

Unveiling the Nexus between Corruption Controversies and Financial Performance in Malaysian Companies

Siti Nasuha Muhmad

Faculty of Accountancy, Universiti Teknologi MARA

Siti Nurain Muhmad*

*Faculty of Business, Economics and Social Development
Universiti Malaysia Terengganu*

Ahmad Firdhauz Zainul Abidin

*Centre of Transformation, Strategic Planning and Risk
Universiti Malaysia Terengganu*

Nurul Aisyah Awanis A Rahim

*Operation Research & Management Sciences Research Group
Faculty of Business and Management, Universiti Sultan Zainal Abidin*

Abstract: Terrifying rates of corruption have risen throughout time, and Malaysian companies continue to have a high frequency of fraud and corruption. Fraudulent acts, such as embezzlement or misappropriation of funds, can be attributed to looted assets, exaggerated expenses, or falsified revenues. Thus, this study investigates the relationship between corruption controversy and the financial performance of companies listed in Malaysia for 10 years, from 2012 to 2021. The sample comprises 560 company-year observations after excluding the financial sector and missing data. Data were retrieved from the Eikon Thomson-Reuters database. The findings demonstrate that companies with a track record of corruption is less profitable and decrease the performance of companies. The company's controversy exposed to the public gives the company a bad reputation, resulting in lower sales, shares, and investor trust. Understanding how corruption affects financial performance aids in the development of improved governance structures within organizations. It enables the development of strong anti-corruption policies that ensure ethical behaviour, and accountability.

Keywords: Fraud, Bribery, Corruption, Financial Performance, Malaysian Companies

JEL Classification Number: M4, L250

* Corresponding author. Email: sitinurain@umt.edu.my