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Acceptance of the Implementation of Corporate Governance among Small and Medium Enterprises (SMEs) in Malaysia

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Abstract

Small and Medium Enterprises (SMEs) are recognized as pivotal contributors to national economies globally. They play a vital role in bolstering employment, enhancing productivity, fostering economic growth, and promoting dispersed ownership within society. SMEs exhibit a range of specializations, enabling them to cater to diverse market demands and actively participate in various economic activities. To assist SMEs in the economy, many SMEs are entirely owned and started as family businesses. Involving them in the management often presents the conflicts and affairs in a business. Governance becomes necessary to prevent abuses of authority and establish the rules to manage the businesses. Hence, this study measures the acceptance of corporate governance among SMEs in Malaysia. A theory such as the Theory of Planned Behavior is used as the framework for the acceptance factors of corporate governance in SMEs. The study adopts a quantitative method, collecting 380 questionnaires from SMEs, and analyses the data via the Partial Least Square Structural Equation Modeling (PLS-SEM). The result of this study showed that the factors derived from the theory showed that attitudes and perceived behavioral control have a relationship with the intention to implement the corporate governance code. This shows that the acceptance of corporate governance reacts positively to SMEs. Hence, SMEs in Malaysia could implement a corporate governance code, thereby improving their SME's performance.

Keywords: Acceptance, Corporate Governance, Malaysia, Small and Medium Enterprises, Performance

Introduction

A significant number of SMEs are characterized by being family-owned businesses that originated from within the family. These businesses have witnessed growth over time, guided by the philosophy of upholding family traditions and laying a foundation for future generations. Hence, the numbers management comprises family members, often with a limited number of management teams, especially the directors from the family itself. Furthermore, it is common for SMEs to involve individuals with close relationships with the business, such as friends and investors. As a result, SME directors are often either employed as managers or are family members of the CEO (Gabrielsson and Huse, 2005). Companies require something that can influence their direction and control to meet the company's direction easily. Therefore, it is vital to determine the responsibility of organizations.

Corporate governance aims to enhance organizational performance, facilitate access to external financing and reduce capital costs, all while promoting financial stability on a wider scale. Effective corporate governance practices are known to reduce emerging markets' vulnerability to financial crises and lead to capital market development (Agoes, 2004; Haniffa and Hudaib, 2006). Corporate governance compliance and policies in large companies have proven useful and maximize the company value (Fadjar, 2013). Relatively, corporate governance always runs errands in listed companies. However, SMEs perceive corporate governance compliance as a threat due to its association with large firms, incurs high costs, and interferes with ownership. However, SMEs should have realized good sights in the long run. Some SMEs lack awareness of the importance of corporate governance and may perceive its disadvantages as outweighing the advantages they think. For instance, they may view external audits or independent board members as costly, and conflict will arise (Panda and Leepsa, 2017). Indeed, SMEs may believe they do not require corporate governance because the owner and manager are the same people. This means that if a family member runs a business, the non-independent directors would not exist. However, SMEs need corporate governance to run their business, not just for internal management but for stakeholders to ensure the existence and growth of a business. To ensure this, good corporate governance has to be practiced among them. Therefore, when implementing corporate governance, SMEs will form a good relationship with their customers, suppliers, employees and society.

In addition, SMEs' acceptance of corporate governance is determined not only by the cost but also by the behavioral factor. Referring to the theory of planned behavior, the probability that a behavior will occur depends on an individual's intention to engage in that behavior. Hence, the factor acceptance of corporate governance depends on SMEs' intention (Wu et al., 2020). Besides, when SMEs apply corporate governance, it depends on their attitude, which refers to the perceived desirability and the perception of the outcomes or impact of corporate governance on the firms. Relatively, SMEs in Malaysia are owned and managed by a family member. Thus, the feature of family-owned enterprises is a need for separation of ownership control. This implies that directors and managers cannot be distinguished. However, SMEs have concentrated ownership, all controlled by a small number of industries, families, and their own management. They believe in an insider system where power and incentive to monitor management are closely related by their own to support long-term performance. It shows that SMEs need more awareness regarding accepting corporate governance that has a good relationship with firm performance. This is because SMEs are owned businesses that need more skills and expertise among the family members (Umrani et al., 2016).

Based on the economic census report in 2016, the population of SMEs in Malaysia is greater than that of large firms. Therefore, they primarily contribute to Malaysia's GDP, employment and productivity. SMEs have emerged as a source of economic growth in developed nations. In addition, SMEs are viewed as the backbone of employment growth and productivity. As per the Department of Statistics Malaysia (DOSM), the contribution of Small and Medium Enterprises (SMEs) in Malaysia's GDP experienced a decline to 38.2% in 2020, amounting to a value-added of RM512.8 billion. This marks a decrease from the previous year's 2021, with figures of 38.9% and RM553.5 billion. Even in the time series of Malaysia's and SMEs' GDP, the increase is typically more significant than Malaysia's. Due to the global breakout of the

COVID-19 pandemic, the growth of SMEs' GDP in 2020 was negative 7.3%, which was lower than Malaysia's GDP for the first time in the preceding 17 years since 2003. In the context of the COVID-19 pandemic, businesses are struggling with the risk of closure or discontinuation of operations, especially for SMEs. The global pandemic has profoundly and negatively affected the economy, society, and the environment, leaving significant repercussions on individuals and businesses worldwide (Le and Nguyen, 2022).

In addition, SMEs are categorized as small, referring to their limited capital. Thus, SMEs have limited access to equity to finance the SME's growth (Mahmood, 2008). SMEs may expand their business with more capital, which they can get from external financing. SMEs depend on financial institutions to fulfill the needs of their businesses. About 96% of SME funding comes from financial institutions, and less than 4% comes from the capital market (Zulkafli et al., 2017). Funding sources include commercial banks, Islamic banks, Development Financial Institutions (DFI), Credit Guarantee Corporation Malaysia Bhd (CGC), and even ministries and agencies to support SMEs. However, SMEs encounter difficulties in accessing external financing, such as securing loans from the banking sector. Banks prefer to serve large firms in which they can fulfill the requirement or loan policies. In addition, banks refuse to lend money to SMEs because of repayment problems. Furthermore, when SMEs have an efficient legal system or weak governance structures, it may lead to better business management, consequently affecting firm profit. When SMEs' profit is affected, there needs to be more cash flow to pay loans.

Further, the central bank of Malaysia (BNM) allocated RM14.2 billion in 2020, channelled through financial institutions to provide loans and still has a balance of 50% from the fund. However, SMEs still need help to obtain capital through bank financing. SMEs need more governance to fulfill the loan requirement, specifically documents regarding business proposals and financial records. Hence, when there is no corporate governance compliance, SMEs are limited to providing a good financial report and business statement of the companies as required by the banking sector. SMEs with a comprehensive business plan and a structured financial record would make the loan application affairs easier. However, there is a need to enhance awareness among SMEs regarding the importance of maintaining good financing reporting practices. Thus, SMEs need help 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 et al., 2011). This will enhance the performance of the business in the long run. Hence, the findings of this research were to identify the factors influencing the implementation of corporate governance SMEs in Malaysia.

Literature Review and Hypotheses Development

According to the definition provided by the Securities Commission Malaysia, corporate governance refers to the process and structure used to direct and manage the business and affairs of the company towards promoting business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value while taking into account the interest of other stakeholders (Khatib et al., 2022). Corporate governance reforms in Malaysia have occurred due to corporate misconduct (Wan Hussin and Ibrahim, 2003). Weak corporate governance systems resulted in significant consequences during the 1997-1998 Asian financial crisis and the 2007-2009 Global Financial Crisis (GFC); the Malaysian government has made significant changes to the legal, regulatory, and reporting framework pertaining to shareholders' rights, management control, and other oversight procedures

(Koh, 2003; Alnabsha et al., 2018). The Committee published the Malaysian Code on Corporate Governance (MCCG) in March 2000 to create a corporate governance framework and determine the most effective practices for improving corporate governance norms and standards. The Malaysian code was implemented to instil principles and best corporate governance practices within publicly listed companies, promoting good corporate governance. Furthermore, the code emphasizes internal and external auditing as crucial for monitoring and controlling corporate activities (Laallam et al., 2017).

Corporate Governance Practice in SMEs

According to Mahmood (2008), corporate governance is a collection of institutional interactions between a company's board of directors, management, shareholders and society. These interactions evolve into the framework of corporate governance, the method by which firms are directed and governed. As for Ghanaian SMEs, the advantages of corporate governance are similar to listed firms. These benefits, such as improved performance and access to resources, are essential for the growth and development of SMEs in Ghana. SMEs need guidance on various aspects of business operations, including practical strategies and implementing best practices specific to their respective sectors. Such resources can be provided by including non-executive directors or external board members, similar to the practice followed by listed firms. In addition, external board members can contribute to enhanced management decision-making and assist SMEs in attracting superior resources (Abor and Adjasi, 2007).

In the United Kingdom (UK), Afrifa and Tauringana (2015) investigate the impact of corporate governance determinants on the performance of small and medium-sized firms (SMEs), differentiating between the two business sizes. The results showed a strong correlation between the success of SMEs and elements including board size, CEO age, CEO tenure, and director compensation. These results contribute further evidence supporting the notion that these factors positively impact performance. Therefore, regardless of their size, corporate governance plays a crucial role in influencing the performance of SMEs. It has the potential to transform SMEs from entities with limited growth prospects to firms that achieve sustainable growth through improved performance (Nasrallah and Khoury, 2021).

Rachagan and Satkunasingam (2009) found that the challenge SMEs face in Malaysia when implementing effective corporate governance practices is predominantly attributed to shareholders engaging in related party transactions. Therefore, their study focused on investigating the essential corporate governance practices among SMEs. Furthermore, the ownership structure of Malaysian SMEs exhibits a high concentration among shareholders, which gives rise to heightened agency costs. In addition, this concentration increases the risk of embezzlement by majority shareholders, further exacerbating the situation. To ensure the protection of minority shareholder rights in emerging economies, they employ a self-enforcing mechanism. The model enables minority shareholders to mitigate fraudulent activities and minimize conflicts of interest with majority shareholders through increased direct involvement in firms and utilizing procedural safeguards to balance commercial flexibility and accountability. Umrani et al (2016) emphasized that the failure of many SMEs can be attributed to the inadequate competencies of business owners and the lack of skills and expertise among those in management positions. Consequently, the failure to adopt corporate governance reforms has resulted in numerous fraudulent activities, falsified financial and annual reports, and illicit investment schemes, resulting in substantial financial losses for external investors. The findings also suggest a need for further research on the adoption of corporate governance codes by SMEs. It is worth noting that The Malaysian Code of Corporate Governance was initially implemented for publicly listed companies in Bursa Malaysia with the purpose of regulating and evaluating firms' performance based on established corporate governance standards.

Theoretical Background

Theory Planned Behavior (TPB) serves as a framework for the factors of the acceptance of corporate governance among SMEs in Malaysia. It justifies the adoption of TPB as a theoretical basis in explaining the behavioral intention of the owner/manager to adopt corporate governance. The TPB is to examine or understand human behavior (Hagger, 2019). Therefore, TPB theory is to understand and be considered a stronger predictor of human behavior. There are four factors that can elucidate a manager's behavior in relation to the implementation of corporate governance: (1) attitude, which reflects the manager's favorable or unfavorable disposition towards it; (2) subjective norms, which encompass the individual perspective and the influence of social reference groups regarding the behavior; (3) perceived behavioral control, which reflects the manager's perception of the ease or difficulty in carrying out the action; and (4) intention, which signifies the manager's determination to act or make a decision (Hassan et al., 2019; Ogiemwonyi, 2022).

Figure 1 shows a hypothesis derived from the framework. As defined by Fishbein and Ajzen (2010), attitudes as an individual's beliefs about the outcomes associated with engaging in a particular behavior, multiplied by their evaluation of these outcomes. Attitudes encompass positive and negative beliefs an individual holds regarding the performance of a specific behavior. Therefore, when the manager acknowledges the benefits of corporate governance in enhancing performance and fostering stakeholder relationships, it demonstrates a positive attitude towards implementing corporate governance. This favourable response signifies a recognition of the value and importance of corporate governance.

H1a: There is a relationship between attitudes and the implementation of corporate governance

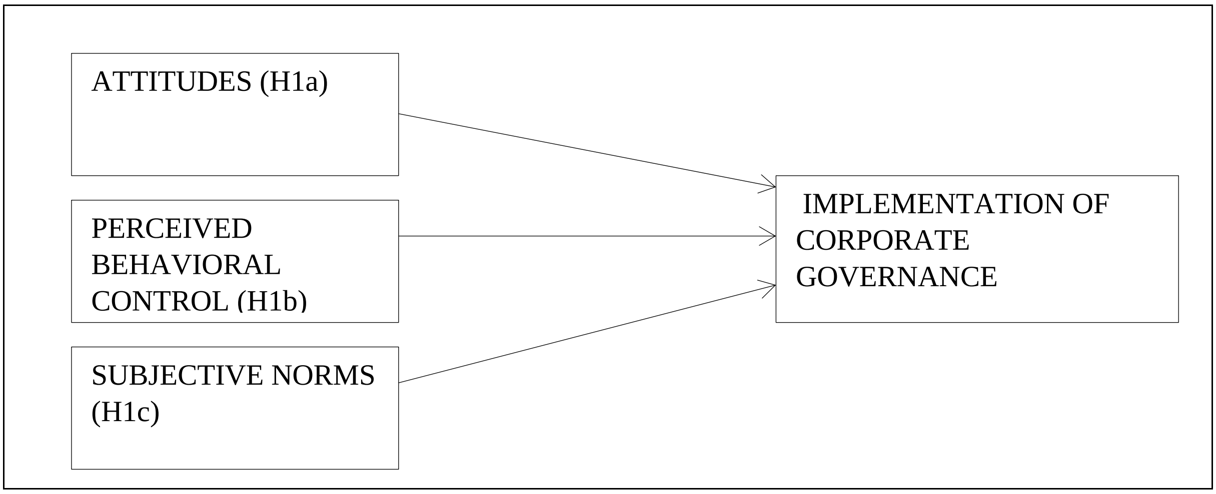

Figure 1: Research Framework

Perceived behavioral control refers to perceiving the ease or difficulty firm associates with executing a particular behaviour (Ajzen, 2006). Hence, the manager would adopt corporate governance if they have the resources. However, they have said that adoption might incur a high cost, referring to hiring non-executive directors, auditors and more. In another way, it is an individual perception that he or she possesses the necessary skills, resources or opportunities to perform the activity successfully. This means that if people are given the opportunity and sufficient control over their behavior, they will realize their intention when the opportunity arises (Jackson and Moerke, 2005). The following hypothesis as follows

H1b: There is a relationship between perceived behavioral control and the implementation of corporate governance

Subjective norms represent an individual's perception of the social pressure exerted on them regarding the execution of a particular behavior. This suggests that individuals possess beliefs about the expectations of certain individuals or groups regarding their engagement in a particular behavior, commonly referred to as subjective norms (Van Hooft et al., 2005). When an individual believes that the individuals they are motivated to conform to expect them to engage in a certain behavior, they will perceive a sense of social pressure to comply with those expectations. Therefore, a person's intention to perform any action is based upon a combination of their attitudes and normative beliefs towards that behavior (Mahmood, 2008).

H1c: There is a relationship between subjective norms and the implementation of corporate governance

Methodology
The study used a quantitative method. The data collection was conducted by distributing a questionnaire to SMEs. Followed by theories to support the questionnaires. This section distributed a questionnaire to the owners/managers of SMEs. Hair et al (2003) state that various data collection methods vary in terms of their cost, time required for data collection, data quality, data quantity, sample control, response rate, and the level of complexity and flexibility. In this data collection process, the SMEs referred to all sectors. The SMEs in Malaysia have a population of 920,624 establishments (Census Report SMEs, 2016). This number of establishments covered all state SMEs in Malaysia. Two criteria define SMEs in Malaysia; total sales turnover and the number of employees.
Moreover, SMEs are categorized into three levels; micro, small and medium. The targeted SMEs must be within a sales turnover of RM50 million or have employees not exceeding 200. According to Krejcie and Morgan (1970), this research needs a 380-recommended sample size. The study used convenience sampling, which allowed for the selection of a sample that adequately represented specific population characteristics by SMEs. This technique analysis is done using Partial Least Square Structural Equation Modelling (PLS-SEM). It assessed the research model and examined the interconnectedness between various factors (Hair et al., 2003).

Result and Discussion
There are 380 survey responses collected from SMEs in Malaysia. The descriptive statistics of the data in Table 1 were discussed to understand the characteristics of respondents and firm profiles. The subsections include gender, respondent age, education, position, type of business, age of business, type of sectors, business size and turnover. The gender results are equal for 190 male respondents (50%) and 190 female respondents (50%). Next, the Age of

the respondents shows 322 respondents (84.7%) at 31-40 years old, followed by 35 respondents at 18-30 years old. While 18 respondents are 41-50 years old, and 5 respondents are above 60 years old. None of the respondents were aged 51-60 years old.

The education shows three levels of education; the highest level is a Degree for 321 respondents (84.5%), followed by a Diploma/Certificate for 50 respondents (13.2%) and primary/secondary school for 9 respondents (2.4%). Next, the position level where, about 277 respondents (72.9%) were from the Manager level, 84 respondents (22.1%) were from owners of the SMEs, and 19 respondents (5.1%) from choose others, which some answered from an executive, supervisor, and staff.

Type of Business shows that the majority answered from Sdn. Bhd. at 281 respondents (73.9%), followed by Sole Proprietorship at 66 respondents (17.4%) and 20 respondents (5.3%) from Partnership, and there are 13 respondents (3.5%) who chose others who were from Enterprises. Age of Business shows 148 respondents (38.9%) business at 5 – 10 years, 140 (36.8%) respondents at age 11-20 years, followed by 55 respondents (14.5%) at less than 5 years and 37 respondents (9.7%) at above 20 years.

The type of sector businesses has five sectors in SMEs. The table shows that the manufacturing sector is the highest at 254 respondents (66.8%), followed by the Services at 119 respondents (31.3%), constructions at 5 respondents (1.3%) and agriculture at 2 respondents (0.5%)—none from mining and quarrying.

Furthermore, the questionnaire aimed to assess the level of awareness these respondents have regarding corporate governance. Of the 124 respondents, 32.7% were 'very well informed'. The highest number of respondents, 241 (63.4%), indicated they were 'not so much informed', while 15 (3.9%) stated they were 'not informed at all'.

Table 1
Respondents and Firm Profile

Description		Frequency	%
N = 380			
Gender			
	Male	190	50
	Female	190	50
Age			
	18-30	35	9.2
	31-40	322	84.7
	41-50	18	4.7
	51-60	0	0
	60+	5	5
Education			
	Primary/ Secondary school	9	2.4
	Diploma/ Certificates	50	13.2
	Degree	321	84.5
Position			
	Owner	84	22.1
	Manager	277	72.9
	Others	19	5.1
Type of Business			
	Sole Proprietorship	66	17.4
	Partnership	20	5.3
	Sdn. Bhd.	281	73.9
	Others	13	3.5
Age Business			
	less than 5 years	55	14.5
	5 -10 years	148	38.9
	11-20 years	140	36.8
	> 20 years	37	9.7
Type of Sector			
	Manufacturing	254	66.8
	Services	119	31.3
	Agriculture	2	0.5
	Constructions	5	1.3
	Mining and Quarrying	0	0
Awareness			
Corporate	Very well informed	124	32.7
Governance	Not so much informed	241	63.4
	Not informed at all	15	3.9

Measurement Model Analysis

This section discusses the measurement model analysis, which is used to identify the relationship between the constructs and the items as well as the relationship constructs. The analysis was conducted by SMART-PLS software, where the analysis of the measurement model and evaluation of the structural model.

Evaluation of Measurement Model

In the initial stage, the measurement model focused on evaluating the validity and reliability through a comprehensive analysis that included the following aspects: (1) internal consistency reliability, (2) indicator reliability, (3) convergent validity, and (4) discriminant validity. Figure 2 demonstrates the measurement model for this study.

Assessment of Internal Consistency

Table 2 shows the composite reliability values for attitude (0.960), the subjective norm (0.986), perceived behaviour (0.990) and intention (0.944). The findings have revealed a value greater than 0.8, signifying high internal consistency reliability. Consequently, the results indicate that the selected items representing the constructs possess satisfactory internal consistency reliability (Gefen et al., 2000).

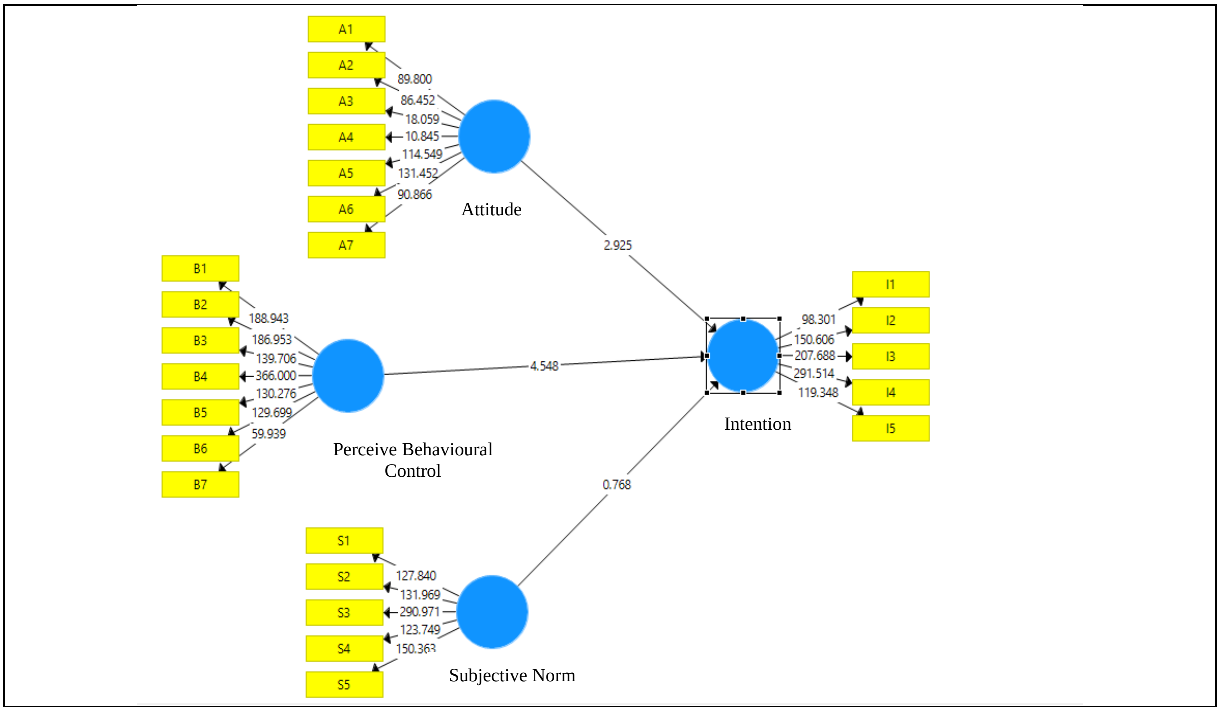

Figure 2: Measurement Model

Assessment of Composite Reliability

The measurement model's indicator reliability assessment is conducted based on item loadings. An indicator is considered to have satisfactory reliability when its item loading value reaches 0.70. However, a factor loading of 0.50 or higher is also deemed acceptable, particularly when other loadings result in high loading scores that contribute to achieving average variance extracted (AVE) scores greater than 0.5 (Byrne, 2010). Consequently, Table 2 demonstrates that no value below 0.50 will be excluded.

Assessment of Convergent Validity

Table 2 demonstrates that the Convergent Validity (CV) of Attitude is 0.777, Perceived behaviour Control is 0.932, Subjective norm is 0.933, and Intention is 0.944. This result shows that the convergent validity is considered satisfactory when the Average Variance Extracted (AVE) value of the constructs is equal to or greater than 0.5.

Table 2
Measurement Model Evaluation

Construct	Items	Loading	CR	AVE	CV	DV
CG is effective	A1	0.944	0.960	0.777	Yes	Yes
CG is good	A2	0.942				
CG is foolish	A3	0.736				
CG is harmful	A4	0.650				
CG is positive	A5	0.952				
CG is beneficial	A6	0.954				
CG is rewarding	A7	0.937				
Implementing CG would be easy	B1	0.702	0.990	0.932	Yes	Yes
Implementing of code CG would be under my firm's control	B2	0.733				
Implementing CG would be simple to arrange	B3	0.668				
Cost of Implementing CG is far greater than its benefits	B4	0.753				
The cost of maintaining CG would be very high for our company	B5	0.740				
The cost involved in providing support system for boards would be very high for our company	B6	0.699				
The amount of money and time invested in shareholders are very high	B7	0.725				
Most people who are important to my company think my company should have CG	S1	0.957	0.986	0.933	Yes	Yes
Most people who influence the operation of my company think my company should adopt CG	S2	0.965				
People whose opinions our firm value would approve our firm to adopt CG	S3	0.981				
Most others firm that are important/related to my firm have adopted CG	S4	0.959				
Recommendation from shareholders, co-owner may influence our firm decision to have CG	S5	0.966				
My company intends to implement CG	I1	0.955	0.988	0.944	Yes	Yes
My company are plans to implement CG	I2	0.971				
My company have a strong commitment to have CG	I3	0.980				

My company will voluntary implement CG	I4	0.985				
My company has implemented CG	I5	0.966				

Assessment of Discriminant Validity

This study measures the discriminant validity by Fornell Lacker's criterion of the indicators, as shown in Table 3. A measurement model exhibits discriminant validity when the square root of the Average Variance Extracted (AVE) surpasses the correlations between the given measure and all other measures. The values of 0.881, 0.965, 0.966, and 0.971 demonstrate higher significance compared to the correlations with other constructs, indicating stronger discriminant validity. Hence, the result confirmed that the Fornell Lackers criterion is met.

Table 3

The Fornell Lackers Criterion

	Attitude	Subjective Norm	Perceived behaviour	Intention
Attitude	**0.881**			
Perceived behaviour	0.859	**0.965**		
Subjective Norm	0.864	0.965	**0.966**	
Intention	0.855	0.894	0.881	**0.971**

Evaluation of Structural Model

The paths' co-efficient is when a path connecting two variables represents a hypothesis. To assess the significance level, a bootstrapping procedure was run to generate the path value. According to Chin (1998), the larger R^2 values increase the structural model's predictive ability. Hence, figure 3 shows that R^2 for intention is 0.828, indicating that intention explains 82% of the variance constructs.

The effect size f2 is an assessment of the effect of each exogenous construct on endogenous constructs' R^2 value. Figure 3 shows that the effect size of attitude to intention is 0.145, and perceived behavioural control is 0.100; thus, it has a medium effect. While the effect size of the subjective norm is 0.004, which denotes a small effect for intention. Thus, this will affect an amendment in R for intention when the subjective norm is removed from the model.

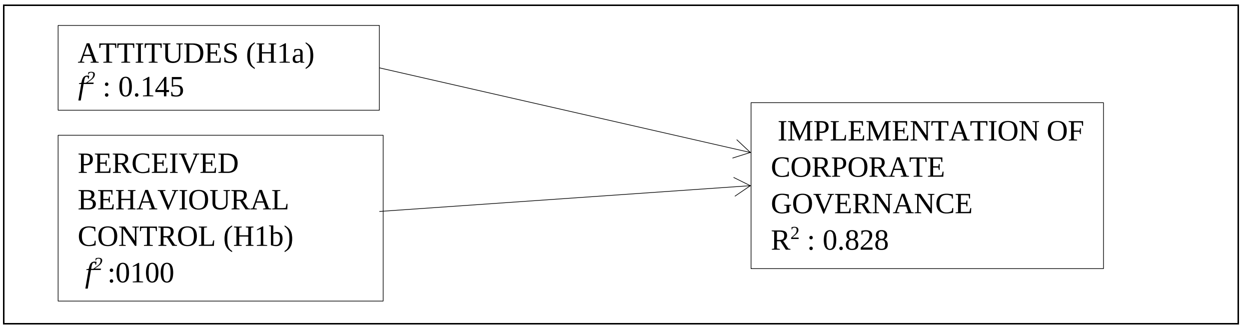

Figure 3: Structural Model

Several hypotheses were developed from the latent variables to determine the relationships between the constructs. Table 4 shows the result of the path coefficient assessment.

Table 4
Path Coefficient Assessment

Hypothesis	Relationship	Direct Effect (β)	Standard Deviation (STDEV)	t-value	p-value
H1a	Attitude → Intention	0.320	0.109	2.925	0.004*
H1b	Perceived Behavioural Control → Intention	0.513	0.113	4.548	0.000*
H1c	Subjective Norm → Intention	0.109	0.142	0.768	0.443

Note: * $p<0.01$

The results indicate that two out of three are significant at a 95 percent confidence interval, as their p-values are less than 0.01. Attitude -> Intention (β = 0.320, t-value =2.925, p-value = 0.004) and perceived behavioural control -> Intention (β = 0.513, t-value = 4.548, p-value = 0.000). While subjective norm -> Intention (β = 0.109, t-value = 0.768, p-value = 0.443). Hence, results show that H1a and H1b were supported in this study.

H1a: There is a relationship between attitudes and the implementation of corporate governance.

Hypothesis H1a states that attitude is related to corporate governance implementation. The findings found that SMEs' attitude is positive and significantly influences managers' behavior toward implementing corporate governance (β = 0.320, p-value = 0.004). Therefore, the results show that managers have a positive feeling about performing on the target behavior on attitudes. This is likely to be affected by both the benefits and risks associated with corporate governance (Li et al., 2022). Hence, they are hypothesized to influence the implementation of corporate governance. Thus, the greater the positive intention of the manager attitude, the higher the intention to implement corporate governance in SMEs. Hence, when the manager agrees that Corporate Governance is beneficial, improving performance and engaging the relationship between shareholders, the positive reaction indicates a favorable attitude toward implementing Corporate Governance in SMEs (Fishbein and Ajzen, 2010).

H1b: There is a relationship between perceived behavioural control and the implementation of corporate governance.

Hypothesis H1b states that Perceived Behavioural Control (PBC) has a relationship with the implementation of corporate governance. The results found that SMEs perceived behavioural control positively and significantly influenced managers' decision to implement corporate governance (β = 0.513, p-value = 0.000). Thus, the hypothesis is supported in this study. A PBC refers to the degree of difficulty in performing the behavior. Therefore, these factors influence the decision to adopt. Hence, managers believe that if they possess the necessary skills, resources and opportunities to implement the code of Corporate Governance in the SMEs, they are more likely to accept corporate governance (Jackson and Moerke, 2005). Therefore, they will directly implement corporate governance if given resources for their firms. In other words, managers must have adequate and appropriate skills to implement

Corporate Governance. Besides that, firms with higher facilitating resources would have a higher PBC because these forms can select the type of corporate governance code that would impact their performance more (Hamid, 2023).
Furthermore, SMEs express confidence in the potential of corporate governance to enhance their company's performance. However, the responsibility for implementing the system rests entirely with SMEs. In addition, they also supported the idea that some SMEs have limited funds to adopt costly systems like corporate governance. Moreover, they believe that a few circumstances outside of control may prevent the implanting of corporate governance. Therefore, the more likely the SMEs perceive the difficulty of implementing corporate governance, the more likely their intention to accept corporate governance is.

H1c: There is a relationship between subjective norms and the implementation of corporate governance.

Hypothesis H1c states that subjective norm has no relationship with the implementation of corporate governance. The results revealed that the Subjective Norm did not show an intention to implement Corporate Governance in SMEs (β = 0.109, p-value > 0.443). Therefore, the hypothesis (H1c) is not supported. Based on Mahmood (2008), the managers will be motivated to perform the behavior by the perceptions of significant others, such as pressure from the stakeholders. The results indicated that Managers of SMEs are yet to be ready for the perception among stakeholders of the development in Corporate Governance implementation towards SMEs. The result shows that the manager's thoughts on how the stakeholders' views of implementing corporate governance in the firm differ from adopting the code in their firm.
This could be because the stakeholders need to be aware of the benefits of implementing Corporate Governance, which would affect SMEs' high performance. Hence, this results in the managers' perception of not performing the corporate governance code. However, past research has proved that the more influential the stakeholders' perception is, the more motivation managers have to comply. Moreover, any decision or opinion of the board will affect the implementation of corporate governance in SMEs. Therefore, the more influential the referent group is to the respondent, the more motivation they have to comply, and thus, the more likely their intention to accept corporate governance.

Conclusion
SMEs have become a source of economic growth in developed nations, particularly in Malaysia. The implementation of corporate governance within these SMEs is vital for enhancing their competitiveness and ensuring sustained development. The study aims to investigate the factors influencing the SMEs in Malaysia to implement corporate governance. The results have underscored two pivotal hypotheses. Firstly, the 'attitude' of SMEs towards corporate governance plays a significant role. SMEs generally recognize its potential benefits, especially in enhancing company performance. Yet, challenges such as the perceived high costs of implementation and ongoing maintenance become deterrents. Secondly, 'perceived behavioural control' emerges as a crucial factor. This is evident from concerns like limited financial resources and external uncontrollable factors that might impede adoption. In contrast, subjective norms do not influence SMEs implementing the corporate governance code. Overall, the complex interplay of these factors dictates the intention of SMEs in Malaysia to accept implementing corporate governance.

In theoretical implications, the findings from this study offer vital contributions to the furtherance of knowledge concerning corporate governance and the performance of SME firms by studying the relationship between factors (attitude, perceived behaviour control, subjective norms) and intention through the adoption of the TPB theory as suggested by (Fishbein and Ajzen, 2010). The findings discussed the owner's attitude toward participating in corporate governance, which strongly relates to implementing their companies. This is linked to desirable performance and a more engaging relationship between shareholders. The finding also discussed that the owner's assessment of the perceived behaviour control to perform the corporate governance significantly influences the SME performance.

While in practical contribution, the findings of this study provide an implication for regulators and policymakers. First, this study can provide guidelines for developing corporate governance. This study has successfully created a framework to support the justifications and explanation of the implementation of corporate governance, which leads to the result for SME performance. Hence, the regulators should start raising SMEs' awareness of the value of good corporate governance practices through financial aid, tax incentive plans, or recognition of good corporate governance to SMEs. Hence, it is imperative for policymakers to engage in research and contribute towards establishing a comprehensive framework for evaluating corporate governance in Malaysia, ensuring alignment with international standards while remaining tailored to the unique Malaysian context. There is a pressing need for the development of corporate governance guidelines adapted to companies' specific circumstances. These regulations must effectively synchronize the objectives of the company with the expectations and interests of its stakeholders.

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