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Sustainable Development in Accounting & Finance

Editor

Haslinah Muhamad | Mohamed Hisham Yahya | Jalila Johari | Siti Zaidah Turmin

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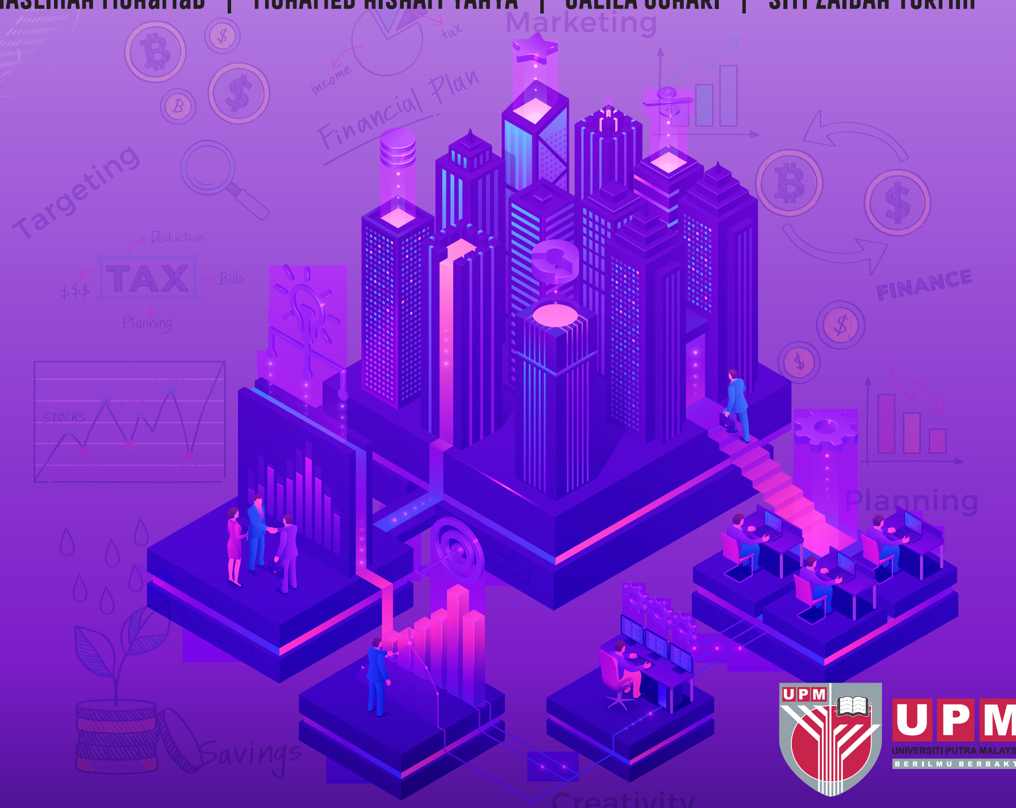

SUSTAINABLE DEVELOPMENT IN ACCOUNTING & FINANCE

EDITOR
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Preface

In an era characterized by unparalleled environmental challenges and global economic transformations, the domains of finance and accounting stand at a critical juncture. The urgency of embracing sustainable practices in these disciplines has never been more pronounced.

This book is born out of a profound belief in the significant potential for positive transformation within the financial and accounting sectors. It represents the culmination of thorough research, enlightening discussions, and a wholehearted dedication to paving the way for a new era of responsible finance and accounting.

The chapters contained within these pages delve deep into the complex relationship between economic well-being, ecological sustainability, and societal welfare. We investigate inventive approaches and real-world examples that vividly demonstrate the influence of sustainable practices on businesses, communities, and the environment.

As we navigate this dynamic landscape, we hope that this book serves as a beacon for scholars, and students alike. It is designed not only to inform but to inspire, providing a roadmap for integrating sustainability principles into financial decision-making and accounting processes.

We extend our deepest gratitude to the experts who contributed invaluable insights to this endeavor. Their collective wisdom enriches every page of this book.

Above all, we extend our sincere gratitude to you, the reader. Your interest in this pivotal convergence of sustainability, finance, and accounting serves as evidence of the transformative potential within our reach.

Together, let us embark on a journey towards a more equitable, resilient, and sustainable financial future.

Warm regards,

Haslinah Mohamed,
Mohamed Hisham Yahya
Jalila Johari and
Siti Zaidah Turmin
Serdang, 2023

1

Firms' Decisions to Delist from Bursa Malaysia Voluntarily

Asna Abdullah Atqa and Izzah Nasuha Ab Aziz

INTRODUCTION

Cressy (2011) stated that imperfection in the debt market is one of the barriers for a small, young, and particularly high-tech firm that wishes to grow. Such firms hope to increase their market value and lower their cost of capital by listing their shares on the capital market. Once firms have been listed, it will help them to access a broader investor base, strengthen the liquidity of their stocks, and facilitate their risk-sharing. Besides, listed firms pre-commit to a higher degree of transparency, which decreases the information risk investors may have to bear (Leuz & Verrecchia, 1999). Public listing thus tends to reduce the cost of capital (Jenkinson & Ljungqvist, 2001), and indirectly the cost of debt as well (Saunders & Steffen, 2011). Due to all these benefits and privileges, firms tend to ensure that they can be listed on the Securities Exchange or the capital market. In Malaysia, for these firms to enter the capital market, they must apply to Bursa Malaysia to be Public Listed Companies (PLCs). Bursa Malaysia is the securities exchange regulator in Malaysia, and for firms to be listed, they must meet the listing requirements of Bursa Malaysia.

Once firms have been listed as PLCs in Malaysia, they must comply with specific requirements to maintain their status as PLCs. If firms are delisted from Bursa Malaysia, it will be hard for them to appeal and apply for relisting. Some firms may ultimately be delisted due to several reasons. Delisting refers to a phenomenon when a firm is removed from the Exchange on which it trades. Firms that are delisted from the Securities Exchange are categorized into two; first, involuntary delisting, and second, voluntary delisting. Voluntary delisting happens when the persons that control the firms decide not to maintain their firm's listing status; whereas involuntary delisting usually occurs due to the decisions of the Exchange to remove the firms due to specific conditions that do not allow them to remain listed (Chiara, 2015).

In Malaysia, the reasons for firms to be involuntarily delisted are due to the firms not sending the regularization plan to Bursa Malaysia when their shares are below the minimum share price that Bursa Malaysia has fixed, and also when another firm acquires the said firm through a takeover or merger; thus, these firms are delisted from being PLCs in Malaysia. However, transactions such as Mergers and Acquisitions (M&A), Leverage Buyout Offers (LBOs), and tender offers, fall midway between the two categories, and there are often dissenting views among scholars as to whether these factors fall under involuntary or voluntary delisting. Geranio (2004) and Tutino, Panetta, and Laghi (2013) explained that M&As, LBOs, and tender offers must be classified as involuntary delisting because their primary intention is to go public. Thus, as a consequence of these transactions, firms must go private because of the requirements of the Stock Exchange. However, the majority of scholars such as Chaplinsky and Ramchard (2007) have suggested that LBOs, M&As, and tender offers must be considered voluntary. This is because before firms make any restructuring decisions, they must be aware of the inevitable consequences of their choices, such as delisting from the Exchange. For this study, we applied the view from the majority, keeping in mind the contributions of Chaplinsky and Ramchard (2007), among others, that it is essential to look at each situation to classify a transaction.

The common factor for involuntary delisting from the Stock Exchange is the inability to meet the listing requirements (Vismara & Signore, 2014). Several studies have examined the factors and reasons that lead firms towards involuntarily delisting from the Stock Exchange. However, to the best of our knowledge, only a few studies are available on firms that have voluntarily delisted from the stock

exchanges, particularly the Bursa Malaysia, notwithstanding all the benefits that firms can enjoy by being a PLC in Malaysia. The large number of firms that have been delisted from Bursa Malaysia is one of the significant

2

A Comparative Analysis of the ARIMA Time Series Model and the LSTM-RNN Deep Learning Algorithm: Based on the Kuala Lumpur Composite Index

Nadiah Ruza and Siti Zaidah Turmin

INTRODUCTION

Finance and investment are two sectors that will experience exponential growth in the coming era. This results from the global rise of consumerism, materialism, and capitalist ideology. Investors have become increasingly cautious in their short-term investments and demand high returns (Jiang, 2021). According to Jiang (2021), since traditional investment strategies have not been able to generate high returns quickly, investors have shifted their focus to financial markets. A financial market is where financial securities and derivatives are traded, such as stocks, bonds, commodities, and options. Financial markets offer high returns; however, they come with an equally high level of risk (Pang et al., 2021). Retail investors invest mainly in stocks, as options and futures trading are complex and risky. Due to the high volatility of the stock market, retail investors face a high risk of losing money due to the uncertainty of future prices.

Forecasting enables the effective and efficient allocation of resources to meet future demand (Jiang, 2021; Pang et al., 2020). Time series forecasting is an essential area of machine learning because it can be applied to various forecasting problems involving a time component (Lim and Zohren, 2021). A time series is a collection of consecutive observations (Box et al., 2015; Lim and Zohren, 2021).

This paper has presented a comparative analysis between Deep Learning and time series analysis in predicting future stock prices. The main objective was to determine which approach provided the highest prediction accuracy. Deep Learning is a specialised field within the broader science of machine learning that harnesses the power of artificial neural networks (ANN) to make intricate connections between different features and corresponding labels. Artificial neural networks (ANNs) are classified into many architectures based on their specific applications. The best-known of these are Feedforward Neural Networks, Convolutional Neural Networks (CNN), and Recurrent Neural Networks (RNN) (Jiang, 2021; Pang et al., 2020).

LITERATURE REVIEW

Forecasting individual stock prices is extremely difficult and time-consuming because each stock represents a unique time series with seasonal fluctuations, trends, moving averages, and divergences. This task requires the development of forecasting models capable of mapping these parameters and their behaviour over time and using the resulting insights to predict future prices (Liu et al., 2018; Torres et al., 2021).

Time series analysis has been used to obtain information concerning past trends and predict future trends. In other words, predicting data using time series analysis involves using a meaningful model to predict future conclusions based on known past outcomes. Time series are temporally ordered data where

3

Effects Of Pandemic on The Australian Stock Market

Chan Teck Guan, Haslinah Muhamad & Soh Wei Ni

INTRODUCTION

The outbreak of a pandemic in the 21st century, COVID-19 originated in December 2019 in Wuhan, China. Its exact origin remains unknown, and investigations are ongoing. The virus initially concentrated in Wuhan but soon spread across China and the world. On January 13, 2020, Thailand reported the first case outside of China. As cases multiplied on different continents, the World Health Organization (WHO) declared COVID-19 as a global pandemic on March 11, 2020. This pandemic had a significant impact on the global economy, with the International Monetary Fund (IMF) projecting a 4.9% decline in global GDP for 2020, marking the largest global recession since the Great Depression in 1930.

To contain the virus, countries-imposed travel restrictions and social distancing measures, affecting every industry. Manufacturing and supply chains faced unprecedented disruptions, and the travel industry suffered as hotels and airlines shut down. Millions of people worldwide lost their jobs, particularly recent graduates entering a challenging job market. Central banks worldwide deployed financial support measures, injecting trillions of dollars into banking systems to ease liquidity issues, support businesses, and stimulate spending and employment. Additionally, global central banks cut interest rates to support their economies.

As of December 1, 2020, there were 65,069,084 confirmed cases and 1,486,877 deaths worldwide. This pandemic's magnitude surpassed previous outbreaks like SARS and H1N1, which had fewer than 20,000 combined deaths. Australia experienced its first confirmed pandemic case on January 25, 2020. Initially, the government suspended all flights from China, but the virus continued to spread. By February 27, 2020, the number of active cases had spiked to 23, with the first death reported on March 1, 2020. Prime Minister Scott Morrison declared a national emergency and announced a $17.6 billion economic stimulus package on March 12, 2020, to boost spending and employment. On March 20, 2020, Australia implemented the closure of all borders to non-citizens and residents. State-level lockdowns were contingent upon the discretion of chief ministers.

Arriving passengers had to undergo supervised quarantine, and non-essential services like restaurants, pubs, and clubs stopped operations, leading to panic buying and stockpiling of household products. These measures took a toll on the Australian economy, with a 0.3% contraction in GDP in the January to March quarter and a 7% decline from April to June, marking the first recession in nearly 30 years. Unemployment rose from 5.2% in March to a peak of 7.5% in April. In response, the Reserve Bank of Australia reduced interest rates twice by 0.25% each in March and implemented monetary policy measures to support the economy.

Prior to the onset of the pandemic, the global economy was thriving, with stock markets reaching unprecedented highs. However, the advent of the pandemic precipitated a worldwide economic downturn. The Asia-Pacific markets were the first to experience the impact, followed by Europe and North America. The WHO's pandemic declaration on March 11, 2020, triggered a massive sell-off in global stock markets. The Dow Jones Industrial Average (DJIA) and MSCI World Index recorded significant drops. Simultaneously, the Australia Stock Exchange (ASX) had also experienced a notable descent.

Commodities markets suffered as well, with the price of WTI oil turning negative. Many companies, particularly in tourism and oil and gas, filed for bankruptcy. Central banks worldwide implemented monetary policies, including rate cuts and bond buyback programs, to stabilize markets. The pandemic,

which began in December 2019, had a profound effect on the global and Australian economies. It led to widespread illness and loss of life, causing governments to implement stringent measures to contain the

4

Environmental, Social and Governance Practice, Sustainable Business Risk, and Idiosyncratic Volatility

Xin Yang , Ahmad Fahmi Sheikh Hassan, Lau Wei Theng, & Nazrul Hisyam Ab Razak

INTRODUCTION

Environmental, Social, and Governance (ESG) investing has its roots in the ethical investing practices of religious groups in the 19th century. These groups screened out stocks from industries that contradicted their moral values, including tobacco, alcohol, gambling, and arms. From the 1990s onward, concerns about environmental degradation due to economic development and the recurring corporate governance scandals, like those at Enron and Tyco, captured widespread investor attention. As a result, environmental sustainability, social responsibility, and corporate governance have emerged as the three pivotal dimensions of investment decision-making. Supported and guided by the United Nations (UN), this investment approach has seen significant growth over the past decade. By the close of 2021, nearly 4,000 investment institutions had endorsed the 'UN Principles for Responsible Investment' (UN PRI) rooted in the ESG framework. These institutions, pledging to assimilate ESG factors into their investment strategies, oversee more than half of global assets, amounting to over one trillion dollars[1].

While certain studies, such as those by Friede et al. (2015) and Whelan et al. (2021), suggest a positive correlation between ESG practices and a firm's financial performance, definitive evidence clarifying the causality between the two remains elusive. A survey conducted by the Chartered Financial Analyst (CFA) Institute revealed that the primary motivation for investment professionals to incorporate ESG factors is investment risk management[2]. Supporting this notion, numerous research papers have demonstrated that a higher degree of sustainable engagement correlates with reduced firm risk (Cai et al., 2016; Do, 2022; D. D. Lee & Faff, 2009; Metcalf et al., 2016). Consequently, exploring how investors factor various ESG information into stock prices can offer valuable insights into the strategies they employ when utilizing ESG data for making investment decision.

Figure 1 offers an overview of the methods signatories employ to incorporate ESG information into their investment strategies. In terms of prevalent ESG investment approaches, 73% of signatories utilize the 'Negative Screening' method, a time-honored strategy that excludes companies failing to meet specific ESG criteria from portfolios. 87% of signatories implement the 'ESG Integration' strategy, which intertwines ESG risks and opportunities within conventional financial analysis to guide investment decisions. Yet, empirical studies on the actual mechanisms by which investors integrate ESG elements remain inconclusive. Furthermore, the unprecedented market volatility and substantial losses precipitated by the abrupt emergence of the COVID-19 pandemic have heightened investor awareness of systematic risk. Nevertheless, the efficacy of ESG factors in offering protection against downturns, especially during this crisis, has been called into question by scholars (Bae et al., 2021; Döttling & Kim, 2022; Glossner et al., 2021).

[1] https://www.unpri.org/pri/about-the-pri

[2] https://www.cfainstitute.org/-/media/documents/survey/future-of-sustainability.ashx

5

Corporate Governance and SMEs Sustainability: Fostering Performance Growth

Diana Rose Faizal, Zariyawati Mohd Ashhari, Hanny Zurina Hamzah, Chikako Hironaka

INTRODUCTION

Small and Medium Enterprises (SMEs) are known as key players in national economies worldwide, contributing to employment, productivity, and economic growth. SMEs' major roles are generating and contributing to Gross Domestic Product (GDP) in almost all countries. Due to their flexible structures, SMEs have a variety of specializations. They can meet a diversity of market demands and engage in economic activities. In all countries, especially developed countries, SMEs pass laws fitting the economic environment, development, growth, and protection (Manzoor, Wei and Siraj, 2021). In Malaysia, SMEs have emerged as a cornerstone of economic growth, driving employment and productivity. This is further evident when looking at the time series data for Malaysia's GDP and SMEs' GDP, where the increase in SMEs' GDP typically outpaces that of the entire country.

Generally, SMEs are categorized as small size when referring to their capital. Thus, SMEs have limited access to equity to finance the SME's growth (Rao, Kumar, Chavan, and Lim, 2021). SMEs may expand their business with more capital, which they can get from external financing. The effectiveness of corporate governance is a significant advantage for SMEs (Ciftci, Tatoglu, Wood, Demirbag, and Zaim, 2019), as it enhances their ability to access financing, lowering the cost of capital, enabling better performance, and promoting fair treatment of all stakeholders (Nasrallah and Khoury, 2022). Empirical evidence for large companies has proven that corporate governance is useful and maximizes the firm value. However, corporate governance is being applied to private and listed firm businesses in Malaysia and its adoption significantly impacts these companies' performance over time.

According to Hove-Sibanda, Sibanda and Pooe, (2017) investigated how corporate governance positively influences SMEs performance in South Africa and captures the benefit of new investor attraction and improved survival and growth of their SMEs. As such, SME owners should consider incorporating these corporate governance principles into their firm's mission and core values, serving as a constant reminder to all employees in the execution of their duties. SMEs should selectively adopt and implement these principles for the good of corporate governance, ultimately leading to improved performance.

Umrani, John and Ibrahim (2015) highlighted that SMEs face issues when disclosing financial statements. This is primarily because SMEs struggle to meet loan requirements, especially on documents related to business proposals and financial records, due to a lack of governance (Choudhury and Goswami, 2019). Approximately 96% of SME funding is sourced from parties such as local banks, association bodies, ministries and agencies, with less than 4% originating from the capital market (Zulkafli, Hooy and Ooi, 2017). Numerous funds have been allocated to SMEs. For instance, BNM (Bank Negara Malaysia) in 2021 allocated RM2.0 billion in loans for SMEs to adopt low-carbon practices, introduced as the Low Carbon Transition Facility (LCTF). This fund aims to promote better Environmental, Social, and Governance (ESG) practices.

In addition, Umrani et al., (2015) also highlighted that SMEs are limited to provide a good financial report and business statement of the companies as required by the financial institutions. Hence, SMEs with a complete business plan and a structured financial record would make the loan application affairs easier. However, awareness regarding good financing reporting is limited in SMEs. Thus, SMEs have a

problem providing formal documents due to the long processing time and the high cost. In contrast, the higher the cost to inspect accounts and reporting, the higher the interested shareholder invested (Wahab, Haron and Yahya, 2011).

6

Measuring Technical Efficiency of State-Owned Enterprises in Asia Pacific and European Regions: A Data Envelopment Analysis

Suraya Adnan, Bany Ariffin Amin Noordin, Fakarudin Kamarudin & Jalila Johari

INTRODUCTION

State-owned enterprise (SOE) is generally defined as a corporate entity governed by national law in which the state exercises ownership in it. Since its inception, SOE has become a stimulant to embody shareholders' interests and befits as the centre of ideology and political strategies to sanction local economic activities. SOE presence is likewise a saviour for capital-intensive and "off-road" projects whereby such projects were incapable of being borne by private firms. Apart from that, its essential obligation is as a provider of public goods and services, i.e., utilities, basic materials, banks and others (Government, 2015).

SOEs are relevant through their worthy contributions to the world economy by dominating 75% of the market share of global oil reserves and production (The World Bank, 2014b). The Fortune Global 500 list reported that nearly 10% or 49 firms were SOEs in 2005, and the number doubled to 95 in 2012, where China SOEs are leading by 61 (Kwiatkowski & Augustynowicz, 2015). In 2019, a total of 129 Chinese firms were marked among the largest corporations by revenue, with 82 SOEs (Colvin, 2019).[3]

Nevertheless, the catastrophe of confidence marked SOEs' credibility and increased public criticism. The anecdote of 1MDB has proven that SOEs' governance and performance are still disputable (Malaysia, 2015). The state's confusion in performing tasks as a policymaker or owner and permitting political intervention in deciding on SOEs' board line-up continues to be a delinquent influence (Jin et al., 2022). Apart from that, when the decision related to borrowings and credit framework was not really justified with SOEs' capital structure objectives, it led to greater financial risk. As a result, a long-term impact will be later encountered by the government (The Swedish National Audit Office, 2018). SOEs supposedly gain advantages to deal effortlessly in business by having politicians and senior civil servants as board members.

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[3] In emerging markets, SOEs' contribution in the local economy is significant. Malaysian-listed SOEs facilitated savings of RM16 million and provided funding over 30% ventures capital entrepreneurs in 2020. They managed over 1.7 trillion of assets, equivalent to more than 120% of Malaysia's gross domestic product (GDP) representing 25% of Bursa Malaysia's market capitalisation (Said et al., 2017). In China, its early scenario was a poor country, such as no infrastructure and industrial capability was limited during the period where the People's Republic of China was established in 1949. Therefore, Chinese SOEs became the rescuer by gradually undertaking the nation building tasks and these days, they have become formidable competitors locally as well as in the global market (Fan & Hope, 2013).

However, it is merely a formula or could be the cause for SOEs to record financial troubles (Amiruddin, 2013). Furthermore, endeavouring into SOE efficiency across nations and counties, i.e., Asia Pacific and European nations within emerging and advanced economies, depicts a new paradigm on diversity compositions.

7

Determinants of the Financial Conditions of the Local Authorities in Malaysia: An Empirical Study

Juliayana Abd Rahim, Zaidi Mat Daud, Yusniyati Yusri

INTRODUCTION

Local Authorities (LAs) in Malaysia constitute a significant backbone of the Government's function towards becoming a highly competitive economy. Their presence in public administration is highly crucial in delivering public services efficiently to the people. Their immense contributions have coherently ranked Malaysia at 15th in the Ease of Doing Business 2019 ranking according to the World Bank.

The LAs play an important role in providing goods and services to the public and the local community and serve as an important mechanism to facilitate the implementation of the federal and state governments' objectives. The LAs act as intermediaries between the Government and the local community. Also known as 'urban managers', the LAs are not solely responsible for delivering public services; they also function to stimulate economic growth in their respective localities. Most importantly, the LAs must ensure that the community gets to enjoy public services and adequate modern infrastructures provided by the Government while continuously upholding local socio-economic stability.

Nevertheless, the LAs often require a huge number of financial resources in order to fund their activities and cater to the community effectively. Financial resources act as an enabler for the LAs to execute their functions and to deliver their social obligations. In this regard, a sound and favourable financial condition is imperative for the LAs in order to sustain their operations throughout the year. A stable financial condition ensures that the LAs can continue to provide reliable and timely public services (Ritonga et al., 2012). Additionally, it incentivizes the LAs to spend prudently, to generate revenues, and to reduce their financial dependency on the government. This is in line with the sustainable development goal of providing sustainable cities and communities.

Over the years, the demand for public services by the local community tends to increase gradually. However, the availability of financial resources continues to pose a challenge for the LAs. The local community has little concern for the LA's financial condition i.e. adequacy of financial resources based on the popular belief that the LAs are sufficiently funded by the Federal Government to function effectively. Second, the Federal Government's proposed monitoring and evaluation system is still in its infancy (Mohamed & Atan, 2006; Atan & Raman, 2010). The system basically adopts the Key Performance Indicator (KPI) to gauge the LA's performance, for example the performance of the public sector delivery system which proves to be ineffective and fails to capture the true LA's performance based on their financial condition from multiple perspectives.

The above situation evidently manifests urgency for understanding the LA's financial condition and reasonably warrants a thorough investigation of their financial condition from various viewpoints so as to warrant the LA's service reliability and permanency. Knowledge about the financial condition of LAs is essentially important since it is imperative for the performance of their functions. Assessing financial condition is imperious to gauge how well the LAs are fulfilling their objectives, resource allocation

8

Trade-Based Money Laundering, Environmental Crimes and Financial Innovation Linkages in Southeast Asia

Nur Liyana Mohamed Yousop, Nazrul Hisyam Ab Razak, Bany Ariffin Amin Noordin

INTRODUCTION

Money laundering, a widespread phenomenon in the global financial landscape, represents a sophisticated mechanism that disguises illicit funds' origins, ownership, and destination within ostensibly legitimate transactions. This nefarious practice poses a significant threat to the integrity of financial systems worldwide (Baker, 2005; Tanzi, 1996). Its extensive scale, estimated between 2% to 5% of the global Gross Domestic Product (GDP), equates to a staggering annual sum ranging from USD 800 billion to USD 2 trillion, profoundly impacting a nation's sustainable development trajectory (Camdessus, 1998; Ferwerda et al., 2020).

Over the years, authorities and intergovernmental agencies have collaborated to tackle money laundering, emphasizing the necessity for perpetual vigilance and adaptable regulatory frameworks (Brunvoll & Øvstedal, 2022). Nevertheless, the persistent challenge arises from the continuous evolution of stringent financial crime legislation, compelling criminals to employ increasingly sophisticated methods (Sinno et al., 2023). Despite earnest efforts within the banking and financial sectors, the susceptibility of international trade to money laundering remains a formidable issue. Accordingly, this vulnerability is accentuated by criminals' adeptness in manipulating trade documents (Hataley, 2020), fostering pervasive issues that fuel the emergence and expansion of Trade-Based Money Laundering (TBML).

TBML, a sophisticated illicit financial technique, strategically operates within the intricate framework of international trade, concealing the source of illegal funds (Financial Action Task Force [FATF], 2006, 2021). This method serves as a channel for various criminal activities, including illegal goods trade, cash and human smuggling, and terrorism financing (Sinno et al., 2023). Furthermore, exploiting the substantial volume of legal trade among nations, TBML clandestinely merges illegal funds into normal financial transactions and trade dealings (Soudijn, 2014). According to the Global Financial Integrity (GFI) (2023) report, misinvoicing constitutes the most common approach, accounting for 63% of cases.

By manipulating export or import values (through under/over invoicing), misinvoicing facilitates the illicit transfer of funds, leading to substantial illicit financial outflows (Nitsch, 2017). Trade misinvoicing results in revenue losses in many developing countries, impeding their progress in achieving the Sustainable Development Goals (SDGs) by 2030 (GFI, 2023). Southeast Asian countries, including Malaysia, Thailand, and Indonesia, ranked among the top ten nations with the highest value gaps, providing empirical evidence that misinvoicing techniques are frequently used by criminals in this region (Buehn & Eichler, 2011).

On the flip side, recent changes in money laundering enforcement have compelled criminal entities to diversify their operations. A noticeable trend in this context is the redirection of criminal funds toward the illegal trade of environmental resources (FATF, 2021). Due to its strategic geographic location, extensive trade networks, rich biodiversity, and valuable natural resources, Southeast Asia has regrettably become a focal point for these illicit activities (Bueta et al., 2021). Moreover, criminals exploit the region's environmental wealth, establishing it as a significant hub for enterprises primarily motivated by financial gains. This concerning pattern is corroborated by the latest Global Organized Crime Index (2021),

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The Impact of Supply Chain Concentration On Enterprise Digital Transformation—The Moderating Role Of Covid-19 Shock

Le Sun, Tze San Ong and Saira Kharuddin

INTRODUCTION

As a result of the COVID-19 shock (COV) and the expansion of the digital economy, identifying methods to carry out enterprise digital transformation (DT) has become one of the most important issues for companies. It has attracted significant attention from the industry, government and academia (Hai et al., 2021). The supply chain vulnerabilities have been laid bare by the economic upheaval resulting from the pandemic (Shih, 2020) and scholars have identified that DT can help responding to COVID-19 by improving firms' resilience. Amongst the key strategies for surviving the crisis and supporting a speedy recovery is to promote supply chain resilience by improving supply chain management to assure DT's success (Tseng et al., 2022). Nevertheless, despite the frequent requests to build supply chain digitisation that increases business resilience (Zhu & Wu, 2022), a question that overwhelms managers – should companies create varied or concentrated supply chains to deal with the digital economy and COVID-19 – has yet to be answered.

Some research on the impacts of supplier concentration (SC) and customer concentration (CC) on outcomes at the company level has focused on financial factors (Chen et al., 2023), and the impact of supply chain concentration remains controversial. Based on Wissuwa et al. (2022), firms need to enhance their internal or collaborative complexity by decreasing the supply chain concentration, whereby the low supply chain concentration will help deal effectively with environmental uncertainties. This interpretation contrasts with that of Fan et al. (2022), who argued that the management of a diversified supply chain (low supply chain concentration) poses coordination challenges, leading to decreased responsiveness and leaving firms vulnerable to greater profit and resilience losses. Despite these disagreements, one of the main forces behind DT is supply chain design (Aamer et al., 2022; Tavana et al., 2022).

The current research ®s primarily ”otiv'ted by the need to determine the optimal design of supply chains for businesses during the digital era, especially under the challenging conditions posed by the COVID-19 pandemic. This act involves resolving whether companies should adopt more diversified or concentrated supply chains to enhance resilience and efficiency in a rapidly changing digital and economic landscape. As such, the dynamic capabilities theory is introduced to investigate the association between supply chain concentration and DT and add COV as a moderating variable. Specifically, this study holistically assesses the concentration of the supply chain from the perspectives of its suppliers and customers. This research makes significant contributions to the understanding of supply chain management in the context of China's rapidly evolving digital economy, particularly under the strain of COV. It offers a detailed empirical analysis of how Chinese companies can navigate the complexities of DT through effective supply chain design, addressing the critical dilemma of whether to adopt more diversified or concentrated supply chains. The study resolves theoretical discrepancies about supply chain concentration, providing Chinese businesses with much-needed clarity and guidance. Furthermore, it extends the dynamic capabilities theory within the Chinese market context, offering strategic insights for businesses adapting to environmental changes. These contributions are not only academically valuable but also have practical implications for Chinese businesses and policymakers, aiding in the development of strategies that support resilience and efficiency in the face of digital and economic disruptions.

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Factors Affecting Generation Z's Adoption of Electronic Payments in Malaysia's Least Developed States

Saira Kharuddin, Nurul Najiha Binti Abdulloh

INTRODUCTION

In today's highly technical world, the expansion of the financial industry is paramount. In many nations, the financial sector is the primary driver of economic growth (Mustapha 2018). With the rise of electronic payment methods, the banking industry has experienced profound change. ICT development has allowed for a shift away from cash-based transactions (Nguyen and Huynh 2018).

Bank Negara Malaysia, the central bank of Malaysia, in its e-payment exposure drafted on June 11 2021, stated that e-money comprised around 33% of total electronic payments (e-payments) in Malaysia, with e-wallet transactions increasing 131% to RM0.6 billion in 2020 from RM0.3 billion in 2019. In addition, Malaysia's government provided e-wallet credits of RM30 and RM50 to citizens to encourage Malaysians to use contactless payment systems (Ong, 2020). Although the central bank has focused on fostering cashless transactions, adoption across a significant demographic segment has remained low (Shekhar, Manoharan, and Rakshit., 2020). As e-payment systems correlate with internet usage, the Internet plays a vital role in using such systems.

An electronic payment system (EPS) is a financial commitment that includes business partners (buyers and sellers) who are encouraged by an electronic system. An EPS is necessary to develop a structure that facilitates payments. EPSs have been acknowledged as crucial to the future progress of industry and trade. An e-payment refers to any non-cash transaction that does not require a paper cheque. Recent research has portrayed EPSs as a method of correspondence of data between innovation-based technologies designed to ease financial transactions between parties (Frank and Bariweni Binaebi, 2019). As a result, EPSs can benefit individuals by, for example, eliminating the need to waste time standing in bank queues. By using e-payment systems, customers will face no additional charges compared to cash payments. Hence, this study aimed to identify the variables contributing to the poor use of electronic payments among Malaysia's Generation Z community, specifically in four underdeveloped states.

Despite the positive increases in cashless payments, the low adoption rate among rural communities has been worrying. Rural communities in Malaysia have faced added problems in adopting cashless payments due to the lack of stable Internet or not having Internet access (Malaysiakini, February 2020). Besides, e-payment systems have not been widely implemented nationwide as providers have focused on main population centres like the Klang Valley. Kaur, Dhir, Singh and Almotairi (2020) found that early adopters were the significant contributors to mobile payment transactional statistics, with no widespread adoption by other community segments. Azmi, Ang, Talib and Policy (2016) found that rural communities confronted distinct challenges to e-payment adoption because they lived in sparsely populated areas. Previous

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How Live Streaming Industry Shapes Consumer Spending Behaviour in Malaysia: A Multivariate Analysis

Wei Ni Soh, Thi Jet Tan, Haslinah Muhamad

INTRODUCTION

Information and Communication Technology (ICT) plays a vital role in all aspects of modern society. ICT has altered the way people connect with one another, look for information, work, run businesses, engage with government authorities, and manage their personal lives. In a bigger view, ICT significantly influences macroeconomic growth, such as the improvement in infrastructure and standard of living, as well as everyday life (Roztocki et al., 2019). Information and Communication Technology, or ICT, is a technology that allows us to find information and connect. The ICT revolution has been at the forefront of society. The new digital era technologies have been available in our daily lives with assured advantages; therefore, ICT has been promoted as one of the excellent living standards.

On behalf of ICT, digitalization stands for the widespread use of information and communication technology (ICT) in business and society (Lange et al., 2020). It uses technology to develop a new business process, create a new culture, and provide better customer experiences to adapt to the rapid changes in business and market environments. In other words, the reimagination of business is called a digital transformation (Kraus et al., 2022). Digital transformation in industry has changed the form of sales, marketing strategies, and after-sales services. It includes how people think about their customers, how they will restructure their business to meet their preferences, and how they engage or attract their customers. Keeping the business in a traditional form in this 21st century is unrealistic. Hence, almost all companies have digitalized their business or are on the way to transforming them.

As a consequence of the trend of digitalization, people's intention to use the internet has increased. According to research by the New York-based agency We Are Social, and Social Media Management Business Hootsuite, the typical Internet user aged 16 to 64 spends six hours and 58 minutes online daily across all devices (Agency, 2022). In addition, research conducted by Global WebIndex highlighted that the world's population, around 58.4%, is using social media, with an average daily usage of 2 hours and 27 minutes (Chaffey, 2022). According to another survey conducted by OLX India, children's screen time increased by 100 percent during the lockdown. Following the COVID-19 outbreak, research in China indicated that around 70% of the 1033 participants spent more time gazing at screens. Another research that looked at the impact of COVID-19 on teenagers and young adults discovered that average screen time had increased from 3.5 to 5.1 hours. During the crisis, screentime increased by 20-30% on average, according to research published in Cambridge Open Engage that gathered data from over 3,000 Iowa State University instructors, employees, students, and alums throughout the country (Zalani, 2021).

As a consequence, the impact on consumers is significant, especially from the behavioral and psychological perspectives (Grashuis et al., 2020). For example, Sheth (2020) analyzed how lifestyle changes affect consumers from the immediate behavioral change of consumers and the persistence of changed behavior. He also linked the changes in consumer behaviors with information technology proficiency. Therefore, with the increasing usage of smartphones, consumers are more exposed to online

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Breaking Barriers: Woman Perspectives on The Accounting Landscapes And Patriarchy In Malaysia

Jalila Johari, Erwina Norhaznina Abdul Hamid, Azizan Arshad

INTRODUCTION

In the tapestry of Malaysian history and ethnography, patriarchal cultural practices have found their place. This nation, in the heart of Southeast Asia, boasts a rich tapestry of cultures and traditions, where diverse races coexist, striving to live and work together in peaceful harmony, respecting one another's customs. However, similar to any other society, fractures exist. One significant fissure lies in the adoption of patriarchal traditions and their manifestation in male behavior, which has played a pivotal role in eroding moral values and reshaping the social fabric of Malaysian society. Patriarchy refers to a social system in which men hold primary power and predominate in roles of political leadership, moral authority, social privilege, and control of property. This system is characterized by the dominance of male figures in various aspects of society, often at the expense of women. Patriarchy can manifest in different forms and degrees across cultures and historical periods. While infidelity in romantic partnerships transcends borders, this societal malaise in Malaysia is often compounded by issues such as gender rights, inequality, and the dominance of women in the framework of a patriarchal society.

Traditionally, the accounting profession has been predominantly male-dominated, but contemporary society has witnessed a significant surge in the participation of women in this field Galizzi, McBride & Siboni (2023). Global statistics demonstrate an increasing number of women entering the accounting profession in various countries. Research conducted by Abidin, Rashid & Jusoff (2009) reveals that in Malaysia, 40.6% of professionals and technical workers are women, indicating a strong inclination among women toward pursuing professional careers. This trend is reinforced by the Malaysian Gender Gap Index (MGGI), which, according to the Malaysian Statistics Department (2022), records an index of 0.707, suggesting minimal gender disparities. However, the country's MGGI ranking, 80th out of 146 nations worldwide in 2022 and 9th in the East Asia Pacific region in 2021, underscores the high level of acceptance of women's empowerment in Malaysia.

In the realm of accounting, the global percentage of women pursuing studies in accounting reached 49% in 2018, reflecting a notable increase of 25% from the previous year (Accounting MOVE Project, 2017; Vidwans & Cohen, 2020). This statistic attests to the qualifications and merit of women to engage meaningfully in the accounting profession. The integration of women into the public accounting sector has the potential to introduce a more egalitarian approach to daily tasks. Nonetheless, it is worth noting that specific arguments suggest that women in the accounting profession continue to encounter obstacles in achieving gender parity and equity in the workplace, a situation deemed unsatisfactory (Amaghionyeodiwe & Adediran, 2012).

There is evidence from past studies that women in the accounting profession do not often hold top positions in organizations due to the patriarchal system. Wood & Lindorff (2001) mention the poor representation of women at the senior management level despite the large number of participants in this career. It shows that women are often confined to lower and middle management positions and do not have the opportunity to be involved in high-level organizational management. Dambrin & Lambert (2011) describe the likelihood of gender discrimination faced by women in the accounting profession. Zainal Abidin, Frances & Marzuki (2006) and Subramaniam et al. (2013) supported this research by mentioning

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Businesses Under Financial Distress: Sales Growth, Size and Capital Structure As Contributing Factors Towards Achieving Sustainable Financial Performance

Maswati Abd Talib and Athirah Natashya Suzaimi

INTRODUCTION

Financial distress among business firms globally is an increasing trend and quite worrisome. It was reported that many firms experienced financial distress during the coronavirus disease (COVID-19) pandemic, in which the Altman Z-score dropped from 7.05 in 2015 to 6.34 in 2020 for Indonesian and Malaysian firms (ERIA, 2021). Furthermore, the percentage of distressed firms increased from 24% in 2015 to 36% in 2020 due to a lack of liquidity, declining profits, lower retained earnings and high dependency on external debt funding. At the same time, leverage levels of financially distressed firms (0.4) were seen to be higher than those of average firms (0.26), which vary across sectors (ERIA, 2021).

Many factors can affect the financial performance of businesses in financial distress. These businesses will either fall into two categories: groups of financially struggling businesses or groups that will go bankrupt when there is a sudden change in the economy (Thim, Choong & Nee, 2011). The strongest businesses will excel in a dynamic and globalised market change, while the majority of firms in financial distress will collapse and shut down completely. Since there is statistical analysis on financial distress, the significant concerns surrounding failure or factor prediction among businesses remain unresolved.

Businesses in Malaysia play an essential role in developing the economy of the country by providing goods and jobs to the people. The absence of business will definitely have an impact on the consumers in the economic sector. Public listed companies of Bursa Malaysia's primary market that are under financial distress include Practice Note 17 (PN17) companies (Bursa Malaysia, 2022). Meanwhile, GN3 (Guidance Note 3) involves public listed companies of Bursa Malaysia's ace market. However, this study only covers 18 PN17 companies listed in 2020.

The most major analysis of a business in crisis is a massive decrease in profitability, which has a negative effect on the business's cash flow. The failure of the business would impact any economic party with an investment in the company, such as shareholders, bankers and clients. Some investors are unaware of the PN17 companies' status (Kim-Soon, Mohammed, Ahmad, & Tat, 2020). In addition, many investors seldom keep track of the financial value of the company they invested in (Jaafar, Muhamat, Alwi, Karim & Rahman, 2018).

There are various concerns about the current state of the economy. Major economies countries, including Indonesia, Korea, Thailand and Malaysia, were severely impacted by the coronavirus disease. Despite the fact that the sources of the crisis were different, the crisis impacted all countries at the same time, thus having a severe impact on their economies and financial markets (Dirman, 2020). The financial performance condition will determine the business's condition. A business entity's financial performance might be good or bad, depending on its profitability.

Considering the rising worries of the COVID-19 pandemic, industries around the world, including Malaysian businesses, are experiencing an alarming economic collapse beginning in 2020. According to the SME Malaysia national president, Datuk Kang, economic uncertainties will put much stress on repayment capacity for the next six months, putting companies at risk of insolvency. The banks have rejected 4% of the 22.5% of people who applied for a loan, according to the Malaysian newspaper.

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Application Of Adam Smith's Canons of Taxation in E-Commerce Taxation Issue.

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INTRODUCTION

E-commerce is prevalent in today's business environment. Many firms today transact their business activities through e-commerce platforms because they are highly globalized and information-based (Ndonga & Riegler, 2019). Abdallah & Maghrabi (2009) pointed out that e-commerce makes it easier for business operations to become more global as it takes a shorter time for a company to build its reputation, brand and market value using a digital platform as a medium for conducting business today since businesses can transact across the border.

Moreover, the pandemic of COVID-19 has fostered the tremendous development of the e-commerce market worldwide. Cramer-Flood (2020) reported that the total e-commerce activities in 2020 were forecasted to be $26.460 trillion, a 4.4% expansion from the previous year. He expects that despite being severely hit by COVID-19, Malaysia, Spain, and the Phillippines are among nine countries forecasted to experience more than 20% growth in e-commerce in 2020.

The positive growth of e-commerce in Malaysia can be seen from the statistics provided by the Department of Statistics Malaysia (DOSM), from which, between 2019 (before the pandemic) to 2022, the e-commerce income generated by the e-commerce players in Malaysia swelled from RM675.4bn (DOSM, 2021) to RM1.158tn (DOSM, 2023), respectively. Additionally, the local e-commerce market generated more than 80% of the income compared to the international market (DOSM, 2021). An increasing number of entrepreneurs venture into online business, with a notable surge from 47,556 e-commerce establishments in 2015 (DOSM, 2017) to 890,000 entrepreneurs embracing e-commerce (Mentek, 2022).

Despite the positive growth of e-commerce in the countries, the challenge faced by the tax authorities is taxing e-commerce transactions efficiently. While traditional brick-and-mortar businesses are subject to various taxes and regulations, the unique nature of e-commerce presents new challenges for taxation. According to Frecknall-Hughes & Glaister (2001), e-commerce evolution has allowed businesses to avoid traditional taxation stages in multiple jurisdictions. Furthermore, tax avoidance among e-commerce businesses arises as e-commerce has altered the ability of jurisdictions to levy commodity taxes at the destination or origin point (Agrawal & Fox, 2016; Argilés-Bosch et al., 2020). It is also reported that the most significant tax loss in the digital economy of this country is from B2C (Kaur, 2019).

E-commerce transactions have created a tax justice gap between conventional and e-commerce actors. The cannon of taxation - equity and fairness introduced by Adam Smith in 1776 stated that individuals with the same income should be taxed at the same rate. E-commerce transactions have created a competitive advantage for a group of individuals doing side hustles apart from having fixed monthly salaries and allowances. The derivation of income could be very rewarding and could reach above the individual taxable income brackets but left unknown or undetected by the tax authority. It is difficult for the tax authority to detect and monitor tax e-commerce activities because the nature of e-commerce is borderless and online sellers tend to be anonymous or use nicknames in performing e-commerce transactions with buyers (Palil et al., 2020).

Also, the Inland Revenue Board of Malaysia (IRBM) can efficiently tax the sellers who run businesses in physical stores, especially when registered with Companies Commission of Malaysia

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Professional Scepticism, Audit Technology and Tax Auditors' Performance

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INTRODUCTION

In many countries, the self-assessment system (SAS) is regarded as a modern facility that makes filing tax returns easier. SAS is thought to encourage an increased number of taxpayer self-declaration, lower management costs, and increase tax administration efficiency (Nguyen et al., 2020). However, SAS not only allows taxpayers to declare taxes by allowing self-compliance declaration, it has also enabled taxpayers to avoid declaring their taxes transparently and lawfully. Non-transparent tax declarations may result in non-tax compliance, resulting in a loss of tax income. The phenomenon of non-tax compliance caused by tax avoidance and tax evasion is extremely serious, particularly in developing countries, and has attracted the interest of tax administrators.

Therefore, a majority of countries have strengthened their tax management strategies to increase taxpayer compliance. Tax administrations seek to address the problem of non-tax compliance using enforcement and prevention mechanisms as a method for tax collection to avoid and reduce non-tax compliance. As such, tax audits on the taxpayer are a common strategy that is used to encourage and improve tax compliance (Fatas et al., 2021), whereby the implementation of tax audits has helped to generate revenue for the government (Onoja & Iwarere, 2015). According to a prior study, auditing affects tax revenue collection (Ndenga & Ayuma, 2015). Tax audit is regarded as an essential mechanism in assisting tax administrations in collecting the required tax revenue for the budget, maintaining economic and financial stability, reducing the tendency to engage in tax avoidance and evasion by strengthening tax laws, increasing voluntary tax compliance awareness, and ensuring that unpaid taxes can be collected (Mirera, 2014). It is also supported by (Harelimana, 2018) that tax audit can ensure the collection of appropriate tax revenue, reduce tax avoidance and evasion by enforcing a strict level of tax compliance, and increase the level of compliance voluntarily.

Organisations such as the World Customs Organisation (WCO) and the World Trade Organisation (WTO) have suggested the importance of conducting audits rather than physical import and export clearance inspections (World Customs Organisation, 2018). The audit conducted will check that the paid value is true and right and complies with the established law. Furthermore, tax audit has been widely used in most countries to address non-compliance among taxpayers and collect unpaid taxes. The findings of tax audit and tax compliance have been mixed and interrelated, where tax audit influences tax compliance (Bedi, 2016; Joulfaian, 2000).

The success of tax audits depends on the ability of the tax auditors. The auditors are expected to contribute towards the success of the tax audit. Therefore, tax administrators require tax auditors who perform well, and are determined, capable, and competent in carrying out their tax audit responsibilities. Furthermore, in the presence of non-tax compliance, tax auditors are required to work at their optimal level to ensure the successful completion of the tax audit. However, Lase et al. (2021) have mentioned that the auditors' performance does not meet expectations. Moreover, researchers and those in the accounting profession have stressed the importance of auditors' performance in carrying out audit tasks (Hussein & Hanefah, 2013; Sulaiman et al., 2019) as poor performance among auditors has become a critical issue in the auditing field (Kusumastuti et al., 2016).