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THE EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL AND SOCIAL DISCLOSURE OF TAKAFUL COMPANIES IN MALAYSIA

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ABSTRACT

The fall of Enron surprised many and begs the question of what constitutes effectiveness in present accounting, auditing, and corporate governance (CG). When the company has become a powerful leading institution, its governance has affected economies in all aspects of the social structure, resulting in shareholders losing confidence and severely affecting market value. Corporate governance (CG) is the most effective way to combat administrative and financial corruption while also protecting the rights of stakeholders within corporations and private investors. This research examines the relationship between CG mechanisms and financial and social disclosure of Takaful companies in Malaysia by using annual reports from year 2018 to 2021. There are 13 total number of Takaful companies involved and 52 annual reports were analysed. Pearson correlation used in the study to investigate the relationship strength between CG mechanisms and financial and social disclosure. The results of the study shows that boards size and audit committee expertise have a negative relationship with return on assets (ROA). Multiple regression has been used to evaluate the effect between CG mechanisms and financial and social disclosure. The study found that board size has a negative and significant effect on ROA.

Keywords: *Corporate Governance (CG), Financial and Social Disclosure, Takaful companies, Malaysia*

INTRODUCTION

Governance is considered the most crucial mechanism to solve financial and administrative corruption. It takes the form of various mechanisms, especially transparency and disclosure of financial and non-financial information, which is based on accounting standards and strengthens the role of internal and external auditing, especially in terms of the independence of these two functions. Furthermore, a good CG structure demands an appropriate amount of disclosure and information to eliminate information asymmetry among all stakeholders and hold a corporation's internal stakeholders accountable for their actions. Financial reporting systems represent the primary mechanisms for providing relevant information to shareholders.

As such, financial reporting and disclosure may limit the discretion of top management to pursue their interests.

Takaful institutions have organisational and operational structures designed to support their strategic objectives and activities (Ghlamallah, 2017). Takaful institutions differ from traditional insurance companies regarding their characteristics and issues. It must match the service quality of the traditional insurance market while also persuading the uninsured sector of the market to use its sharia-compliant products and services. Takaful companies must adapt to the existing mechanism and laws to establish their CG framework to avoid conflicts of interest during decision-making. The Takaful industry is still in its early stages compared to conventional insurance. Therefore, it must adapt to the existing mechanism and laws to establish its CG framework.

Therefore, it is essential to identify the factors of CG that effect financial and social disclosure towards Takaful companies. With a better understanding of the factors that affect financial and social disclosure, Takaful companies can improve their financial and social disclosure through CG. Therefore, how Takaful companies can produce better financial and social disclosure through good CG has become a critical issue that needs to be addressed.

From this perspective, the purpose of the study is to investigate the effect of multiple attributes of the board and audit committee, such as the independence of the board, the diligence of the board, the size of the board, the expertise of the audit committee, the independence of the audit committee, and the size of the audit committee and also to investigate the effect of shariah committee on financial and social disclosure of Takaful companies in Malaysia.This research is vital as it will contribute to the existing literature on studying the effect of CG on Takaful companies. Other studies investigate the effect of CG on financial disclosure but mainly on firms, banks, insurance and only a few on Takaful companies. Therefore, this research will contribute to the current relationship between CG and financial and social disclosure within Takaful companies in Malaysia.

The remainder of this paper is structured as follows. The following section briefly explains the literature review and hypotheses development. The third section describes the research design. This study's results are reported in the fourth section, and its conclusions and implications are presented in the final section.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

According to the Securities Commission Malaysia (2021), CG is the "process and structure used to direct and manage a company's business and affairs in order to promote business prosperity and corporate accountability, with the ultimate goal of realising long-term shareholder value while taking other stakeholders' interests into account". Managing a corporation and protecting investors' capital requires adhering to the four pillars of good CG which is ethical conduct, accountability, transparency, and sustainability. For long-term success, companies that follow these principles are better than those that do not (Securities Commission Malaysia, 2021).

Meanwhile, Brickley and Zimmerman (2010) give a broader definition of CG. They argued that CG is a "system of laws, regulations, institutions, markets, contracts, and corporate

policies and procedures (such as the internal control system, policy manuals, and budgets) that direct and influence the actions of the corporation's top-level decision-makers (shareholders, boards, and executives)”.

Petchsakulwong and Jansakul (2019) defined CG as the plethora of internal and external mechanisms that provide shareholders with at least fair value while also protecting the interests of all stakeholders. However, the use of plethora in the definition means that the author summarises everything that internal and external mechanism consists of without giving examples. Instead, the author tries to include everything mentioned by a previous study but gives a much broader meaning to the interpretation.

Corporate Governance and Financial Disclosure

The corporate governance mechanisms of the company ensure fairness, accuracy and reliability in financial reporting and accountability. Financial reporting is a piece of important information for investors to consider when making investment decisions, according to Danoshana and Ravivathani (2019). The possibility that financial statements would not be fairly reported due to inadvertent or intentional errors is a significant risk in company financial reporting. Management may choose to withhold certain information from a wide range of financial statement clients, so intentionally misinforming them about its financial position and operations. It is impossible to properly comprehend a company's financial situation until all necessary information is available.

To evaluate an entity's financial condition requires transparency in financial reporting. Confidence in the fairness of the market is boosted through transparency. As a result, market participants should rely on regulators to maintain a playing field when accessing the relevant market and business information. However, the real threats and principles are hidden behind a complicated and opaque financial report. Investing in companies with opaque financials and complex corporate structures is risky and costly. Moreover, some firms abuse accounting standards to obstruct transparency (Danoshana & Ravivathani, 2019).

Fathi (2013) examined the connection between the amount of disclosure and its determinants, notably those linked to CG processes, in the research of CG and the level of financial disclosure by Tunisian firms. According to the findings, size, leverage, profitability, dualism, the concentration of ownership, and control quality, as measured by the number of auditors and the Big 4, all play a role in the level of disclosure.

Corporate Governance (CG) and Social Disclosure

Eldaia et. al. (2022) argued that social disclosure could serve the same function as financial disclosure in lowering the cost of equity capital by reducing transaction costs and reducing estimation error. If investors are ready to accept a lower projected return on investments that simultaneously serve social purposes, social disclosure can directly impact the cost of equity capital. Firms make social disclosures to comply with disclosure regulations. However, there is differential social disclosure, even in terms of statutory disclosure, which makes it unclear why some companies comply with the regulations while others do not. Disclosures may be of interest to shareholders of the companies reporting them but not to other stakeholders.

BNM has set a guideline for Takaful companies in reporting their finances according to the requirements, which are specified according to section 57(1), section 60, section 65(2)(d), section 73, section 74, section 75, section 155(2) and section 277 of the Islamic Financial Services Act 2013 (IFSA).

Corporate Governance (CG) Mechanisms

Corporate governance mechanisms refer to the "set of rules, norms, and controls that an organisation employs to keep things under control and keep costs down". CG tools such as the board of directors, internal controls, power balance, and pay are commonly utilised (Vitez, 2022).

According to Topak (2012), CG mechanisms can be classified as either external or internal based on how they are regulated in the market for corporate control and governance. For example, the capital market, legal or regulatory institutions, and the product or factor market. On the other hand, a company's internal processes, such as the board's structure, block shareholder agreements, debt structure and executive compensation, aim to align managerial interests with shareholders'.

A study of the impact of CG on financial, governance, and social disclosure at Islamic banks in Malaysia by Marsidi et al. (2018) argued that CG mechanisms as board characteristics (independence, diligence and size) and audit committees' attributes (expertise independence, size and additional committees). Similarly, Mukhtaruddin et al. (2014) also include a committee board, independent committee board, institutional owners, managerial owners, and audit committee as a CG mechanism.

Jahid et al. (2020) describe board characteristics as a CG mechanism. Board attributes include board size, board independence, women on the board, foreign board members, accounting expertise, political board members, and the size of the audit committee. Qa'dan and Suwaidan (2019), in their research, they argued that board composition comprises size, independent (non-executive) directors, CEO or chairman duality, age, and gender. We may conclude that, in addition to a capable board of directors, the makeup of the board is significant in determining CG.

Board Independence

Research done by Noja et al. (2021) on board characteristics in Europe in the financial services sector found that board independence can improve financial performance. The board characteristics defined by the authors include skill, diversity, structure, and independence. They applied structural equation modelling (SEM) and network analysis through Gaussian graphical models (GGMs). They also emphasise the importance of optimal board size, enhanced management skills, gender diversity by women participation on board, and the board structure, which is managed and supervisory as fundamentals of risk management strategies that help improve financial performance and profitability.

Chou et al. (2013), in the research on the attendance of board meetings and company performance in Taiwan, found that independent directors have a positive association with firm performance. The study collected data from Taiwan Stock Exchange for all non-financial firms listed in 2006 and 2007. They discover that family, ultimate, and independent directors have

favourable effects on the performance of family or ultimate controlled enterprises when they attend board meetings but have adverse and inconsequential effects when they permit a representative to attend the meetings. These findings show that independent directors, through their monitoring role in these organisations, are likely to mitigate the agency problem between controlling and minority shareholders.

From the above empirical studies, the hypothesis for board independence is H1:

There is a positive relationship between board independence and financial and social disclosure.

Board Diligence

Sanyaolu et al. (2020), in their research on the effect of board diligence on financial performance, found that there is a negative effect on financial performance. The research is based on the date of deposit money banks (DMB's) listed on the Nigerian Stock Exchange. The data was derived from the annual report from 2012 to 2018 by using an ex post facto research design and purposive sampling technique. The hypothesis was tested using GMM and analysed using inferential statistics. They conclude that board diligence reduces financial performance, suggesting that the quality of board meetings is more important than the frequency of board meetings.

Al-Daoud et al. (2016) suggest different findings on board diligence and performance. This research looks at the relationship between the number of board meetings held per year and the financial performance of companies listed on the Amman Stock Exchange between 2009 and 2013. Using the dynamic panel technique of Generalized Method of Moments (GMM), this investigation eliminates the effects of endogeneity and simultaneous problems. The study's results suggest a causal link between regular board meetings and profitability for companies. Accordingly, it stands to reason that the decision-making process and, by extension, the efficiency of businesses, can benefit from increased meeting frequency among board members.

Hence, the hypothesis for board diligence is:

H2: There is a negative relationship between board diligence and financial and social disclosure.

Board Size

According to Qa'dan and Suwaidan. (2019), they argued that increasing in board size lead to better share price performance. They examined data from 257 sample firms between year 1996 to 2000. The size of board is between five to seven which is smaller than the size of board from previous study. They discovered a positive correlation between board size and company value in between-firms testing, and that changes in board size are positively connected with annual stock returns. The study's findings also imply that the market responds favourably to increases in board size and negatively to declines in board size. According to the findings, greater board sizes appear to have a positive impact on shareholder value. Researchers found that increasing board size benefited smaller firms that had a history of poor operating performance.

The findings of this study are useful since they add to the knowledge on the impact of board size on performance. This study adds to the growing body of data that expanding board size improves performance when boards are significantly smaller. These findings support the idea that the relationship between board size and company performance is non-monotonic, with favourable results when adding directors to very small boards and negative results after boards reach a certain size. First, smaller firms tend to have smaller boards, allowing for a more direct assessment of the advantages and costs of board size adjustments at the lower end of the spectrum. Second, most financial research is done on larger companies, despite the fact that the majority of public companies are tiny.

According to Topak (2012) on the research on the board size and the financial performance on firms in Turkey found that there is no relationship between the two variables. The study on 122 firms from the year 2004 to 2009 use panel data techniques to measure the relation between board size and financial performance. The author findings should be analyse in the context of ownership and structure since firms in Turkey mostly own by families. The board of directors of the firms are consist of family members that hold the decision-making power. The author argued that because family members dominate the boards, the size of the boards has no influence on the decision-making process. Family members, regardless of the size of the board, make the final decision on crucial issues that affect the firm's performance. Among the reason boards are dominate by family is because there is weak investor protection. In countries such as Turkey, where investor protections are less stringent, the optimal ownership structure forces families to hold significant equity holdings in their companies. The cultural characteristics of Turkish society also contribute to the high concentration of ownership and the engagement of family members in corporate management.

Hence, the hypothesis for board size is:

H3: There is a negative relationship between board size and financial and social disclosure.

Audit Committee Expertise

Bradbury et al. (2006) define an audit committee as a subcommittee of the board of directors charged with overseeing the financial reporting practises of the firm in their research on board characteristics, audit committee characteristics, and abnormal accruals in Singapore and Malaysian firms. The audit committee is a formal connection between the board members, the internal monitoring, and the independent auditor. The fundamental objective is to ensure the accuracy of audited financial reports to increase their credibility. It can act as a mediator between management and the auditors in this manner, if necessary. Abbott et al. (2004), in their study on audit committee characteristics and restatements, include audit committee member independence, financial literacy, experience, and audit committee size and control over the external auditor's hiring and salary as audit committee characteristics referring to Blue Ribbon Committee interpretation of audit committee characteristics.

Dakhlallh et al. (2020) in their research on the effect of audit committee on firm performance found that there is positive relationship between audit committee and firm performance. They defined audit committee into size, independence, financial expertise and stock owned by audit committee. They measure firm performance using Tobin's Q on 180 Jordanian companies from financial, industrial and service companies during 2009 to 2017.

Besides finding on audit committee expertise they also found that the size of the audit committee, the independence of the audit committee, have a positive and significant relationship with firm performance. Meanwhile, the relationship between stocks owned by the audit committee and firm performance is significantly negative. These studies provide evidence for all Jordanian regulators, investors, and executives to consider when developing company policies. As a result, this research provides empirical evidence to help stakeholders, executives, and stakeholders make decisions. Thus, the hypothesis for audit committee expertise is:

> H4: There is a positive effect of audit committee expertise on financial and social disclosure.

Audit Committee Independence

Kallamu and Saat (2015) investigate the impact of audit committee attributes on the performance of Malaysian finance companies before and after the Malaysian Code on Corporate Governance (MCCG) was issued. According to the study, independent audit committee members have a significant positive association with profitability. The findings back up agency theory, claiming that independent directors provide effective management oversight, increasing profitability and lowering the risk of opportunistic management behaviour, thus improving performance.

Hutchinson and Zain (2009) investigate whether the relationship between internal audit quality and firm performance is linked to information asymmetry and uncertainty (growth potential) and specific governance rules (audit committee effectiveness). The findings of this empirical investigation of 60 Malaysian companies reveal that the link between internal audit quality and company performance is higher for companies with significant development potential, and that increasing audit committee independence weakens this positive relationship.Thus, the hypothesis for the independent audit committee is:

> H5: there is a positive relationship between audit committee independence and financial and social disclosure

Audit Committee Size

Zhou et al. (2018) conducted a study on the board of directors, audit committee, and firm performance in Greece using a sample of firms trading on the Athens Stock Exchange between 2008 and 2012. Their findings reveal that organisations with a large board size outperformed those with smaller board sizes. In addition, those with a more significant number of independent directors on their boards outperformed fewer independent directors. Furthermore, they discovered that corporations with smaller and more independent boards are more likely to establish audit committees. Another result is that organisations with complicated operations and longer track records have smaller and more independent audit committees.

Danoshana and Ravivathani (2019) conduct a study on the impact of CG on the performance of listed financial institutions in Sri Lanka. Besides other objective is also to identify appropriate CG strategies for improving listed financial institution performance. The researcher uses return on equity (ROE) and return on assets (ROA)as essential factors to measure the firm's performance. Meanwhile, CG is measured using characteristics such as board size, meeting frequency, and the company's audit committee. For the sample period of

2008 to 2012, twenty-five listed financial institutions were chosen as the sample size. According to the findings, CG factors have a considerable impact on business performance, with board size and audit committee size having a positive impact. Meeting frequency, on the other hand, has a detrimental impact on the firm's performance. Hence the hypothesis for audit committee size is:

> H6: There is a positive relationship between audit committee size and financial and social disclosure

Shariah Committee

Eldaia et al. (2022) investigate the impact of board of director effectiveness on the performance of Malaysian Takaful firms. The study also looks into the moderating influence of shariah committee quality on the relationship between board of director effectiveness and company performance. From 2010 to 2017, a sample of 11 Malaysian Takaful firms was used in this study. ROA and ROE are used to estimate performance while indexes are used to assess the efficacy of the board of directors and the shariah committee. The influence of the board director effectiveness on the financial performance of Malaysian Takaful companies and the moderator function of shariah committee quality are investigated using a panel fixed effect regression analysis. Authors found positive moderating effect of shariah committee quality on the association between board of director effectiveness and performance.

This finding suggests that a high degree of shariah committee quality paired with strong board effectiveness improves performance. The findings are critical for stakeholders and policymakers who want to increase the effectiveness of their boards of directors and the quality of their Shariah committees in order to lower agency costs and improve the profitability of Malaysian Takaful companies. This research adds to the existing body of knowledge by looking into the relationship between board of director effectiveness and performance, as well as the interaction effect of shariah committee quality on the performance of Malaysian Takaful companies.Thus, the hypothesis for shariah committee is:]

> H7: There is a positive relationship between the shariah committee and financial and social disclosure

Companies Size

Using panel data from 101 publicly traded firms in Nigeria between 2003 and 2007, Ibhagui and Olokoyo (2018) investigate the impact of firm size on leverage and firm performance. They use a new threshold variable, company size, to investigate the empirical relationships between leverage and firm performance using Hansen's threshold regression model. They discovered that the negative effect of leverage on company performance is large for small businesses, and that the evidence of a negative effect lessens as a business increases, eventually disappearing when the firm's size exceeds the anticipated threshold level. In line with past studies, the effect of leverage on Tobin's Q for Nigerian listed companies is positive. However, their new discovery shows that the degree of the beneficial relationship varies by firm size, with small businesses having a stronger positive relationship.

Babola (2013) conducted research using a panel data set for the period 2000-2009 on the effect of firm size on the profitability of manufacturing firms listed on the Nigerian Stock

Exchange was investigated in this study. ROA was employed to gauge profitability, whereas total assets and total sales served as intermediaries for firm size. According to the study's findings, firm size, both in terms of total assets and total sales, positively affects the profitability of Nigerian manufacturing firms. From the empirical evidence for firm size, we can conclude that firm size has a positive effect with financial and social disclosure.

H8: There is positive relationship between company size and financial and social disclosure.

RESEARCH FRAMEWORK/DESIGN

The theoretical framework for this research was derived from Marsidi et al. (2018). The variables included in the framework were independent, dependent, and control variables. The independent variable is CG mechanisms which consist of board characteristics and audit committee attributes. The components of board characteristics are independence, diligence and size. Meanwhile, the audit committee attributes are expertise, independence and size. The other independent variable is shariah committee. The dependent variable refers to financial and social disclosure of Takaful companies' performance computed with return on asset (ROA). In addition, the control variable for the framework is the size of the Takaful companies.

This study involved 13 Takaful companies in Malaysia, and the research also based on the financial reports of each company for the financial year 2018 to 2021. In 2018, Takaful companies separated its organisation from one to two different organisations, Family Takaful and General Takaful, according to Bank Negara Malaysia's Financial Services Act 2013, Islamic Financial Services Act 2013. Therefore, this study will use financial reports for Family Takaful and General Takaful (2018 to 2021) and fifty-two (52) annual reports collected and analysed.

This study adapts content analysis on financial report of Takaful companies between year 2018, 2019, 2020 and 2021 to retrieve the data on board directors' characteristics and audit committee attributes since all of the information contain in financial report. Besides that, through content analysis, we can also identify the practice of CG and financial disclosure by Takaful companies in Malaysia. Pearson correlation used in the study to investigate the relationship strength between CG mechanisms and financial and social disclosure. Multiple regression has been used to establish the effect between CG mechanisms and financial and social disclosure.

RESULTS AND DISCUSSIONS

Table 1: Descriptive analysis of independent and dependent variables

	ROA	BOI	BOD	BOS	ACE	ACS	ACI	SC
Mean	1.02140	.6763	7.94	6.12	.4721	3.90	.8450	5.48
Median	1.17750	.6700	8.00	6.00	.4150	4.00	.8450	5.00
Mode	-7.172[a]	.60	6[a]	5	.33	3	1.00	5
Std. Deviation	2.834167	.10642	2.562	1.114	.20324	1.089	.15486	.828
Variance	8.033	.011	6.565	1.241	.041	1.187	.024	.686
Skewness	-.997	.639	.096	.472	.713	1.333	-.220	1.894

Std. Error of Skewness	.330	.330	.330	.330	.330	.330	.330	.330
Kurtosis	1.729	.435	.296	-.491	-.239	1.234	-1.506	3.108
Std. Error of Kurtosis	.650	.650	.650	.650	.650	.650	.650	.650
Minimum	-7.172	.43	1	4	.25	3	.50	5
Maximum	5.449	1.00	14	9	1.00	7	1.00	8

Note: BOI (Board Independence), BOD (Board Diligence), BOS (Board Size), ACE (Audit Committee Expertise), ACS (Audit Committee Size), ACI (Audit Committee Independence), S.C. (Shariah Committee)

Based on Table 1, the mean for ROA of Takaful companies is 1.02% means that there is always a room for improvement being that 5% are considered good and 20% are excellent. Board independence average is at 67.63% which indicate that Takaful company should increase the number of board independence since Bank Negara Malaysia (BNM) suggest that there should be the majority of independent director at all times.

The average board meeting number (BOD) for Takaful companies is at 7.94 times. The highest meeting is 14 times and the minimum meeting is only one in a year. When we look at the board size (BOS), the average board size (BOS) for Takaful company is 6.12. The minimum board size is 4 and the maximum board size is 9. BNM did not put any requirement for the number of board size, but BNM emphasise that board size number must be effective on delivering task and also encouraging active participation from board members.

Meanwhile, for audit committee expertise, the average of audit committee expertise (ACE) is at 47.21% indicates that more than half of the audit committee members did not have expertise in financial and auditing because some of the audit committee members from law or business administration background and some of them also from insurance background. The minimum percentage for audit committee expertise (ACE) is 25% and the highest is 100% means all of them have a qualification in accounting and finance. In terms of the size of audit committee (ACS), most of the Takaful company consist of at least 3 audit committee members, and the highest is at 7 and on average of 4 members. Audit committee member independence (ACI) make up of 84.50% and the rest is dependent member. The highest is at 100%, which means that all of the audit committee members are independent directors and the minimum is 50%. Shariah committee (SC) member consist of 5.48 on average. The highest committee member is 8 while the lowest is 5 which fulfilled BNM requirement of having at least 5 members of SC.

Table 2: Descriptive analysis of Return of Asset (Financial and Social Disclosure)

	ROA 2018	**ROA 2019**	**ROA 2020**	**ROA 2021**
Mean	.6295	1.2193	1.2529	.98385
Median	1.3980	1.1610	1.2590	.48800
Mode	-7.17[a]	-3.88[a]	-6.58[a]	-6.652[a]
Std. Deviation	3.10311	2.56467	2.98111	2.962417
Variance	9.629	6.578	8.887	8.776
Skewness	-1.319	-.419	-1.243	-1.058
Std. Error of Skewness	.616	.616	.616	.616
Kurtosis	2.362	-.066	3.713	3.399

Std. Error of Kurtosis	1.191	1.191	1.191	1.191
Minimum	-7.17	-3.88	-6.58	-6.652
Maximum	4.65	5.20	5.44	5.449

The Table 2 show descriptive analysis of ROA for 2018,2019, 2020 and 2021. It is to look at what is the ROA for Takaful companies and is it better from previous year. Return on assets (ROA) shows how profitable a company is relative to its investment capital. As the ROA rises, the company is able to generate more profit from the same amount of capital, making a higher ROA a desirable result. Return on assets (ROA) that is higher than average indicates that the assets are being used more effectively. The average ROA for year 2018 is 0.63%, followed by 1.22%, 1.25% for the year 2019 and 2020 and we can see there is decrease on ROA in year 2021 with 0.98%.

Table 3: Pearson correlation for Independent Variables

Variable	Pearson correlation	Significant	Result
Board Independence (Percentage of independence director)	.201	.152	There is a weak positive correlation between board independence and ROA.
Board diligence (Number of meeting held)	.104	.463	There is a weak positive correlation between board diligence and ROA
Board size (Total directors)	-.536	.000**	There is a negative correlation between board size and ROA and it is statistically significant at .000
Audit committee expertise (Percentage of expertise in audit committee)	-.414	.002**	There is negative correlation between audit committee expertise and ROA and it is statistically significant at .002
Audit committee size (Number of audit committee)	-.061	.668	There is no correlation between audit committee size and ROA
Audit committee independence (Percentage number of independent audit committee)	-.078	.581	There is no correlation between audit committee independence and ROA
Shariah Committee (Number of shariah committee)	.083	.560	There is no correlation between shariah committee and ROA
Firm size	.267	.051**	There is weak positive correlation between firm size and ROA

Based on Table 3, the Pearson correlation result shows a positive relationship between between board independence and financial and social disclosure. This means that we can accept the proposed hypothesis (H1).The hypothesis proposed for board diligence (H2) is that there is a negative relationship between board diligence and financial and social disclosure. However, the Pearson correlation result is the opposite since there is a positive relationship between board diligence and financial and social disclosure. Pearson Correlation indicates a negative

relationship between board size and financial and social disclosure, which is significant. This means that we can accept the proposed hypothesis (H3).

The result from Pearson Correlation show a negative relationship between audit committee expertise and financial and social disclosure, which is also significant. Therefore, we can reject the H4. Pearson correlation results also indicates no correlation between audit committee independence and financial and social disclosure. Therefore we can reject H5. The result from Pearson Correlation show no correlation between audit committee independence and financial and social disclosure. This means that we can reject the proposed hypothesis (H6).

The Pearson correlation also indicates no correlation between the shariah committee and financial and social disclosure. However,the Pearson correlation result on firm size indicates a positive relationship between ROA and firm size.

Table 4: Multiple regression results

Variable	Coefficient	t-value	Significance
Board Independence (Percentage of independence director)	3.768	1.022	.312
Board diligence (Number of meetings held)	.004	.024	.981
Board size (Total directors)	-1.228	-2.940	.005**
Audit committee expertise (Percentage of expertise in audit committee)	-1.159	-.501	.619
Audit committee size (Number of audit committee)	-.032	-.088	.930
Audit committee independence (Percentage number of independent audit committee)	-2.608	-.981	.332
Shariah Committee (Number of shariah committee)	.233	.511	.612
Firm size	5.252	.469	.641

Table 4 indicates that board size has a significant negative impact on financial and social disclosure (ROA) because the p-value < 0.05 which is 0.005.

CONCLUSION

Regarding the relationship between CG mechanisms with corporate and social disclosure of Takaful companies, only three hypotheses, H1 (board independence), H3 (board size) and H8 (company size) are accepted which is there is a positive and negative relationship between board independence and also company size with financial and social disclosure. The H1 (board independence) results supported by Ayodeji and Okunade (2019) and Chou et al. (2013). While non-executive directors on the board and the independence of the audit committee ensure positive performance, which in turn automatically promotes positive financial performance, directors' interests in developing country may create agency conflicts that cause performance concerns. The results also provide credence to the agency theory, which claims that independent directors' presence on the board helps to mitigate agency problems. However, this is not the case for developed countries, where an increase in the proportion of non-executive directors on the board has a negative impact on financial performance who claim that board independence has no positive impact on financial performance (Ayodeji & Okunade, 2019).

Chou et al. (2013) findings also imply that independent directors are likely to alleviate the agency problem between controlling shareholders and minority shareholders by means of their monitoring function in the companies. Overall, the findings support the hypothesis H3 that the inefficiency of large boards is due in large part to difficulties in communication and decision-making Meanwhile, the result for H8 (company size) was supported by Babola (2013) and Ibhagui and Olokoyo (2018).

The findings of this research can also be used to strengthen BNM's guidelines for the corporate governance of Malaysia's Takaful companies. This research may provide BNM with insights that may be used to revise existing regulations, therefore enhancing the Takaful sector in Malaysia.

The future research should include more Takaful companies and also expand the timeline to more than four years. More Takaful companies participating in the study means a wider data pool from which to draw conclusions on causal relationships. In addition, future research could also explore different variables and increase the number of variables in the study.

AUTHOR CONTRIBUTIONS

Hamdino Hamdan: Conceptualization, Validation, Supervision; Writing-Reviewing and Editing
Nurfarahana Salim: Data Curation, Methodology, Writing- Original Draft Preparation

CONFLICTS OF INTEREST

The manuscript has not been published elsewhere and is not under consideration by other journals. All authors have approved the review, agree with its submission and declare no conflict of interest on the manuscript.

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