CORPORATE GOVERNANCE AND MISCONDUCT IN ASIA

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ABSTRACT
The corporate governance structures are considered to be pivotal to western models of corporate governance in alleviating major types of corporate misconduct. This study intends to explore whether the corporate governance structures endorsed in western corporate governance codes do achieve the same outcomes elsewhere especially in Asian developing economies (Malaysia, Pakistan, Indonesia, Thailand, India, and Philippines). The results suggest that agency theory-based corporate governance may not be relevant for developing economies. However, the evidence does validate the relevance of resource dependency theory in developing economies, especially in an Asian setting. The findings of the study are vital for ongoing deliberations regarding the aptness of embracing global corporate governance practices disregarding native political, cultural, economic, and regulatory norms and factors exclusive to the Asian corporate atmosphere. This study finds the frequency of board meetings, the separation in the role of board chair and chief executive officer, and ownership concentration are correlated with corporate misconduct in Asia.

Keywords: Corporate Governance, Corporate Misconduct, Duality, Ownership, Independence.

1. INTRODUCTION
The growth of the formal economy depends on the compliance of firms with the standards of corporate governance by regulators (Florio et al., 2021). The significance of corporate governance has intensified due to growing incidents of corporate frauds and scams (Ntim et al., 2012), increasing level of investors' awareness, economic crunch (Claessens and Yurtoglu, 2013), interests from market regulators and governments (Aguilera and Cuervo-Cazurra, 2009) and widespread globalization (Peng et al., 2009, Elmagrhi et al., 2016, Al-Janadi et al., 2013). There are overwhelming confirmations and proofs which suggest that nations that have dependable corporate governance structures and systems have advanced equity and debt markets. Positive linkages have been established amid quality of governance and performance in European (Bistrowa and Lace, 2012), Japanese (Aman and Nguyen, 2008), and American (Bhagat and Bolton, 2008) companies. This has led to a growing appreciation for the formal effects of corporate governance in developed nations (Aguilera, 2005, Lubatkin et al., 2005). The policy-makers across the globe have accepted the fact that there is a robust relationship amid corporate governance and economic development, thus for developing nations this relationship is of crucial relevance.

OECD (2019) stated that corporate governance is a set of relational norms amid company, board, management, shareholders, and other stakeholders. OECD (2015) claimed that the corporate governance structure classically encompasses basic elements of the legislation, self-regulatory provisions, voluntary commitments, and business practices that are a by-product of a country's specific environments, history, and tradition. OECD (2015) further posited that the corporate governance framework should be such which promotes fair and transparent markets and ensure effective allocation of resources. It should be consistent with the law of land and support effective enforcement and supervision. According to Brown et al. (2011) the corporate governance models work on agency theory, majorly focus on mitigating agency conflict. Studies (Abbott et al., 2004, Crutchley et al., 2007, de Villiers and Dimes, 2021) found that weak and inefficient corporate governance results in agency conflict by executives and misconduct by management. These researches also validated that independence of the board, presence of audit committee, and the separate board Chair and CEO hugely limits the extent of management misconduct and fraud.

While empirical studies signifying the relevance of corporate governance framework are based on Western economies. Chen et al. (2011) stated that corporate governance models by OECD represent an application of Agency Theory to Anglo-Saxon settings. Corporate settings in developing economies, particularly Asia, largely differ from Western economies. However, Young et al. (2008) found that companies in developing economies are drastically different from their counterparts in developed economies therefore, corporate governance issues may differ in these developing markets and thus may necessitate very diverse solutions (Lubatkin et al., 2005, Aguilera et al., 2008). Moreover, Arslan and Abidin (2019) observed that in developing nations, particularly in Asian developing nations the corporate environment was greatly influenced by informal social values and relations. Young et al. (2008) stated that the policies designed for developed economies may be futile in developing economies due to feeble institutes (Hasan et al., 2014) and diverse structures of capital market (Singh et al., 2005).

Gerged (2021) reported that Asian companies are often controlled by founding families, with no or minimal institutional investors and they operate in legal settings enforcements are significantly weaker than in the West. Claessens and Yurtoglu (2013) documented that companies in Asia often depend on group associations and influences which may necessitate a diverse set of governance devices than that of Western companies. Kamal (2021) stated that these issues not only affect the advancement of efficient corporate governance but also govern the amount of impact on smaller and other stakeholders. Thus Inya et al. (2018) and Sauerwald and Peng (2013) question whether corporate governance practices in the West, are valid to develop economies in Asia. Some scholars have criticized the one-size-fits-all approach have indicated that the differences in cultural norms, socializing patterns, and ownership structure, may result in glitches in code execution, to name some adoption of instrumental approach (Fotaki et al., 2020) decoupling (Sobhan, 2016) and manipulation (Okhmatovskiy and David, 2012) and these problems may reduce and limit the benefits of compliance.

Despite literature identifying that corporate governance is essential to restraining agency conflicts in the West nations (Rezaee, 2005), there is an acute scarcity of empirical evidence on its efficacy in Asian countries. Therefore Six Asian countries have been chosen for the study. The current research will investigate whether the corporate governance model of OECD, founded on Agency Theory established for Western economic circumstances, legal systems, and cultures are capable of working efficiently in developing economies.

2. THEORETICAL FRAMEWORK

As earlier mentioned there is a dearth of proof of corporate governance framework designed to restrain agency conflict in western nations, which are appropriate to companies in developing economies. In order to test the application of the recognized Western corporate governance framework in an Asian setting, three “agency theory” premises is proposed. It emphasizes CEO/Chair duality, board independence, and audit committee effectiveness.

To investigate an alternate theoretic application appropriate to the sample set, seven Resource Dependence Theory (RDT) variables have also been examined. They focus on aspects that impact the company`s ability to engage with the external environment: board size, frequency of board meeting, directors’ characteristics (director education, director tenure, and director experience), and impact of types of ownership - foreign ownership, family ownership, institutional investors and ownership concentration.

Agency Theory was proposed by early theorists such as Jensen and Meckling (1976) to explain the relationship in firms where one group (principals/owners) engages with another group (agents/manager) to act on behalf of them. Agency Theory envisages that though managers are engaged to optimize the net worth of the owners, they might have a conflict of interests and intent to advance their self-interest (Donaldson and Davis, 1991). To limit such agency costs, shareholders (owners) need to establish some mechanisms for corporate governance (Jouber, 2020).

The criticism of Agency Theory is that it emphasizes only the process of managerial decision making. Cohen et al. (2008) argued that often it is tough to single out administration from corporate governance as suggested by Agency Theory because administration often has a substantial impact on governance processes for example appointment of members in board and committee and they can override in-house control systems. As organizational behavior is complicated, several philosophers contend it is established with the help of anyone specific economic theory (Albrecht et al., 2004).

Though Agency Theory seems tacitly recognized by regulators as an essential force corporate governance transformation, Resource Dependence Theory (RDT) proposed that greater the reliance on external group the organization will be substantially prejudiced by them, thus outside group is vital for long existence and efficient functioning and of a company (Pfeffer and Salancik, 2003). As per RDT, the board of directors should handle environmental ambiguity by arranging necessary means (Hillman et al., 2000).

Though Agency Theory considers board of directors, as custodians to manage on behalf of owners, RDT theory considers board as a strategic partner who supports administration to create efficient policies, arrange and manage scarce means (Cohen et al., 2008). Under RDT, directors work to connect the company with outer environments and bring essential resources to the company like skills, information, etc., rather than merely monitoring (Davis and Cobb, 2010).

3. AGENCY THEORY

a) CEO/CHAIR DUALITY

Agency theory emphasizes that when one person occupies two different roles in the board, several problems may arise resulting in a conflict of interest and performance inefficiency and (Duru et al., 2016, Aktas et al., 2019). Agency theory encourages the separation of administrative administration from the board in order to ensure that the board can retain the freedom to supervise management behavior and actions (Fama and Jensen, 1983). A key tool to ensure effectiveness in board monitoring is to detach the roles of the CEO from the role of Board Chair (Jensen, 1993). Chapple et al. (2009), Persons (2009), Sharma (2004) found that if a company has a distinct Board Chair and CEO, it is less probable to experience fraud and irregularities. Crutchley et al. (2007) found that board heterogeneity is considerably non-linearly related to the probability of misconduct.

Chen et al. (2006) stated that no obvious linkage exists amid CEO/Chair duality and the likelihood of fraud. Dang A et al. (2018) stressed that companies with CEO/Chairman duality may be more efficient because as the owner is the manager is the information irregularity will be minimized and CEO will incline to work in shareholders' interests.

b) BOARD INDEPENDENCE

Since non-independent directors are usually dominated by management (Brochet and Srinivasan, 2014), enhancing the proportion of independent directors on the board enhances the efficacy of administration omissions (Cannella et al., 2009). The presence of independent directors on corporate boards is an efficient mechanism to decrease possible disagreement amid administration and shareholders (Duru et al., 2016, Chen et al., 2011, Moussa, 2019). Adams and Mehran (2012) stated that the independent directors protect shareholder's interests and mitigate the agency problem. Neville et al. (2019) found board independence has a negative relationship with corporate misconduct relationship.

Several studies from developed nations comprising the USA (Persons, 2006, Dechow et al., 1996), England (Peasnell et al., 2001), and Australia (Sharma, 2004) reported substantial positive relation amid the number of independent directors on the board and alleviation of fraud and misstatements. The studies based in developing nations represent contradictory results. (Chen et al., 2006) gives evidence that supports that the efficacy of board independence helps in alleviating fraud in developing nations. The studies were conducted in Vietnam (Le, 2015), Taiwan (Wang et al., 2010), and Tunisia (Matoussi and Gharbi, 2011) display no relation amid board independence and decrease in fraud.

c) INDEPENDENCE OF AUDIT COMMITTEE

According to Carcello and Neal (2003) and Persons (2009) the greater independence of audit committee superior will be quality of the company's reporting and lesser probability of misrepresentation (Lin and Hwang, 2010, Klein, 2002) and

least chances of any association with mishandlings and frauds (Abbott et al., 2004, Crutchley et al., 2007, Persons, 2009).
Raimo et al. (2021) found a positive effect of size, independence, and meeting frequency of audit committees on integrated reporting quality. As per Abbott et al. (2004) in case of the audit committee is made separately from management, it will fortify the monitoring of the management itself, and ensure the validity of the company's internal control and reporting systems. Fama and Jensen (1983) stressed that constituting an audit committee comprising only independent directors is optimal for their reputation and helps in mitigating management misconduct and irregularities (Persons, 2006). While evidence existed about the linkages between audit committee independence and the likelihood of reduced fraud in the West, there is slight evidence from developing nations.

4. RESOURCE DEPENDENCY THEORY

a) BOARD SIZE

The debate on whether the large size of corporate boards is beneficial or detrimental to the corporate governance of a firm is still inconclusive. Few studies posit that larger boards are more inefficient than smaller ones because more directors lead to free-riding problems and conflicts in coordination and communication processes and thus result in poorer monitoring effects (Khaireddine et al., 2020). Peng (2004), Malik et al. (2014), and Kumar and Singh (2013) found a direct linkage amid the size of the board and company performance. Jouber (2020) stated that larger boards may contain more professional expertise and experiences to obtain and process a great deal of information. In addition, Williams et al. (2005) stressed that large-sized boards can be divided into several subcommittees that separately perform the different administrative functions, i.e., firms with larger board sizes are better able to monitor their executives from various angles and prevent business failure.

Connelly et al. (2012) stressed that small board size is good for better performance. Jell-Ojobor and Windsperger (2014) found a robust negative relation between board size and performance, and they stated that large board size leads to misrepresentation and poor decision-making (Gales and Kesner, 1994). Judging from the above, a larger board size could increase tendencies of monitoring powers so that the effects of self-interest-motivated management would be alleviated.

b) BOARD MEETING FREQUENCY

According to Lipton and Lorsch (1992) vital measure of the corporate board's effectiveness and monitoring, power is the frequency of board meetings. Previous Studies (See i.e., Ntim et al., 2015) stated that deliberations on corporate board meetings bear testimony to the fact that the frequency of board meetings affects the effectiveness and quality of monitoring and corporate accountability. Altawalbeh (2020) revealed that board meetings frequency positively and significantly impacts the company's performance. The frequency of board meetings is an indicator of the effectiveness of the board and it enhances decision-making quality and thus performance.

According to Ntim et al. (2015), everything equal, greater frequency of board meetings can result in an advanced quality of managerial monitoring, and thus affect positively on corporate performance. It is also claimed that regular meetings permit directors more time to deliberate, establish strategy, and review and evaluate management performance. Mangena and Tauringana (2007) stated that frequent board meetings help directors to remain apprised and educated about vital advances within the company and thus place them in a superior position to timely resolve emerging precarious glitches.

c) INDEPENDENT DIRECTOR CHARACTERISTICS

According to Hermalin (2005) the presence of independent directors is vital as they have access to outside atmosphere and outside info, which is unreachable to dependent directors. Ashbaugh-Skaife et al. (2006) stated that the ratio of independent directors has a positive impact on the performance of a company. Khaireddine et al. (2020) emphasized that extended tenure helps independent directors to work with greater commitment and their experience and competence improves the monitoring of management. Persons (2006) argue that the experience of independent directors rises their capability to examine administration objectively, as are less influenced by inside group pressures. He also found that companies with independent directors with extended tenure are less probable to commit fraud in comparison to companies with independent directors with short tenure. Johl et al. (2015) stated that due to monitoring by independent directors, the welfare of stockholders is well protected.

Contrary to this Vafeas (2003) argues that external directors who work for lengthy periods create close relationships and may have lesser motivation to closely monitor management. Anderson et al. (2004) pointed out that the longer the independent director serves on the board, the greater possibility is that they are dominated and controlled by management. Taking the complexity and changing nature of corporate misconduct into consideration, boards of directors need more substantial, professional, and careful supervision to monitor the top management team. The board competence is also a result of the composition of the company's board (Ntim et al., 2015). Findings of earlier researches are greatly subject to investigation in developed countries with slight research executed in developing nations.

d) FOREIGN OWNERSHIP

According to Mishra and Ratti (2011), foreign investors evade investment in companies with pitiable corporate governance, thus to attract foreign ownership, companies need to improve and develop their mechanisms of governance. Mangena and Tauringana (2007) reported due to foreign ownership companies try to adopt superior governance standards befitting them. (Le, 2015) found foreign ownership has a great influence on the decision-making of local owners. Zakaria et al. (2014) found that foreign ownership has minimal impact rather detrimental effect on company performance.

Chen et al. (2006) reported that foreign ownership improves monitoring procedures in companies, thus causing the superior quality of reporting and lower occurrences of misrepresentation (Chin et al., 2009). Vijayakumaran (2019) said that for developing markets, in comparison to domestic shareholders, expertise and practical business knowledge, of foreign investors play a vital role in efficiently monitoring and appropriately managing discretions.

e) FAMILY OWNERSHIP

Shleifer and Vishny (1997) suggested that family ownership has relatively larger merits in developing nations, where legal systems are weak and frail. Studies by

Ding and Wu (2014) report a positive linkage between family ownership and the effectiveness of the board in monitoring management against corporate misconduct. However, Ding and Wu (2014) argued that higher family ownership can constrain opportunistic behavior, and, subsequently, the occurrence of fraud is predicted to be negatively associated with family ownership.

Jiraporn and DaDalt (2009) said that ownership stakes beyond a certain limit put insiders in a commanding position, and they might exploit external minority shareholders. Claessens et al. (2000) found that in East Asia, more than two-thirds of companies are family-owned and controlled. Liu et al. (2012) stated that concentrated family ownership leads to superior in-house control systems, increases the effectiveness of administrative monitoring, and results in a lower incidence of misrepresentations (Arouri et al., 2014). Dhnadirek and Tang (2003) argue Western models of corporate governance disregard the influence of high family ownership, but it is a common phenomenon in Asia.

f) INSTITUTIONAL OWNERSHIP

Claessens and Fan (2002) stated that institutional owners have large motivations to observe and supervise administration. Sheikh and Karim (2015) said there was a positive linkage between institutional ownership and company performance because institutional owners have better monitoring mechanisms. Burns et al. (2010) and Sharma (2004) stated that companies with larger institutional ownership are less probable to experience fraud. Cornett et al. (2008) reported that institutional owners are efficient in restraining earnings management as they have power and resources and incentives to supervise management in comparison to other stockholders.

g) CONCENTRATED OWNERSHIP

According to (Wang, 2006) controlling shareholders have strong motivations to oversee and monitor managers, as a large quantity of their wealth is related to company value. Wang (2006) stated that when ownership concentration increases the performance of companies becomes superior and a decline in ownership concentration leads to poor company performance. Ramsay and Blair (1993) suggest that concentrated ownership offers a huge incentive to bigger shareholders to monitor management and be alert towards corporate misconducts. On the contrary Owens-Jackson et al. (2009) stated that the probability of fraud surges when controlling shareholders are engaged as they have larger opportunities than minority stockholders. Persons (2006) found that their greater voting power of controlling shareholders allows them to affect the decisions of the board of directors.

5. RESEARCH DESIGN

The Securities and Exchange Commission (SEC) are the regulatory bodies in most of the countries responsible for inquiry and trial of breaches committed in companies registered on stock exchanges monitored and controlled by them. This study concentrates on public limited companies where data related to corporate misconduct is easily available in the public domain. Corporate misconduct for this study was identified when one or more of the below-given cases have happened in regards to the company or its administration:

1. Accused by the regulator with breaching Sections (i.e., failing to protect company property, misusing company property, engaging in unlawful activities

for personal gain, falsifying, destroying, or altering financial accounts or other company documents including material misstatements in financial statements).

2. Received an order from securities exchange regulator requiring management to reissue company's financial statements, due to lack of adequate disclosures.
3. Convicted of insider trading.
4. Convicted of manipulation of the company's share price.
5. Imposed fine by securities exchange regulator due to failure to disclose dealings in securities.

Details of corporate misconduct were attained from Securities and Exchanges (SEC) press releases and from the information available in the enforcement section on the securities exchange regulator's website which carries a list of companies and people convicted or fined due to securities exchange violations. All actions of enforcement SEC Settlement Committee January 2020 through December 2020 were searched and scrutinized.

3.1 SAMPLE

This study took a sample of six south Asian economies, India, Malaysia, Pakistan, Indonesia, the Philippines, and Thailand, as they represent the region. The sample economies also offer an interesting context for research, as they have recently pledged to their stakeholders, to review and improve the execution of existing governance codes and to initiate new policies and procedures consistent with those adopted by developed nations, post-Sarbanes Oxley Act 2001 (de Villiers and Dimes, 2021).

These selected developing nations were found suitable for research due to multiple reasons. First, these Asian nations have quite sophisticated equity markets with standard reporting requirements, permitting similar data collection across the nation in diverse settings and over a given time period. Second, as developing nation companies are governed by country-specific governance features, we collected data from multiple nations to arrest adequate variance in independent variables and letting us skim out the marginal effect of director characteristics of interest. Finally, all selected nations have almost comparable cultural values, regulatory frameworks, and institutional structures.
Ten independent variables formerly outlined included CEO/chair duality, independence audit committee, independence of the board, the board size, board meeting frequency, director experience, director tenure, and ownership concentration, foreign, family, and institutional shareholding were scrutinized. The model also included Firm size and Return on Equity (financial performance), as these control variables, are likely to influence the probability of corporate misconduct.

Whereas:

MISCONDUCT =	Dummy variable with a value of one when the company experienced corporate misconduct, and with a value of zero otherwise.

DUALITY =	Dummy variable with a value of one if the Chair of Board also holds the position of CEO, and value of zero otherwise.
BODIND =	Proportion of board members independent of the company's executive.
AUDIND =	Proportion of audit committee members independent of the company's executive.
BSIZE =	Number of board members.
BMEETING =	Number of board meetings in a financial year.
AGE =	Average age of board members.
TENURE =	Average number of experience of board members.
EDUCATION =	Qualification for board members, 0 for below graduation, 1 for graduation, 2 for master, 3 for professional qualification and 4 for PhD.
FOREOWN =	Proportion of ownership held by the foreign entity (company, person, or institution).
FAMOWN =	Proportion of ownership held by a family.
INSTIOWN =	Proportion of ownership held by banks or other financial investment institutions.
CONSUN =	Cumulative proportion of company's shares held by a single shareholder.
ROE =	Total equity divided by net profit.
FSIZE =	Natural logarithm of total assets.

6. ANALYSIS AND RESULTS

4.1 DESCRIPTIVE STATISTICS

Table 1 shows the results of descriptive variables of companies with corporate misconduct and companies with non-misconduct. Two variables relate to board characteristics (board independence and board size), indicate that the average size of the board in a similar company is about 9 board members while the number of board of directors meetings (BMEETING) in companies with misconduct and no misconduct is minimum 4 as per the universal regulatory requirement but the maximum size is 28 and 29 respectively. On average, directors, in the companies with misconduct, had sat on board for 7.88 years, in comparison they served 9.01 years in companies with no misconduct firms. In addition, 52% of companies with misconduct have CEO/Chairman duality, on the contrary, 69% of companies with no-misconduct, on average.

Table 1: Descriptive Statistics – Misconduct and non-misconduct firms

	Misconduct Firms				**Non-Misconduct Firms**			
	Min	Max	Mean	S.D.	Min	Max	Mean	S.D.
BSIZE	4.00	18.00	8.78	1.99	4.00	19.00	9.25	2.65
BODIND	0.00	1.00	0.64	0.29	0.00	1.00	0.71	0.24
AUDIND	0.00	1.00	0.84	0.30	0.00	1.00	0.87	0.26
BMEETING	4.00	28.00	4.47	1.77	4.00	26.00	4.24	1.87
AGE	47	70	59	5.85	49	71	60	4.24
DUALITY	0.00	1.00	0.52	0.49	0.00	1.00	0.69	0.46
TENURE	2.10	19.23	7.88	4.07	1.93	21.71	9.01	3.82
EDUCATION	0.57	2.41	1.69	0.39	0.57	2.50	1.74	0.30
FOREOWN	0.00	80.11	6.74	14.74	0.00	83.57	8.14	13.22
FAMOWN	0.00	89.12	9.84	19.07	0.00	81.97	10.80	21.45
INSTIOWN	0.00	42.19	9.87	8.76	0.00	58.61	11.23	9.89
CONSUN	0.00	98.99	37.47	27.57	0.00	98.99	39.32	29.40
MISCONDUCTS	0.00	11.00	0.49	0.60	0.00	9.00	0.53	0.67
ROE	-1.03	1.41	0.12	0.30	-0.96	2.59	0.11	0.22
FSIZE	1.37	11.67	4.77	1.54	2.19	10.88	5.32	1.33

Equity ownership retained by family investors and institutional investors also appears to vary between companies with misconduct and no-misconduct, with an average of 9.84% to 10.80% and 9.87% to 11.23% respectively. However, the foreign ownership in misconduct firms is 6.74% on average while 8.14% in non-misconduct firms.

***. Correlation is significant at the 0.01 level (2-tailed).*

Table 2: Descriptive Variables and Correlation Analysis of full sample

	Min	**Max**	**Mean**	**S.D**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
BSIZE	4.00	19.00	9.89	2.74	1													
BODIND	0.00	1.00	0.69	0.23	0.06	1.00												
AUDIND	0.00	1.00	0.86	0.21	-0.01	0.03	1.00											
BMEETING	4.00	28.00	4.28	1.65	-0.07	-.09*	0.03	1.00										
AGE	47.37	71.37	60.37	3.99	-0.01	-0.07	-0.01	0.02	1.00									
DUALITY	0.00	1.00	0.38	0.41	0.15**	-0.01	-0.04	-0.05	0.01	1.00								
TENURE	1.93	21.71	3.42	3.59	-0.05	0.05	-0.10*	-0.02	0.30**	0.03	1.00							
EDUCATION	0.57	2.50	1.58	0.32	0.18**	-0.04	-0.05	-0.12**	0.12**	-0.03	-0.05	1.00						
FOREOWN	0.00	83.57	7.03	13.06	-0.03	-0.05	0.06	0.03	-0.01	-0.02	0.00	0.00	1.00					
FAMOWN	0.00	89.12	11.37	20.68	-0.04	-0.05	-0.03	0.01	-0.02	0.03	-0.01	-0.04	-0.01	1.00				
INSTIOWN	0.00	58.61	10.65	10.40	0.00	0.06	.097*	0.01	0.01	0.01	-0.01	-0.06	-.10*	-0.06	1.00			
CONSUN	0.00	98.99	40.22	31.24	-0.03	-0.07	-0.05	-0.05	0.10*	0.01	0.06	0.00	-.23**	0.03	-0.07	1.00		
MISCONDUCT	0.00	11.00	0.43	0.60	0.05	0.00	0.02	0.02	0.01	0.04	-0.03	0.04	0.04	0.00	-0.06	-0.01	1.00	
ROE	-1.03	2.59	0.11	0.22	0.08	0.01	-0.04	-0.10*	-0.01	.13**	-0.01	0.02	-0.02	0.01	0.09	0.02	-0.01	1.00
FSIZE	2.19	11.67	5.32	1.33	0.01	.11*	0.02	0.03	-0.06	0.08	-0.08	-.29**	-0.03	0.08	0.07	-0.01	-0.01	-0.02

**. Correlation is significant at the 0.05 level (2-tailed).*

As shown in Table 2, a Pearson correlation coefficient was performed to check the multi-collinearity among the variables. (Menard, 2002) emphasized that huge multi-collinearity (correlation coefficient ≥ 0.80) might result in greater errors, and thus coefficients should be larger in order to be statistically significant. No correlation coefficients ≥0.80 were detected. The results indicate that education of board members (EDUCATION) and CEO/Chairman duality, tenure of board members (TENURE), and ownership concentration held by the same shareholder (CONCEN) are positively correlated with corporate misconduct.

4.2. REGRESSION ANALYSIS

The results in Table 3 of applying the model main effects display that a large number of board of directors' meetings are negatively correlated with the corporate misconducts of the sample companies in Asia are some statistically significant variables in a decrease in the probability of company experiencing corporate misconduct (at 1% significance level). Boards, thus are significant, not only for what they perform but how they perform. The size of the board has a role in how the board members intermingle, their capability to process information, how efficiently they participate in board meetings, and the quality of their monitoring of executive decision-making and actions. It was advocated that corporate boards should seek expert advice, monitor and supervise, and seek answerability from managers to ensure that they pursue regulatory norms in the best interest of shareholders (Ntim et al., 2015).

The proportion of the company's shares held by the largest controlling shareholder (CONSUN) is related to a reduction in the probability of the company experiencing corporate misconduct (at a 5% significance level).

Table 3: Regression Analysis

	1	2	3	4	5	6	7	8
BSIZE	1.037	0.895	0.878	0.876	0.892	0.899	0.885	0.878
BMEETING	0.623	0.648	-0.67**	0.655	0.63**	-0.63**	-0.66**	-0.651
AGE	0.274	0.263	0.279	0.265	0.282	0.285	0.318	0.330
TENURE	-0.560	-0.593	-0.607	-0.557	-0.567	-0.566	-0.580	-0.573
EDUCATION	0.654	0.685	0.688	0.708	0.699	0.699	0.653	0.650
ROE	-0.306	0.410	0.414	0.401	-0.400	-0.401	0.284	0.285
FSIZE	-0.101	-0.165	0.186	-0.183	-0.163	-0.176	-0.097	-0.097
DUALITY		0.867	0.87**	0.89**	0.890	-0.884	0.889	0.889
BODIND			0.213	0.200	0.246	0.256	0.316	0.302
AUDIND				0.437	0.390	0.395	0.531	0.528
FOREOWN					0.862	0.864	0.723	0.662
FAMOWN						0.175	0.092	0.095
INSTIOWN							-1.345	-1.353
CONSUN								-

								0.16**
Malaysia	0.030	0.011	0.017	0.003	0.008	0.013	0.010	0.004
Pakistan	0.267	0.331	0.319	0.304	0.266	0.261	0.245	0.243
Indonesia	0.170	0.331	0.211	0.110	0.125	0.322	0.322	0.310
Thailand	0.011	0.069	0.054	0.033	0.010	0.001	0.021	0.025
India	0.081	0.052	0.045	0.023	0.022	0.020	0.055	0.059
Philippines	0.117	0.121	0.109	0.085	0.042	0.038	0.002	0.00
Sig.	0.001	0.000	0.000	0.002	0.000	0.000	0.000	0.000

a. Dependent Variable: Corporate Misconduct

Table 3 also indicates that companies with duality in the role of policymaker (Chairman) and executor (CEO) and are less probable to experience corporate misconduct in comparison to companies with separation in both roles. This is in contradiction to the finding of Jouber (2020) and Chen et al. (2006), who stated that corporate frauds are more likely in the case of CEO/ Chair duality.

The results found no association between institutional ownership with corporate misconduct. It may be because, in developing nations like sample countries, institutional investors are not actively engaged in corporate decision making, as there are large proportions of family and group ownership. Institutional investors lack interest in participating in the corporate sector of developing nations due to the non-availability of a suitable environment and lack of corporate governance structure in the country (de Villiers and Dimes, 2021, Sarkar and Sarkar, 2000). It has been observed that in recent year's institutional investors have become relatively more active in Asian equity markets and have started to closely monitor management issues, the release of the voting policy, and nomination of external auditors, non-executive directors, and other matters of the companies. Charfeddine and Elmarzougui (2010) stated that institutional shareholders are unable to monitor management as they easily get perplexed by free-rider issues.

The proportion of company shares held by principal controlling shareholders estimates a reduction in the probability of the company experiencing corporate misconduct. These findings support the theory that larger concentrations of ownership were better in lessening corporate misconduct in comparison to lower concentrations of ownership. This finding was in contradiction to the findings of Wang (2006) who stated that high ownership concentration has linkage with a higher probability of tendency to commit fraud.

5. CONCLUSION

This study intended to investigate the link between corporate governance structure and the prospect of corporate misconduct in the Asian developing economies. Findings indicate that the likelihood of a company experiencing corporate misconduct decreases with an increase in the board meetings; separation of management with the board; and the proportion of company shares held by the largest controlling shareholder. Notably, the study found no relationship between established Anglo-American recommended corporate governance mechanisms, such as board independence, audit committees independence, dominating family and institutional ownership, and the likelihood of a reduction in an organization experiencing corporate misconduct. These findings are not consistent with either agency theory or the empirical evidence from studies in the West.

The results are, however, consistent with Resource Dependency Theory and support Van Essen et al. (2012) argue that corporate governance recommendations prescribed for Western economies are not transferable to the Asian context. These findings align with Resource Dependence Theory which posits that company directors serve to connect their firm with external environments and bring resources to firms. Moreover, greater access and control of external environments make it critical to be reducing the likelihood of corporate misconduct (Davis and Cobb, 2010). In addition, the importance of concentrated ownership in limiting corporate misconduct highlights the significance of important structural features embedded in the Asian business environment. This evidence is also important for the current debate regarding the appropriateness of adopting international corporate governance practices without regard to cultural, political, regulatory, and economic factors unique to the South East Asian environment (Inya et al., 2018, Sauerwald and Peng, 2013).

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