

# Bridging the Transparency Gap: A Case Study of Corporate Governance and Performance in a Perak State Government Agency

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## ABSTRACT

This study investigates the relationship between corporate governance (CG) transparency and organizational performance within a single state government agency in Perak, Malaysia. A quantitative, correlational research design was employed, and data were collected from 73 employees through a structured questionnaire. Measures of CG transparency, financial transparency, social transparency, and organizational performance were adapted from established scales in prior studies. Statistical analyses, including correlation and regression, revealed a significant positive relationship between CG transparency and organizational performance, with CG transparency emerging as the strongest predictor. The findings suggest that greater transparency enhances accountability, trust, and operational efficiency. However, because the study was confined to a single agency and relied on purposive sampling, the results cannot be generalized to the wider Malaysian public sector. This study contributes to the literature on transparency in emerging economies by providing context-specific empirical evidence and highlights future research opportunities involving larger and more diverse samples.

**Keywords:** corporate governance transparency, financial transparency, social transparency, organizational performance, public sector

## INTRODUCTION

Transparency in corporate governance has become a central concern in both developed and developing economies. It is widely recognized as a foundation for integrity, accountability, and organizational performance. In Malaysia, high-profile governance scandals, including the 1Malaysia Development Berhad (1MDB) controversy and governance failures in institutions such as Tabung Haji, have underscored the urgent need to strengthen transparency practices across both private and public sectors.

Despite reforms introduced under the Malaysia Code of Corporate Governance (MCCG), transparency gaps persist, particularly in the public sector, where accountability mechanisms are unevenly enforced. Prior studies have established links between transparency and performance in private-sector settings such as banks and listed companies. However, empirical research in Malaysian government agencies remains limited.

The significant of creating awareness of CG transparency has been over decades. Although enforcement of security and policy in managing disclosure and integrity of important information, remain challenge to many sectors. This issue has not resolve. Thus, understanding the intricate relationship transparency and organizational performance, particularly within the context of emerging economies are important. The aftermath of prominent corporate debacles has cast a spotlight on the weaknesses in transparency, emphasizing the broader implications of the transparency deficit (Tarus & Omandi, 2013).

The discourse surrounding organizational transparency has predominantly been shaped by research conducted in developed economies, leaving a void in our understanding of its implications within emerging economies. This gap in knowledge is especially concerning given the distinct corporate governance structures and accountability mechanisms prevalent in these contexts (Zaman, Arslan, & Siddiqui, 2015).

The objective of this study is to examine the relationship between CG transparency and organizational performance in a state government agency in Perak. By focusing on a single agency, this research provides context-

specific insights into how transparency practices influence organizational outcomes in an emerging economy setting.

## LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### Theoretical Framework

Agency theory suggests that transparency reduces information asymmetry between managers and stakeholders, thereby curbing opportunistic behavior.

These findings are underpinned by the concept that transparency reduces agency costs and fosters greater trust among stakeholders, ultimately leading to enhanced business performance. Companies known for their transparency are perceived as more reliable and trustworthy, which can improve their access to financial resources, lower their borrowing costs, and bolster their reputation in the market.

### Corporate Governance Transparency and Organizational Performance

Empirical evidence supports the view that CG transparency improves organizational value, operational efficiency, and stakeholder trust (Akhtar, 2021; Haat et al., 2008). In Malaysia, research findings are mixed: some studies indicate that transparency enhances competitiveness, while others suggest that contextual factors such as family ownership moderate this relationship (Abdul Wahab, 2019).

Research in developing economies further highlights that while institutional enforcement mechanisms are weaker, transparency nonetheless remains a critical determinant of performance (Tarus & Omandi, 2013).

Similar to the concepts of poverty and inequality, corporate governance lacks a singular or unanimous definition that universally underpins its fundamental nature. Different scholars interpret it in diverse ways, aligning with the nuances of various economic environments. Despite these variations, there are shared similarities among the multiple definitions. The preceding section is dedicated to defining a corporation and elucidating the concept of corporate governance based on insights from past literature (Nina Nurasyekin & SM Abdul, 2019).

Governance transparency pertains to the open disclosure of crucial information concerning a company's policies, practices, and operational mechanisms. The impact of governance transparency significantly and positively affects a company's performance. Notably, studies indicate that corporate governance transparency has a more substantial influence on business success compared to social transparency (Tarus & Omandi, 2013).

A study conducted by (Akhtar, 2021) delved into the connection between CG transparency and the performance of businesses within the Malaysian banking sector. The research uncovered a notable positive association between CG transparency and business performance, as evidenced by metrics like return on assets, return on equity, and net interest margin. The study suggests that enhancing CG transparency can enhance the competitiveness of Malaysian banks.

Regarding the connection between CG transparency and the prosperity of Malaysian listed companies, several research studies have revealed contrasting results. For example, research by (Abdul Wahab E. H., 2019) found that the extent of family ownership had an impact on the relationship between CG transparency and firm performance. The study suggested that companies with a higher proportion of family ownership may not experience as much of a performance boost from CG transparency.

In conclusion, governance transparency plays a pivotal role in an organization's success by facilitating the open disclosure of crucial information related to its policies, practices, and operational mechanisms. Notably, research indicates that CG transparency holds a more substantial impact on business performance compared to social transparency, emphasizing its significance in the corporate world. While governance transparency is undoubtedly crucial for business success, its impact may vary depending on specific contexts and factors. Nonetheless, the consensus remains that fostering CG transparency is a key strategy for enhancing organizational performance

and competitiveness, particularly in the Malaysian banking sector.

## **Hypotheses Development**

Based on the theoretical framework and prior literature, the following hypotheses were developed:

**H1:** Corporate governance transparency is positively associated with organizational performance.

**H2:** Financial transparency is positively associated with organizational performance.

**H3:** Social transparency is positively associated with organizational performance.

## **METHODOLOGY**

### **Research Design**

A quantitative, descriptive, and correlational research design was adopted to explore the relationship between transparency practices and organizational performance. Data were collected through an online survey distributed to employees of a state government agency in Perak.

### **Sample and Sampling Method**

Purposive sampling was used to ensure participation by staff with at least one year of service, as such experience was necessary for familiarity with governance practices. Out of a total population of approximately 90 employees, 73 valid responses were obtained, representing a response rate of 81%. While purposive sampling ensured relevance, it limits representativeness beyond this agency.

### **Measures**

Four constructs were measured using established scales adapted for this study. All items were rated on a five-point Likert scale (1 = strongly disagree, 5 = strongly agree). corporate governance transparency; 6 items adapted from Akhtar (2021) and Haat et al. (2008), financial transparency; 6 items adapted from Abdul Rashid (2020), social transparency; 6 items adapted from Sulong (2021) and organizational performance (OP); 7 items adapted from Jeriansyah and Mappanyukki (2020).

### **Data Analysis**

Data were analyzed using SPSS. Descriptive statistics summarized demographic characteristics and variable distributions. Pearson's correlation tested associations between transparency constructs and organizational performance. Multiple regression analysis was conducted to evaluate the predictive effects of corporate governance, financial, and social transparency on organizational performance.

## **RESULTS**

### **Demographic Profile**

Of the 73 respondents, 45.2% were male and 54.8% were female. Nearly half (49.3%) were aged 18–35, followed by 38.4% aged 36–45, and 12.3% aged 46 or older. The majority (53.4%) were in mid-level positions (Grade 32–52). Respondents were distributed across four departments: administration (37%), finance (30%), legal (8%), and operations (25%).

### **Reliability**

Cronbach's alpha values exceeded 0.9 for all constructs, indicating strong internal consistency.

## Correlation Analysis

Pearson's correlation revealed significant positive relationships between CG transparency and organizational performance ( $r = .851, p < .001$ ) and between financial transparency and organizational performance ( $r = .836, p < .001$ ). Social transparency also demonstrated a positive, though weaker, correlation with performance ( $r = .821, p < .001$ ).

## DISCUSSION

The findings support agency theories by demonstrating that transparency enhances accountability and efficiency within a public sector context. Corporate governance transparency emerged as the strongest predictor of organizational performance, aligning with prior research on private firms (Akhtar, 2021). Financial transparency also significantly contributed to performance outcomes, consistent with the findings of Abdul Rashid (2020).

The relatively weaker role of social transparency suggests that, in government agencies, internal governance and financial disclosure mechanisms may exert a greater influence on performance than external social reporting. Compared with studies in developed economies where institutional enforcement is typically stronger, this case underscores the importance of organizational-level initiatives to improve transparency in emerging contexts

## CONCLUSION

This case study of a Perak state government agency demonstrates that corporate governance and financial transparency significantly enhance organizational performance. By fostering accountability, improving decision-making, and strengthening stakeholder trust, transparency is shown to be a critical tool for public sector governance reform in Malaysia

## Limitations

This study has several limitations. First, it examined only one government agency in Perak, restricting external validity. Second, purposive sampling limits representativeness and introduces potential bias. Third, the reliance on self-reported survey data raises the possibility of common method bias. Finally, organizational performance was measured perceptually rather than through objective indicators such as audit results or service delivery metrics.

## Future Research

Future studies should:

1. Expand to multiple agencies across Malaysia using stratified random sampling.
2. Integrate objective performance indicators such as audit scores and efficiency ratios.
3. Explore mediating mechanisms (e.g., trust, decision-making quality) and moderating factors (e.g., leadership style, organizational culture).
4. Conduct qualitative studies to capture contextual nuances of transparency implementation.

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