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DOES OWNERSHIP STRUCTURE AFFECT DIRECTORS' REMUNERATION DISCLOSURE LEVEL?

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Abstract: *The present research determines the impact of corporate governance mechanism on the directors' remuneration disclosure level and firm value. A total of 200 annual reports were collected from selected companies listed in Bursa Malaysia between 2013 and 2019. Pooled OLS, longitudinal data and 2SLS was carried out to accomplish the objective. The findings showed that ownership structure significantly impact the directors' remuneration disclosure level. The findings of this research deserve the attention of the stakeholders, investors, policymakers, and organizations in modelling a high-level disclosure and governance structure in the corporate environment in enhancing firm value.*

Keywords: *Corporate Governance, Disclosure, Transparency, Ownership Structure, Firm Value.*

Introduction

The 1997 financial crisis in Asia led numerous corporate organizations to collapse, compelling Asian countries, including Malaysia, to call for enhanced transparency. Few factors were recognised as the cause, nevertheless economists have identified the failure of the corporate governance systems as the primary factor (Khalid, 2018). Therefore, in order to enhance corporate governance, the Malaysian Code on Corporate Governance (MCCG) was established in 2000 to stabilise market conditions by prioritizing transparency, followed by series of MCCG in 2007, 2012, and 2017. Nevertheless, according to Forum for a New World Governance (2011) and Transparency International (2016), although Malaysia has made tremendous improvement in MCCG, the country is still rated below average in two aspects, transparency corporate governance. The recent evidence for the lack of urgency on strict corporate governance practice can be observed in the recent debacle of the 1Malaysia Development

Berhad (1MDB), which led to a severe information asymmetry and, consequently, the collapse of an entity (Johan, 2022). The presence of information asymmetry is deemed to be caused by the lack of disclosure where the annual report is prepared by managers to generate better impressions for personal benefits (Haryati & Cahyati, 2015). Information asymmetry rises when managers have more data than other stakeholders (Nasution et al., 2020). Aligning the differences is possible through the execution of a good control mechanism between managers and owners; a loophole that managers can take advantage of in disclosure practice. One mechanism that can reduce the information asymmetry issue is implementing a corporate governance mechanism (CGM) to enhance disclosure practice (Barus & Setiawati, 2015). Particularly, directors' remuneration arrangement is a method in corporate governance which mainly focuses to synchronize the interests of both managers and owners, thus minimizing information asymmetry. Nevertheless, Segarra-Moliner (2022) highlighted on the fact that remuneration may lead to problems related to substantial information asymmetry if the process of compensating directors is not transparent. Remuneration should be determined based on firm performance and the managers can opt for favourable arrangement and not just for the sake of what is best for the company. In this sense, disclosure of directors' remuneration is an effective measure to resolve the information asymmetry problems between firm owner and managers (Bel-Oms & Segarra-Moliner, 2022). Prior studies have explained the importance of corporate governance towards a positive financial impact. Nonetheless, corporate governance cannot necessarily be associated directly with enhanced firm value (Reguera-Alvarado & Bravo-Urquiza, 2020) but indirectly through the board of directors' decision-making strategies (Castro et al., 2016). Thus, the disclosure of directors' remuneration as stated in firm's annual report as a mediator between CGMs and firm value will be the study's central theme, which will pique the interest of practitioners and academics due to its strategic solution to the information asymmetry issue (Arye et al., 2003). Gap in the literature is addressed by incorporating the most recent updates to the corporate governance rules, namely MCCG 2012 and 2017 in this study. The updates consist of the removal of individual directors' disclosure recommendations in MCCG 2012 and the addition of stakeholder's assessment to evaluate if the directors' remuneration is appropriate according to their work performance in MCCG 2017; which was not investigated in earlier studies (Malak, 2012; Khalid, 2018). This current research enhances the literature in terms of adding to the corporate governance framework by exposing whether differences exist in publicly listed firm's remuneration disclosure practices, based upon a sampling period from 2013 to 2019 (pre- and post-MCCG 2017). Secondly, this study explores the link between CGM with firm value through a mediating variable, namely directors' remuneration disclosure. Limited studies were conducted on the indirect relationship of directors' remuneration disclosure with CGM and firm value that may assist policymakers to scrutinise the current disclosure regulations.

Problem Statement

The lack of enhanced corporate governance practice in companies has led to a stream of negative discernment towards Malaysian corporate governance (Norwani et al., 2011). Evidence of the lack of urgency on strict corporate governance practice can be observed in the recent debacle when Serba Dinamik removed the auditor when the executive was unhappy with the audit findings (The Malaysian Institute of Corporate Governance, 2021). The action contradicts the central purpose of external audits. The dispute should have raised the alarm bells for the seriousness of the matter and the crucial need for a robust corporate governance practice across all companies. Unfortunately, the issue appears to be still ignored (Ahmad & Sulaiman, 2017). According to Executive Chairman of Securities Commission Malaysia, Datuk Syed Zaid Albar (2021), "there is a strong need for good corporate governance and board leadership,

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especially as companies navigate the prolonged post-pandemic recovery period." This research assesses the extent of the exposure of the most personal information regarding directors, particularly their salary, affects the firm's value. The impact on firm value is examined in the present study since the firm value is critical data in investment decisions (Robiyanto et al., 2019). The issues highlighted above lead to the following research objectives. First, this study explores the impact of CGM on Verrecchia directors' remuneration disclosure level. Second, to investigate the impact of directors' remuneration disclosure level on firm value. Third, to investigate the impact of CGM on firm value and finally to investigate if directors' remuneration disclosure level mediates the relationship between CGM and firm value.

Literature Review & Hypotheses Development

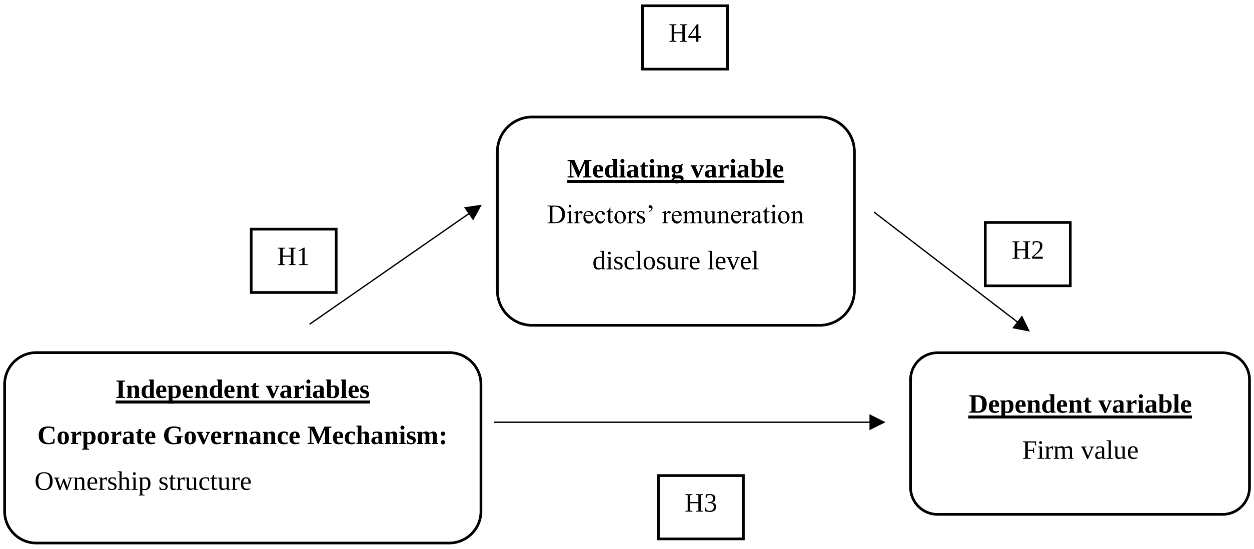

Figure 1: Conceptual framework

This study's conceptual framework is supported by two prominent theories in corporate governance namely agency theory and signalling theory. The theories are relevant to this study as it assesses the CGM impacts on the directors' remuneration disclosure level and firm value (El-Deeb *et al.*, 2021; Karim, 2021). Minimal regulation on the disclosure of directors' remuneration in Malaysia has led to a lack of transparency, leading to serious information asymmetry (Arye *et al.*, 2003). The agency and signalling theories suggest that encouraging disclosure is crucial in minimising information asymmetry (Katmon & Al Farooque, 2015). Since transparency is vital, companies can indicate a steadfast obligation to continue delivering more transparent information by attaining high disclosure quality. Hence, the companies can gain the benefit of higher firm value.

Ownership Structure and Directors' Remuneration Disclosure Level

Previous studies linking corporate governance and disclosure studies in Malaysia revealed a growing, beneficial, and significant relationship over time (Mohd Ghazali & Weetman, 2006; Haniffa & Cooke, 2005). The findings demonstrate that the improvement of the corporate governance framework seems to impel greater disclosure after several years in applying the regulation. Considering that effective corporate governance is a critical mechanism for firms to determine the reporting of directors' remuneration amount, this study investigates which aspects

of its internal corporate governance element influence the decision-making process. Several prior studies found significance between ownership structure (Haniffa & Cooke, 2005; Mohd Ghazali & Weetman, 2006) on disclosure level concerning directors' remuneration in developing markets. Therefore, the motivation focuses on how equity is allocated, regardless of whether controlled by different ownership structures (governments, foreign, or family) impact remuneration disclosure. As a result, the following hypothesis are suggested:
Hypothesis 1a: Government ownership of companies (Government-linked companies (GLCs)) has a significant impact on the directors' remuneration disclosure level
Hypothesis 1b: Family ownership has a significant impact on the directors' remuneration disclosure level
Hypothesis 1c: Foreign ownership has a significant impact on the directors' remuneration disclosure level

Directors' remuneration disclosure level and firm value

Past literature in accounting found that disclosure is value-relevant, disputing on several aspects, for instance ownership costs obstruct disclosure (Verrecchia, 2001). In Taiwan, Sheu *et al.* (2010) discovered evidences that comprehensive disclosure of directors' remuneration has significant positive impacts on firm's market value. The extended disclosure on overall compensation is also more than the minimum mandatory requirements, even with lower transparency levels. Thus, the extended disclosure still contributes to creating market value. Literature suggests that disclosure is linked with higher firm value because investors gain more confidence in a corporation that is more transparent (Botosan & Plumlee, 2002; Sheu *et al.*, 2010). Therefore, the following hypothesis are developed:
Hypothesis 2: Directors' remuneration disclosure level has a significant impact on the firm value

Ownership Structure and Firm Value

Both climate governance Malaysia (CGM) and firm performance have been the subject of interest for many researchers who have found that corporate governance characteristics significantly affect a company's performance (Khana *et al.*, 2021; Torres & Augusto, 2021). Nevertheless, these conclusions might not be applicable to developing nations such as Malaysia. Therefore, this study focuses on examining corporate governance elements in Malaysian public listed firms and the firm value. Several prior studies found significance between ownership structure (Juwita, 2019; Ika et al., 2021) on firm value. Hence, this study concludes that this corporate governance attributes impact firm value. Thus, the following hypothesis was developed:
Hypothesis 3a: Government ownership of companies (GLCs) has a significant impact on firm value
Hypothesis 3b: Family ownership has a significant impact on firm value
Hypothesis 3c: Foreign ownership has a significant impact on firm value

Directors' Remuneration Disclosure as Mediator

Haniffa and Cooke (2002) stated that disclosure might be affected by corporate governance mainly because the directors hold accountability to conduct and administer the information disclosure of annual report (Gibbins *et al.*, 1990). The directors mainly influence the disclosure of voluntary items in annual reports, the quantity of information, and the timeline for this information. Therefore, in relation to the agency theory, the directors who has no personal interest undertake their responsibilities to stakeholders tend to disclose all relevant information, inclusive of voluntary items. Kinkel (2014) showed that disclosure is a mediating variable for

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the linkage between corporate governance and firm value. Based on the significance of disclosure (Haniffa & Cooke, 2002; Oh, 2003) in Malaysia's corporate governance and firm value, this research will eventually analyses if the extent of directors' remuneration disclosure acts as a mediator in the association between CGM and firm value. Hence, the subsequent hypothesis was formed:

Hypothesis 4: Directors' remuneration disclosure level has a significant mediating effect between CGM and firm value.

Research Methodology

The present study employed content analysis and panel data regression. Information related to remuneration was retrieved from the annual report among corporations listed on Bursa Malaysia from 2013 to 2019 as a sampling period. Bursa Malaysia is an integrated platform that offers various services related to the Malaysian stock exchange. According to Sekaran and Bougie (2013), the sample size should be more than 30 and less than 500 for most research. They also determined that the sample size should be 186 for a population of 750, while the sample size should be 201 for a population of 800. The number of companies listed on the main board of Bursa Malaysia is 741. By excluding banks and other financial institutions due to differences in laws and regulations (Haniffa & Hudaib, 2006), the current study only used a sample size of 200 companies. Stratified random sampling was chosen to ensure certain sectors are sufficiently represented. Microsoft Excel 2013 was utilised to perform the random selection of companies by selecting the function "rand" in mathematical calculation. This technique eliminates bias as it is a computer-generated result. This method was also used by Katmon *et al.* (2019), who also employed secondary data. Data in this research were analysed using the STATA statistical software version 11 due to its suitability for panel data regression. The primary analysis utilised pooled ordinary least square (OLS). The OLS regression equation was expressed using the following models to determine CGM's effect on disclosure and firm value in Malaysia. These models integrated different theoretical perspectives stated in the literature review and hypothesis development. This is in addition to the control variables of dummies for years and industry classifications. The models are as follows:

Model 1

$DISC_{it} = \beta0+\beta1GOV_{it}+\beta2FAM_{it}+\beta3\ FOR_{it}+\Sigma \S cControl_{it}+\varepsilon_{it}$

Model 2

$EVA_{it} = \beta0+\beta1DISC_{it}+\beta2GOV_{it}+\beta3FAM_{it}+\beta4FOR_{it}+\Sigma \S c\ Control_{it}+\varepsilon_{it}$

Model 3

$EVA_{it}=\beta0+\beta1GOV_{it}+\beta2FAM_{it}+\beta3FOR_{it}+\Sigma \S cControl_{it}+\varepsilon_{it}$

Measurement of variables

Dependent Variables

EVA = Differences between Net Operating Profit after Tax (NOPAT) and the Weighted Average Cost of Capital (WACC)

Independent Variables

GOV = Shares percentage owned by the government
FOR = Shares percentage owned by foreigners
FAM = Shares percentage owned by the family

Mediating Variables

DISC = Disclosure of directors' remuneration index

Control Variables

BIG4	=	Audited by Big Four audit firms (1 audited by Big Four, otherwise, the value is 0)
FSIZE	=	Market value per share X number of the outstanding ordinary share
LEV	=	The ratio of total debt and total assets
GROW	=	Current year sales ratio to previous year's sales and profit, proxy by earning per share (net income as at year-end over the respective share capital)
ROA	=	Return on Asset = Net Income / Total Assets

Definition of Disclosure Scoring Index

The disclosure aspects are: (i) Short-term benefits i.e., cash salary, bonuses, fees and other special allowance, (ii) Long-term benefits i.e., long-term incentive plan, options, grants and termination and (iii) Related process that derives the remuneration amount e.g., remuneration policy and narratives of pay-performance link (Riaz *et al.*, 2015).

Results & Discussion

The first analysis is to establish remuneration disclosure from 2013 to 2019 using the descriptive analysis followed by pairwise correlation analysis was performed to determine whether there is any autocorrelation between each independent variable and dependent variable (Khalid, 2018). Pooled OLS, longitudinal data and 2SLS was carried out to accomplish the primary objective which is to analyse the effects of CGM on directors' remuneration disclosure level and firm value.

Descriptive Findings

Firstly, the descriptive statistics were performed and the results for the descriptive analysis is presented in Table 1.

Table 1: Summary Statistics for All Variables From 2013 To 2019

Variable	Mean	Std Dev	Min	Med	Max
Disclosure Index (DISC)	0.509	0.121	0.261	0.522	0.889
EVA	-47.17	469.63	-7884.82	1666.78	1998.64
Government Ownership (GOV)	0.315	0.279	0.000	0.149	0.845
Foreign Ownership (FOR)	0.054	0.137	0.000	0.000	0.551
Family Ownership (FAM)	0.243	0.262	0.000	0.148	0.781
Audit Quality (BIG4)	0.862	0.346	0.000	1.000	1.000
Firm Size (FSIZE)	10.610	0.511	9.436	10.578	11.824
Leverage (LEV)	0.232	0.160	0.000	0.193	0.659
Sales growth (GROW)	0.089	0.203	-0.673	0.067	1.250
Profitability (ROA)	7.672	11.750	-4.957	4.489	72.360

Table 1 displays the variables' descriptive statistics. The mean disclosure index from 2013 until 2019 for directors' remuneration is 50.9% while the range is between 26.1% and 88.9%. The mean for EVA is -47.17. Rakshit, Mitra and Kurmi (2017) posited positive value of EVA creates the shareholders' value whereas a negative EVA indicates that the business firm did not make enough profit to cover the capital charges. The negative result is consistent with EVA mean reported by Al Mamun and Mansor (2013) which was -121.71. Malaysian companies, in terms of "ownership structure", mostly have the government as their major shareholder, followed by family and foreign, with 84.5%, 78.1% and 55% accordingly. In terms of audit

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quality, most firms, which are represented by 86.2%, are audited by the "Big 4" audit firms. Chau and Gray (2010) in Hong Kong noted a substantially high proportion of sample firms (93%) being audited by Big 4 firms in Hong Kong. Meanwhile, control variables suggest a wide spread that implies disclosure provisions and sample firms that have carefully been selected, thus reduces the probability of bias throughout the sample selection.

Correlation analysis

Table 2: Pairwise Correlation

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
DISC (1)	1.00									
EVA (2)	0.20	1.00								
GOV (3)	0.46	-0.16	1.00							
FOR (4)	0.18	0.21	0.05	1.00						
FAM (5)	0.21	0.76	-0.20	-0.20	1.00					
BIG4 (6)	-0.01	0.03	0.07	0.10	0.02	1.00				
FSIZE (7)	0.11	0.12	0.11	0.31	0.16	0.03	1.00			
LEV (8)	0.20	0.26	0.24	0.08	-0.06	0.11	0.22	1.00		
GROW (9)	0.21	0.14	0.28	-0.20	0.05	-0.06	-0.12	0.13	1.00	
ROA (10)	-0.04	-0.04	0.04	-0.12	-0.04	0.00	0.00	0.06	0.11	1.00

Any autocorrelation between independent and dependent variables was determined through correlation analysis. Table 2 shows the pairwise correlation in this study. The pairwise correlation enables researchers to observe the relationship's direction (positive or negative) between variables and to detect any multicollinearity issues; a situation in which two or more variables are highly correlated. This however has damaging effects on the results of regression analysis (Hassan *et al*., 2009). Furthermore, multicollinearity problems exist when coefficient value exceeds 0.90 (Hassan *et al*., 2009). This research does not have this problem. As shown in Table 3, Model 1 presents the OLS regression between CGM elements with remuneration disclosure. Model 2 determines the influence of remuneration disclosure and CGM mechanism on the firm value measured by EVA. Model 3 identifies the influence of the CGM mechanism on firm value. The control variables presented in Table 3 are audit quality (BIG4), firm size (FSIZE), leverage (LEV), sales growth (GROW), and return on asset (ROA).

Table 3: Ordinary Least Square (OLS) Regression Result

Variables	MODEL 1 Coef t statistic	MODEL 2 Coef t statistic	MODEL 3 Coef t statistic
Disclosure (DISC)		82.70*** 7.84	82.70*** 7.84
Government Ownership (GOV)	0.12*** (0.03)	0.11*** (0.04)	0.11*** (0.04)
Foreign Ownership (FOR)	0.25*** (0.05)	0.01 (0.09)	0.01 (0.09)
Family Ownership (FAM)	-0.28*** (0.05)	-0.19*** (0.03)	-0.19*** (0.03)
Audit Quality (BIG4)	0.03** (0.01)	0.05*** (0.01)	0.05*** (0.01)

Firm Size (FSIZE)	0.05*** (15.28)	0.05*** (15.63)	0.05*** (15.63)
Leverage (LEV)	0.17*** (0.04)	0.16*** (0.05)	0.16*** (0.05)
Sales Growth (GROW)	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)
Return on Asset (ROA)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Constant	-0.90*** -10.77	-6.79 -0.54	-6.79 -0.54
Observations	1400	1400	1400
R-square	0.467	0.356	0.356
Year Effects	Yes	Yes	Yes
Industry Effects	Yes	Yes	Yes

Significant at *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Discussion on CGM and Remuneration Disclosure using OLS

Model 1 reports the regression results of the disclosure of directors' remuneration using ownership structure comprising government, foreign and family. There is a significant positive relationship between government ownership and remuneration disclosure. Government-owned companies are expected to be exemplary models for transparency. This finding supports agency theory which argues that government-owned companies must comply with statutory requirements on remuneration disclosure. Chizema (2008) was also of the same page with the present finding; state ownership is linked with transparency concerning managers' pay in German. This finding serves as an evidence that Malaysian government-owned companies are committed to comply with the practice of remuneration disclosure as part of their social objectives to the stakeholders. On the other hand, foreign ownership also has a significant positive relationship with the disclosure of directors' remuneration. Additionally, as the foreign shareholders are usually the minority owners in Malaysian companies, this study supports Firth *et al.* (2007) which emphasised on the ability of low-ownership of foreign shareholders to pressure companies to improve their reporting quality. Furthermore, the finding in Riaz *et al*. (2015) is also consistent with the present finding. Multinational corporations (MNCs) were found to have relatively better disclosure of the directors' remuneration in order to obtain external legitimacy in Australia. It also supports signalling theory as foreign shareholders in the Malaysian public listed companies are relatively more responsive in conforming with the remuneration disclosure requirements although they have a minimal control of the company in comparison to other prominent, majority shareholders. In relation to this, companies with foreign ownership have built good reputation through reasonable disclosure of directors' remuneration in the annual report. Next, there are joint interests between owner and investors in the case where substantial shareholders are also the company's board members. This may reduce the conflicts occurred among the shareholders (Chau and Gray, 2010). Abdullah et al. (2015) and Hasnan et al. (2013) argued that family-owned firms with mostly family members as the shareholders, in order to show transparency, are not obliged or pressured to have substantial disclosure because the information asymmetry is better resolved via private communication channels.

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Discussion on the Influence of CGM, Remuneration Disclosure towards Firm Value

Model 2 shows that remuneration disclosure is significantly and positively influenced by firm value (EVA). The findings align with previous literature on disclosure and firm value (Bidhari & Siti Aisjah, 2013). The findings imply that firms with more disclosure would obtain higher EVA. Furthermore, this finding provides empirical evidence that firms can enjoy the benefits (higher firm value) by providing more information to the public (Bidhari & Siti Aisjah, 2013). The disclosure acts as communication that links the company to the management and can reduce agency asymmetry (Mallin *et al.*, 2014). The findings further support the agency theory that providing remuneration information reduces agency expenses since enhanced transparency can improve company value by boosting the real cash flow that accrues to shareholders as a result of reduced agency issues (Hassan *et al.*, 2009). Model 3 presents the findings of CGM elements and firm value. The regression results for ownership structure are aligned with Dakhlallh *et al.* (2021) and Khalid (2018) particularly concerning the instruments' variables adopted based on previous corporate governance studies. It is also in line with Malaysian institutional environment. Closely monitoring and controlling, as well as disclosing the information of companies that have relatively higher government and foreign ownerships may led to a better level of transparency and greater firm value. Moreover, the finding also suggests that firms with a lower level of family-owned shares will provide better disclosure of directors' remuneration when firms are given the discretion to choose the level of transparency, hence leading to greater firm value.

Discussion on the Control Variables towards Disclosure and Firm Value

A good quality company's audit has significant positive influence on remuneration disclosure. Azmi *et al.* (2021) indicated that monitoring the information provided is indeed an audit firm's expertise. The Big 4 assist in maintaining a firm's positive goodwill by providing a thorough and well-analysed annual report in order to instil confidence among the investors, thus increasing the firm's market capitalisation (Azmi *et al.*, 2021). The study found that the firm's size influences the remuneration disclosure, corroborating previous literature findings (Hermalin & Weisbach, 2012; Bowrin, 2013). According to Branco and Rodrigues (2008), large companies are more socially visible and exposed to public scrutiny. Another possibility to explain the findings is that larger firms may be able to devote better disclosure as they have greater resource slack (Liu & Anbumozhi, 2009). Akin to Lan *et al.* (2013), company leverage was positively significant in this study. The finding interprets that firms with high financial leverage disclosed more directors' remuneration information to enable them to reduce agency costs. Their findings confirmed the agency theory because debt providers tend to protect their interests by establishing agreements and disclosing additional information (Prihatiningtias, 2012). Al-Akra and Ali (2012) posited that scholars believe leverage helps create firm value by encouraging the management to portray its commitment in providing cashflow transparency. Furthermore, sales growth and return on assets did not significantly influence the disclosure and firm value. Thus, these two variables have an insignificant role in the directors' remuneration disclosure and firm value.

Panel Data Regression

The analysis was extended to panel data using fixed effect and random effect to attest the pooled OLS regression's reliability. In panel data, companies were observed at several point of time. Especially in the case of random effects model, the companies' specific effects were the random variables uncorrelated with the explanatory variables. Model 1 present the results for analysis using random effect. In brief, the proxies for CGM elements did not show significant influence

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to the remuneration disclosure for Model 1. Another panel data analysis performed in this study was fixed effect. In the fixed effect model, the companies' specific effect was a random variable allowed to correlate with the explanatory variables. The results are shown in Model 2 under table 4. Variables do not show any significant influence on remuneration disclosure in Model 2. Finally, the panel data analysis was done to observe the longitudinal influence of remuneration disclosure on EVA. Table 5 presents the results on the regression for remuneration disclosure and EVA.

Table 4: Panel Data Regression

Variables	**MODEL 1** **Coef t statistic**	**MODEL 2** **Coef t statistic**
Government Ownership (GOV)	-0.02 (-0.72)	-0.04 (-1.20)
Foreign Ownership (FOR)	0.02 (0.69)	0.02 (0.55)
Family Ownership (FAM)	-0.06 (-0.88)	-0.00 (-0.00)
Audit Quality (BIG4)	0.07* (4.25)	0.02 (1.41)
Firm Size (FSIZE)	0.02* (5.38)	0.00*** (1.76)
Leverage (LEV)	-0.01 (-0.37)	-0.03 (-1.39)
Sales growth (GROW)	0.00 (0.11)	0.00 (0.21)
Profitability (ROA)	0.01 (-0.09)	-0.01 (-0.92)
Panel data Model Type	Random	Fixed
Constant	-0.36* (-3.37)	
Observations	1400	1400
Wald chi²/ F	115.43	3.02
R-squared	0.366	0.163
Year effects	Yes	Yes
Industry effects	Yes	Yes

Significant at *** p<0.01, ** p<0.05, * p<0.1

Table 5: Panel Data Analysis for EVA

Variables	MODEL 3 Coef t statistic	MODEL 4 Coef t statistic
Disclosure (DISC)	0.41 (0.04)	28.30** (2.54)
Government Ownership (GOV)	-3.65 (-0.90)	-4.30 (-1.06)
Foreign Ownership (FOR)	-22.39 (-1.05)	-20.75 (-1.03)
Family Ownership (FAM)	-9.35 (-0.59)	-19.41 (-1.15)
Audit Quality (BIG4)	-2.62 (-1.40)	8.91*** (2.85)
Firm Size (FSIZE)	-0.86 (-0.35)	-.0.86 (-0.37)
Leverage (LEV)	2.87 (0.44)	4.37 (0.74)
Sales growth (GROW)	-0.69 (-0.64)	-0.71 (-0.67)
Profitability (ROA)	-0.81 (-0.58)	1.38 (0.80)
Panel data Model Type	Fixed	Random
Constant	17.97 (1.83)	-4.33 (-0.45)
Observations	1400	1400
Wald chi²/ F	0.74	28.47
R-squared	0.000	0.238
Year effects	Yes	Yes
Industry effects	Yes	Yes

Significant at *** p<0.01, ** p<0.05, * p<0.1

Overall, the results of the model that developed from fixed effect and random effect showed a consistent result among the models, whereby there had been no significant relationship between CGM elements and remuneration disclosure. By considering the elements of CGM that are not time-varying variable (Prihatiningtias, 2012), it is unsurprising that the results have shown insignificant relationship between CGM elements and remuneration disclosure in panel data analysis.

Mediating Analysis Findings

The current study employed the conditions outlined by Baron and Kenny (1986) to assess the effects of mediation on the relationship between CGM and firm value. For the first condition, the independent variable should significantly contribute to mediating variables. In this study, the condition applies to regression between CGM and remuneration disclosure. The second condition states that the independent variable should significantly contribute to the dependent variable. This study involves firm value and CGM in the second condition. The third condition implies that the prior significant relationship between independent and dependent variables has become insignificant or the significant effect is reduced when mediation is inclusive of the regression between both variables. According to Saeed *et al.* (2015), no mediation exists if the direct link is still significant after the inclusion of the mediator. The result shown in Table 6 suggests a partial mediation effect of remuneration disclosure on the relationship between foreign ownership and family ownership on EVA because the significant effect has been reduced.

Table 6: Regression Analysis Result of Remuneration Disclosure as A Mediator in The Relationship Between CGM And EVA Using Steps by Baron and Kenny (1986)

	Step 1	Step 2	Step 3	Type of effect
Independent Variables (CGM)				
Government Ownership (GOV)	0.06*** 2.37	19.30** -2.25	23.82*** -2.95	
Foreign Ownership (FOR)	0.04*** 3.01	26.08*** 4.53	18.75 3.56	Partial mediation
Family Ownership (FAM)	-0.29** -3.16	-87.65*** -3.78	-52.69** -2.31	Partial mediation
Mediator Remuneration Disclosure	-	-	82.70*** 7.84	
F	30.78	5.06	7.39	
R-square	0.467	0.250	0.356	

Significant at *** p < 0.01, ** p < 0.05, *p < 0.1

Discussion on Disclosure that Mediates the Relationship between CGM and Firm Value

The findings of the mediation analysis showed that the remuneration disclosure partially mediates the relationship between foreign ownership and family ownership with EVA. This mediation demonstrates that foreign and family ownership, directly and indirectly, affects EVA. The indirect effect occurs via remuneration disclosure, while the direct effect occurs without any mediation on disclosure. In this situation, foreign and family ownership are vital as they not only exert a direct impact on remuneration disclosure but also have a direct effect on EVA. Overall, the mediation analysis reported that the remuneration disclosure mediates the relationship between CGM (foreign and family ownership) and firm value, thus providing supportive evidence for the mediation effect hypothesis. These findings align with Agustia *et al.* (2019), who demonstrated that disclosure could mediate the relationship between ownership and company performance.

Conclusion

Theoretical Implications

According to signalling theory, high disclosure level ensures lower information asymmetry. Based on the findings, remuneration disclosure is positively significant to firm value, thus these findings are in line with signalling theory that indicates managers choose to disclose more information to show the external parties that they perform better than their peers. Subsequently, the company will also gain stakeholder confidence by attracting investors to invest in the company.

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Managerial Implications

The directors' remuneration disclosure level was positively significant towards firm value based on the results. This study provides a robust evidence of the importance of each information reported by the firm. Thus, this study can be utilised as a reference and reliable document for the management to ensure that the firm is aware of the huge influence exerted by directors' remuneration disclosure level on firm value. This study will also be beneficial to the policymakers, namely Bursa Malaysia and the Securities Commission. Additional effort must be taken in promoting the importance of remuneration disclosure, which indirectly encourages firms to improve their responsibility to the public.

Limitations

Nevertheless, this study is not without limitations. First, it has only utilised annual report to collect data for remuneration disclosure. Other methods, such as media or online resources, can disseminate remuneration disclosure information in this globalised era. Second, the seven-year longitudinal panel data i.e., 2013-2019 could not provide any solid evidence of the extent of the effects of CGM and remuneration disclosure. The selected firms' composition of board did not vary and the change over time. Third, future studies may consider to employ qualitative methods e.g., interviews and observations and not just using quantitative method as a means of data collection and analysis in order to better understand decision-making process by the board.

Recommendations

This study provides insights that might interest policymakers, practitioners, managers and regulators despite the aforementioned limitations. Moving forward, instead of only using annual reports, future studies can enhance the disclosure scoring index with other disclosure types e.g., press release and remuneration survey. Moreover, this study can be broadened by the future studies by going through a relatively longer period of research. These suggestions are especially vital for those researchers who support Malaysian regulators that are serious in ensuring the directors' remuneration is transparent and follows stakeholders' expectations.

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