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Value Relevance of Financial Information through the Lens of Ethical Practice Disclosure: A Look at the Top 100 Malaysian Good Corporate Governance Companies

Shukriah Saad
Faculty of Accountancy, UiTM Cawangan Selangor, Kampus Puncak Alam Bandar Puncak Alam, 42300, Selangor Darul Ehsan, Malaysia
Email: shukriah736@uitm.edu.my

Hannan Mohd Zaini
Kementerian Pembangunan Usahawan & Koperasi, Blok E4/5, Kompleks Kerajaan Parcel E, Pusat Pentadbiran Kerajaan Persekutuan, 62668, Putrajaya, Malaysia
Email: hannan.zaini@kuskop.gov.my

Mohamad Ridhuan Mat Dangi
Faculty of Accountancy, UiTM Cawangan Selangor, Kampus Puncak Alam, Bandar Puncak Alam, 42300, Selangor Darul Ehsan, Malaysia
Corresponding Author Email: ridhuan@uitm.edu.my

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Abstract
The rise in moral lapses and accounting scandals, like Cendant Corp, Tyco, Enron, WorldCom, Waste Management, Health South, and Parmalat, eroded confidence in financial information. Despite efforts to comply with regulations and strengthen corporate governance through the Malaysia Code of Corporate Governance (MCCG), scandals and poor performance affect government-related companies in Malaysia. Unethical practices and transparency issues persist, impacting corporate accountability, productivity, and public trust. This study examines the value relevance of financial information using the modified Ethical Commitment Index (ECI), analysing 300 companies' annual reports from 2018 to 2020. The objective is to explore the impact of ethical practice disclosure on financial information's value relevance. The findings indicate a significant relationship between ethical practice disclosure and value relevance, suggesting that businesses adhering to high ethical standards gain a competitive advantage and create shareholder value. This paper offers insights into the value relevance of financial information through ethical practice disclosure among the top 100 Malaysian public companies, with suggestions for future research.

Keywords: Accounting Scandals, Corporate Governance, Financial Information, Ethics, Ethical Commitment Index, Ethical Practice Disclosure, Value Relevance

Introduction

The broad objective of financial statements is to communicate information and an economic forecast about a corporate entity's property and financial position. By its nature, the financial information system gleans data that becomes the foundation for building financial measures. The fundamental components of these financial measures are property resources (such as assets, liabilities, capital, and funds), results or effects of activity (such as income, profit, or loss), and cash flows that include operating expenses, investment and financial activity (Szydelko & Biadacz, 2016). In current business conditions, financial statements are obliged to have complete, objective, and reliable information that is beneficial for existing and potential investors, lenders and other creditors to form their business acumen on the resources and performance of a firm in the decision-making process (Azar, Zakaria, & Sulaiman, 2019; Osadchy et al., 2018). Ensuring sufficient and timely disclosure of the information is crucial for investors to accurately evaluate expected returns and estimate appropriate risks for prospective investments.

The International Accounting Standards Board (IASB) requires financial information to be relevant, accurate and presented faithfully to convey reliable information. This mandate positively impacts investors and other stakeholders by facilitating informed investment, credit, and resource allocation decisions and preventing the capital market from functioning adversely (Mirza, Abbas, & Nawaz, 2020). The cornerstone of this principle is to provide high-quality financial information guided by ethical principles. This ensures that relevant and accurate information is available to enhance accountability, transparency, and the effectiveness of information in line with the standards set by the IASB (Odesanya, Enyi, Adegbie, & Salawu, 2019).

However, the surge of moral transgressions and accounting scandals in high-profile cases such as Cendant Corp and Tyco, Enron, WorldCom, Waste Management, Health South, and Parmalat has eroded the trust among financial information users (Imo, Rashid, & Lateef, 2020). In Malaysia, many well-known companies, including MEMs Technology, Gula Perak, Puncak Niaga, Transmile, Megan Media, and Welli Multi, have faced penalties for ethical violations (Mohd Aluwi, Md Nasir, & Yusoff, 2021). Despite substantial regulations to strengthen corporate governance through the Malaysia Code of Corporate Governance (MCCG), 70 per cent of registered Malaysian companies have committed some form of economic crime, such as fraud, cybercrime, asset misappropriation, bribery, corruption, and business misconduct, according to PwC (2020), Global Economic Crime and Fraud Survey. However, the actual figure could be higher, as many cases remain unreported. Meanwhile, the National Anti-Corruption Plan 2019-2023 (NACP) has highlighted that 80 per cent of companies investigated by the Malaysian Anti-Corruption Council (MACC) are linked to procedural manipulation, conflicts of interest, and insufficient internal controls and transparency (Abdullah, 2019). The NACP report has brought to light issues such as institutions lacking independence, resulting in business scandals, failure to penalise violators, and inadequate monitoring due to resource constraints.

The growing awareness of unscrupulous conduct within corporate entities has increased the need for ethical commitments. Companies must implement ethical accounting standards and practices as they significantly impact their performance (Chouaibi, Rossi, Siggia, & Chouaibi, 2021; Edi & Enzelin, 2022; Kiradoo, 2020). Companies that adhere to ethical practices have a higher market value than those that neglect them (Alfaraih, Alanezi, & Alanzi, 2015; Khaireddine, Salhi, Aljabr, & Jarboui, 2020; Ofoegbu, Odoemelam, & Okafor, 2018; Salin, Ismail, Smith, & Nawawi, 2019). Ethical practices involve maintaining the value of financial information by ensuring accurate financial reporting, presenting assets and liabilities honestly without management coercion, and fulfilling stakeholder interests while ensuring long-term financial stability (Abidin, Hashim, & Ariff, 2020). In fact, ethical practices can act as a competitive advantage by signalling an organisation's responsibility to stakeholders and its commitment to protecting its interests. According to Chouaibi et al (2021), ethical business practices have gained growing attention due to their positive impact on environmental sustainability and corporate financial performance. As a result, social and moral considerations are increasingly influencing market dynamics and shaping business strategies.

Furthermore, it is crucial to aid investors in making informed decisions by providing relevant and accurate information that helps discern between alternative uses of limited resources (Mirza, Malek, Abdul-Hamid, & McMillan, 2019). One of the four main qualitative characteristics of financial information is value relevance, which is essential for evaluating its usefulness from an investor's perspective (Mirza et al., 2019; Sutopo, Kot, Adiati, & Ardila, 2018). Value relevance in accounting refers to the capacity of accounting measures to capture and summarise information that affects share prices or stock returns and reflects information that impacts the firm's value (Der, Polak, & Masri, 2016). Therefore, relevance is closely linked to the notion of usefulness, and materiality underscores the ability of users to make informed decisions (Imhanzenobe & McMillan, 2022).

In essence, a company's performance and prospects are central factors that influence its market value and stock prices, thereby impacting decision-making. While many studies have examined the usefulness and quality of financial reporting (Im & Nam, 2019), literature is scarce on value relevance research in developing countries (Almagtome & Fadhil Abbas, 2020; Mirza et al., 2019). Therefore, it is imperative to expand the scope of research and delve deeper to measure the usefulness of financial information by including ethical disclosure practices as another element that could increase a firm's performance value. Since, the board of directors has moral and ethical responsibilities to the stakeholders, such as upholding shareholder rights (majority and minority) and employees' rights and safety, thus, ethical practices should have the capacity to provide all stakeholders' overall well-being, equally and equitably. Therefore, excellent corporate governance practices strengthen ethical behaviours and amplify the associated outcomes and benefits.

Consequently, this study is timely and crucial in addressing the association between ethical practice disclosure and value relevance for a firm's performance. Given the concerns surrounding the significance of financial statement quality, this study aims to examine the ethical practice disclosure among Malaysian public listed companies from 2018 to 2020 and the primary objective is as follows:

- To determine the impact of companies' ethical practice disclosure on the value relevance of financial information.

Literature Review

Underpinning Theory: The Basis for Corporate Behaviour and Disclosure

Organisational behaviour scholars have frequently employed stewardship and stakeholder theories to elucidate why firms voluntarily disclose information. These theories have been recognised for supporting the association between corporate governance and disclosure behaviour.

Stewardship theory has its roots in sociological and psychological backgrounds, and it acknowledges that managers are driven by collectivistic, pro-organisational, and trustworthy purposes (Dominguez-Escrig, Mallén-Broch, Lapiedra-Alcami, & Chiva-Gomez, 2019; Dumay, La Torre, & Farneti, 2019). The theory clarifies that directors or managers act as stewards and are willing to work collectively for the company's best interests or the organisation's utility rather than prioritising their economic interests or self-serving benefits (Dominguez-Escrig et al., 2019; Keay, 2017). Stewards possess intrinsic motivation, and their behaviour is dedicated to achieving organisational goals. The context of stewardship theory emphasises nurturing leaders' longer-term views and solid commitment to the organisation and its objectives, which also impact corporate accountability and disclosure (Dewi, Azam, & Yusof, 2019). Hence, stewardship theory highlights the importance of ethical practices for sustainability since this behaviour builds trust among corporate leaders and stakeholders.

The combination of steward behaviour and ethical practice disclosure enables companies to understand how they interact to create value (Dumay et al., 2019). Empirical research has demonstrated a strong relationship between stewardship theory and trust, where managers are no longer viewed as self-interested actors but rather as stewards of resources (Aßländer, Roloff, & Nayır, 2016; Dominguez-Escrig et al., 2019). Stewardship theory posits that corporate leaders are motivated by considerations of justice, fairness, and concern for the interests of others, driving them to accomplish their responsibilities excellently (Keay, 2017). Therefore, stewardship theory serves as an overarching guide to reflect managerial behaviour and ethical disclosure. Furthermore, studies (e.g., Aßländer et al., 2016; Dumay et al., 2019; Odhuluma & Chinedu, 2019) suggest that stewardship theory is an essential response and provides a basis for corporate leaders to disclose ethical practices through financial information, ensuring quality financial reporting.

Another theory, which is stakeholder theory, suggests that the purpose of a business is to create as much value as possible for all stakeholders, including shareholders, managers, employees, creditors, suppliers, local communities, and the general public, who have a legitimate claim over the company (Khaireddine et al., 2020; Ofoegbu et al., 2018). Unlike stewardship theory, which focuses on long-term wealth creation, stakeholder theory asserts that companies are responsible for balancing all stakeholders' interests and protecting them (Ching & Gerab, 2017; Van Puyvelde, Caers, Du Bois, & Jegers, 2011). This can be achieved by disseminating information, considering the needs of various groups, incorporating those needs into the strategic planning process, and managing their interests in routine decision-making processes (Duran & Rodrigo, 2018; Khaireddine et al., 2020).

Stakeholder theory identifies and recognises the relationship between a company's behaviour and its impact on its stakeholders. The company must be able to act in response to complex regulations and develop a trusting, engaging, and constructive information flow with its stakeholders to attain a competitive advantage (Duran & Rodrigo, 2018; Khaireddine et al., 2020). As the company is a nexus of relationships and contracts involving multiple groups of stakeholders with different interests and goals, it must satisfy informational needs and ensure all related parties are treated fairly. In this regard, stakeholders have the right and power over disclosed information, which should be ethically presented (Ariyani & Hartomo, 2018; Duran & Rodrigo, 2018).

Despite their differences, stewardship and stakeholder theories provide an underlying paradigm that emphasises the importance of ethical practice disclosure in delivering information to stakeholders. Meeting various stakeholders' needs, interests, and expectations is an indispensable part of business philosophy. Therefore, ethical practice disclosure has a profound impact that can affect the firm's resource control and value creation in the long run.

Ethical Commitment: The Mechanism of Good Corporate Governance

Commitment refers to a sense of loyalty to a social structure where individuals believe that being loyal to society can result in mutual benefits (Gennari, 2019; Mohd Aluwi et al., 2021; Segon & Booth, 2013). On the other hand, ethical practice involves moral principles that guide an individual's behaviour and decision-making, encompassing notions of right and wrong, good and bad, virtues and vices (Odesanya et al., 2019; Odhuluma & Chinedu, 2019). Combining these two concepts yields the etymology of "ethical commitment", which suggests a determination to behave according to one's moral principles to maintain a positive relationship with stakeholders. Employees committed to doing the right thing and acting ethically at all times can help make their companies safer and more productive (Inyang, Oboh, & Nwabuikem, 2019).

Ethics and corporate governance are often interrelated, with corporate governance regularly emphasising ethics-related concepts such as anti-corruption, transparency, corporate integrity, and compliance (Khaireddine et al., 2020). Incorporating ethical practices such as a code of ethics, ethics training, and a whistle-blowing policy within the corporate governance structure can establish effective instruments for monitoring control (Franczak, 2019; Murdayanti et al., 2020). A company's ethical commitment can thus facilitate good corporate governance and the dissemination of ethical policies to discourage unethical conduct.

Numerous studies have examined ethical commitment using various metrics and theoretical lenses, and prior research has identified elements of ethics programmes that have evolved into tools for assessing ethical commitment over time. For instance, Brenner (1992), outlined ethical programmes in two dimensions: formal and informal. The informal dimension includes corporate culture, leadership, and management behaviour, while the formal component comprises a code of ethics, staff training, and seminars. Weaver, Treviño, and Cochran (1999), identified six elements of ethics programmes: a code of ethics, sanctions for unethical behaviour, ethics committees, ethics training, ethics communication initiatives, and ethics officers. Callaghan, Wood, and Svensson (2008), and Whyatt, Wood, and Callaghan

(2012), examined other supporting measures for the code of ethics, such as ethics training, communication of the codes, whistle-blowing procedures, ethics committees, and employee appraisal programmes.

Meanwhile, a systematic review by Remišová, Lašáková, and Kirchmayer (2018), revealed that ethics documentation, ethics education, ethics authorities/committees or officers, reporting mechanisms, and monitoring/control mechanisms are standard ethics components found in the literature. On the other hand, Abidin, Hashim, Salleh, and Devi (2019) conducted a study on the level of disclosure of ethical practices among Malaysian public listed companies using six themes: corporate ethical values, action to promote ethics, whistle-blowing policy, code of ethics, sustainability practices, and ethics committee. Building on the work of Abidin et al. (2019), the present study incorporates these themes to examine the relationship between ethical practice disclosure and the value relevance of information.

Corporate Ethics Values (CEV)

The fundamental principles or corporate ethics values are the cornerstones of an organisation's ethical culture. A company's vision and mission statements can serve as a conduit for its ethical principles, representing its ethical orientation and strategy (Im & Nam, 2019). The corporate mission statement is the heart of any organisation and consists of its essential principles (Craft, 2018). The principles guiding ethical qualities such as integrity, compassion, courage, honesty, loyalty, trust, forgiveness, resilience, and optimism are encouraged in organisations to foster an excellent corporate environment (Aifuwa, Embele, & Musa, 2018). Moreover, communicating or promoting a company's ethical beliefs to its stakeholders could be seen as a strategy for competitive advantage, as it can help increase the firm's value to shareholders (Karim, Suh, & Tang, 2016; Nasir, Hashim, Nawi, Yusoff, & Aluwi, 2021). Corporate organisations in Malaysia understand the significance of corporate strategy disclosures (Abidin et al., 2020). Therefore, management must promote ethical values to develop an ethical culture and create value for companies (Nasir et al., 2021). Leaders who embody and promote these ethical values serve as role models, inspiring employees to align their behaviour with the company's ethical standards (Aifuwa et al., 2018). Furthermore, ethical leadership enhances decision-making processes by ensuring that organisational goals are pursued in a socially responsible and transparent manner, which in turn builds trust among stakeholders.

Action to promote ethics (ACT)

Companies must establish ethics programmes to nurture an ethical culture. This culture can be successfully developed when firms communicate their ethical principles via appropriate programmes and demonstrate leadership commitment to ethics (Abidin et al., 2020; Edi & Enzelin, 2022). The provision of specific ethical policies and their implementation through formal programmes consisting of ethics training, appraisal, and disciplinary action demonstrates an organisation's willingness to foster an ethical culture (Craft, 2018; Endenich & Trapp, 2018; Enofe, Edemenya, & Osunbor, 2015; Mohd Aluwi et al., 2021). Therefore, ethics programmes are essential to building an ethical culture in organisations. Managers are accountable for ensuring that ethical behaviour is upheld within the organisation and that unethical conduct is strictly prohibited. Promoting ethical behaviour is vital to provide a structural approach to aligning employees' actions with the organisation's core values, ensuring that ethical behaviour becomes embedded in the company's day-to-day operations (Gatea, Gali, & Abdullah, 2022).

Whistle-Blowing Policy (WBP)

Corporate disclosure and transparency are increasingly necessary for companies to act ethically in the marketplace. The whistle-blowing policy provides a platform for anyone, both internal and external parties to the company, to report any misconduct or wrongdoing during business operations (Carollo, Pulcher, & Guerci, 2020; Quayle, 2021). However, implementing a whistle-blowing policy has various obstacles, particularly in the Malaysian context (Nasir et al., 2021; Salin et al., 2019). These problems include a sense of loyalty among workers at different levels, ranging from top management to employees, fear of retaliation, and a reluctance to interfere in others' personal matters (Latif, & Kamardin, 2018; Salin et al., 2019), which contribute to the ineffectiveness of whistle-blowing practices.

Companies can establish an ethics hotline or other means of open communication to create a safer platform for their employees to express their concerns about unethical behaviour (Farooqi, Abid, & Ahmed, 2017). Establishing a whistle-blower protection scheme will encourage employees to expose malfeasance without fear (Carollo et al., 2020; Quayle, 2021). Whistle-blowing practice is mainly consistent with the principles of responsible management. By being transparent about the policies, practices, standards, methods, and safeguards in whistle-blowing activities, companies can demonstrate to their stakeholders that they are serious about eliminating misconduct within the firm, indicating that it was handled by responsible management (Carollo et al., 2020; Gatea et al., 2022).

Code of Ethics (CODE)

A formal and widely disseminated code of ethics is another way for an organisation to demonstrate its commitment to ethical practices. An effective code of conduct should be easily understood by both management and employees and raise awareness about the need to follow its principles (Jimoh & Festus, 2022; Yahaya & Yusuf, 2020). Companies with a comprehensive code of ethics have been shown to have a positive impact on employee morale (Odesanya et al., 2019; Salin et al., 2019), develop a strong ethical culture, and reduce instances of unethical behaviour in the workplace (Endenich & Trapp, 2018; Rogosic, 2021). The ideals and principles outlined in an ethical code are designed to ensure that everyone in the organisation acts in accordance with those values and principles. The importance of ethics in business development is evident in boosting the company's value, including attracting customers, reducing turnover rates, improving productivity, and attracting investors, thereby keeping the share price high (Gheraia, Saadaoui, & Abdelli, 2019; Khaireddine et al., 2020). Hence, adopting and adhering to a high-quality code of ethics is one of the essential measures for establishing an ethical culture among the firm's personnel. Furthermore, a well-implemented code of ethics can serve as a valuable tool for decision-making and conflict resolution within the organisation. Research has shown that organisations with robust ethical codes are better equipped to handle crises and maintain stakeholders' trust even during challenging times (Gatea et al., 2022; Gennari, 2019).

Sustainability Practice (SUST)

Balancing financial, environmental, and human growth is crucial for developing a robust business strategy, and sustainability practice has become a powerful instrument for companies to improve their market value by balancing the interests of stakeholders and shareholders (Loh, Thomas, & Wang, 2017; Miralles-Quirós, Miralles-Quirós, & Gonçalves, 2018). Scholars have identified that organisations that highly prioritise sustainability practices seek organisational legitimacy by considering board oversight, planning for sustainable responsibility actions, focusing on compliance, ethical behaviour, and external verification (Alshehhi, Nobanee, & Khare, 2018; Ching & Gerab, 2017; Sutopo et al., 2018). Encouraging sustainable practices not only complies with necessary standards but also draws the attention and value of stakeholders. For example, Loh et al. (2017) concluded that firms that implement sustainable practices have a positive correlation with corporate market value, reduce risk, improve wealth maximisation, and enhance investor confidence. In other words, sustainability practices may be seen as a pledge to stakeholders, where contributing to society and the environment develops a company's image and reputation (Eger, Miller, & Scarles, 2019). Instead of solely concentrating on the company's economic matters, organisations must disclose their sustainability practices to remain relevant in ever-changing markets.

Ethics Committee (ETH)

An ethics committee plays a vital role in overseeing its functions to ensure the successful implementation of a company's ethical practices. Leadership commitment largely determines the values, norms, and practices that permeate an organisation and its membership (Kiradoo, 2020). A robust ethical committee is essential for a powerful, morally based organisation (Gheraia et al., 2019). The committee's strength is founded on each member's ethical behaviour and attitude. The ethics committee can fulfil its function by providing a platform for employees and stakeholders to voice ethical issues, develop ethics-related policies and support, oversee, and evaluate ethics programmes (Arik, Kaptein, & Karrsing, 2018).

An organisation with a well-functioning ethics committee will have employees who are fully aware of and adhere to the ethics programme and guidelines (Im & Nam, 2019; Salin et al., 2019). Furthermore, establishing an ethics committee promotes stakeholder protection, strengthens the board's expertise and commitment, and protects the integrity of the decision-making process (Gennari, 2019). The committee emphasises and highlights the importance of ethical concerns as a crucial instrument for guiding management on how the firm should be administered. The existence of this committee may also significantly assist the organisation in promoting an ethical culture and gaining corporate credibility in the eyes of stakeholders.

Value Relevance of Financial Information

The term "value relevance" was commercialised by Amir, Harris, and Venuti (1993) and has its roots in research from the 1960s and later, with most value relevance-related work being based on research from two decades ago (Mirza et al., 2019). Value relevance refers to the statistical relationship between accounting information and a firm's value or stock returns, as defined by Francis and Schipper (1999). In this context, value relevance refers to the ability of accounting information to record or summarise information that influences the share price or stock return. This is consistent with Barth, Beaver, and Landsman (2001), and Hellstrom (2006), who agreed that value relevance has a substantial relationship between the firm's market value or stock return and financial information. These authors clarified that a firm's value or stock return indicates buoyant demand when investors consider accounting information valuable and useful.

Contemporary studies have emphasised the significant role of value relevance in helping investors make investment decisions by considering accounting figures in financial statements (Almagtome & Fadhil Abbas, 2020; Der et al., 2016; Pervan & Bartulović, 2014; Sutopo et al., 2018). Value relevance has been extensively studied over the past forty years to understand how different types of financial information affect valuation. However, Saha and Bose (2017), who examined the trend of value relevance research, contended that many studies have focused on exploring the market value of equity using earnings and book values, primarily in the US context. In Malaysia, Mirza et al (2019), document that research in this area still requires more investigation, as only a few authors have explored the value relevance of financial reporting, mainly on earnings and book value of equity. Nevertheless, several researchers (e.g., Azar et al., 2019; Busari & Bagudo, 2021; Imhanzenobe & McMillan, 2022; Lev, 2018; Lev & Gu, 2016; Mirza et al., 2020) argue that value relevance should not be based solely on market value and book equity. This is because some studies have shown that the association between market values and accounting has declined, and accounting information has lost its value relevance over time.

However, previous studies (Azar et al., 2019; Barth et al., 2001; Busari & Bagudo, 2021; Der et al., 2016; Odoemelam, Okafor, Ofoegbu, & Ntim, 2019) have disputed the claim that accounting information has lost its value relevance over time. They have suggested that the decline may be due to businesses adapting more quickly to changes than accounting practices, or the changes in accounting practices might have inadvertently reduced their ability to provide value-relevant information. Therefore, financial information must accurately reflect relevant phenomena and faithfully represent the information it purports to represent to remain valuable and relevant (Saha & Bose, 2017; Truong, Le, & Friday, 2022). This requires ethical principles to be adhered to when presenting any information in financial statements to guarantee its value. Several studies (Craft, 2018; Enofe et al., 2015; Nasir et al., 2021; Okolie, 2014) have indicated that investors' trust and confidence in financial information have significantly decreased following highly publicised financial scandals, questioning the truthfulness and relevance of financial information. These findings emphasise the need for ethical practices to form the foundation for value-relevant financial information. Thus, this present study aims to determine whether disclosing ethical practices affects the value relevance of financial information.

Ethical Practice Disclosure and Value Relevance of Financial Information

Researchers have extensively studied the variation in the value relevance of financial information, including free cash flow (Beshkooh & Livari, 2013; Fuad & Mohd Saleh, 2008; Pyri & Toubreh Riezi, 2014), ethical value (Abidin, Hashim, & Ariff, 2017; Odesanya et al., 2019; Segon & Booth, 2013), financial disclosure (Lang & Lundholm, 2000; Shamki & Abdul Rahman, 2013; Truong et al., 2022), integrated reporting (Ofoegbu et al., 2018; Tlili, Ben Othman, & Hussainey, 2019), and corporate governance (Jamaluddin, Mastuki, & Ahmad, 2009; Khan, Ur Rehman, & Hashmi, 2020; Murdayanti et al., 2020; Tshipa & Mokoaleli-Mokoteli, 2015). However, despite the considerable attention given to this area of research, there is still a lack of studies that provide insight into the value relevance of ethical practice disclosure in financial information, particularly in publicly listed companies (Abidin et al., 2019; Mohd Aluwi et al., 2021; Quah, 2020).

The moral idea of ethical practice refers to a philosophy that studies human conduct, including an individual's behaviour, moral principles, rules of conduct, or values. Ethical practices in corporations or businesses refer to the values and guidance in developing ethical norms and behaviours (Fraedrich, Ferrell, & Ferrell, 2011). Scholars (e.g., Abidin et al., 2019; Franczak, 2019; Khaireddine et al., 2020) occasionally relate the concept of ethics with corporate governance because ethics-related concepts such as integrity, compliance, anti-corruption and transparency have been regularly accentuated as corporate governance codes. These concepts serve as the foundation for establishing trust between corporations and their stakeholders. Ethical corporate governance practices ensure that firms operate in a manner that is not only legally compliant but also socially responsible. Integrity and transparency, for instance, are essential for fostering accountability, while anti-corruption measures protect the firm from reputational damage and legal repercussions (Jimoh & Festus, 2022; Nasir et al., 2021).

Previous studies, such as Jo and Kim (2008), Karim et al (2016), Khan et al (2020), Othman, Ishak, Mohd Arif, and Abdul Aris (2014) and Yahaya and Yusuf (2020), have found that companies disclose their ethical practices voluntarily to enhance their corporate governance and values. These studies suggest that ethical codes align with an organisation's principles and values to follow moral guidelines related to employee relationships, suppliers, customers, confidential information, conflicts of interest, and more. An organisation's ethical conduct is excellent when top management fosters ethical cultures through its mission, vision, objectives, core values, and ethical philosophies (Abidin et al., 2020). Furthermore, disclosing information on ethics is a corporate strategy that provides a competitive advantage and enhances shareholder value. It signifies that the organisation is transparent, reliable, and responsible (Gatea et al., 2022; Gheraia et al., 2019; Inyang et al., 2019; Nasir et al., 2021; Othman et al., 2014). Moreover, ethical practices attract more shareholders and offer financial benefits to organisations, demonstrating the firm's responsibility to ensure sustainable performance (Odhuluma & Chinedu, 2019).

Substantial evidence links ethical practice disclosure to value relevance and financial performance. Several studies, including Botosan (1997), Jo and Kim (2008), Khan et al. (2020), and Lang and Lundholm (2000), suggest that equity-issuing firms can increase their stock price by reducing their cost of capital through voluntary disclosure that limits managerial opportunism. Ethical practice disclosure promotes information quality and transparency by reducing forecast errors (Dhaliwal, Radhakrishnan, Tsang, & Yang, 2012). Moreover, Chandler (2015) confirmed that firms committed to promoting ethical values and utilising their resources would have a healthier reputation with stakeholders. Firms that exhibit ethical practices in their operations receive indirect financial benefits by attracting more stakeholders, creating a positive market reaction, and enhancing their value (Abidin et al., 2019).

The value relevance of financial information can shape the future of accounting or reporting information. Financial reporting aims to provide creditors and investors with credible information and reliable data they can rely on to make informed or economic decisions (Anna & Rinining, 2021; Busari & Bagudo, 2021; Kimouche & Rouabhi, 2016; Maigoshi et al., 2018; Shalimova & Kuzmenko, 2016). Financial information has drawn academic interest because of its importance, leading to studies in developed and developing nations. Given the above discussion, this study posits that ethical practice disclosure can positively influence the value relevance of financial information, leading to the following proposed hypothesis:

H1: There is a positive relationship between ethical practice disclosure and the value relevance of financial information.

Materials and Methods

Research Design

This study employed quantitative research and content analysis to scrutinise secondary data sources, specifically companies' annual reports. According to Kansal and Joshi (2015), annual reports are the most valuable data source for assessing ethical practices. The analysis involved a comprehensive review of the reports' ethical practices section, the documentation of relevant statements, and the examination of segments related to corporate governance, board of directors, corporate responsibility, and sustainability (Abidin et al., 2020). The scrutiny also looks into the board of directors' ethical and moral obligations, such as safeguarding the rights of both the majority and minority shareholders and prioritising the safety and well-being of employees, which constitute critical indicators of sound corporate governance (Rossouw, 2005). Thus, all pivotal and pertinent information pertaining to the ethical practice index was extracted and analysed. The top 100 firms were chosen through systematic random sampling, a straightforward method of selecting samples from large populations (Sekaran & Bougie, 2016). The annual reports of the selected companies from 2018 to 2020 were extracted, sequentially numbered, and then randomly sorted.

Sample Selection

The population for this study encompasses all financial and non-financial firms listed on the Bursa Malaysia Main Market throughout the observation period of 2018 to 2020. To ensure the study's robustness, a deliberate sample of 100 firms was selected from Malaysia's Top 100 list of companies with good governance, as determined by the Minority Shareholders Watch Group's (MSWG) "Malaysia-ASEAN corporate governance report of 2020." MSWG is an independent organisation established in 2000 to promote good governance and safeguard the rights of minority shareholders, with the ultimate goal of enhancing long-term shareholder value (Minority Shareholder Watch Group, 2021). These 100 firms were chosen because they are highly ranked as ethical and well-governed businesses certified by MSWG. This selection implies that these companies are proficient in managing their profits and creating shareholder value. The annual reports of these firms were utilised for analysis, which was obtained directly from the Bursa Malaysia website for the years 2018 to 2020, providing a sample size of 300 firm-years of observation data. These years were selected because most annual reports were published and available within the study's time frame. The independent, dependent, and control variables (firm size) data were collected from Thomson Reuters DataStream.

Measurement Variables for Ethical Practice Disclosure (EPD)

A content analysis approach was employed to evaluate the companies' ethical practice disclosure (EPD), entailing an examination of various statements about ethics presented in the annual reports. EPD was measured using the Ethical Commitment Index (ECI), initially devised by Choi and Jung (2008), employing 11 instruments. Pae and Choi (2011), subsequently adapted the components of ECI to scrutinise ethics-related corporate reporting in Korean companies, while Abidin et al (2017), expanded it to 14 items to incorporate the requirements of the Malaysia Code of Corporate Governance (MCCG) for assessing the ethical commitment disclosure context in Malaysia. Several authors (see Abidin et al., 2019; Salin et al., 2019; Vig & Dumičić, 2016) have reformed and customised the index in various study settings, underscoring its paramount importance in gauging ECI.

The most recent revised iteration of ECI comprises six overarching themes, as identified in prior literature: Corporate Ethics Values (CEV), Action to Promote Ethics (ACT), Whistle-blowing Policy (WBP), Code of Ethics (CODE), Sustainability Practices (SUST), and Ethics Committee (ETH). The binary scoring method was applied to each item enclosed in companies' annual reports, with a rating of 1 assigned for disclosed items and 0 for undisclosed items (Wan Abdullah, Percy, & Stewart, 2013; Zahid & Ghazali, 2015). Two independent researchers were involved in coding ethical practices disclosure according to the index items to preserve coding reliability. Intercoder reliability was ensured, as there were no differences or disagreements between the two independent researchers. For this study, the new modified ECI by Abidin et al (2019), was adopted as it is contemporaneous, aligns with the MCCG, and is tailored to the Malaysian context. The index comprises 18 items on ethical practices that are classified into six themes, as displayed in Table 1.

Table 1
Ethical Commitment Index (ECI)

No.	Theme	Item	Description	Sources of Instruments
1	**CEV**	CEV1	Top managers of the company frequently emphasised the importance of corporate ethics.*	Choi and Jung (2008); Pae and Choi (2011);
2		CEV2	The company has an ethical philosophy and ethical values.*	Choi and Jung (2008); Pae and Choi (2011); Laouisset (2009)
3		CEV3	The company is dedicated to the highest standards of business conduct.	Minority Shareholder Watch Group (2012)
4	**ACT**	ACT1	The company possesses a disciplinary system in place that strongly punishes unethical behaviour.*	Merchant and White (2017); Choi and Jung (2008); Pae and Choi (2011); Trevino and Nelson (2013)
5		ACT2	The company provides employee ethics training, workshops, and instruction on various topics.*	Choi and Jung (2008); Pae and Choi (2011); Whyatt et al. (2012); Remišová et al. (2018)

6		ACT3	The company implemented an employee evaluation programme to encourage ethical behaviour among employees.	Schwartz (2013); Svensson, Wood, and Callaghan (2010)
7	**WBP**	WBP1	The company implemented a whistle-blowing policy.	Near and Miceli (1985); Minority Shareholder Watch Group (2012); Rachagan and Kuppusamy (2013)
8		WBP2	The company provides an open line of communication channel for employees seeking assistance with ethical issues.*	Choi and Jung (2008); Pae and Choi (2011); Rachagan and Kuppusamy (2013)
9		WBP3	The company has whistle-blower protection.	Nawawi and Salin (2019); Rachagan and Kuppusamy (2013)
10		WBP4	The company provides whistle-blowing policies on the website	Lee and Fargher (2013); Dhamija (2014)
11	**CODE**	CODE1	The company possesses a formal code of ethics.*	Choi and Jung (2008); Pae and Choi (2011);
12		CODE2	The company communicates the code of ethics through formal and informal channels.	Donker, Poff, and Zahir (2008); Merchant and White (2017); Whyatt et al. (2012); Remišová et al. (2018)
13		CODE3	The company established a system to monitor compliance with the company code of ethics.	Donker et al. (2008); Jasevičienė (2012)
14		CODE4	The code of ethics is available on the company website.	Salin and Ismail (2015)
15	**SUST**	SUST1	The company is committed to sustainability practices.	Bezares, Przychodzen, and Przychodzen (2016); Lo and Sheu (2007); Suttipun (2018)
16		SUST2	The company sustainability practices report is also available on the website.*	Ali Khan (2015); Ching, Gerab, and Toste (2014)
17	**ETH**	ETH1	The company possesses an ethics committee.	Arik et al. (2018); Mpinganjira, Roberts-Lombard, Wood, and Svensson (2016); Remišová et al. (2018); Singh (2011)
18		ETH2	The company owns an independent ethics department and officers.*	Choi and Jung (2008); Pae and Choi (2011)

Note 1: CEV = Corporate ethics value, ACT = Action to promote ethics, WBP = Whistle-blowing policy, CODE = Code of ethics, SUST = Sustainability practices, ETH = Ethics committee
Note 2: * Items adapted from the original ECI by Choi and Jung (2008).

Valuation Model of Value Relevance of Financial Information

This study adopted Ohlson's (1995), valuation framework that was used extensively in previous studies (e.g., Alfaraih et al., 2015; Almagtome & Fadhil Abbas, 2020; Mirza et al., 2019; Pervan & Bartulović, 2014) to examine the association between ethical practice disclosure (measured by ECI components) and value-relevant financial information (proxied by equity price). Ohlson (1995), suggested that testable valuation models can be developed based on the firm market value. Furthermore, the change model of value relevance is also appropriate for research investigating earnings changes (Hung, 2000; Mirza et al., 2019), making price level specifications such as share or equity prices preferable. Notably, this study focuses on determining the influence of financial information on firm valuation, with the market value at the end of the fiscal year being employed to measure the dependent variable.

It is important to note that the study posits that share prices reflect investors' collective beliefs and the value-related implications of publicly available information without presuming the presence of market efficiency. Moreover, the study refrains from assuming that equity market values are impartial indicators of the latent "true value" of equity, assets, liabilities, or income-generating capacity. Instead, it discerns how much the accounting measure being investigated reflects the underlying value, assuming market efficiency as an added condition.

This study also incorporates one firm-specific variable, namely the firm size, as a control variable following previous studies (Bepari, Rahman, & Taher Mollik, 2013; Mirza et al., 2019; Tahat & Alhadab, 2017; Yousefinejad, Ahmad, & Embong, 2017). The regression equation below specifies the full control model used to examine the association between ECI and equity price for testing hypothesis H1. The numerical data on the company's market value is extracted from the Thomson Reuters Eikon database. The market value was transformed using lg10 in the Statistical Package for the Social Sciences (SPSS) software to achieve normal distribution scores (Pallant, 2020). The formal model is presented below:

$$VRit = \beta0 + \beta1EPDit + \beta2FirmSizeit + \mathcal{E}$$

Where,
$\beta 0$: Intercept term
VRit: Value relevance based on valuation model measurement of firm *i* in year t
EPDit: Ethical practice disclosure of firm *i* for year *t*
FirmSizeit: Size of the firm *i* in year *t*
$\mathcal{E}$: Error term

Data Analysis

The data were analysed using descriptive and inferential statistical techniques. Descriptive statistical analysis was used to profile the top 100 firms in the sample, while correlational analysis was used to identify any relationship between the ECI and firm size towards value relevance of financial information. The purpose was to determine the pattern of the relationship and the strength of its correlation. Additionally, regression analysis was conducted to predict the significance of the variables. Assumptions were checked to ensure the appropriateness of the data for regression (Field, 2013; Tabachnick & Fidell, 2007). The data were analysed using the latest version (version 28) of the SPSS software, and the alpha level was set at .05.

Ethical Considerations

Before conducting the study, ethical approval from the University's Ethics Committee was obtained (Ref. number: REC/06/2021 (EX/88)) to adhere to the University's ethical standards. There were no ethical concerns regarding data privacy and confidentiality since the yearly extracted reports and the numerical data were publicly available and obtained directly from the Thomson Reuters DataStream.

Results and Findings

Descriptive Statistics

The study's sample comprises 100 companies representing ten distinct sectors: basic materials, consumer cyclical, consumer non-cyclical, energy, financials, healthcare, industrials, real estate, technology, and utilities. The financial sector constituted the most significant component of the sample, with 18 per cent (18 companies). The industrial sector accounted for the second-largest fraction, comprising 15 per cent (15 companies). Consumer non-cyclical ranked third, representing 14 per cent (14 companies), followed by the real estate sector, which accounted for 13 per cent (13 companies). The energy sector represented 10 per cent of all companies, consumer cyclical and technology sectors recorded 7 per cent (7 companies) respectively, and healthcare represented 6 per cent (6 companies). Finally, only 5 per cent, or five companies each, of the total sample size were from the basic material and utility industries, respectively.

Level Ethical Practice Disclosure

Abidin et al (2019), developed the ECI to evaluate ethical practices, which enabled the assessment of the level of ethical practice disclosed in the annual report from 2018 to 2020. Table 2 presents the degree of disclosure for each ethical practice.

Table 2
Mean scores and Standard deviation of items in ethical practice disclosure

Item	2018		2019		2020	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
CEV1	0.80	0.040	0.86	0.034	0.90	0.300
CEV2	0.99	0.010	**1.00**	**0.000**	**1.00**	**0.000**
CEV3	0.89	0.031	0.87	0.033	0.93	0.025
ACT1	0.89	0.031	0.70	0.046	0.89	0.031
ACT2	0.86	0.034	0.85	0.035	0.79	0.040
ACT3	0.73	0.044	0.74	0.044	0.92	0.027
WBP1	**1.00**	**0.000**	**1.00**	**0.000**	**1.00**	**0.000**
WBP2	0.83	0.037	0.84	0.036	0.83	0.037
WBP3	0.76	0.042	0.89	0.031	0.76	0.042
WBP4	0.84	0.036	0.83	0.037	0.85	0.035
CODE1	**1.00**	**0.000**	**1.00**	**0.000**	**1.00**	**0.000**
CODE2	0.85	0.035	0.85	0.035	0.89	0.031
CODE3	0.86	0.034	0.88	0.032	0.88	0.032
CODE4	0.86	0.034	0.86	0.034	0.95	0.021
SUST1	0.99	0.010	**1.00**	**0.000**	**1.00**	**0.000**
SUST2	0.72	0.045	0.73	0.044	0.76	0.042
ETH1	**0.04**	**0.019**	**0.05**	**0.021**	**0.04**	**0.019**
ETH2	0.40	0.049	0.45	0.050	0.49	0.050

Note: CEV1 = Top managers of the company frequently emphasised the importance of corporate ethics, CEV2 = The company has an ethical philosophy and ethical values, CEV3 = The company is dedicated to the highest standards of business conduct, ACT1 = Company has a disciplinary system in place that strongly punishes unethical behaviour, ACT2 = Company provides employees with ethics training, workshops, and instruction in various topics, ACT3 = Company implemented an employee evaluation programme to encourage ethical behaviour among employees, WBP1 = Company implemented a whistle-blowing policy, WBP2 = Company owns an open line of communication for employees seeking assistance with ethical issues, WBP3 = Company possesses whistle-blower protection, WBP4 = The company provides whistle-blowing policies on the website, CODE1 = Company owns a formal code of ethics, CODE2 = Company communicates the code of ethics through formal and informal channels, CODE3 = Company established a system to monitor compliance with the company code of ethics, CODE4 = The code of ethics is available on the company website, SUST1 = Company is committed to sustainability practices, SUST2 = The company sustainability practices report is also available on the website, ETH1 = Company established an ethics committee, ETH2 = Company owns an independent ethics department and officers.

Table 2 shows the mean values and standard deviations of different items for three years. ETH1 had the lowest mean value for three consecutive years, with 0.04 in 2018 and

2020 and 0.05 in 2019. WBP1 and CODE1 had the highest mean values for 2018, with 1.00 and a standard deviation 0.000. Several other items, including CEV1, CEV2, CEV3, ACT1, ACT2, WBP2, WBP3, WBP4, CODE2, CODE3, CODE4, SUST1, SUST2, ETH1, and ETH2, exhibited mean values ranging from 0.04 to 0.99, with a standard deviation of 0.019 to 0.049.

Conversely, the trend for 2019 and 2020 indicates similarity, with CEV2, WBP1, CODE1, and SUST1 having the highest mean values (1.00) in both years. The predicted mean values for the remaining categories in 2019, namely CEV1, CEV2, ACT1, ACT2, ACT3, WBP2, WBP3, WBP4, CODE2, CODE3, CODE4, SUST2, ETH1, and ETH2, ranged from 0.05 to 0.89, with standard deviations ranging from 0.021 to 0.050. However, these categories showed slightly higher mean values in 2020, ranging from 0.04 to 0.095, with standard deviations from 0.019 to 0.300.

Correlation Analysis

Correlation analyses were carried out to determine the connections between the variables of ethical practice disclosure, firm size, and the value relevance of financial information. The summary figures from the correlation analysis are presented in Table 3:

Table 3
Pearson Correlation Coefficient Matrix

Variable		**Value Relevance of Financial Information**	**Firm Size**	**Ethical Practice**
Value Relevance of Financial Information	Pearson Correlation	1		
	Sig. (2-tailed)			
Firm Size	Pearson Correlation	.290**	1	
	Sig. (2-tailed)	.002		
Ethical Practice Disclosure	Pearson Correlation	.192	.025	1
	Sig. (2-tailed)	.029	.404	

Note: *Correlation is significant at the 0.05 level (2-tailed), **Correlation is significant at the 0.01 level (2-tailed)

A weak positive correlation (r=0.290) was observed between firm size and the value relevance of financial information. Furthermore, a statistically significant but small correlation (r=0.219) was discovered between value relevance and ethical practice disclosure. Table 3 also reveals a positive, albeit weak, correlation between firm size and performance (r=0.290; $p<0.05$), suggesting that an increase in the size of a firm enhances the value relevance of financial information and vice versa. Additionally, ethical practice disclosure is significantly associated with value relevance (r=0.192; $p<0.05$), indicating that disclosing ethical practices impacts the value relevance of financial information.

The variance inflation factor (VIF) was employed to investigate whether there was any multicollinearity issue. Hair, Bill, Barry, and Anderson (2006) have established that a VIF value of 10 or below indicates no multicollinearity. In this study, the VIF value was 1.001, indicating the absence of any multicollinearity issues with the predictor variable.

Regression Analysis

The study employed Skewness and Kurtosis values to conduct a normality test on ethical practice disclosure, firm size, and the value relevance of financial information. The results showed that the data were normally distributed, indicating that normality assumptions were satisfied. A regression equation was then formulated, with the value relevance of financial information as the dependent variable and ethical practice disclosure and firm size as the independent variables. Table 4 summarises the key statistics of the computed regression equation.

Table 4
Estimated Regression Equation

Variable	Coefficient	t-value	p-value
Ethical Practice Disclosure	0.185	1.914	0.049
Firm Size	0.285	2.960	0.004
F	6.356		0.003*
R^2	0.452		

Note: * Significant at 0.05, ** Significant at 0.01

The estimated regression equation presented in Table 4 suggests a positive and significant correlation between the value relevance of financial information and the independent variables at 0.03 ($p<0.05$). The R-square of 0.452 indicates that the independent variables account for 45 per cent of the observed variance in the dependent variable (value relevance of financial information).

Regarding the individual regression coefficient, ethical practice disclosure was found to be statistically significant at 0.049 ($p<0.05$), while firm size was significant at 0.004 ($p<0.05$). The coefficient value of 0.285 implies that the value relevance increases with firm size. On the other hand, the p-value less than 0.05 for ethical practice disclosure suggests that it impacts the value relevance of financial information.

Discussion

The results suggest that public listed companies in Malaysia comply with the MCCG guidelines, which espouse commendable corporate governance and ethical practices. These companies discharge their commitments by methodically planning, analysing, and implementing the best practices while complying with the code (Nasir et al., 2021). Table 4 demonstrates that ethical practices significantly impact the value relevance of financial information, thus validating H1. This finding corroborates previous research (e.g., Almagtome & Fadhil Abbas, 2020; Vig & Dumičić, 2016; Yahaya & Yusuf, 2020), which discovered that companies that disclose their ethical practices experience a rise in their stock prices. As a result, ethically oriented firms tend to foster a contented workforce and attract more investors, thereby ensuring a higher return on investment.

Furthermore, this study incorporated firm size as a control variable, and the results revealed a significant relationship between firm size and the value relevance of financial information. This finding is reasonable as larger companies tend to experience growth and positive responses from investors, thus amplifying their value (Alshehhi et al., 2018; Hirdinis, 2019; Mirza et al., 2020). Moreover, larger firms are better positioned to cultivate and enforce proper ethical business practices to enhance their reputation and performance (Husna & Satria, 2019). Larger firms usually have greater resources to invest in quality financial reporting and disclosure practices, thereby increasing the accuracy and reliability of their financial information.

Drawing upon the principles of stewardship theory, managers who are conscientious custodians of assets are expected to act in an ethically responsible manner to maximise shareholder returns. This theory posits that managers are more likely to be influenced by organisational ethical policies and structural barriers than their self-interest, which enables them to create value (Dumay et al., 2019; Keay, 2017). Table 2 provides information on the extent to which companies disclose their ethical practices, with the results indicating a consistent increase in the disclosure of corporate ethics values (CEV1 and CEV2) over the years. This trend suggests that top managers frequently emphasise the importance of corporate ethics and implement ethical values within the company culture. CEV2 receives the highest disclosure score, signifying that most companies have established ethical norms and cultural practices in their organisations. Examples of ethical qualities that companies commonly communicate as core values and philosophies include integrity, compassion, courage, honesty, loyalty, trust, forgiveness, resilience, and optimism (Aifuwa et al., 2018; Craft, 2018). Most companies also demonstrate their commitment to upholding the highest standard of business conduct (CEV3), which aligns with the recommendations of the MCCG. Compliance with laws and regulations is essential to preserving trust and relationships with stakeholders (Dumay et al., 2019).

Concerning the second focal point, this study examined actions to promote ethics (ACT) and prevent unethical conduct. Most companies impose a disciplinary action programme to penalise unethical behaviour (ACT1) and provide employees with ethics training, workshops, and instruction on various ethics-related topics (ACT2), indicating that companies take a serious approach to handling wrongdoings and acknowledge the importance of ethics-related training for their employees. This is reasonable since public listed companies tend to have a high reputation, operate in diverse business areas, and are under intense pressure from stakeholders to act ethically, requiring a more disciplined and rigorous approach to their operations to gain trust (Abidin et al., 2020; Khan et al., 2020). Meanwhile, item ACT3 has exhibited an increase over the years, indicating that an appraisal programme or employee evaluation programme has been implemented to encourage ethical behaviour. This positive approach encourages employees to behave ethically by rewarding them with bonuses, retirement packages, and promotions, thereby fostering a culture of ethical practice within the organisation (Endenich & Trapp, 2018; Im & Nam, 2019).

With regards to whistle-blowing practice, all companies exhibit the highest level of disclosure of ECI for whistle-blowing policy (WBP1), which highlights their commitment to promoting transparency and preventing misconduct in line with the guidelines provided by MCCG. The majority of companies provide an open line of communication for employees seeking assistance with ethical issues (WBP2), offer whistle-blower protection (WBP3), and provide whistle-blowing policies on their websites (WBP4). Interestingly, these findings differ from those of Abidin et al (2019), who reported that Malaysian companies were unprepared to implement whistle-blowing policies. However, this study indicates an improvement in whistle-blowing policy initiatives undertaken by Malaysian public listed companies, as over 75 per cent of the sampled companies have established whistle-blowing policies or programmes. This remarkable shift signifies a growing commitment to transparency and accountability in Malaysian corporations, setting a new standard for ethical governance in emerging markets.

The subsequent theme, namely the code of ethics, lays out the rules for any personnel in the company to uphold ethical principles, such as integrity, honesty, and accountability. CODE1 reported the highest ECI disclosure score, indicating that all companies have a formalised code of ethics implemented within their organisation. The findings also reveal a consistent trend between 2018 and 2019, with a slight increase in 2020 in terms of communication channels for the code of ethics (CODE2), a system to monitor ethical code compliance (CODE3), and the availability of the code of ethics on their website (CODE4). The findings suggest that these companies are increasingly aware of the need to effectively communicate their code of ethics, ensure organisational compliance, and make their code accessible to stakeholders. Hence, supportive programmes and proper implementation of ethical codes imply these companies' commitment to championing ethical values and conveying an ethical message to deter misconduct or illegal activities. The approach to ethical code and communication demonstrates a maturation of ethical practices in Malaysian businesses, potentially serving as a moral practice for developing economies (Gatea et al., 2022).

Besides the economic perspective, the ECI also evaluates an organisation's sustainability practices by assessing their inclusion of environmental, social, community, and governance matters. Most companies demonstrate their commitment to sustainability practices (SUST1). Over the period from 2018 to 2020, a growing trend has been observed in which organisations publish sustainability reports on their website (SUST2). The findings demonstrate that these companies commit to sustainability measures recommended by the MCCG (Abidin et al., 2020; Hashim, Abidin, Salleh, & Devi, 2020). Furthermore, these companies recognise the importance of revealing their sustainable practices as a competitive advantage in meeting stakeholder expectations, enhancing their corporate image, and improving their financial positions (Khaireddine et al., 2020; Loh et al., 2017; Miralles-Quirós et al., 2018).

The sixth theme of the ECI indicates that the ethics committee (ETH) shows the least exposure in the report. This is evidenced by the fact that most companies do not have an ethics committee (ETH1), and less than half of the sampled companies have independent ethics departments and officers (ETH2). Consistent with the findings of Abidin et al. (2019), this result implies that companies are not fully prepared to establish a dedicated committee for reviewing ethical conduct. One plausible explanation for the dismal rate may be concerns about the additional costs that arise when forming a new committee focusing on ethics (Abidin et al., 2020). Nonetheless, the existence of a social and ethics committee is widely recommended by numerous researchers (Gennari, 2019; Jimoh & Festus, 2022), as it could have a salutary impact on corporate governance and bolster the confidence of stakeholders.

Contribution of the Study

This research sparks theoretical and contextual contributions to the existing body of knowledge on ethical practice disclosure and its impact on the value relevance of financial information. Theoretically, this research offers insights into the existing literature by highlighting the value relevance of ethical practice disclosure within financial reporting, particularly in the context of stewardship and stakeholder theories. While stewardship theory explains how ethical practices align managers' actions with shareholders' interests, stakeholder theory broadens this perspective by recognising the company's ethical obligations to all stakeholders, including employees, customers, and society at large. The study's findings will help reinforce our understanding that ethical practices are not just moral imperatives but also value-creating mechanisms, thus bridging the gap between ethical theory and its influence on financial performance. The study shows that transparency in ethical practices contributes directly to shareholder value by enhancing the reliability of financial information and its relevance in decision-making. When integrated with robust corporate governance, strong ethical practices cultivate stakeholder trust and drive improved firm performance. This alignment between ethics, transparency, and governance emerges as a crucial factor in creating sustainable value and maintaining stakeholder confidence.

Contextually, this study is particularly relevant in light of the growing global emphasis on sustainability and ethical business practices, which are increasingly recognised as essential to corporate success. Furthermore, this research provides valuable insights into the ethical landscape of Malaysian public listed companies, offering a comprehensive analysis of their ethical practice disclosure trends from 2018 to 2020. By focusing on the top 100 companies with good governance, as determined by the Minority Shareholders Watch Group, the study presents a benchmark for ethical practices in the Malaysian corporate sector. Using a modified Ethical Commitment Index (ECI) tailored to the Malaysian context contributes to the development of refined and locally relevant metrics for assessing ethical practices. The adaptation of ECI to align with the Malaysia Code of Corporate Governance (MCCG) provides a valuable tool for future researchers and policymakers in evaluating and promoting ethical practices in the Malaysian business environment. Moreover, this study not only advances our understanding of the relationship between ethical practices and financial performance but also provides an avenue that can inform corporate governance policies and practices in Malaysia and potentially other emerging markets. This research illuminates the positive value of how ethical disclosure can be a strategic tool for firms to maintain competitive advantage, attract investors, and improve market performance. By linking ethical disclosure to financial outcomes, this study introduces a fresh perspective to corporate governance literature, accentuating the integral role of transparency in fostering sustainable business success.

While previous research predominantly emphasised financial information, this paper broadens the scope by incorporating ethical considerations, offering a more inclusive understanding of the elements that may shape investor decisions. Besides, the application of five distinct themes of ethical practice disclosure, such as the corporate ethics values, action to promote ethics, whistle-blowing policy, code of ethics, sustainability practices, and ethics committee, provides a structured framework for evaluating corporate ethical commitments.

Including these elements not only enriches the study but also offers a replicable model for future research, particularly in developing economies where corporate governance is rapidly evolving. Moreover, the insights drawn from Malaysia's corporate governance landscape offer valuable contributions to regional literature, signifying how ethical practices directly impact financial performance. This study sets a foundation for comparative analyses with other developing nations, highlighting the significance of ethical disclosure in fostering market competitiveness and stability. These contributions are expected to provide theoretical advancements and practical implications for businesses, policymakers, and researchers, paving the way for more concrete approaches to ethical governance in the global business community.

Conclusion

Before this research, there was a dearth of information regarding the value relevance of accounting information pertaining to the ethical practice disclosure dimensions across Malaysia's Top 100 companies in good governance. Given the scarcity of such information and the mounting incidence of unethical practices in Malaysia's corporate landscape, the authors were impelled to investigate the association between ethical practice disclosure (measured by the ECI) and its impact on firm performance, using equity price as a basis, rendering to the Ohlson (1995) price model.

This study aimed to showcase the crucial impact of ethical practice disclosure on the value relevance of financial information and to highlight its importance. Through an examination of five ethical practice disclosure themes, the study revealed a high degree of disclosure across most areas. However, it notably identified a lack of transparency regarding ethics committees. This suggests that while companies are willing to disclose certain aspects of their ethical practices, there is still room for improvement in terms of full accountability and governance oversight. Ethics committees are crucial for ensuring that ethical standards are upheld and that any ethical breaches are properly addressed. Their absence or lack of transparency may indicate weaknesses in corporate governance structures, which could undermine stakeholder confidence.

Nonetheless, companies with a high degree of ethical practice disclosure could retain satisfied employees and attract more investors, leading to a high return on investment. The regression results further demonstrated that EPD positively explained the variation in the equity price of these companies, consistent with the rationale given by the high business ethical practice and disclosure in the annual reports, which offers value relevance information for investment decision-making. Consequently, this phenomenon has alerted public listed companies to consistently promote, practice, and communicate their ethical practices to gain a competitive advantage and create shareholder value. This, in turn, would foster a stable environment of trust, reinforcing their association with the organisation in the future.

Although the paper presents findings demonstrating high levels of implementation and disclosure of ethical practices among the Top 100 Malaysian good governance companies, it is important to acknowledge that this study has limitations. Firstly, the intervention only focused on 100 companies listed between 2018 and 2020, which may introduce bias and limit the generalisability of the results. Future studies should aim to use larger sample sizes to reduce bias and improve the accuracy of the data and final results, thereby addressing this issue. Furthermore, the study included both financial and non-financial companies in Malaysia, which may limit the generalisability of the results to specific sectors due to differences in the nature of their business operations, focus, and diverse regulatory frameworks. Future researchers may need to exercise caution when comparing results and findings from studies conducted in other developing countries, given the variations in institutional and regulatory policies, functions, frameworks, and economic environments.

Despite the limitations mentioned above, the findings presented in this paper offer valuable insights into the value relevance literature, particularly from the perspective of the Top 100 good governance companies in developing countries. These findings provide unique opportunities to expand the measurements, index items, and research design for future studies. While this study only focuses on equity price as a proxy for value relevance, future research could consider other financial information such as dividend yields, earnings per share, and book value per share performance.

Moreover, future research could include additional dimensions in the ethical commitment index, such as supply chain management policies, ethics training levels, environmental sustainability and management policies, as well as anti-bribery and financial misconduct policies. This would enable researchers to obtain more comprehensive findings and a deeper understanding of the ethical practices and implementation that contribute to increasing the respective value relevance.

Instead of solely relying on the common data collection technique through annual reports, future research could employ other ethical value resources such as corporate social responsibility (CSR) or sustainability reports, external ratings and rankings (e.g., ESG rating agencies and sustainability indices), news articles and press releases, and social media and online forums to garner more comprehensive information on the company's new initiatives, controversies, or partnerships related to their ethics implementation efforts, policies, and practices. This would yield a more intricate and nuanced understanding of the ethical practices and values of the company and contribute to enriching the research findings.

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