

Environmental, social, and governmental reporting is a very wide reporting. It is requested from the requirement to disclose the non-financial elements. Non-financial information gives twice information as compared to the financial statement. There are two views on the non-financial disclosures. The first view from the opportunist, it is where the managers are being given incentive to manipulate external perceptions of business results to hide failures and emphasize successes. A more transparent disclosure will be presented by the high-performing companies to indicate their superiority as compared to the rivals in the market. Another view is that the manager is responsible to create value and give investors with additional information for their investment choices. They are trying to fulfill the principal agent relationships (Agostini et.al, 2022). This report is also known as triple bottom line report. The report should indicate how human are able to utilize the industrial and biological process to make sure the sustainability of resources is preserved (Gold & Taib, 2023).

Due to its importance, a majority of companies separate this report and it becomes a stand-alone report. The reasons for separation are that it can portray the sustainability risks and opportunities which can influence long-term performance, it can meet the pressure from stakeholder groups that demand transparent disclosure on multiple dimensions of economic, social, and governance (ESG) performance and it can also help to react to the issue of sustainable development (Ngu & Amran, 2019). To increase the quality of non-financial disclosure, the reporting should fulfill the four elements which are readability, conciseness, completeness, and balance (Agostini et.al, 2022).

2.2 Corporate board size

Corporate board can help in improving the leadership and management oversight function, where it can improve board independence. Having a larger number of directors ensures that the talent pool of expertise is available because larger boards are more likely to have more knowledgeable and skilled professionals at their disposal. It is because a firm with a larger board size will have various board composition in situations requiring professional advice as the directors would have varied expertise with much wider experience. It can also provide them with needed counsel in strategic decision-making. It also can contribute to more external relationships and complex contracts would require a larger board for strategic decisions. Extant literatures have equally documented positive evidence for larger board size with supportive argument that firms with larger boards have broader visions and experiences of different professionals, which strengthen their decision-making processes (Gold and Taib, 2023)

Proposition 1: The corporate board size has a positive and significant influence on the extent sustainability reporting disclosure.

2.3 Corporate board diversity

There are two types of board diversity which are heterogeneity and homogeneity. Heterogeneity board diversity consists of members that have differences in the age, gender, ethnicity, nationality, education, task, skill, expertise, experience, preferences (political and sexual preference) and religion. According to resource-based view theory, it explained that the more diverse members, the more it can increase resources. It can also enrich the strategic decision quality. It also helps to identify and fulfil stakeholder's requirements and later improve performance and reputation of the company.

In addition, homogeneity board diversity comprises of members that have similar perspectives. It can increase the feeling of comfort, in contrast, it can lead to a lower quality of board discussion, less effective corporate governance and low performance. Age diversity escalates the innovation and proficiencies through improvement of company's competitive advantage as understood from the resource-based view theory. A study in Pakistan found that the higher age diversity, the lower the quality of CSR disclosure. It is because the elder directors do not welcome the opinions from new generation. It is a result from the poor management, weak governance, favouritism, and nepotism (Khan, Khan & Senturk, 2019).

Proposition 2: The corporate board diversity have a significant influence on the extent sustainability reporting disclosure.

2.4. Corporate board gender diversity
The existence of female members in the board of directors can give advantage in term of sustainable and CSR initiatives to the company. It is in line with the resource-based view theory. It is because women are moving quickly and assuredly toward sustainability in the sense of governance, economy, society, and environment. Men and women differ with respect to values when it comes to social responsibility (Khan, Khan & Senturk, 2019). Besides, women tend to bring their aura as a wife and mother in a professional environment. It contributes to a greater orientation towards transparency, visibility, ethical issues, and corporate philanthropy (Tapver, Laidroo, & Gurvitš-Suits, 2020).

The diversity in the boardroom can improve governance processes by giving decision-makers a broader viewpoint, minimizing groupthink and enhancing creativity and innovation (Gold and Taib, 2023). The benefits of having women on the board can be categorised into external benefits and internal benefits. The external benefits is the board became more committed and involved; more prepared; and more diligent; and it created better atmosphere. The internal benefits are it improved decision-making process; increased board effectiveness; and resulted of better attendance and participation. It also showed the board that had greater responsibilities; more philanthropically driven; and less concerned with economic performance (Ong & Djajadikerta, 2020). By having this effectiveness, this study would like to propose:

Proposition 3: The corporate board gender diversity has a positive and significant influence on the extent sustainability reporting disclosure.

2.5 Corporate board ethnic diversity
Race ethnicity diversity is one of the elements that can increase the company competitive advantage. It is because every culture has their own norms, values, beliefs, behaviours and ethical rules. These differences can help the company to gain comprehensive views in creating the strategic decision. It is also in line with the resources-based view theory. In addition, multiple ethnicity board of director contribute to better preparation of the CSR report as compared to one ethnicity board. It is because board of directors can understand the stakeholders' need on the financial and non-financial aspects of reporting (Khan, Khan & Senturk, 2019). This study would like to propose:

Proposition 4: The corporate board ethnic diversity has a positive and significant influence on the extent sustainability reporting disclosure.

2.6 Corporate board educational background diversity
Diversity of education in the board can give significant impact on the decision making including the CSR disclosure. It is because this diversity indicates that the board of directors have multiple views on the individual mentality, intellect, cognitive ability and attitude. This qualification can generate and

share new knowledge and enhance the strategic decision-making process. It is in line with resource-based view theory (Khan, Khan & Senturk, 2019). This study would like to propose:

Proposition 5: The corporate board educational background diversity has a positive and significant influence on the extent sustainability reporting disclosure.

2.7 Information asymmetry

There are two type of directors which are independent directors and executive directors. The main differences between these groups are the independent directors are directors that have no personal or professional relationship with a company, other than being a board member. It is also known as external directors. The presence of independent directors on a board can help to segregate the management and control tasks of a company and this is expected to offset inside members' opportunistic behaviours. In addition, independent directors generally have stronger and extended engagement with wider groups of stakeholders, and they tend to have a broader perspective that is likely to result in a greater exposure to reporting requirements (Ong & Djajadikerta, 2020).

In addition, board of directors are required to have two skills. The first skill is human capital. It indicates how the knowledgeable and skilful of board of directors in the business. This experience can be developed through experience and education. The second skill is the related to social capital. It refers to the ability the board of directors in assessing the social networking. It can be established by interlocking directorate ties. The heterogeneous social network can contribute to complex problems and unstable conditions (Ngu & Amran, 2019).

Besides, the independent directors are supposed to monitor and advise the management. Chief executives' officers are responsible to reveal their information to them so that they can give better advice. In contrast, the executive directors can monitor the management performance closely and intensively. If the process fails to be well -executed, the problem of information asymmetry will arise. It is called as independence paradox. The paradox arises because non-executive directors are expected to perform their duties independently from management. However, to execute their role, non-executive directors are dependent upon the information provided by the same management. This paradox indicates that non-executive directors are "unable" to monitor managers because the information they need to do so comes from those same sources (Brennan, Kirwan & Redmond, 2016).

A higher proportion of independent directors is expected to support stronger board governance and more sustainability disclosures. However, the researchers did not find any direct correlation between the proportion of independent directors and the extent of sustainability disclosures in their study. Instead, they found a significant correlation between the proportion of community influential board members and the extent of sustainability disclosures. Independent directors were not "homogeneous in terms of specific skills, knowledge, and expertise". It means independent directors are generally less aligned to the management's interests; hence, they are expected to tend to focus on the needs of a wider group of stakeholders and demand companies to provide more sustainability disclosures (Ong & Djajadikerta, 2020).

The more proportion of independent corporate boards can monitor and influence board decisions for common interest. Independent directors can also play an active role as an internal control mechanism and protect communities' rights. It is where independent directors are entrusted with overseeing the board's activities and protecting the minorities. Their presence in board meetings will ensure lawful and transparent, and credible board decisions. However, the finding revealed that the company of nonexecutive or independent directors does not contribute any effectiveness in board decisions (Akhter et.al, 2022).

This study would like to propose several propositions, which are:

Proposition 6: The corporate board size has positive and a significant influence on the extent sustainability reporting disclosure mediated by information asymmetry.

Proposition 7: The corporate board diversity has a significant influence on the extent sustainability reporting disclosure mediated by information asymmetry.

Proposition 8: The corporate board gender diversity has a positive and significant influence on the extent sustainability reporting disclosure mediated by information asymmetry.

Proposition 9: The corporate board ethnic diversity has a positive and significant influence on the extent sustainability reporting disclosure mediated by information asymmetry.

Proposition 10: The corporate board educational background diversity has a positive and significant influence on the extent sustainability reporting disclosure mediated by information asymmetry.

References

Akhter, F., Hossain, M.R., Elrehail, H., Rehman, S.U. & Almansour, B. (2022). "Environmental disclosures and corporate attributes, from the lens of legitimacy theory: a longitudinal analysis on a developing country", European Journal of Management and Business Economics. https://doi.org/10.1108/EJMBE-01-2021-0008

Brennan, N.M., Kirwan, C.E. & Redmond, J. (2016). "Accountability processes in boardrooms: A conceptual model of manager-non-executive director information asymmetry", Accounting, Auditing & Accountability Journal, 29 (1),135-164. https://doi.org/10.1108/AAAJ-10-2013-1505

Cosma, S., Leopizzi, R., Nobile, L. & Schwizer, P. (2022). "Revising the Non-Financial Reporting Directive and the role of board of directors: a lost opportunity?", Journal of Applied Accounting Research, 23 (1), 207-226. https://doi.org/10.1108/JAAR-04-2021-0102

Gold, N.O. & Taib, F.M. (2023). "Corporate governance and extent of corporate sustainability practice: the role of investor activism", Social Responsibility Journal, 19 (1), 184-210. https://doi.org/10.1108/SRJ-06-2021-0228

Khan, I., Khan, I. & Senturk, I. (2019). Board diversity and quality of CSR disclosure: evidence from Pakistan. Corporate Governance. 19 (6), 1187-1203. https://doi.org/10.1108/CG-12-2018-0371

Ngu, S.B. & Amran, A. (2019). "The impact of sustainable board capital on sustainability reporting". Strategic Direction, 35 (12), 8-11. https://doi.org/10.1108/SD-05-2019-0098

Ong, T. & Djajadikerta, H.G. (2020). "Corporate governance and sustainability reporting in the Australian resources industry: an empirical analysis", Social Responsibility Journal, 16 (1), 1-14. https://doi.org/10.1108/SRJ-06-2018-0135

Tapver, T., Laidroo, L. and Gurvitš-Suits, N.A. (2020). "Banks' CSR reporting – Do women have a say?", Corporate Governance, 20 (4), 639-651. https://doi.org/10.1108/CG-11-2019-0338

Factors Influencing Decision To Issue Going Concern Opinion In The Post-Covid-19 Era: Malaysian Evidence

Nadzri Ab Ghani [1], Intan Marzita Saidon [2], Saluana Che Salleh [3]
[1, 2, 3] Faculty of Accountancy, Universiti Teknologi MARA Cawangan Kedah, Malaysia
nadzri.abghani@uitm.edu.my

Abstract
Going concern opinion is vital in providing awareness to shareholders about a company's financial position since it serves as a warning of potential bankruptcy. Yet, assessing and issuing going concern opinions remain the most challenging ambiguous audit tasks in normal circumstances and during a crisis. The post-COVID-19 era, where companies strive to sustain their businesses, created a new problem and further intensified auditors' challenges in deciding whether to issue or not to issue going concern opinion. Acknowledging studies examining the going concern issues are still underrepresented, especially in Malaysia; this study elucidates factors influencing auditors' decision to issue going concern opinions. Applying a qualitative methodology, findings indicate that historical information about the company, industry risk and firm size are the three influencing factors in deciding the issuance of going concern opinions.

Keywords: Going concern; Malaysia; Audit quality; COVID-19; Auditing

---

1. Introduction
International Standard on Auditing (ISA570 – Going Concern) stipulates the need for auditors to assess the client’s ability as a going concern (IFAC, 2016). Going concern opinion is a warning sign to stakeholders about financial difficulties faced by the company (Kausar et al., 2015). As a result, auditors are responsible for finding sufficient and appropriate evidence to justify their opinion as to whether they believe that the company will be operating in its current form for an indefinite future, at least within a minimum timeframe of 12 months. If they think the contrary, an audit opinion with a going concern explanatory paragraph needs to be issued.

However, the willingness of auditors to provide such an opinion remains an issue of concern among researchers in normal economic circumstances (Mulyadi & Budiawan, 2018) and during a crisis (Mareque et al., 2017). A crisis often disrupts the auditing process and complicates the assessment of going concern because it involves making a judgment about the future affairs of companies that may be uncertain. Constructing and assessing audit evidence may challenge most auditors during a crisis. For example, during the previous global financial crisis (GFC), between the middle of 2007 and early 2009, many financial institutions either collapsed or needed to be bailed out within a short duration after getting unqualified audit opinions (Sikka, 2009).

A recent outbreak of the COVID-19 pandemic has created a new crisis in the auditing field. The movement control orders and the global economic turbulences forced businesses to operate beyond norms, consequently impacting most companies' financial health. The pandemic has reportedly caused a decline in businesses' profit and financial performance in various industries (Devi et al., 2020). Acknowledging challenges faced by auditors, this study aims to elucidate factors influencing the propensity to issue going concern opinion during the post-COVID-19 era.

2. Materials And Methods
This study adopted a qualitative method by applying semi-structured interviews for data collection. Warren & Karner (2005) argue that such a methodology is appropriate when a question needs to be described and investigated in depth. The semi-structured interview guide was designed after an

extensive literature review. As for the validity assessment, the guide was reviewed by two experts: an academician from a local public university and an auditor from an audit firm in the northern state of Malaysia. The reviewers were requested to identify any flaws in the interview guide and provide comments on the suitability and clarity of the questions. Feedback from the reviewing process was incorporated into the interview guides. This validity procedure is sufficient to establish the clarity and reliability of the interview.

A total of four interviews were conducted using Google Meet, the platform of a real-time meeting by Google. Online meetings were conducted considering the transmission risk of COVID-19, cost and time inefficiency to travel and conduct personal interviews. The respondents were auditors from the Big Four audit firms in Malaysia. All the interviews were recorded and transcribed for analysis. Thematic analysis based on an interpretive approach was employed (Braun & Clarke, 2006). The analysis involved encoding qualitative data in the search for patterns and themes that help explain social phenomena. To assess validity, the researchers independently made the coding process and compared the findings with the initial results. The researchers collaborated to resolve the anomalies if there were any observed discrepancies.

3. Results And Discussion

Three major factors may influence auditors' decision to issue going concern opinion. The first is historical information or previous performance of a company. In general, all companies face financial difficulties in the post-COVID era. However, the ability of companies to survive during the pandemic and their performances before the pandemic could be used as a point of reference in making a judgment regarding their financial dependency on any funding sources. This argument is aligned with the findings of a previous study that confirm financial distress is not significantly related to the going concern audit opinion (Meiryani et al., 2021). R4 addressed this issue:

> "*Sometimes we need to investigate their backgrounds…the financial data or cash flow may not be that promising because they lose customers, but other evidence indicates that they are coping well, and they are positive in gaining back customers... we might be ok with the going concern assessment*". **-** R4

Secondly, auditors tend to refer to the industry risk in confirming the management's presentation of the going concern assessment. Industry risk refers to the factors that affect companies' growth, profitability and volatility. A previous study concludes that a low propensity of auditors to issue going concern opinions for charities is due to the lower litigation risk in that sector (Yang et al., 2022). Similarly, companies operating in high-risk industries, such as aviation, are reported to take longer to bounce back on track after being badly hit by the pandemic (Saigol, 2020). As a result, auditors take extra care in assessing such companies' going concerns. R1 responded to this issue: "*the standard state the assessment should cover 12 months, but in some cases, we extend the period. We assess more than 12 months, perhaps 18 months. We have experienced extending the assessment period to 24 months. The additional period is to ensure that we provide an accurate decision regarding the going concern of such companies*".

Finally, the size of a company may affect the decision whether to issue a going concern opinion. Before deciding on the issuance of a going concern opinion, auditors need to request additional evidence and extensively discuss issues of concern with the management. Usually, big companies have more constructive and convincing ways of responding to the issues raised by auditors than small companies. R2 highlights this fact "*we normally discuss with management, explain to them their current situation and whenever necessary suggest to them what they need to do. But it is common not to get convincing and constructive action plans from the small companies*". One possible explanation for this scenario is the management in big companies is predicted to be more likely to avoid receiving the going concern opinions. Having a large number of shareholders make the big companies realise that getting going concern opinions may affect a larger group of people if the company ceases its operation. Also, they may need to be proactive in planning the corrective actions because going concern opinions were claimed to affect management's remuneration negatively (Callaghan et al., 2009). Interestingly, this finding contradicts earlier quantitative findings, which found that firm size did not significantly affect the issuance of going concern opinion (Averio, 2021).

4. Conclusion

This paper aims to elucidate factors that affect auditors' decision to issue going concern opinions in the post-COVID era. The three factors reflect that auditors examine financial data and consider non-financial data in making decisions. They acknowledge the need to remain independent and objective in performing their audit work. To enhance the accuracy of the going concern opinion, they will ensure that they get sufficient appropriate evidence before deciding on the issuance of such an opinion. This study is not without limitations. The respondents of this study are attached to the Big Four audit firms operating in Malaysia and thus limit the generalisation of the findings. Therefore, future research might want to expand this study to include the non-Big Four auditors, and comparative studies between developing countries could be an interesting avenue to explore. Also, future studies could embed the quantitative and qualitative approaches to derive more rigorous findings.

Acknowledgement

The authors acknowledge Universiti Teknologi MARA for funding under the Matching Grant (UiTM-UNAIR: project code 100-TNCPI/INT 16/6/2 (028/2020).

References

Averio, T., (2021). The analysis of influencing factors on the going concern audit opinion-a study in manufacturing firms in Indonesia. Asian Journal of Accounting Research, 6, 2, 152–164. https://doi.org/10.1108/ajar-09-2020-0078

Braun, V., Clarke, V., (2006). Using thematic analysis in psychology. Qualitative Research in Psychology, 3, 2, 77–101. https://doi.org/10.1191/1478088706qp063oa

Callaghan, J., Parkash, M., & Singhal, R. (2009). Going-concern audit opinions and provision of non audit services: Implications for auditor independence of bankrupt firms. Auditing: A Journal of Practice & Theory, 28(1), 153–169.

Devi, S., Warasniasih, N. M. S., Masdiantini, P. R., & Musmini, L. S. (2020). The impact of Covid-19 pandemic on the financial performance of firms on the Indonesia stock exchange. Journal of Economics, Business, and Accountancy Ventura, 23(2), 226–242.

Goodell, J. W., (2020). COVID-19 and finance: Agendas for future research. Finance Research Letters, 35, April, https://doi.org/10.1016/j.frl.2020.101512

IFAC., (2016). International Standard on Auditing 570 (Revised) Going Concern. https://www.ifac.org/

Kausar, A., Taffler, R. J., Tan, C. E. L., (2015). Legal regimes and investor response to the auditor's going concern opinion. Journal of Accounting, Auditing &Finance, 1-33

KPMG., (2020). COVID-19: Potential impact on financial reporting. KPMG. https://home.kpmg/xx/en/home/insights/2020/03/covid-19-financial-reporting-resource-centre.html

Mareque, M., Lopez-Corrales, F., Pedrosa, A., (2017). Audit reporting for going concern in Spain during the global financial crisis. Economic Research-Ekonomska Istrazivanja, 30, 1, 154-183

Meiryani, Warganegara, D. L., Fernando, E., Riantono, I. E., Tumiwa, A. H., (2021). The Effect of Financial Distress and Auditor's Reputation on Going Concern Audit Opinion Study on Manufacturing Companies. 2021 7th International Conference on E-Business and Applications, 155–162.

Mulyadi, M. S., & Budiawan, S. (2018). Analysis of going concern modified audit report in Indonesia and Singapore. International Journal of Business and Globalisation, 20(1), 120–127.

Osman, M. N. H., Turmin, S. Z., Muhamad, H., Hussain, R., (2016). Auditor characteristics and the issuance of going concern opinion. International Business Management, 10, 17, 3733–3738. https://doi.org/10.3923/ibm.2016.3733.3738

Saigol, L., (2020). Airlines urgently need up to $200 billion to survive as coronavirus pushes industry deeper into crisis. MarketWatch. https://www.marketwatch.com/story/airlines-urgently-

need-up-to-200-billion-to-survive-as-coronavirus-pushes-industry-deeper-into-crisis-2020-03-18
Sikka, P. (2009). Financial crisis and the silence of the auditors. Accounting, Organizations and Society, 34(6–7), 868–873.
Warren, C. A. B., & Karner, T. X. K. (2005). Discovering qualitative methods: Field research, interviews and analysis (2nd ed.). Oxford University Press.
Yang, Y., Simnett, R., Carson, E., (2022). Auditors' propensity and accuracy in issuing going concern modified audit opinions for charities. Accounting and Finance, 62, 1, 1273–1306

Fraudulent Financial Reporting And Audit Committee Characteristics: A Systematic Review

Noora'in Omar[1], Mazlifa Md Daud[2], Muhammad Hariz Hamid[3] & Mohd Hafiz Hashim Hamid[4]
[1, 2, 3, 4] Faculty of Accountancy, Universiti Teknologi MARA Cawangan Kedah, Malaysia
noorain@uitm.edu.my

Abstract
Fraudulent financial reporting is an example of occupational fraud that occurs less frequently but the costliest. Much of the focus surrounding fraudulent financial reporting has targeted on causes and impacts of fraudulent financial reporting and the effectiveness of corporate governance mechanisms in reducing the fraud. Few systematic reviews have been carried out on the relationship between fraudulent financial reporting and audit committee characteristics. The present article sets out to analyse the existing literature from 1995 to 2020 on the relationship between fraudulent financial reporting and audit committee characteristics. A systematic review of the Web of Science and Scopus databases identified 25 related studies. Further review of these articles resulted in ten (10) characteristics of audit committee in relation to fraudulent financial reporting. They are the proportion of outside director on audit committee, audit committee's tenure, financial expertise of audit committee, composition of independent director on board, frequency of meeting of audit committee, size of audit committee, multiple-directorships of audit committee, audit committee with problematic directors and audit committee function.

Keywords: Systematic review; Fraudulent financial reporting; Audit committee; Relationship; Characteristics

---

1. Introduction

Fraudulent financial reporting can be defined as the intentional misrepresentation of a firm's financial statements with the aim to give investors a mistaken impression about the firm's operating performance and profitability. From the review of previous literatures, among the earliest definition of fraudulent financial reporting was given by Elliot and Willingham (1980). According to them, fraudulent financial reporting is a deliberate fraud committed by management that injures investors and creditors through misleading financial statement. Fraudulent financial reporting has become an issue of great concern to the business community, financial community, regulatory body, and the public around the globe (Rezaee, 2005) due to the devastating consequences it can cause. Among the consequences are loss of investor confidence, reputation damage, potential fine and criminal actions (Ernst & Young, 2010). A study by Beasley et al. (1999) found that, over 50 percent of the fraud companies in the USA from 1987-1997 filed for bankruptcy, became defunct, experienced a significant change in ownership following the fraud disclosure or in some cases the company executives were terminated or forced to resign.

Whenever there is fraudulent financial reporting case, the issue of the effectiveness of the corporate governance will be raised to the fore. The main elements of corporate governance that will be the focus of attention is the audit committee. This mechanism plays a very important role in the process of producing quality financial information to the users. The main role of audit committee is to assist board of directors in monitoring management mainly in overseeing the financial matters of a company. The audit committee is expected to detect and stop any attempt by the management to engage in manipulation of earnings or misappropriation of assets. The effectiveness of audit committee in curbing the occurrence of fraudulent financial reporting can be viewed from several perspectives especially from its characteristics. A lot of studies have been carried out in the past to investigate the relationship between fraudulent financial reporting and audit committee characteristics. Hence, the aim of this study is to utilize systematic review to identify the various audit committee characteristics and their relationship with fraudulent financial reporting.

1.1. *Towards a systematic review framework on fraudulent financial reporting*

A systematic review is an examination of a clearly formulated question that uses systematic and explicit methods to identify, select and critically appraise relevant research and to collect and analyse data from studies that are included in the review (Shaffril et al., 2018). Statistical methods may or may not be used to analyse and summarize the results of the included studies (Higgins et al., 2011). This section explains the purpose of conducting a systematic review while the second section details out the methodology section. The third section systematically reviews and synthesizes the scientific literature to identify, select and appraise relevant research on fraudulent financial reporting. The last section identifies future research priorities.

2. Methodology

In this section, the method used to retrieve articles related to fraudulent financial reporting is discussed. The method starts with explaining the resources (Web of Science and Scopus) used to run the systematic review, then the eligibility and exclusion criteria, next the steps of the review process (identification, screening, eligibility) and finally the data abstraction and analysis.

2.1. *Resources*

The review relied on two main journal databases – Web of Science (WoS) and Scopus. **Web of Science** (previously known as **Web of Knowledge**) is a website which provides subscription-based access to multiple databases that provide comprehensive citation data for many different academic disciplines. Scopus on the other hand, consists of diverse subject areas such as environmental sciences, social science and agriculture and biological sciences. **Scopus** is Elsevier's abstract and citation database launched in 2004. Scopus covers three types of sources: book series, journals, and trade journals.

2.2. *Eligibility and exclusion criteria*

Several eligibility and exclusion criterion are determined. First, with regards to literature type, only article journal with empirical data is selected which means review article, book series, book, chapter in book and conference proceeding are all excluded. Second, in order to avoid any confusion and difficulty in translating, the searching efforts excluded the non-English publication and focused only on articles published in English. As the review process focused on fraudulent financial reporting, articles indexed in social science-based indexes are selected, which means, articles published in a hard science index (Science Citation Indexed Expanded) are excluded (see Table 1).

Table 1
The inclusion and exclusion criteria

Criterion	Inclusion	Exclusion
Literature type	Journal (research articles)	Book series, book, chapter in book, conference proceeding
Language	English	Non-English

2.3. *Systematic review process*

Four stages were involved in the systematic review process namely Identification, Screening, Eligibility and Included. The first stage identified keywords used for the search process (Table 2).

Table 2
The search string used for the systematic review process

Databases	Keywords used
Web of Science	TS=(("Fraudulent financial reporting" OR "Fraudulent Financial Statement*" OR "Financial Statement Fraud*" OR "Fraudulent Reporting" OR "Accounting Fraud*" OR "Accounting Manipulation" OR "Accounting Scandal*") AND ("Audit committee*"))

Scopus	TITLE-ABS-KEY(("Fraudulent financial reporting" OR "Fraudulent Financial Statement*" OR "Financial Statement Fraud*" OR "Fraudulent Reporting" OR "Accounting Fraud*" OR "Accounting Manipulation" OR "Accounting Scandal*") AND ("Audit committee*"))

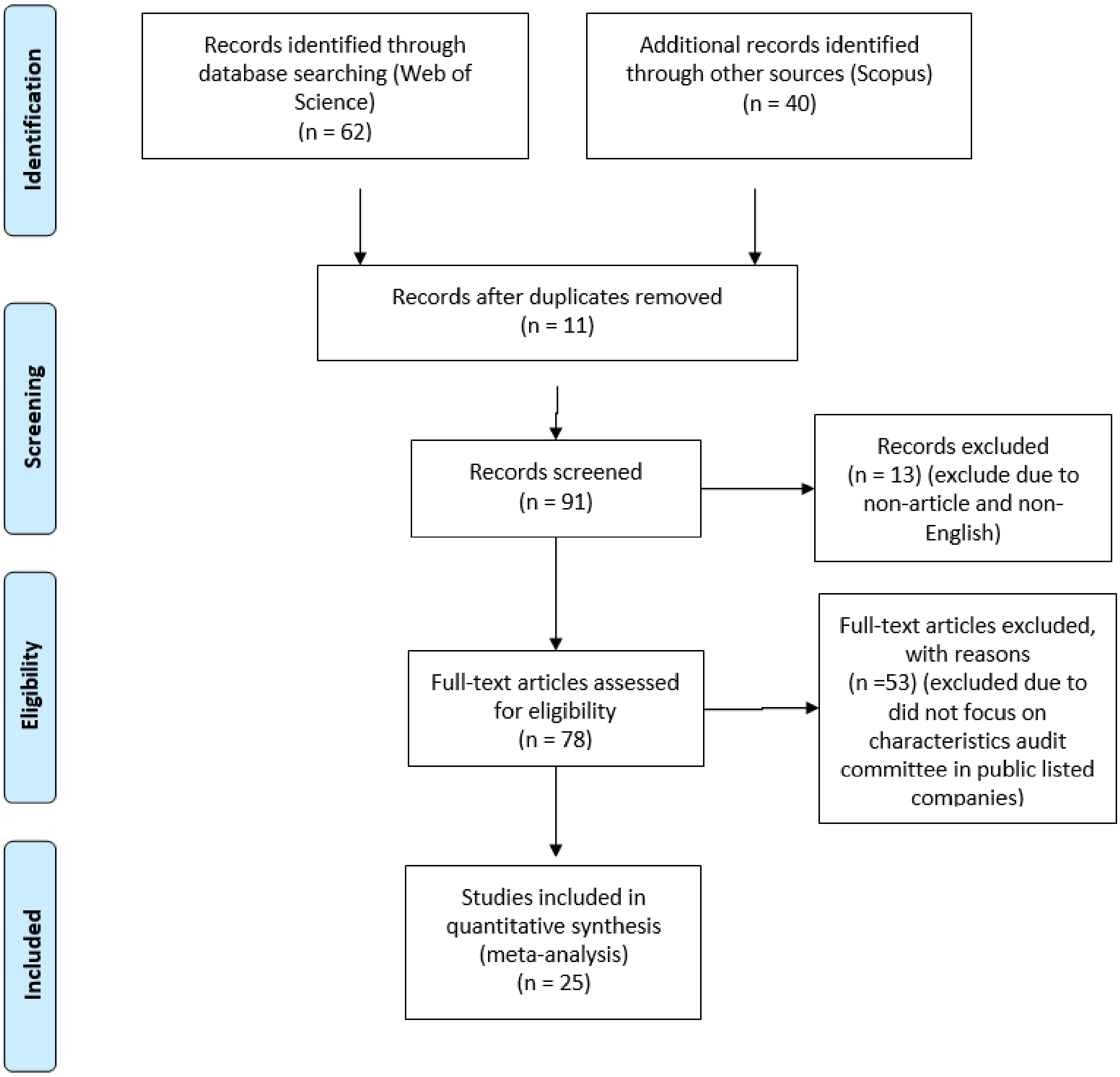

Figure 1: The flow diagram of the study.
(Adapted from Moher et al., 2009)

At this stage, after careful screening, eleven duplicated articles were removed. The second stage was screening. At this stage, out of 91 articles eligible to be reviewed, a total of 13 articles were removed. The third stage is eligibility, where the full articles were accessed. After careful examination, a total of 53 articles were excluded as some did not focus on characteristics audit committee in public listed companies and were not empirical articles. The last stage of review resulted in a total of 25 articles that were used for the qualitative analysis (see Figure 1).

2.4. *Data abstraction and analysis*
The remaining articles were assessed and analysed. Efforts were concentrated on specific studies that responded to the formulated questions. The data were extracted by reading through the abstracts first, followed by in-depth reading of the full articles to identify appropriate characteristics.

3. Results and discussion

The review resulted in ten (10) audit committee characteristics related to the likelihood of the occurrence of fraudulent financial reporting as in Table 3 below.

Table 3: The findings

No.	Authors/Countries	Study	Audit committee characteristics									
		design	IND	TEN	FE	COM	MEET	SIZ	MD	PROB	FUN	GEN
1.	Beasley (1996) - USA	QT	√									
2.	Beasley et al. (2000) - USA	QT				√						
3.	Agrawal & Chadha (2005) - USA	QT	√		√							
4.	Crutchley et al. (2007) - USA	QT	√		√							
5.	Grove & Cook (2007) - USA	QL									√	
6.	Rezaee et al. (2003) - USA	QL									√	
7.	Bronson et al. (2009) - USA	QT	√									
8.	Persons (2009) - USA	QT	√	√	√		√	√	√			
9.	Skousen & Twedt (2009) - USA	QT	√		√			√				
10.	Sharma & Iselin (2012) - USA	QT		√	√		√	√	√			
11.	Djuitaningsih (2016) - Indonesia	QT									√	
12.	Khoufi & Khoufi (2018) - France	QT	√		√							
13.	Nindito & Jakarta (2018) - Indonesia	QT	√									
14.	Rizani (2018) - Indonesia	QT					√					
15.	Ghafoor et al. (2018) - Malaysia	QT					√					
16.	Md Nasir et al. (2019) - Malaysia	QT	√									
17.	Abri et al. (2019) - Tanzania	QT	√									
18.	Marzuki et al. (2019) - Malaysia	QT	√	√	√		√		√			√
19.	Hapsoro & Handayani (2020) - Indonesia	QT									√	
20.	Habib & Bhuiyan (2016) - USA	QT								√		
21.	Smaili & Labelle (2016) - Canada	QT	√		√							
22.	Melis (2005) - Italy	QL									√	
23.	Persons (2005) - USA	QT	√	√	√		√		√			
24.	Diana et al. (2009) - USA	QT	√	√	√		√	√	√			
25.	Carcello et al. (2011) - USA	QT	√		√		√	√				
	Total		15	5	11	1	8	5	5	1	5	1

The ten characteristics are (i) the proportion of independent director on audit committee (IND), (ii) audit committee's tenure (TEN), (iii) financial expertise of audit committee (FE), (iv) composition of independent director on board (COM), (v) frequency of meeting of audit committee (MEET), (vi) size of audit committee (SIZ), (vii) multiple-directorships of audit committee (MD), (viii) audit committee with problematic directors (PROB), (ix) audit committee function (FUN) and gender of audit committee (x). From the analysis, it can also be seen that a total of fourteen (14) studies were carried out in the USA, four (4) in Indonesia, three (3) in Malaysia, one in Canada, one in Tanzania, one in France and one in Italy. Next, a total of 15 out of 25 studies focused on the proportion of independent director on audit committee, which is the most studied characteristic. It is followed by financial expertise of audit committee and then frequency of meeting. Another observation is that three (3) studies applied a qualitative approach while another twenty-two (22) studies employed quantitative analytic methods. Regarding year of publication, one article was published in 1996, 2000, 2003, 2011, 2012 and 2020. Two articles in 2007, three articles in 2005, 2016 and 2018. Finally, four articles in 2009 and 2019.

4. Conclusion

This systematic review has highlighted the characteristics of audit committee and their relationship with the occurrence of fraudulent financial reporting. Based on the systematic reviews performed, authors have identified nine (9) audit committee characteristics namely (i) the proportion of outside director on audit committee, (ii) audit committee's tenure, (iii) financial expertise of audit committee, (iv) composition of independent director on board, (v) frequency of meeting of audit committee, (vi) size of audit committee, (vii) multiple-directorships of audit committee, (viii) audit committee with problematic directors and (ix) audit committee function. The review suggests several recommendations for future studies. First, more qualitative studies are needed as it offers in-depth analysis and detailed explanations on the characteristics of audit committee. Second, to have specific and a standard systematic review method for guide research synthesis in context of the characteristics of audit committee and third, to practice complimentary searching techniques such as citation tracking, reference searching, snow balling and contacting experts.

References

Abri, A. F., Arumugam, D., & Balasingam, S. (2019). *Impact of the Corporate Governance on the Financial Statement Fraud : A Study Focused on Companies in Tanzania*. *5*, 336–341.

Agrawal, A., & Chadha, S. (2005). Corporate governance and accounting scandals. *Journal of Law and Economics*, *48*(2), 371–406.

Beasley. (1996). An empirical analysis of the relation between the board of director ... *The Accounting Review*, *71*(4), 443.

Beasley, M. S., Carcello, J. V., & Hermanson, D. R. (1999). *Fraudulent Financial Reporting : 1987-1997 An Analysis of U.S. Public Companies*.

Beasley, M. S., Carcello, J. V., Hermanson, D. R., & Lapides, P. D. (2000). Fraudulent Financial Reporting: Consideration of Industry Traits and Corporate Governance Mechanisms. *Accounting Horizons*, *14*(4), 441–454. https://doi.org/10.2308/acch.2000.14.4.441

Bronson, S. N., Carcello, J. V., Hollingsworth, C. W., & Neal, T. L. (2009). Are fully independent audit committees really necessary? *Journal of Accounting and Public Policy*, *28*(4), 265–280.

Carcello, J. V., Neal, T. L., Palmrose, Z.-V., & Scholz, S. (2011). *CEO Involvement in Selecting Board Members , Audit Committee Effectiveness , and Restatements* *. *28*(2), 396–430. https://doi.org/10.1111/j.1911-3846.2010.01052.x

Crutchley, C. E., Jensen, M. R. H., & Marshall, B. B. (2007). Climate for Scandal: Corporate Environments that Contribute to Accounting Fraud. *The Financial Review*, *42*, 53–73. https://doi.org/10.1111/j.1540-6288.2007.00161.x

Diana, L. A. O., Sandra, R., Shelton, W., Robinson, D., A, N. C., & Shelton, S. W. (2009). *The Association Between Audit Committee Characteristics , the Contracting Process and Fraudulent Financial Reporting*.

Djuitaningsih, T. (2016). The influence of audit committee function, corporate ethical values, and enterprise risk management effectiveness on the fraudulent financial statements tendency: Survey on companies listed in Indonesia stock exchange. *International Journal of Applied Business and Economic Research*, *14*(10), 6961–6978.

Elliot, R. K., & Willingham, J. J. (1980). *Management Fraud - Detection and Deterrence*. Petrocelli Books, Inc.

Ernst & Young. (2010). *11th Global Fraud Survey - Driving ethical growth — new markets , new challenges*.

Ghafoor, A., Zainudin, R., & Shahnaz, N. (2018). Factors Eliciting Corporate Fraud in Emerging Markets : Case of Firms Subject to Enforcement Actions in Malaysia. *Journal of Business Ethics*, *0*(0), 0. https://doi.org/10.1007/s10551-018-3877-3

Grove, H., & Cook, T. (2007). Fraudulent financial reporting detection: Corporate governance red flags. *Corporate Ownership and Control*, *4*(4 C), 254–261. https://doi.org/10.22495/cocv4i4c2p1

Habib, A., & Bhuiyan, M. B. U. (2016). Problem directors on the audit committee and financial reporting quality. *Accounting and Business Research*, *46*(2), 121–144. https://doi.org/10.1080/00014788.2015.1039477

Hapsoro, D., & Handayani, N. (2020). *Does Managerial Ownership , Audit Committee , And Audit*

Quality Moderate The Effect Of Fraudulent Financial Reporting On Company Value ? 9(04), 1037–1044.
Higgins, J. P. T., Altman, D. G., Gøtzsche, P. C., Jüni, P., Moher, D., Oxman, A. D., Savović, J., Schulz, K. F., Weeks, L., & Sterne, J. A. C. (2011). The Cochrane Collaboration's tool for assessing risk of bias in randomised trials. *BMJ (Online)*, *343*(7829), 1–9. https://doi.org/10.1136/bmj.d5928
Khoufi, N., & Khoufi, W. (2018). An empirical analysis of the relation between corporate governance characteristics and the prevention of financial statement fraud. *International Journal of Management and Enterprise Development*, *17*(4), 347–362. https://doi.org/10.1504/IJMED.2018.096254
Marzuki, M. M., Haji-Abdullah, N. M., Othman, R., Wahab, E. A. A., & Harymawan, I. (2019). Audit committee characteristics, board diversity, and fraudulent financial reporting in Malaysia. *Asian Academy of Management Journal*, *24*(2), 143–167. https://doi.org/10.21315/aamj2019.24.2.7
Md Nasir, N. A., Ali, M. J., & Ahmed, K. (2019). *Corporate governance , board ethnicity and fi nancial statement fraud : evidence from Malaysia*. https://doi.org/10.1108/ARJ-02-2018-0024
Melis, A. (2005). *Corporate Governance Failures : to what extent is Parmalat a particularly Italian Case ? *. 13*(4), 478–488.
Moher, D., Liberati, A., Tetzlaff, J., & Altman, D. G. (2009). Academia and Clinic Annals of Internal Medicine Preferred Reporting Items for Systematic Reviews and Meta-Analyses : *Annals of Internal Medicine*, *151*(4), 264–269.
Nindito, M., & Jakarta, U. N. (2018). *FINANCIAL STATEMENT FRAUD : PERSPECTIVE OF Marsellisa Nindito , Universitas Negeri Jakarta*. *22*(2), 1–9.
Persons, O. S. (2005). The Relation Between the New Corporate Governance Rules and the Likelihood of Financial Statement Fraud. *Review of Accounting and Finance*, *4*(2), 125–148. https://doi.org/10.1108/eb043426
Persons, O. S. (2009). Audit committee characteristics and earlier voluntary ethics disclosure among fraud and no-fraud firms. *International Journal of Disclosure and Governance*, *6*(July 2002), 284–297. https://doi.org/10.1057/jdg.2008.29
Rezaee, Z. (2005). Causes, consequences, and deterence of financial statement fraud. *Critical Perspectives on Accounting*, *16*, 277–298. https://doi.org/10.1016/S1045-2354(03)00072-8
Rezaee, Z., Olibe, K. O., & Minmier, G. (2003). Improving corporate governance: the role of audit committee disclosures. *Managerial Auditing Journal*, *18*(6/7), 530–537. https://doi.org/10.1108/02686900310482669
Rizani, F. (2018). *Factors Influencing the Presentation of Fraudulent Financial Reporting in Indonesia*. *1*(31), 15–16. https://doi.org/10.14505/jarle.v9.1(31).31.
Shaffril, H. A. M., Krauss, S. E., & Samsuddin, S. F. (2018). A systematic review on Asian's farmers' adaptation practices towards climate change. *Science of the Total Environment*, *644*, 683–695. https://doi.org/10.1016/j.scitotenv.2018.06.349
Sharma, V. D., & Iselin, E. R. (2012). The association between audit committee multiple-directorships, tenure, and financial misstatements. *Auditing*, *31*(3), 149–175. https://doi.org/10.2308/ajpt-10290
Skousen, C. J., & Twedt, B. J. (2009). Fraud score analysis in emerging markets. *Cross Cultural Management*, *16*(3), 301–316. https://doi.org/10.1108/13527600910977373
Smaili, N., & Labelle, R. (2016). Corporate governance and accounting irregularities: Canadian evidence. *Journal of Management and Governance*, *20*(3), 625–653. https://doi.org/10.1007/s10997-015-9314-4

The Role Of ESG Reporting In Reshaping Businesses

Muhammad Hariz Hamid[1], Noora'in Omar[2], Mazlifa Md Daud[3], and Mohd Hafiz Hashim[4]
[1, 2, 3, 4,] Faculty of Accountancy, Universiti Teknologi MARA Cawangan Kedah, Malaysia
harizhamid@uitm.edu.my

Abstract
This review aims to evaluate the role of Environmental, Social, and Governance (ESG) reporting (commonly termed as "ESG reporting") in corporate transformation. ESG reporting has grown in popularity in recent years as businesses recognise the value of sustainability and social responsibility in their operations. This study presents an in-depth examination of the existing literature on ESG reporting and its implications for businesses. The assessment includes an examination of scholarly journal articles, publications, and reports from international organizations such as the United Nations Global Compact, the World Economic Forum, and the Global Reporting Initiative. The review also includes case studies and empirical studies that investigate the link between ESG reporting and various business outcomes such as financial performance, reputation, and risk management. The paper presents the important conclusions from the literature, emphasizing how ESG reporting may promote openness and accountability, encourage responsible investments, drive innovation and efficiency, boost reputation and brand value, and manage risks. The evaluation also identifies gaps in the literature and prospective research directions. Overall, this paper adds to the growing body of knowledge on ESG reporting and its role in business transformation. The findings have significant implications for businesses, investors, governments, and other stakeholders, highlighting the benefits of implementing sustainable and socially responsible business practices.

Keywords: ESG; ESG reporting; business, business transformation

---

1. Introduction
Environmental, social, and governance (ESG) issues have received a lot of attention from investors, consumers, and other stakeholders in recent years. Businesses are increasingly expected to demonstrate their commitment to sustainability and responsible business practices by reporting on their ESG performance. ESG reporting has become a vital tool for businesses to convey their sustainability initiatives and address stakeholder concerns [1] [2]. Despite the growing relevance of ESG reporting, literature focusing on this area of research is still lacking. Further study is required, for example, to understand the mechanisms through which ESG reporting affects business performances, the relevance of ESG reporting in emerging markets, and the obstacles and impediments to implementing ESG reporting standards. The objective of this review is to evaluate the existing research on the role of ESG reporting in reshaping businesses. This review specifically seeks to identify the business outcomes related with ESG reporting and investigate the link between ESG reporting and those outcomes.

2. Materials And Methods
This systematic review seeks to provide a complete examination of existing research on the role of ESG reporting in business transformation. To select relevant research, gather data, and summarise conclusions, the review employs a systematic approach.

2.1 Research question
The review's research question is "What role does ESG reporting play in transforming businesses?"

2.2 Search strategy

A systematic search was conducted on the Scopus database, one of the largest academic databases, using keywords such as "ESG reporting", "corporate sustainability reporting", "environmental reporting", "social reporting", "governance reporting", "business performance", "financial performance", "reputation", "risk management", "innovation", and "efficiency". The search was restricted to peer-reviewed works published in English between 2010 and 2022.

2.3 Study selection

Prior studies were assessed for relevance to the research issue as well as inclusion criteria. Studies that investigate the relationship between ESG reporting and business outcomes such as financial performance, reputation, risk management, innovation, and efficiency were included as inclusion criteria. Excluded studies were those that did not match the inclusion criteria or were duplicates.

2.4 Data extraction

Author(s), publication year, research methodology, sample size, variables studied, and important findings were extracted from the selected publications. A standardised data extraction form was used to extract the data.

2.5 Data synthesis

Based on the research question and the business outcomes examined, the findings from the selected studies were synthesised and arranged into themes. Following that, the themes were studied and discussed in the context of the research question.

2.6 Quality evaluation

The quality of the review was evaluated using a standardised quality assessment instrument. Study design, sample size, data collection and analysis methodologies, and relevance to the research issue were among the quality assessment criteria.

3. Results And Discussion

3.1 Financial performance

ESG reporting improves financial performance: Numerous studies have identified a link between ESG reporting and financial success. ESG reporting gives vital information to investors about a company's sustainability activities, which can boost its attractiveness to socially conscious investors and positively impacted stock performance [3] [4].

3.2 Reputation and stakeholder relationships

ESG reporting improves reputation and stakeholder relationships: ESG reporting assists businesses in developing and maintaining a positive reputation by demonstrating their commitment to responsible business practices. Businesses that prioritise environmental, social, and governance issues are more likely to attract and keep consumers, employees, and investors that share their values [5] [6].

3.3 Risk management

ESG reporting increases risk management: ESG reporting enables businesses to identify and manage ESG risks, reducing the potential of negative consequences on their business operations and reputation. By disclosing ESG-related risks, organisations can also boost openness and accountability, which can strengthen stakeholder trust [7] [8].

3.4 Innovation and efficiency

ESG reporting increases innovation and efficiency: ESG reporting encourages businesses to implement new and sustainable practices that can improve efficiency, save costs, and boost competitiveness.

Businesses that emphasise ESG concerns are more likely to discover new business possibilities that correspond with their sustainability objectives [9] [10].

4. Conclusion

ESG reporting is critical in transforming businesses by improving financial performance, enhancing reputation, controlling risks, stimulating innovation, and increasing efficiency. Businesses that emphasise ESG problems are better positioned to negotiate changing market situations, meet stakeholder expectations, and contribute to long-term development. As the need for ESG reporting grows, so does the need for standardised frameworks and norms to assure consistency, comparability, and accuracy in ESG reporting procedures. Despite a growing amount of research on the importance of ESG reporting in business transformation, there are still gaps in the literature, notably in emerging countries and the significance of ESG reporting in small and medium-sized enterprises (SMEs) [11] [12].

Acknowledgement

We would like to thank Universiti Teknologi MARA Cawangan Kedah for the facilities provided in completing this review. We also extent our gratitude to the anonymous reviewers for their useful suggestions.

References

[1] R. Jebe, “The Convergence of Financial and ESG Materiality: Taking Sustainability Mainstream,” SSRN Electronic Journal, 2019, doi: https://doi.org/10.2139/ssrn.3730792.

[2] Institute of Internal Auditors (IIA), "The 20 critical questions series: What directors should ask about ESG," 2020. [Online]. Available: https://global.theiia.org/standards-guidance/topics/Pages/The-20-Critical-Questions-Series-What-Directors-Should-Ask-About-ESG.aspx.

[3] G. L. Clark, A. Feiner, and M. Viehs, “From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance,” SSRN Electronic Journal, 2014, doi: https://doi.org/10.2139/ssrn.2508281.

[4] R. G. Eccles and G. Serafeim, "The performance frontier: Innovating for a sustainable strategy," Harvard Business Review, vol. 91, no. 5, pp. 50-60, 2013.

[5] J. Brown, J. Dillard, and R. Marshall, "Triple bottom line: A business metaphor for a social construct," in Globalization and organization: World society and organizational change, G. S. Drori, J. W. Meyer, and H. Hwang, Eds. Oxford University Press, 2006, pp. 60-84.

[6] C. H. Cho and D. M. Patten, “The role of environmental disclosures as tools of legitimacy: A research note,” Accounting, Organizations and Society, vol. 32, no. 7–8, pp. 639–647, Oct. 2007, doi: https://doi.org/10.1016/j.aos.2006.09.009.

[7] Global Reporting Initiative (GRI), "Sustainability and the risk agenda," 2015. [Online]. Available: https://www.globalreporting.org/information/sustainability-and-the-risk-agenda/.

[8] KPMG International Cooperative, "The materiality of sustainability: How ESG issues impact ratings and valuations," 2015. [Online]. Available: https://home.kpmg/content/dam/kpmg/pdf/2015/09/the-materiality-of-sustainability.pdf.

[9] S. Schaltegger and M. Wagner, “Sustainable entrepreneurship and sustainability innovation: categories and interactions,” Business Strategy and the Environment, vol. 20, no. 4, pp. 222–237, Apr. 2011, doi: https://doi.org/10.1002/bse.682.

[10] S. Grewatsch and I. Kleindienst, "The impact of corporate social responsibility on innovation: Evidence from German SMEs," Journal of Business Ethics, vol. 151, no. 1, pp. 241-258, 2018.

[11] S. Kotsantonis and D. V. Kousenidis, "The role of environmental, social and governance disclosure in firm performance: A review of the literature in accounting and finance," British Accounting Review, vol. 51, no. 6, pp. 609-623, 2019.

[12] S. Tuzovic and V. Vaiman, "Unpacking the ‘S’ in ESG: A systematic review of the literature on social dimensions of environmental, social, and governance performance," Corporate Social Responsibility and Environmental Management, vol. 27, no. 1, pp. 2-23, 2020.

Money Laundering Propensity Amongst Accountants In Malaysia

Nur Hanie Johari[1], Wan Nailah Abdullah[2], Hasnisah Hassan[3], Intan Marzita Saidon[4]
[1, 2, 3, 4,] Faculty of Accountancy, Universiti Teknologi MARA Cawangan Kedah, Malaysia
haniejohari@gmail.com

Abstract
Based on the International Narcotics Control Strategy Report (2018), Malaysia is used as a transit country to move drugs globally. Launderers are continuously updating their new routes for laundering their illegal funds (FATF, 2012). Currently they like to use the services and consultancy from the Designated Non-Financial Business and Professions (DNFBPs) especially those in accounting, company secretarial and legal professions. Accountants are vulnerable towards involvement in money laundering as they are the gatekeepers as well as the bridge to commit money-laundering activities (Omar and Johari, 2015). This paper discusses the factors influencing the propensity for money laundering amongst accountants in the Northern Region of Malaysia. The dependent variable is propensity for money laundering, whereas the independent variables consist of familiarity with Financial Task Force Action (FATF) familiarity with Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities (AMLATFAPUAA) Act 2001 and familiarity with Anti-Money Laundering (AML) Requirements. This study is a conceptual paper.

Keywords: Money Laundering; Accountants; FATF; AMLATFAPUAA; AML

1. Introduction

Former Deputy Communication and Multimedia Minister Datuk Jailani Johari said that Malaysians are facing threats from the international criminal organisation, which abuse the internet for activities such as drugs, human trafficking, financial fraud and money laundering. Malaysia is also vulnerable to money laundering due to its geographical factor, which has a porous border that leads to an easy movement for drug smuggling (FATF Mutual Evaluation Report, 2015). As reported in The Malay Mail (2016), smuggling and trespassing activities are continuing at the Bukit Kayu Hitam, Kedah border with Thailand. Based on the International Narcotics Control Strategy Report (2018), Malaysia is used as a transit country to move drugs globally. Ismail and Jaafar (2015) agreed that Malaysia is the transit hub for drug smuggling and it is known as the hot spot of this illegal activity, which carries the death penalty in the country. The Malaysian authorities emphasise that drug trafficking is the core source of illegal funds in Malaysia apart from the illegal funds derived from corruption (APG Mutual Evaluation Report on Malaysia, 2007). There are some of the evidences indicating that the Northern Region of Malaysia, especially Kedah and Perlis are directly exposed to the drug trafficking activities due to the cross border between Kedah-Thailand and Perlis-Thailand. According to The News Straits Times (2018), The normal modus operandi of money launderers in Malaysia to conceal their illegal proceeds of crime is by placing the money into the mainstream banking system and by setting up front companies (Omar, Johari & Sathye, 2015).

There are many functions performed by accountants which are vulnerable towards money laundering such as, providing financial and tax advice, company and trust formation, buying or selling of property, performing financial transactions and gaining introductions to financial institutions (FATF Accounting Profession, 2019). Accountant Daily (2017) reported that accountants involved in money laundering by performing high value financial transactions for clients with no clear business rationale. This allows criminals to transfer funds through bank accounts with little scrutiny as a mean to complicate the audit trail (Accountant Daily, 2017). The main objective of engaging with accountant is to conceal or disguise the ‘dirty money’ in order to distance it from its criminal origin. Accountants are vulnerable towards involvement in money laundering as they are the gatekeepers as well as the bridge to commit money laundering activities (Omar & Johari, 2015). From a theoretical perspective, the accountants should be aware of the standards in curbing money laundering activities. However, as can be expected, practice and theory are not always similar. Therefore, the purpose of the research is to examine factors influencing the propensity for money laundering amongst Accountants in the Northern Region of Malaysia. The Malaysian Government has seriously put the efforts into combating terrorism financing and money laundering by enhancing punishment for money laundering under the new AMLATFAPUAA 2001 Act.

The punishment is raised from an imprisoned term of a maximum of five years or fine up to RM5 million or both, to 15 years of imprisonment and up to the maximum fines of five times the size and value of the proceeds of unlawful activity or instrumentalities of an offence at the time of an offence, or RM5 million, whichever is higher (AMLATFAPUAA Act 2001). As part of the Malaysian Government's efforts in combating terrorism financing and money laundering, Bank Negara Malaysia has stated in AML requirement that the DNFBPs especially the accountants need to conduct due diligence (CDD) on their clients which is Know Your Client before proceeding with any transactions or provide professional services (Bank Negara Malaysia, 2018). AML requirements also state that accountants must maintain proper records and documentation of related transactions for at least six years. Other AML Requirement is accountants must submit any suspicious transaction report (STR) to the Bank Negara Malaysia when having a suspicion that a customer is involved in money laundering or terrorism financing.

2. Conceptual Framework

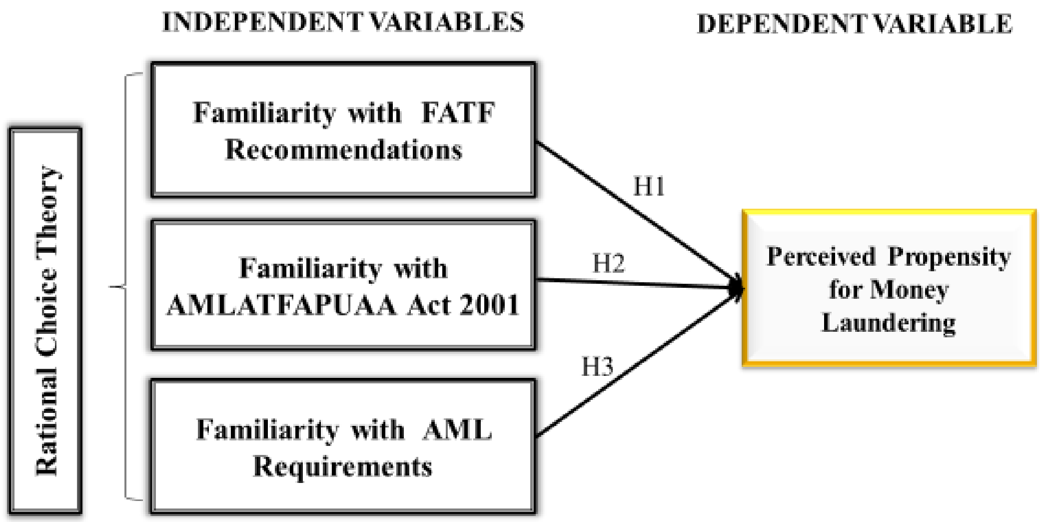

Figure 1: Conceptual Framework

Figure 1 indicates that the independent variables, which are familiarity with FATF Recommendations, familiarity with AMLATFAPUAA Act 2001 and familiarity with AML Requirements will have a relationship with the dependent variable, which is propensity for money laundering.

3. Conclusion

The accounting service is a high-risk business that is exposed to money laundering activities. The money launderers are likely to deal with accountants as accountants can be the gatekeeper and the bridge to commit money laundering activities. This research is very significant to the accounting profession and competent authorities especially Bank Negara Malaysia as accountants are very vulnerable to money laundering activities committed by money launderers. The study predicts that accountants' familiarity with FATF Recommendations, AMLATFAPUAA Act 2001 and AML Requirements have negative significant relationship with the propensity for money laundering.

References

Accountancy Daily. (2017, December 8). *Warning Over Money Laundering Risk From 'Negligent' Accountants*. Retrieved from https://www.accountancydaily.co/warning-over-money-laundering-risk-negligent-accountants

AMLATFAPUAA Act 2001. Retrieved from https://www.bnm.gov.my/-/anti-money-laundering-anti-terrorism-financing-and-proceeds-of-unlawful-activities-act-2001-act-613-

APG Yearly Typologies Report. (2014). Methods and Trends of Money Laundering and Terrorism Financing.

APG Mutual Evaluation Report on Malaysia. (2007). Retrieved from https://apgml.org/mutual-evaluations/page.aspx?p=c12cf2af-4e56-472c-9201-90d0baf9ceda

FATF. (2012). International Standards on Combating Money Laundering and the Financing of the FATF Recommendations.

FATF Mutual Evaluation Report (Malaysia). (2015). Retrieved from https://www.fatf-gafi.org/en/publications/mutualevaluations/documents/mer-malaysia-2015.html

Ismail, S., & Jaafar, N. (2015). Drug Smuggling in Malaysia-Our Recent Case Files. *Malaysian Journal of Forensic Sciences*, 6(1), 44–47.

Lehman, C.R., & Okcabol, F. (2003). Accounting for crime. *Economic Affairs*, 17(1), 53–56. https://doi.org/10.1111/1468-0270.00011

Levi, M. (2015). Money for Crime and Money from Crime: Financing Crime and Laundering Crime Proceeds. *European Journal on Criminal Policy and Research*, 21(2), 275–297. https://doi.org/10.1007/s10610-015-9269-7

Muhammaddun Mohamed, Z., & Ahmad, K. (2012). Investigation and prosecution of money laundering cases in Malaysia. *Journal of Money Laundering Control*, 15(4), 421–429. https://doi.org/10.1108/13685201211266006

National Crime Agency. (2014). High End Money Laundering. Retrieved from https://www.nationalcrimeagency.gov.uk/who-we-are/publications/16-high-end-money-laundering-strategy/file

National Crime Agency. (2018). Money Laundering and Illicit Finance. Retrieved from https://www.nationalcrimeagency.gov.uk/what-we-do/crime-threats/money-laundering-and-terrorist-financing

National Money Laundering (ML) & Terrorism Financing (TF) Risk Assessment (NRA). (2017).

Neu, D., Everett, J., Rahaman, A. S., & Martinez, D. (2013). Accounting and networks of corruption. Accounting Organizations and Society, 38, 505–524.

Norton, S. D. (2018). Suspicion of money laundering reporting obligations: Auditor compliance, or sceptical failure to engage? Critical Perspectives on Accounting, 50, 56–66. https://doi.org/10.1016/j.cpa.2017.09.003

Omar, N., Johari, R. J., & Sathye, M. (2015). Malaysian DNFBPs' Perceptions on Awareness, Perceived Impact and Views on the AML/CFT Requirements. *Procedia Economics and Finance*,31, 595–600. https://doi.org/10.1016/s2212-5671(15)01146-6

Omar, N., & Johari, Z. (2015). An International Analysis of FATF Recommendations and Compliance by DNFBPS. *Procedia Economics and Finance*, 28, 14–23. https://doi.org/10.1016/s2212-5671(15)01076-x

Ringh, A., & Sultani, S. (2014). The auditor's role in combating money laundering: An attitude survey among Swedish auditors

Shanmugam, B. & Thanasegaran, H. (2008). Combating money laundering in Malaysia. *Journal of Money Laundering Control*, 11 (4), 331-344. https://doi.org/10.1108/13685200810910402

The Malay Mail (2016). Smuggling, illegal entry rampant at porous Malaysia-Thai border. Retrived from https://www.malaymail.com/news/malaysia/2016/08/17/smuggling-illegal-entry-rampant-at-porous-malaysia-thai-border/1185201

Factors Influencing Occupational Stress: A Study On Its Effect On The Performance Of Msu-Iit Faculty During Covid-19 Pandemic

Keyt Adriatico[1], Heide Kristine Cagalawan[2], Ma. Whitney Claire Ceprado[3], Lovely Hamot[4], and Jessa Mae Banse[5]
[1, 2, 3,4, 5] Mindanao State University-Iligan Institute of Technology, Philippines
jessamae.banse@g.msuiit.edu.ph

Abstract
The purpose of this study is to determine the level of occupational stress, measured by the Teacher's Stress Inventory (TSI), which the faculty members of Mindanao State University-Iligan Institute of Technology (MSU-IIT) experienced and to identify the causes thereof (i.e. work-family conflict, lack of training, role ambiguity and role conflict, powerlessness, and intrinsic impoverishment). In addition, the impact of occupational stress on the performance of the faculty members during the school year 2020-2021 is assessed. Anchored on Michigan Model and Performance and Demand Theory of Welford, 114 faculty members were selected as respondents using quota sampling. Results showed that faculty members experienced only a slight stress. Furthermore, this study found significant statistical support that this is caused by moderate level of work-family conflict and lack of training influence occupational stress. However, finding shows that occupational stress has no impact on the performance of the MSU-IIT faculty. Even if the demand during the pandemic has changed, the faculty experienced slight stress and performed excellently in their work. The demographic profile of the respondents does not moderate the relationship between occupational stress and faculty performance.

Keywords: Faculty Performance; Michigan Model; Occupational Stress; Teacher's Stress Inventory; Welford's Performance and Demand Theory

---

1. Introduction

One prominent adjustment as a result of the Coronavirus (COVID-19) pandemic is the educational sector's adoption of online/modular classes or the flexible learning modality [1]. COVID-19 has significantly changed not only the way of learning, but also the educational system as a whole [2]. With this drastic change brought by the pandemic in the system of education in terms of the mode of delivery of education, this was believed to result in greater stress experienced by teachers [3]. Stress is a typical occurrence in most professions; however, it has been constantly associated with the helping profession, such as teaching [4]. The stress in one's profession, or most widely known as occupational stress, is described as the experience of unpleasant emotional states, which include the feeling of frustration, worry, anxiety, and depression that are attributable to the circumstances related to work [3].

The pandemic took a significant toll on the mental health of employees due to the work-from-home (WFH) arrangement that appeared to have obliterated the balance between life and work [5]. Faculty themselves endure burn-out and other forms of stress due to this pandemic but are not being recognized nor addressed since people are oblivious about it [6]. The WFH situation has changed the way faculty works as this has created a major shift in terms of the platform of learning from face-to-face to remote learning that can be overwhelming [6]. Prior studies concluded that stress is caused by factors such as work overload, work-family conflict, lack of training, role ambiguity and role conflict, intrinsic impoverishment, and powerlessness. A study conducted found that occupational stress has an influence on the performance of teachers [7] wherein, the more stressed teachers are, the better/higher their performance, which was in contrast with several studies that illustrated an adverse effect [8]. There are also significant effects of demographic factors to the occupational stress experienced by the teachers. Demographic profile was found to moderate the effect of occupational stress to performance [9].

Anchored on these prior researches and on Michigan Model and Performance and Demand Theory of Welford, this study aims to determine the level of occupational stress the Mindanao State University-Iligan Institute of Technology (MSU-IIT) faculty experienced caused by work-family conflict, lack of training, role ambiguity and role conflict, powerlessness, and intrinsic impoverishment. Consequently, the impact of occupational stress on the performance of the faculty members of MSU-IIT during the COVID-19 pandemic is examined.

2. Materials And Methods

This research study followed a causal research design. Data from a sample of 114 faculty members were gathered through a survey questionnaire. Respondents were selected through quota sampling. Questions to measure the factors affecting occupational stress and occupational stress itself were adopted from various prior researches. Teachers' performance was measured using the overall qualitative results of Online Teacher Efficiency Rating (OL TER) of MSU-IIT which was sought directly from the respondents based on their rating for the two semesters of the school year 2020-2021. The descriptive equivalence of the ratings are 96-100 represents Outstanding, 90-95 represents Very Good, 83-89 represents Very Satisfactory, 75-82 represents Satisfactory and 74 below represents Unsatisfactory. In this study, data was analyzed with the use of Partial Least Square - Structural Equations Modeling (PLS-SEM).

3. Results And Discussion

3.1 Faculty Performance

The results presented in Table 1 signify that the faculty members performed excellently in their roles and responsibilities in instruction, research, and extension. The average Teacher Efficiency Rating (TER) has a mean of 4.32 that falls under the continuum of an outstanding qualitative description. This indicates that the respondents' performance rated by peers, superiors and students has an overall grade of 96-100 having an outstanding descriptive equivalence.

Table 1. Descriptive Statistics of the Faculty Performance [N=114]

TER RESULTS	Mean	SD	Verbal Description
First semester	4.30	0.8085	Outstanding
Second semester	4.33	0.7486	Outstanding
TER Average	4.32	0.7445	Outstanding

3.2 Level of Occupational Stress

As presented in Table 2, the result shows a mean of 2.33 described as "Slight Stress" based on the continuum with a standard deviation of 1.0178. This implies that faculty members experience stress rarely or at low levels. It must be noted that most of the faculty members experienced stress through emotional manifestations more than the physiological-fatigue.

Table 2. Descriptive Statistics of the Level of Occupational Stress measured by the Teacher Stress Index

Manifestations of Occupational Stress	Mean	SD	Verbal Description
Emotional Manifestations	2.54	0.1067	Slight
Biobehavioral Manifestations	2.06	0.0992	Slight
Physiological-Fatigue Manifestations	2.38	0.1109	Slight

3.3 Descriptive Statistics of the Variables Affecting Occupational Stress

Based on Table 3, the variable that has the highest mean is work-family conflict ($\bar{x}$=3.00) while role ambiguity and role conflict have the lowest mean ($\bar{x}$=2.44). Work overload ranked second as the most prevalent condition during the pandemic. With the flexible learning modality, course content delivery is modified to suit the technological environment of the students resulting in more preparations for the faculty members. Furthermore, as the line separating work and home effectively blurred in the work-from-home setup, these results are expected. However, majority of the faculty members manifested that they still maintain work-and-family life balance. Interpreted as moderate, lack of training is exhibited in terms of the need to upgrade their technology skills and the feeling that others know more about technology as compared to them.

Table 3. Descriptive Statistics of the Factors Affecting Occupational Stress

Factor	Average responses	SD	Verbal Interpretation
Work-family conflict	3.00	0.9361	Moderate
Work overload	2.90	0.9990	Moderate
Lack of training	2.74	0.9202	Moderate
Intrinsic impoverishment	2.56	0.7544	Slight
Under participation/ Powerlessness	2.53	0.6396	Slight
Role ambiguity and Role Conflict	2.44	0.8184	Slight

Majority of the respondents believe they have adequate opportunities to properly improve their ability and expertise during the pandemic, which resulted to slight intrinsic impoverishment. The result showed that most of the faculty members in MSU-IIT are being heard since most of their suggestions were implemented which also resulted to slight powerlessness. Moreover, they are engaged in the decision making as their opinions are sought after in terms of changing or modifying the working system, the instruments, and the conditions, and that their decision and instructions concerning the distribution of assignments among employees are being properly followed. Finally, role ambiguity and role conflict have the least mean value since majority agree that their tasks during the pandemic are quite clear and well-planned.

3.4 Results of the PLS-SEM

Based on the results of the bootstrapping using PLS-SEM, only work-family conflict and lack of training were found to be significant to the presence of occupational stress. Consequently, a unit increase in the level of work-family conflict results to 0.416 increase in the level of occupational stress experienced by the faculty members. Furthermore, a slight increase in lack of training has caused an increase in faculty members' stress level by 0.333. The insignificant outcome of the other latent variables may be attributed to their slight prevalence among the faculty members as shown in Table 3 in the prior section.

Table 4. Bootstrapping Results of the Path Model using the Framework

Construct/Path	*Path Coefficient*	*Sample Mean*	SD	T statistics	P-value
Work overload --> Occupational Stress	-0.186	-0.192	0.118	1.575	0.116
Work family --> Occupational Stress	0.416	0.427	0.091	4.596	< 0.001*
Under Par --> Occupational Stress	0.058	0.057	0.094	0.624	0.5333
Role Amb --> Occupational Stress	0.120	0.118	0.119	1.009	0.314
Lack of Training --> Occupational Stress	0.333	0.331	0.090	3.692	< 0.001*
Intrinsic --> Occupational stress	0.081	0.083	0.125	0.648	0.517
Occupational Stress --> Faculty Performance	-0.036	-0.016	0.188	0.447	0.655

Finally, this research found no statistical support that occupational stress in faculty members of MSU-IIT affect their level of performance. It is notable that faculty members only experienced slight stress during the pandemic. Despite the change in learning modality, the faculty-teaching load still followed the threshold (minimum 18 units and maximum of 27 units). Also, to alleviate the workload impact, the delivery of instruction (consequently the courses) was delivered in batches.

The results of the study has found that work-family conflict is a significant contributor of occupational stress experienced by faculty members. Results are consistent with prior studies [2], [10]. The work-from-home arrangement blurred the line separating the work life and the personal/home life. Hence, conflict between family roles and job roles are expected and inevitable. Majority of the respondents indicated that they work beyond the usual working hours and even think of work after working day.

This undermined their family-related roles resulting in conflicts and stress. The high level of strain and conflicts between these two areas are amplified during the pandemic [11].

Similar to the results of prior literatures, lack of training was found to be a significant factor that influences occupational stress on faculty. Faculty members required professional development, continued support, and training to prepare them for the shift to the online/flexible learning environment [12]. Despite faculty members of MSU-IIT receiving ample training opportunities, faculty members acknowledged the need to upgrade their skills and that other faculty members know more how to use technology in online teaching. All other latent variables were found to be insignificant.

The negative path coefficient in the relationship between occupational stress coincides with the Welford's Performance and Demand Theory wherein stress will result in a performance less than the maximum. However, the impact of stress on performance is found to be statistically insignificant. Result of this study supports the result of prior studies [13], [14] that occupational stress may not always have an impact on the performance of the faculty.

4. Conclusion

The results on the factors influencing occupational stress are consistent with the Michigan Model. However, only work-family conflict and lack of training exhibited a substantial effect which can be implied that these factors were amplified as to the existence of COVID-19 pandemic while four other factors do not have a significant effect on occupational stress. According to Welford's Performance and Demand Theory, the findings are inconsistent with what is expected in relation to the theory. Even if the demand during the pandemic has changed, the faculty experienced slight stress and performed excellently in their work. Future researchers may consider using occupational stress as a mediating variable rather than a higher order construct to check the direct impact of the independent variables to faculty performance and the indirect effect of stress in this relationship. A group analysis may also be performed to compare the level of stress and its impact on faculty performance based on socio-demographic profiles.

References

[1] Caracut, M. J. (2020). Institute to implement InFLex modality for incoming semester. MSU-IIT.

[2] Batool, S. B., Cheema, B. A., & Siddique, S. (2020, December). Online Teaching During COVID-19: Prevalence of Occupational Stress among the University Faculty in Pakistan. Journal of Research and Reflections in Education, 14(2), 194-210.

[3] Chitra, A. N. (2020). Study on Impact of Occupational Stress on Job Satisfaction of Teachers during Covid-19 Pandemic Period. Global Development Review, 4(2), 52-62.

[4] Harlow, P. (2008). Stress, Coping, Job Satisfaction, and Experience in Teachers.

[5] Wood, P. (2020, October 7). Workplace stress reaches 'record height' during pandemic. City A.M.

[6] Garcia, R., Paraiso, L. O., Sy-Luna, G., & Laraño, L. (2021). Impact of Covid19 Pandemic on Work-Related Stress Among University Faculty: A Longitudinal Study. International Journal of Recent Advances in Multidisciplinary Research, 8(4), 6725-6728.

[7] Laily, N., & Wahyuni, D. U. (2017). Teacher Performance Based on Stress and Organizational Commitment. International Journal of Scientific and Research Publications, 7(12), 192-199.

[8] Kurian, J., & Varghese, D. R. (2020). A Study on the Impact of Occupational Stress on the Performance of School Teachers in the State of Kerala. European Journal of Molecular & Clinical Medicine, 7(11), 100–109.

[9] Irawanto, D. W., Noermiyati, & Primasari, D. (2015). The Effect of Occupational Stress on Work Performance of Female Employees: Study in Indonesia. Asia-Pacific Journal of Management Research and Innovation, 11(4), 336–345.

[10] Nart, S., & Batur, O. (2014). The relation between work-family conflict, job stress, organizational commitment and job performance: A study on turkish primary teachers. European Journal of Research on Education, 2(2), 72-81. 10.15527/ejre.201426250.

[11] Reimann, M., Peters, E., & Deiwald, M. (2022). COVID-19 and Work–Family Conflicts in Germany: Risks and Chances Across Gender and Parenthood. Frontiers in Sociology, 6(780740).

[12] Moralista, R. B., & Oducado, R. M. F. (2020, September 11). Faculty Perception toward Online Education in a State College in the Philippines during the Coronavirus Disease 19 (COVID-19) Pandemic. Universal Journal of Educational Research, 8(10).
[13] Kousar, S., Dogar, I. A., Ghazal, S., & Khattak, I. (2006). Occupational Stress and Job Performance. Journal of Pakistan Psychiatric Society, 3(2), 93.
[14] Rotas, E. E., & Cahapay, M. B. (2020). Workload Stress and Results Based Performance of Multigrade Teachers. Journal of Studies in Education, 10(2), 68–80.

Predictors Of Bankruptcy Risk Of Food Franchising Companies In The Philippines

Genevieve G. Panerio[1] and Sheevun Di O. Guliman[2]
[1,2] Mindanao State University-Iligan Institute of Technology, Philippines
genevieve.panerio@g.msuiit.edu.ph

Abstract
Franchising has revolutionized the way businesses expand. However, only a handful of studies examine the risk of bankruptcy of franchising companies. In fact, seeing financial performance measures being incorporated in previous research about franchising in uncommon. Data of 45 subject companies were gathered and analyzed using Altman's Z"-score in determining the bankruptcy risk. Panel regression was performed and the fixed effects model yielded three significant predictors namely: age, franchise fee turnover, and size. The results indicate that firm size has a strong and positive effect on the Z"-scores. Meanwhile, age and franchise fee turnover exhibit negative effects on the Z"- scores. This implies that bigger franchising companies do not face as much risk of bankruptcy as that of smaller franchising companies. Moreover, older firms and those with high franchise fee turnover are at risk of incurring financial distress. Key informant interviews were performed by interviewing local food franchise companies in order to provide a local context of the results. It is recommended that firms constantly innovate over time in order to be adept with the ever-changing customer demands. Firms with higher franchise fee turnover should efficiently manage the franchise fees in generating sales to avoid bankruptcy risk.

Keywords: Altman's Z"-score; bankruptcy risk; financial performance; franchising; panel regression

---

1. Introduction
1.1 Background of the Study
Franchising has long penetrated the Philippine market, with both local and international franchise brands serving the various needs of the Filipino people. Major international food franchise brands like McDonald's, KFC, Dunkin' Donuts, and Burger King, are just a few of the most popular food chains now seen in the different parts of the archipelago. Local brands are led by Jollibee, a home- grown fast-food chain that now rivals the international McDonald's brand. Because of its worldwide significance, franchising has attracted the attention of researchers from different fields in the efforts to explain and expound even further the fundamentals and mechanisms behind such hybrid business concept that is franchising.

However, even with the substantial contribution of the franchising industry, studies examining the firm survival or inversely, failure of franchising firms are few. More so, it is uncommon to see financial performance measures being incorporated in research about franchising [1]. This study focuses on the risk of bankruptcy, or failure, of franchising companies, particularly of food firms in the Philippines. Specifically, this study seeks to narrow the knowledge gap about the bankruptcy risk of food franchising firms by using financial performance ratios in bankruptcy prediction of franchising companies in the Philippines and studying the effects of non-financial factors that may influence franchisor success or failure.

1.2 Objectives of the Study
The study aims to:

1. To measure the financial performance of food franchise companies in order to predict the probability of bankruptcy using the Revised Altman's Z"-score which use the following financial measures:

1. liquidity
2. cumulative profitability
3. profitability
4. Leverage

2. To determine the effect of the following independent variables on the probability of bankruptcy (failure):
1. age
2. royalty
3. franchise fee turnover
4. growth
5. size

2. Materials And Methods

To address the first objective, this study used the revised Altman Z"-score called the "Z double prime" as represented by the formula below in determining the probability of bankruptcy of the sample franchise firms.

$$Z'' = 6.56\ (X1) + 3.26\ (X2) + 6.72\ (X3) + 1.05\ (X4) + \varepsilon \quad \text{(Eq. 1)}$$

Where:

Z" = Revised Altman Z score
X1 = Working Capital/Total Assets
X2 = Retained Earnings/Total Assets
X3 = Earnings before Interest and Taxes/Total Assets
X4 = Book Value of Equity/Book Value of Total Debt
ε = the error term

This revised formula was specifically tailored for non-manufacturing firms. In the revised Z", the X5 factor (Sales/Total Assets) was dropped in order to minimize the potential industry effect as asset turnover is considered as an industry-responsive factor. A study by Altman, Hatzell, and Peck (1995) has applied this modified Z" model to companies in Mexico which are considered to be developing market corporates, and the book value of equity was also used in computing X4 in that particular scenario [2]. This study also used book value of equity for X4 since there arno available market data for these privately-held companies as the shares of these companies are not traded on an exchange.

The following are the discrimination zones and their interpretation:

Safe zone: Z" > 2.6; implies that there is less probability that the company will undergo bankruptcy.
Grey zone: 1.10<Z"<2.6; means the firm is at the risk of financial distress.
Distress zone: Z"<1.10; means there is high probability that the company will fail in the coming years.

Based on the objectives of the study and the literature review, the following regression model is specified:

$$Yit = \alpha i - \beta 1AGEit + \beta 2ROYit + \beta 3FRAit +\_\ \beta 4SIZit - \beta 5GROit + \varepsilon it \quad \text{(Eq. 2)}$$

Where:

Yit is the Altman's Z"-score where i = entity and t = time;
αi (i = 1….n) is the unknown intercept for each entity (n entity-specific intercepts);
βk is the coefficient for each independent variable;
AGEit is the age of firm i during year t;
ROYit is the royalty of firm i during year t;
FRAit is the franchise fee (turnover) of firm i during year t;
SIZit is the system size of firm i during year t;
GROit is the system growth of firm i during year t;
ε it is the error term.

The final model for panel regression used was the fixed effects method. A Key Informant Interview (KII) was also employed to help improve the results of the study and to present local insights from local franchise companies as to their views and applicability of this paper. This paper also employed a full enumeration technique in choosing the franchise firms that will be included in the study, subject to some qualifications.

3. Results And Discussion

The descriptive statistics of the resulting Z”-scores of all 45 subject companies for the years 2011-2015 are presented in Table 1. According to the interpretation of the Z”-scores, majority of the companies were in the distress zone in the years 2011, 2013, 2014, and 2015, as their mean scores are below 1.10. On a per company basis, 51% of these companies were in the distress zone as they have Z”-score means of below 1.10 through the years 2011 to 2015, 22% are in the grey zone, while 27% are considered safe.

Table 1. Descriptive Statistics of the Z”-scores for the 45 Subject Companies

Year	Mean	Median	Standard Deviation	Min.	Max.
2011	-3.21	0.84	25.46	-141.64	72.54
2012	5.88	1.58	45.32	-22.14	296.74
2013	-1.11	1.34	7.18	-26.13	7.07
2014	-2.05	0.94	8.15	-34.74	5.73
2015	-2.09	1.57	9.46	-35.56	4.36

After checking for pre and post diagnostics necessary for the panel regression analysis, the final model displaying the results of fixed-effects panel regression analysis after dropping the variable royalty is shown in Table 2 below.

Table 2. Fixed-effects Model (Dropping Royalty)

	Estimate	Std. Error	t-value	Pr(>|t|)
Age	-2.83212	1.26803	-2.2335	0.0270484 *
Franchise fee turnover	-17.53851	4.82714	-3.6333	0.0003876 ***
Size	31.77300	4.43932	7.1572	3.79e-11 ***
Growth	-0.49451	1.57991	-0.3130	0.7547329

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
Unbalanced Panel: n = 42, T = 1-5, N = 191
Total Sum of Squares: 66035
Residual Sum of Squares: 48558
R-Squared: 0.26466
Adj. R-Squared: 0.036455
F-statistic: 13.0471 on 4 and 145 DF, p-value: 4.2205e-09

The fixed effects model returned a 0.17249 R^2 with a very small p-value, implying a good-fit model. However, because of high correlation among the predictors, the researchers measured the VIFs of each predictor and found that there exists high VIFs for franchise fee turnover and royalty with VIFs of 13.118851 and 11.081912, respectively. Correlation of two predictors in the regression, referred to as multicollinearity, inflate the standard errors of the coefficients making them insignificant when they should be significant. Hence, another model was considered still using fixed effects but dropping royalty from the predictors. The model returned a smaller R^2 but still revealed three significant predictors including age, franchise fee turnover, and size. Moreover, the model also returned smaller (<2) VIFs for the remaining predictors. In this model, age, franchise fee turnover, and size are found to have significant effects on our response variable the Z”-scores.

4. Conclusion

The results indicate that age and franchise fee turnover have an inverse relationship with the Z”-scores, while size strongly and positively affects the Z”- scores. This implies that as age and franchise fee turnover increase, the Z”-scores decrease, meaning the risk of bankruptcy increases, noting that the higher the Z”- scores, the better. Since size positively affects the Z”-scores, it signifies that as the size of the firm increases, the Z”-scores also increase with a large positive coefficient, meaning it significantly decreases the risk of bankruptcy of the subject companies. Future studies into this topic may perform a subset analysis where companies are grouped according to size and analysis be made according to this grouping to minimize the skewness of the data being used and to see if there would be different results from big and small companies.

References

Aliouche, E. H., Kaen, F., & Schlentrich, U. (2012). The market performance of franchise stock portfolios. International Journal of Contemporary Hospitality Management, 24(5), 791–809. https://doi.org/10.1108/09596111211237309

Altman, E. I. (1968). Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. Journal of Finance, 23(4), 589–609.

Altman, E. I. (2000). Predicting financial distress of companies: revisiting the Z-score and Zeta models. https://doi.org/10.4324/9781315064277

Beaver, W. H., Correia, M., & McNichols, M. F. (2010). Financial statement analysis and the prediction of financial distress. Foundations and Trends in Accounting, 5(2), 99–173. https://doi.org/10.1561/1400000018

Benoit, K. (2011). Linear Regression Models with Logarithmic Transformations. London School of Economics, 1–8. Retrieved from http://www.kenbenoit.net/courses/ME104/logmodels2.pdf

Burns, A. C., & Bush, R. F. (2014). Marketing Research (7th ed.). Pearson.

Calderon-Monge, E., Pastor-Sanz, I., & Huerta-Zavala, P. (2017). Economic sustainability in franchising: A model to predict franchisor success or failure. Sustainability (Switzerland), 9(8), 1–17. https://doi.org/10.3390/su9081419

Creswell, J. W. (2014). Research design qualitative, quantitative, and mixed method approaches (4th ed.). Retrieved from http://www.ghbook.ir/index.php?name option=com_dbook&task=readonline&book_id=13650&page=73&chk&نوین hashk=ED9C9491B4&Itemid=218&lang=fa&tmpl=component

Laerd. (2018). Spearman’s Rank-Order Correlation. Retrieved November 20, 2019, from Laerd Statistics website: https://statistics.laerd.com/statistical- guides/spearmans-rank-order-correlation- statistical-guide.php

Yaffee, R. (2003). A primer for panel data analysis. Connect Information Technology at NYU, (September), 1–11. Retrieved from papers2://publication/uuid/811319C1-BFB6-43F6-B729- 65AC1FA20A4D

Zopounidis, C., & Paraschou, D. (1998). Chapter 1. business failure research: some statistics, methods, models, and variables. In Multicriteria Decision Aid Methods for the Prediction of Business Failure (pp. 1–30). https://doi.org/10.1007/978-1-4757-2885-9

#Cancelled: Predictors Of Cancel Culture In The Philippines

Jessa Mae S. Banse[1], Safa D. Manala-o[2], and Charlyn M. Capulong
[1, 2, 3] Mindanao State University-Iligan Institute of Technology, Philippines
jessamae.banse@g.msuiit.edu.ph

Abstarct
The rise of technology and social media allowed business a greater reach of their products. It transformed how business, in most of its facets, is done, from marketing of products or services to actual order and payment of the same. To stay relevant, business entities often develop their own brand voice and stand in social issues. Companies are "called out" for controversial practices and when their beliefs are deemed inappropriate. This "call out" culture evolved to "cancel culture". As the manifestation of cancel culture ranges from merely calling out the companies in social media platforms to boycotting the company, it is imperative that this behavior be understood. Hence, this research is conceptualized to determine the factors that influence cancel culture and assess the nature of consumer cancellation. Finally, this research is designed to also identify the corporate actions that could appease consumers to "uncancel" the firm.

Keywords: Cancel culture; Philippines; Brand voice; Boycott

---

1. Introduction

The rise of social media benefited contemporary business entities; from a wider reach of their product/service advertisement to allowing businesses to transact businesses. Most advertising strategies now rely more on the use of celebrity-influencers' social media posts tagging their products/services. This is seen as effective as followers of the said celebrity-influencers will then be enticed over these items. Social media allows any consumer to share their opinions and feedback, whether good or bad, about the products/services, almost unlimitedly and uncensored. However, the same platform allowed the proliferation of the cancel culture. While the concept is not entirely new since the act of boycotting certain products/services had been observed, the deeper roots of the cancel culture is fueled by the accessibility of different social media platforms. The Merriam-Webster online dictionary defines cancel culture as the "practice of engaging in mass cancelling to express disapproval and social pressure" (Cancel Culture Definition & Meaning - Merriam-Webster, n.d.). In addition, Mueller (2021) defines it as the act of withdrawing support for individuals and institutions "who have acted in a way deemed to be unacceptable or problematic related to social media, viewership, or the purchase of products or services". Majority of consumers in developed countries see cancelling as a way to influence companies to improve and change their ways for the better or correct mistakes (Meesala, 2020).

In the Southeast Asia, especially for the majority of the Generation Z (Gen Z) consumers, they see brand as extension of themselves and support those whose values aligned with themselves (Tan, 2022); consequently, 60% of Indonesian, and 58% Filipinos from the said generation unfollowed brands that do not resonate with their values. Hence, cancel culture has been more prevalent in the digital spaces in the region, specifically in the Philippines (Velasco, 2021). This is expected as the Philippines is dubbed as the social media capital of the world in 2021 (Lopez, 2021). However, there is minimal data on cases of corporate boycott in the Philippines and what motivates these brand cancellations. Due to the undeniable impact of this practice on businesses, it is imperative that the predictors of this cancel culture are identified to provide individuals and businesses an opportunity to better respond to this phenomenon. As the term cancel culture was only coined most recently, this specific topic is relatively novel and under-researched. Hence, this research aims to explain the presence of cancel culture in consumers and identify its predictors.

2. Literature review

2.1 Cancel Culture practices

Withdrawal of support of a brand or an individual has long been practiced in society; public shaming and demanding forced apologies had been part of society for centuries. Cancelling is traditionally embodied as boycotting or blacklisting (Clark, 2020). However, its proliferation and fame has just been very evident in recent years. These actions are known as mob mentality or modern social justice practice; however, cancel culture generally involves taking a public stance against an individual or institution for actions that are questionable or offensive (Dudenhoefer, 2020). Its merits are still reviewed in heated debates as one side claims that this promotes social change and upholds social justice, while the other side claims it to be merely a “mob rule” where the established legal system is bypassed.

Despite differing views on its effects, whether positive or negative, academicians unanimously relate its origins from Black Twitter. Clark (2020) defines Black Twitter as a “meta-network of culturally connected communities on the microblogging site”. Hence, cancel culture lends its acceptance by a series of networked framing by the collective individuals. The power of cancel culture emanates from the almost unlimited and uncensored access to social media as it amplifies the power of an individual and the collective masses. Social media empowered individuals to easily become the collective and act as a judge (Mueller, 2021). In addition, social media acts as a digital log of one’s actions/statements making mistakes easily recallable, making past mistakes as a present, accessible record. The pandemic, which resulted in people staying indoors, exacerbated this as individuals turned most of their attention and focus to the internet. With this, the geographical barriers became inexistent and the reach of one’s opinions became wider.

According to the recent report of Porter Novelli (2021), 64% of Americans believe that social media gave them a voice to influence companies. In addition, while 69% of Americans believe that cancelling a brand is a way to get their attention, 68% believe that this can change company’s ways (Porter Novelli, 2021). In the same report, it was concluded that no brand is excluded from this. Thus, a well-loved brand may be “cancelled” if they do something inappropriate. In Southeast Asia, Gen Z does not view purchases as a pure transaction but a reflection of their own ideals (Tan, 2022). Consequently, cancel culture is highly prominent for these types of consumers as 16% in the study of DeVries Global, Decoding the Z Mind, do not forgive brands.

The act of cancelling also extends to individuals: Kendall Jenner in her tone-deaf Pepsi advertisement; Larry Nassar for the sexual assault of USA athletes; CK Louis a comedian who’s joke went overboard as seen by the netizens; Dave Chapelle who was cancelled for his “transphobic” jokes; JK Rowling’s personal stand on sex and gender which was critiqued as transphobic leading to her being cancelled; Cat Arambulo-Antonio, A Filipina entrepreneur, who bad mouthed Filipinos stocked in checkpoints during the height of COVID-19 pandemic (Velasco, 2021); Toni Gonzaga for being a supporter of Pres. Bongbong Marcos was tagged as Marcos apologist and was cancelled; Donalyn Bartolome for her deemed inappropriate pictorial which sensualized babies to name a few.

Statements in support to a specific president just like Goya’s CEO’s support to US President Donald Trump led to a decline in the company’s social media perception (Porter Novelli, 2021). President Trump has also been subjected to this when he called to boycott Goodyear Tire for refraining its employees of expressing their support to specific political party (e.g., wearing of the Make America Great Again cap) (Shepardson & Shalal, 2020). This explicit campaign on Twitter against Goodyear Tire led to a protest by the employees of the company which caused violence resulting in casualties. The US president’s Twitter and Facebook accounts were suspended because of this (Mueller, 2021). Companies with inconsistent practices had also been canceled. The support of L’Oréal Paris to the Black Lives Matter movement received backlash when they fired a trans model who was vocal about violence in Charlottesville. Famous, yet controversial, movements that are often used in Twitter include the Me Too, Black Lives Matter, and Pride Month. Even a tone-deaf advertisement of Pepsi featuring Kendall Jenner in 2017 resulted in backlash requiring the company and the model itself to issue statements of apology (Izade, 2017). Consumers are no longer impressed with companies being neutral in certain issues. Fifty-four percent (54%) of Gen Z from Southeast Asia agree that brands should make a stand, and 37% cancelled brands who remained silent and neutral (DeVries Global, 2021).

There are numerous reasons why a brand is cancelled including racial injustice, issues involving women rights, violation of COVID-19 protocols, and an unfavorable action or statement against a personal belief regarding immigration, religion, gender, and politics (Porter Novelli, 2012). In relation to Gen Z of Southeast Asia, the lack of transparency, unfair labor terms, and lack of effort for the environment are the top three factors that will cause a brand to lose support from the said generation (DeVries Global, 2021). Considering that consumers also have different opinions, while there are those who boycott (thus, cancelled) a product, announcing the company's stand on some issues may also lead to counter-boycotts.

2.2. Factors Affecting Intention to Boycott or Cancel

Cancel culture is a form of a boycott through the abandonment of financial support, political support, social support, or economic support to a person or organization (Mintz, 2021). The withdrawal of support serves as a punishment for the reprehensible actions or words committed by a person or organization. The emergence of cancel culture can also be attributed to social media. In the Porter Novelli (2021) study on cancel culture, it revealed that 64% of their American respondents think social media has given them the voice to influence companies, 72% feel more empowered to express their opinions about companies, 69% believes cancelling a brand is not only a way to get company's attention but it similarly influences the company's ways to change which is equivalent to 68% of the total respondents. Moreover, Americans identified the issues such as racial justice (70%), women's right (69%), COVID-19 protocols (68%), immigration (61%), climate change (57%), LGBTQ+ (57%), religion (57%), and politics (54%) as the potential cause for a person to cancel a brand or company when they say something offensive against the mentioned issues. Based on the 2021 DeVries Global report, Filipino Gen Z ranked responsibility followed by equality as the top values they want to see from a brand for them to support (i.e. follow) it (DeVries Global, 2021). This is closely followed by sustainability, authenticity and integrity, then diversity and inclusivity, while empowerment is ranked the last. Consequently, socio-political issues including the lack of transparency of firms, unfair labor terms, and lack of effort for the environment are the top three factors that will cause Filipino Gen Z to stop supporting brands.

Mueller (2021) found that individuals who demand an apology after cancelling identify with the feminine gender traits and such gender traits to have more involvement in cancel culture; while education, relationship status, age, and income were found to have no significant difference. The research also found that political affiliation has negative association with some predictors of cancel culture. Additionally, the study of Ishak, et. al. (2017) examined the factors that influence the participation of consumers in boycott of products using Adam Smith's concept that a person's emotion can affect their purchasing behavior. Their findings show that consumers' participation to boycott the product is influenced by wanting to express emotions towards the product like expressing anger and regrets on the misbehavior of a specific entity. The study also revealed that religion influences the participation to cancel a product by which those individuals with strong sense of religious affiliation are more likely to participate driven by religious responsibilities. Group membership was also found to be a significant factor that can affect boycott participation. On the other hand, factors such as product functions, cost of boycotting, invalid sentiment, and types of products consumed are identified as influential variables for a person not to participate in cancelling a certain product (Ishak, et. al., 2017).

Another study which focuses on the association of consumer emotions and the likelihood of boycotting and buycotting behaviors. Boycotting is basically more avoidance-oriented (Copeland, 2014; Friedman, 1991; Kam & Deichert, 2017) whereas buycotting is reward-oriented (Kam & Deichert, 2017). Based on the literature review conducted by (Hong, 2018), the following are the emotions that can affects a persons' behavior to boycotting and boycotting: (a) negative and non-self-conscious emotions including anger, disgust, and contempt; (b) negative and self-conscious emotions including shame, and guilt; (c) positive and self-conscious emotions including pride; and (d) positive and non-self-conscious emotions including happiness, hope, elevation, and gratitude. The study of Hong (2018) revealed that emotions such as gratitude and anger were significant factors in influencing the boycott intention. Gratitude is negatively related to boycott intention which indicates that a person with a higher level of gratitude is less likely to boycott. The findings further revealed that gratitude is significantly related to the brand attitude and behavior intention. Moreover, emotions such as anger and disgust have a significant positive effect on the boycott intention of a consumer. This is consistent with the findings of Zhang, et. al. (2017) that negative emotion has a negative effect on the consumers' intention to boycott using the desire to boycott as the mediator variable and the extended model of goal-directed behavior. Interestingly, Klein, et. al. (2004) also found out other factors that improved the likelihood of a consumer to boycott. These factors are the desire to make a difference, the scope of self-enhancement, counterarguments that inhibit boycotting, and the cost to the boycotter of constrained consumption. Similarly, Klein, et. al (2002) revealed in their empirical study that perceived egregiousness of a company's actions affects the consumers' participation to boycott.

Some studies have determined some actions for the cancelled firms or organizations to be uncancelled. The study of Mueller (2021) revealed that "if accused, must apologize immediately" is the most important factor among those invested in cancelling culture. Hence, asking for an apology will move the firms or organizations from being cancelled to uncancelled. This result is consistent to the findings of Porter Novelli (2021) where public statement apology earned the highest percentage as the primary action to be taken by the cancelled company followed by clarify the situation (41%), create programs and policies internally to address the change needed (40%), fire the person responsible for offensive statement (33%), change branding (20%), and donate to an associated nonprofit (17%). Hence, both the Porter Novelli (2021) Report, and the study of Mueller (2021) found that while cancel culture is practiced and observed, consumers and netizens forgive individuals and companies if they take responsibility for their actions and apologize. Consequently, desire to ask for apology from the cancelled individual/institution tends to increase when affiliated with liberal political parties; in fact, this affiliation also has a lesser tendency to "forgive and forget" (Mueller, 2021).

3. Methodology

First, this study will employ a sequential explanatory mixed methods design. Inferential statistics will be used; specifically, to establish relationships between the independent and dependent variables, this study plans to use structural equations modeling (SEM). This is a contemporary, and advanced statistical technique in determining the relationships and impact of different variables. The Theory of Planned Behavior (1985) will be used to inform the quantitative design and analysis of this study.

Secondly, qualitative approach will be used to identify other factors leading to intention to cancel, and possible ways for companies to be uncancelled. This study will employ a Focus Group Discussion (FGD) of not more than 20 individuals to validate the results of the quantitative phase. Focus groups can be used to "clarify, extend, qualify or challenge data collected through other methods or to feedback results to research participants" (Gill et al., 2008, p. 293).

Finally, this research will employ primary data through self-administered survey questionnaires. Respondents will be chosen conveniently but proportionately across the Philippines. Hence, generalization about the results might be limited due to this sampling design. This study will also cover consumers across generations.

References

Cancel culture Definition & Meaning - Merriam-Webster. (n.d.). Retrieved July 18, 2022, from https://www.merriam-webster.com/dictionary/cancel culture

Clark, M. (2020). DRAG THEM: A brief etymology of so-called "cancel culture." Communication and the Public, 5(3–4), 88–92. https://doi.org/10.1177/2057047320961562

DeVries Global. (2021). DECODING THE Z MIND: What Brands should know when navigating purpose and responsibility iin Southeast.

Dudenhoefer, N. (2020). Is Cancel Culture Effective? How Public Shaming Has Changed. PEGASUS Pegasus The Magazine of the University of Central Florida. https://www.ucf.edu/pegasus/is-cancel-culture-effective/

Gill, P. et al. (2008). Methods of data collection in qualitative research: Interviews and focus groups. British Dental Journal, 204 (6), 291-295. doi: 10.1038/bdj.2008.192

Hong, Cheng. (2018). Boycotting or Buycotting? An investigation of consumer emotional responses towards brand activism. Dissertation. University of Miami. Retrieved from Boycotting or Buycotting? An Investigation of Consumer Emotional Responses towards Brand Activism (exlibrisgroup.com). Accessed on July 12, 2022.

Ishak, S., Khalid, K., & Sulaiman, N. (2017). Influencing consumer boycott: between sympathy and pragmatic article information. Journal of Islamic Marketing. Retrieved from (PDF) Journal of Islamic Marketing Influencing consumer boycott: between sympathy and pragmatic Article information (researchgate.net). Accessed on July 1, 2022.

Izade, E. (2017). Kendall Jenner's unspeakably tone-deaf Pepsi ad. The Washington Post. https://www.washingtonpost.com/news/arts-and-entertainment/wp/2017/04/04/a-second-by-second-breakdown-of-kendall-jenners-unspeakably-tone-deaf-pepsi-ad/

Jill G. Klein, N. Craig Smith, and Andrew John (2002) ,"Exploring Motivations For Participation in a Consumer Boycott", in NA - Advances in Consumer Research Volume 29, eds. Susan M. Broniarczyk and Kent Nakamoto, Valdosta, GA : Association for Consumer Research, Pages: 363-369.

Klein, Jill Gabrielle, et al. (2004). "Why We Boycott: Consumer Motivations for Boycott Participation." Journal of Marketing, vol. 68, no. 3, 2004, pp. 92–109. JSTOR, http://www.jstor.org/stable/30162004. Accessed 13 Jul. 2022.

Lopez, R. (2021). Philippine Digital Convention 2021. https://www.dti.gov.ph/archives/archived-speeches/speech-digital-convention-2021/

Meesala, S. (2020). Cancel Culture: A Societal Obligation or Infringement on Free Speech? – UAB Institute for Human Rights Blog. UAB Institute for Human Rights Blog. https://sites.uab.edu/humanrights/2020/12/04/cancel-culture-a-societal-obligation-or-infringement-on-free-speech/

Mintz, Steven. (2021). Cancel Culture and Social Media. Ethics Sage Website. Retrieved from Cancel Culture and Social Media - Ethics Sage. Accessed on July 2, 2022.

Mueller, T. S. (2021). Blame, then shame? Psychological predictors in cancel culture behavior. Social Science Journal, 00(00), 1–14. https://doi.org/10.1080/03623319.2021.1949552

Porter Novelli. (2012). BUSINESS OF CANCEL CULTURE STUDY. In Porter Novelli (Vol. 48, Issue 2, pp. 141–158). Retrieved from Porter Novelli's 2021 Business of Cancel Culture Study - Porter Novelli. Accessed on May 20, 2022.

Shepardson, D., & Shalal, A. (2020). Trump urges Goodyear tire boycott after company bars political attire. Reuters. https://www.reuters.com/article/us-goodyear-trump-idUKKCN25F1XQ

Tan, J. (2022). Cancel culture might be real but 84% of Gen Zs willing to forgive brands. MARKETING-INTERACTIVE. https://www.marketing-interactive.com/cancel-culture-gen-z-84-forgive

The Rise of Corporate Cancel Culture: What Brands Can Do. (2021). Association of National Advertisers. https://www.ana.net/miccontent/show/id/ii-corporate-cancel-culture

Thomas S. Mueller (2021): Blame, then shame? Psychological predictors in cancel culture behavior. The Social Science Journal, DOI: 10.1080/03623319.2021.1949552

Velasco, J. C. (2021). You are cancelled: Virtual collective consciousness and the emergence of cancel culture as ideological purging. Rupkatha Journal on Interdisciplinary Studies in Humanities, 12(5), 1–7. https://doi.org/10.21659/RUPKATHA.V12N5.RIOC1S21N2

Zhang, M., Lee, S., & Ryu, M. (2017). A study on influencing factors on Consumer Boycott intention by Applying Extended Model of Goal-Directed Behavior. Family and Environment Research. The Korean Home Economics. Retrieved from https://doi.org/10.6115/fer.2017.049. Accessed on July 13, 2022.

Factors Influencing The Filipino-Muslims' Willingness To Participate In The Takaful Industry

Sohaira M. Ambaco[1], Lailany M. Baguan[2], Shahaniah M. Balang[3], Inshira D. Dibaratun[4], Sittie Ashia M. Karim[5], and Asst. Prof. Genevieve G. Panerio[6]
[1, 2, 3,] Mindanao State University – Iligan Insitute of Technology
genevieve.panerio@g.msuiit.edu.ph

Abstract
The insurance industry continues to expand, and many consider insuring themselves and their families. Conventional insurance is contrary to Islamic principles because of the involvement of interest, uncertainty, and gambling which is strictly prohibited in Shariah (Islamic law), making Muslim Filipinos uncomfortable participating in it. Takaful, also known as Islamic insurance, follows Islamic rules and principles. However, the development of Islamic insurance in the Philippines appears to be unperformed. This study aims to determine the willingness of Muslim-Filipinos in BARMM to participate in the Takaful industry and determine the factors that influence their willingness to participate. The self-administered questionnaire was distributed to the Muslim income earners in the different provinces of BARMM. Using Ordinal Regression with a sample of 384, results showed that among the independent variables, namely: awareness, trust, personal income, perceived usefulness, perceived risk, and social influence, only the latter showed a significant influence on the dependent variable. Nonetheless, the findings showed that 86.98% of the respondents agreed that Islamic insurance should be offered in the Philippines. In addition, 72.92% of the respondents are willing to participate in Takaful, signifying a great opportunity and demand for Islamic Insurance to be offered in the country.

Keywords: Takaful, Islamic Insurance, BARMM financing development

1. Introduction

The Philippines has always faced frequent natural disasters like volcanic eruptions, floods, typhoons, landslides, earthquakes, and several non-natural disasters such as transportation accidents and fires that cause life and property damage (Tacio, 2020). In May 2017, a five-month-long armed conflict in one of the cities in the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM) led to the most prolonged siege in the Philippines that impacted thousands of people financially and emotionally as they were forced to leave their homes and properties during the siege. In addition, in October 2022, a severe Tropical Storm, "Paeng," the Philippines' 16th tropical cyclone for 2022, triggered floods and landslides in the Philippines (Bong, 2022). The BARMM residents were affected by the said tropical storm which had reached roughly half a million of the region's population. The Philippines is also by far the most economically devastated country in Asia, with the ongoing impact of the pandemic as it severely impacted the Philippine economy, resulting in significant losses in income and employment (Masigan, 2021). Considering the COVID-19 pandemic and recent calamities in the Philippines, the importance of life insurance has become more evident to Filipinos together with the ideas of protecting and improving the financial security of their families and businesses.

Currently, Muslim Filipinos have no choice but to engage with conventional insurance because of the absence of the Takaful industry in the Philippines. Muslim Filipinos wish to purchase life insurance, although the fact that it is against the Shariah law (Islamic law). Takaful is a recommended option by Islamic finance experts to prevent Muslims from participating in interest-related transactions, uncertainty, and gambling, which are strongly prohibited in Islam. Since its founding, Takaful has garnered significant interest, especially in countries which Muslims are the majorities like Malaysia, Saudi Arabia, and Indonesia; its components and principles of having an ethical investing policy keep drawing attention and driving demand (SuperMarket Research, 2021). The Al Amanah Islamic Investment Bank is currently the sole Islamic bank that is operating in the Philippines, despite the country's significant Muslim population. However, the Takaful activity is still not undertaken by the aforementioned Islamic bank. According to Allied Market Research (n.d.), the limited market penetration and expansion of the Takaful industry in a given nation are limited by the low public awareness of the product. One of the purposes of this study is to assess whether Takaful should be made available in the Philippines. This study aims to determine the factors influencing Muslim-Filipino income earners' willingness to participate in the possible introduction of the Takaful industry in the Philippines.

2. Literature Review

Awareness and knowledge are two of the most prominent factors identified in most research by having a beneficial effect on a population's willingness to participate in the Takaful industry. Htay & Salman (2013) found from the 333 responses in India that both respondents' awareness and knowledge of Takaful are low. The fact that the two factors are somehow related, could possibly cause confusion to the respondents. Thus, this supports the inclusion of awareness rather than knowledge in this study, as knowledge implies a much deeper comprehension. Social influence, in which peers such as close friends, parents, and the media, play a large role in persuading an individual to engage in or purchase a certain service or product, is another prominent element that has a significant impact on purchase intention. Peers possess persuasive features that could persuade consumers to purchase or attempt a product or service and establish trust, which is also a factor identified in this study. As perceived risks and uncertainties are associated with newly emerging products and industries, the significance of trust is evident in the two factors. This is certainly relevant in Takaful, where invested funds are accompanied by trust.

It was also observed that income influences the demand for life insurance or family Takaful, as life insurance becomes considerably more accessible as income rises. In the study conducted by Hwang and Gao (2003), it was discovered that a person's or family's income does not influence their inclination to join an insurance firm, but rather the country's economy. This suggests that income is not the only social issue that must be considered, but the country's economy may also play a vital role in persuading individuals to engage in Insurance. Trust mentioned in the related literature was necessary, and perceived risk was added as it was found to have a negative impact on the intention to participate (Ali et al., 2019). This highly supports the other studies, which concluded that consumers were attracted to products and services that they could benefit from and whom they could trust as it has low exposure to risk. Perceived usefulness was used as well by many works of literature as one of the factors. However, findings concerning the relationship between perceived usefulness and purchase intention are inconsistent. The study of Pikkarainen et al. (2004) and Ernawaty & Dimantri (2018) both used the Technology Acceptance Model (TAM), where consumers depend on their decision on whether to buy and use new technologies if it can improve their life in general. However, their studies' findings contradict. The reason could be due to the subject difference, as the study of Pikkarainen et al. (2004) focuses on online banking while Ernawaty & Dimantri (2018) focuses on National Health Insurance which is more related to this study. Different studies considered various factors in assessing their respective respondents' purchase intention and willingness to participate in the Islamic insurance scheme.

The goal of Decomposed Theory of Planned Behavior (DTPB) will be used in this research to determine the concepts and elements. This theory looks at how beliefs, attitudes, intentions, and behavior are related to one another to understand what is behind people’s actions and behavior. Aziz et al. (2017) asserts that DTPB is more favorable to be employed when compared to the two early versions of the theory. In contrast to the previous two, this theory will provide a clearer explanation of the relationship between each variable in a study (Aziz et al., 2016). Another advantage is that it may be implemented at any moment, which helps it overcome the shortcomings of the two prior models (Berger, 1993). Additionally, by adding more specific components and adhering to more ideas, a study's outcome may be more relevant (Aziz et al., 2017).

3. Methodology

To assess and measure the influence of the independent variables on the dependent variable, the researchers utilized primary data obtained through the questionnaire survey. The study was additionally supported by secondary data from reliable internet resources such as articles, previous studies, and journals. The questions used in this study were taken from questions used in similar studies, with some questions adjusted to fit the needs of this research. Given that the majority of Muslim Filipinos reside in the BARMM region, it was more relevant and effective for this study to collect responses from Filipino Muslim income earners from BARMM.

The following regression model is specified:

$$Y_i = a_i + \beta_1(awareness)_i + \beta_2(trust)_i + \beta_3(personal\ income)_i + \beta_4(perceived\ usefulness) + \beta_5(perceived\ risk)_i + \beta_6(social\ influence)_i + \varepsilon_{i_i}$$

4. Results and Analysis

Out of the 384 respondents, 86.98%, agreed that the Philippines should offer Islamic insurance. While 2.86% are against it, and 10.16% are undecided. Among the respondents, only 328 (85.64%) stated their corresponding reasons and opinions on why Takaful should be introduced in the Philippines or why it should not be introduced in the Philippines. Precisely, 72.92% of the respondents were willing to participate, 9.64% were not willing, and the remaining 17.45% were undecided. The findings demonstrate that 86.98% of the respondents want Takaful to be offered in the Philippines, and 72.92% affirmed that they would participate in the Takaful scheme when it becomes available in the Philippines. The analysis of the factors on the willingness of Muslim Filipinos to participate in the Takaful industry are awareness, trust, personal income, perceived usefulness, and perceived risk. Out of 6 factors, only social influence was determined to be significant. The findings of this study differ from the findings of Salleh et al. (2017), Opalla et al. (2019), Cho & Sagynov (2015), and Muda et al. (2016) since all the factors that have insignificant effects in this study were significantly influencing the independent variables of these related studies.

The findings on social influence coincide with the findings of Persaud & Schillos' (2017), which means that social influence play a role in boosting consumer consumption. This study's findings are also supported by the study of Wang & Chang (2013) where many people get information about a new product through social media before engaging in it. Also, Akar et al. (2015) mentioned that social networking sites are one of the channels of social influence that affect the willingness of consumers to purchase a product. Authorities can use these findings to interact with their target market. Moreover, the result of this study supports one of the cultures of the Asian family, where they act as one unit in times of purchasing a product or service, whether it is for personal or typical consumption (Kumar & Rao, 2019). The study by Kumar & Rao (2019) revealed that their respondents tend to discuss the product or service first among themselves before purchasing them. Family members play an essential role in influencing an individual's buying behavior (Juneja, n.d.), and many consumers' decisions are made on behalf of the family (LumenLearning, n.d.).

5. Conclusions and Recommendations

The willingness of Muslim Filipinos to participate in the possible introduction of Takaful in the Philippines is somehow aligned with their traditional culture called "Maratabat". Maratabat is a deep sense of personal honor, dignity, self-esteem, and reputation for most Muslim Filipinos, which drives their tribes to protect every clan member. They are extending different forms of help and support to preserve their family's honor and dignity. Another culture that supports Muslim Filipinos' willingness to avail of Takaful is the Filipino culture called "Bayanihan," also known as community spirit. Bayanihan is a core value of the Filipino culture which means unselfishly extending help to the community and fellow citizens in times of need without expecting anything in return. The Philippines is one step closer to the shared vision of an all-inclusive, prosperous nation for all Filipinos. As of 2022, Takaful has not yet been available and operating in the Philippines because of several issues and challenges in the Philippine Financial Market.

However, the Philippine government has gradually established some necessary reforms that convey to the market that the country fosters an open and competitive financial system. There have already been great government efforts in the past three years 2019-2022 to boost the Philippine Islamic finance sector while adhering to Islam's high moral and humanitarian principles. Overall, government efforts are needed to penetrate Takaful successfully and rapidly. Islamic banking and finance can promote inclusive finance by making it available to groups that avoid using conventional banking facilities due to their faith. Promoting Islamic banking and finance can also attract foreign investments, which can, in turn, be deployed to support critical projects of the government (Bangko Sentral ng Pilipinas, 2020). Islamic banking and finance can also be attractive to non-Muslims, particularly those investors (within or outside the Philippines) who are in their quest to diversify their portfolios. Through social influence and broader awareness, with the key legal and regulatory frameworks in place, Takaful can effectively be introduced to Filipino consumers.

References

Ali, M., Raza, S.A., Puah, C.H. and Amin, H. (2019), "Consumer acceptance toward takaful in Pakistan: An application of diffusion of innovation theory". International Journal of Emerging Markets Vol. 14 No. 4, pp. 620-638. Emerald Publishing Limited (2019)

Bong, S. (2022). 500,000 persons affected by 'Paeng' in Bangsamoro Region. MindaNewsl.

Cho, Y. C., & Sagynov, E. (2015). Exploring Factors That Affect Usefulness, Ease Of Use, Trust, And Purchase Intention In The Online Environment. *19*(1). 21–36. International Journal of Management & Information Systems (IJMIS), (2015).

Ernawaty, E., & Dimantri, C. N. (2018). Why People Decide to Participate in National Health Insurance? Based on Theory of Planned Behaviour and Technology Acceptance Model. Proceedings of the 4th Annual Meeting of the Indonesian Health Economics Association - Inahea. Scitepress – Science and Technology Publications, Lda, (2017). Allied Market Research. (n.d.). Global Takaful Insurance Market to Generate $97.17 Billion by 2030: Last accessed 2021/12/11.

Htay, S. N. N., & Salman, S. A. (2013a). Potential Push-Pull Factors to Introduce Takaful (Islamic Insurance) as a New Product in India: Preliminary Overview. Research Journal of Applied Sciences, Engineering and Technology 8(20):2121-2125. Maxwell Scientific Publication Corp., Pakistan (2014)

Htay, S. N. N., & Salman, S. A. (2013b). Viability of Islamic insurance (Takaful) in India: SWOT analysis approach. Review of European Studies, 5(4), 145–154. Canadian Center of Science and Education, Canada (2013).

Hwang, T., & Gao, S. (2003). The determinants of the demand for life insurance in an emerging economy -the case of China. Managerial Finance, 29(5–6), 82–96. MCB UP Ltd (2003).

Islamic Finance News Homepage, https://www.islamicfinancenews.com/, shorturl.at/grzN6, last accessed 2022/03/21

Islamic Finance News Homepage, https://www.islamicfinancenews.com/, shorturl.at/rIKRU last accessed 2022/03/21

Masigan, A. (2021). Why the Philippines is the most economically affected by COVID 19.

Muda, M.; Mohd, R.; Hassan, S. (2016). Online Purchase Behavior of Generation Y in Malaysia. *Procedia Econ. Finance*. vol. 37, pp. 292–298. Elsevier, B.V. (2016).

Opalla, I., Uy, J., Cabasa, R., Palacio, M., Torrefiel, M., Cabantud, A., Cabezas, A., Magnaye, L., Maluenda, M., & Fernandez, L. (2020). Customers' Perception on the Trustworthiness of Electronic Commerce: A Qualitative Study. EdArXiv (2020).

Pathak, V. K., & Pathak, A. (2017). Understanding Perceived Risk: A Case Study of Green Electronic Consumer Products. Management Insight - The Journal of Incisive Analysers, (2020).

Persaud, A., & Schillo, S. R. (2017). Purchasing organic products: Role of social context and consumer innovativeness. Marketing Intelligence & Planning, vol. 35(1), pp. 130-146. Emerald Publishing Limited (2017).

Pikkarainen, T., Pikkarainen, K., Karjaluoto, H., & Pahnila, S. (2004). Consumer acceptance of online banking: An extension of the technology acceptance model. vol. 14(3), pp. 224– 235. Emerald Publishing Limited (2004).

Rashotte, L. (2007). Social Influence. The Blackwell Encyclopedia of Sociology. Wiley Online Library.

UNIVERSITI
TEKNOLOGI
MARA

MSU-ILIGAN INSTITUTE OF TECHNOLOGY
1968