

مركز أبحاث وإصدارات
جامعة المالديف الإسلامية
ISLAMIC UNIVERSITY OF MALDIVES



INTERNATIONAL JOURNAL OF EMERGING ISSUES IN MANAGEMENT, ACCOUNTING AND TECHNOLOGY

VOLUME 2 | ISSUE 1 | MAR 2026

CENTRE FOR RESEARCH AND PUBLICATIONS
ISLAMIC UNIVERSITY OF MALDIVES

ISSN 3080-9819
3080-2415



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Chief Editor's Note

It is my pleasure to present Volume 2, Issue 1 (2026) of the International Journal of Emerging Issues in Management, Accounting and Technology (IJEMAT). This issue brings together diverse and timely research that reflects the evolving challenges and opportunities in management, accounting (finance) and technology.

The articles featured include (1) Shariah issues and legal framework of commodity Murabaha practices in Malaysia, (2) Audit committee characteristics and firm performance of listed financial services, (3) Risk committee attributes, financial leverage, and firm value of listed manufacturing firms, (4) An analysis of halal hotel attributes in Brunei and (5) the determinants of online shopping experience and online customer satisfaction among the millennials in Malaysia. Four of these papers are empirical papers while one of the papers is a review paper. Most of the papers submitted to this journal issue are accounting or finance related papers that address the currently emerging issues in accounting and finance. Also, some of the papers focused on information technology-based marketing trends that prevail in the current marketplace.

IJEMAT continues to publish original, empirical research that contributes to advancing knowledge and practice in contemporary management, accounting and technology. To ensure quality and relevance, our dedicated team of editors and reviewers rigorously assess submissions. The Editorial Board extends its sincere gratitude to the authors and researchers whose contributions enrich this issue, as well as to the advisory board, peer assessors, the Centre of Research and Publication, Kulliyah of Economics and Management Studies, and all supporting departments for their invaluable assistance in the publication process.

We remain committed to fostering innovative perspectives and anticipate constructive feedback that will further strengthen IJEMAT. The Editorial Board warmly welcomes future contributions and appreciates the continued support of our readers and contributors.

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Audit Committee Characteristics and Firm Performance of Listed Financial Services Firms in Nigeria: A Moderating Effect of Audit Committee Gender Diversity

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ABSTRACT

This study examines the effect of audit committee characteristics on the performance of listed Nigerian financial services firms. The study also examines the moderating effect of audit committee gender diversity on the relationship between audit committee characteristics and firm performance. The study adopted a quantitative approach and uses secondary data from Nigerian financial firms for the period 2014 to 2023. The data for the study was obtained from Nigerian Exchange Group (NGX) website. Multiple regression analysis was conducted to determine the strength and direction of the relationships outlined in the study. The result of the regression analysis suggests that, audit committee independence and audit committee expertise have significant negative relationship with firm performance. On the other hand, audit committee meeting show insignificant relationship with firm performance. Meanwhile, the result of the moderation effect reveals that audit committee meeting, audit committee independence and audit committee expertise are significant and positively related to firm performance after incorporation of audit committee gender diversity as a moderating variable. This finding has significant implications for corporate governance structures in Nigeria, especially in promoting more inclusive leadership within audit committees. The research recommends that, regulatory bodies and financial firms should prioritize the enhancement of gender diversity in governance frameworks to foster improved firm performance. These findings contribute to the literature on corporate governance by providing insights into how gender-inclusive audit committees can enhance firm performance in emerging economies like Nigeria.

Keywords: Social Media Marketing Activities, Brand Trust, Brand Loyalty, Customer Purchase Intention.

INTRODUCTION

Firm performance has traditionally been linked to companies' survival, growth and managerial efficiency and effective investment decisions (DeFond et al., 2022). In today's dynamic business environment, firms must meet stakeholder expectations, as their perception of operational success hinges on performance measurement and monitoring systems (Davis et al., 2020). Beyond financial indicators like stock returns and return on assets,

firm performance includes productivity, profitability, market position and organizational effectiveness (Thompson et al., 2023). Despite advancements in performance assessment, financial reporting scandals have raised concerns among regulators and researchers (Bédard & Gendron, 2022). Corporate collapses, such as Enron and WorldCom have exposed weaknesses in financial reporting and external audits, with similar trends observed in European markets and Africa (Gill

& Garcia, 2019). These events underscore the need for transparent financial reporting and strong internal controls to maintain investor confidence and economic stability (KPMG, 2021).

Nigeria has also experienced financial scandals, including African Petroleum Plc and Globacom Technologies, which exposed regulatory lapses and damaged firms' reputations (Oke, 2021). Cases such as the Central Bank of Nigeria's intervention in Oceanic Bank (2009), Intercontinental Bank's acquisition by Access Bank (2011), Skye Bank's license revocation (2018), and Diamond Bank's merger with Access Bank (2018) highlight the crucial interplay between audit committee characteristics and firm performance (Ndiokho & Ordu, 2019; Ikegwuonu & Maduekwe, 2020). These situations stress the importance of corporate governance in mitigating financial instability (Baber et al., 2020). The audit committee plays a vital role in ensuring sound corporate governance, particularly through its independence, meeting frequency and expertise. However, gender diversity within audit committees remains a debatable factor. While some studies suggest that diverse teams lead to better decisions (Schauer, 2009), others find the impact inconclusive (Knechel et al., 2017). Feminist theory suggests that gender diversity introduces varied perspectives, potentially improving audit committee effectiveness in enhancing firm performance. Nonetheless, persistent gender imbalances in audit committees raise concerns about equitable representation and decision-making quality (Adams, 2021). With increasing financial uncertainties and corporate fraud, regulators emphasize the need for strong corporate governance (Olayinka & Oluwafemi, 2021).

Nevertheless, Nigeria's financial sector has undergone significant transformation, including deregulation and adherence to international standards (Olokoyo, 2019). However, challenges such as inadequate capitalization and high non-performing loans persist (Obansa & Ogiedu, 2020). Given the importance of audited financial statements in Nigeria, gender diversity on corporate boards is expected to enhance audit committee effectiveness and add value to firms (Adegbie et al., 2020). The decision to consider

Nigeria as a case study is hinged on the fact that it is a low-income male-dominated society, with a significant gender disadvantage across various professions and occupations. Data from the World Bank in 2014 to 2018 showed that African countries of over 180 million people have a poverty rate of 42.4% with a population growth rate of 2.61%, but women are faced with greater economic hardship. It is important to understand the barriers for including women in governance and the hindrance that prevents female gender the opportunities to occupy top positions in companies. This research provides evidence-based findings which contribute to the need for education, institutional, societal and cultural change and create an avenue for the guidance and quality leadership for policy makers. This study is also motivated by the critical role of financial services firms in enhancing the efficiency and performance of capital markets.

From a theoretical perspective, existing literature on audit committee characteristics and firm performance presents mixed evidence. In developed economies, studies such as Klein (2002) and Anderson et al. (2004) suggest that audit committee independence and expertise enhance firm performance through stronger monitoring and oversight. Similarly, Vafeas (1999) found that frequent audit committee meetings positively impact governance effectiveness. However, in developing economies the findings have been more ambiguous. For instance, a study conducted in Nigeria by Uwuigbe et al. (2018) found no significant relationship between audit committee independence and firm performance. On the other hand, Al Mamun et al. (2014) in Malaysia observed that expertise positively influenced firms' performance. Furthermore, most African-based studies (Nwidobie, 2018; Adeyemi & Fagbemi, 2010) often focus on independence and expertise but neglect the role of gender diversity as a moderating factor. While evidence from advanced markets suggests a clear link between audit committee characteristics and firm outcomes, their applicability in Nigeria remains uncertain because of unique institutional, cultural, and regulatory contexts. Importantly, few studies in Nigeria have explicitly examined how audit-committee gender diversity moderates the relationships between independence,

meetings, expertise and firm performance. Recent Nigerian empirical evidence offers some fresh insights. For example, Ozigi et al. (2023) found that “young women” on audit committee and financial expertise of female audit committee members, alongside general audit-committee expertise, moderated firm performance positively. However, the annual meeting frequency and committee size mattered for earnings per share. In contrast, Aigienohuwa and Irowa Omoregie (2025) found that in manufacturing firms the frequency of meetings (audit-committee diligence) significantly improved scale-efficiency but gender diversity alone had an insignificant effect. In the consumer goods sector, Kabiru and Mohammed (2024) observed that audit-committee financial expertise positively impacted performance, but audit-committee gender diversity and meeting attendance surprisingly exhibited a significant negative impact on performance. Therefore, these new findings underscore that, in the Nigerian context, audit-committee characteristics cannot be assumed to operate uniformly as they do in developed markets. Hence, the role of gender diversity as a moderator remains especially underexplored and produces contradictory results depending on sector, measurement and modelling choice creating a significant gap in the corporate governance literature of emerging economies and making further investigation crucial for both scholars and policymakers.

LITERATURE REVIEW

Concept of Firm Performance

Firm performance influences investor returns, employee compensation, and the quality, cost, and nature of goods and services (Suhendi et al., 2022). It reflects an organization’s ability to achieve wealth maximization (Yinusa et al., 2019; Nenu et al., 2018) and is frequently studied as a dependent variable (Taouab, 2019). However, its definition and measurement vary. Arokodare and Asikhia (2020) view firm performance as continuous financial improvement, measured by metrics like profit after tax, return on assets, and return on investment. Taouab et al. (2019) include profitability, growth, market value, shareholder returns, and customer satisfaction. Alajo and Nzewi (2020) associate performance with economic and social

development, while Chinedu et al. (2020) link it to profit maximization. Financial performance is therefore a key driver of future growth and sustainability of corporate organizations (Samad et al., 2022). Firm performance ultimately measures a company's ability to utilize resources to achieve financial and market objectives (Obeitoh et al., 2021).

CORPORATE GOVERNANCE MECHANISMS

Corporate governance assumes different forms in today’s corporate systems (Baba & Baba, 2021). It is a mechanism used to guide the operation of corporate organizations thereby ensuring responsible, ethical and accountable management (Karim, 2014). Corporate governance is centered on either internal or external mechanisms. External mechanisms involve actors outside direct management, while internal mechanisms are based on specific actions taken by companies to enforce control and accountability in corporate board (Altuner et al., 2015). The primary goal of corporate board is to ensure effective management oversight (Gillan, 2006). Effective corporate governance system in Nigeria’s financial sector, particularly among Deposit Money Banks (DMBs), remains crucial to economic growth. As of 2023, DMBs held about 90% of non-central assets and 65% of stock market capitalization, reflecting their dominance (CBN, 2023; NSE, 2023). The Central Bank of Nigeria (CBN) regulates the sector through legislation like the CBN Act and Banks and Other Financial Institutions Act (BOFIA). Nigerian banks also adopt the Corporate Governance Code for Banks, which aims to enhance transparency and risk management (CBN, 2021). Corporate boards have several committees. Board committees are established basically to lighten the workload of the board by focusing on specific issues and carrying out the required due diligence. The audit committee is one of the board committees that is responsible for ensuring the integrity of companies’ financial reporting, audit process and system of internal controls, disclosures and compliance with laws and regulations (PWC, 2025).

Audit Committee Meetings and Firm Performance

Participants in audit meetings form a diverse cohort, encompassing internal auditors, external auditors,

members of the audit committee, senior management, and other pertinent stakeholders (Zhang et al., 2018). The ramifications of audit meetings extend far beyond the confines of the meeting room, significantly influencing organizational performance (Chen & Lin, 2021). Favorable outcomes may encompass enhanced financial reporting quality, bolstered internal controls, heightened compliance with regulatory mandates, and augmented stakeholder confidence. Conversely, inadequately conducted meetings or unresolved issues may precipitate reputational harm, financial losses, and regulatory sanctions. In their study, Chen and Lin (2021) underscore the significance of audit committee expertise in elevating the quality of internal audits. They accentuate the role of audit meetings as a platform for fostering effective communication and collaboration between auditors and management, thereby enhancing the overall efficiency and effectiveness of internal audit processes (Chen & Lin, 2021). Previous findings surrounding audit meetings encompass a myriad of perspectives, delving into their impact on audit quality, financial reporting, corporate governance, and organizational performance (Zhang et al., 2018).

Davidson and Wang (2024) examined how audit committee meetings enhance corporate governance and firm performance in Chinese publicly listed firms. Analyzing governance reports from 150 Shanghai Stock Exchange firms using structural equation modeling, they found a significant positive link between meeting frequency and performance metrics like EPS and market value. Regular meetings improved financial reporting and reduced governance risks, fostering stakeholder trust, aligning with EU regulations. Singh and Kumar (2024) studied 100 Bombay Stock Exchange firms using secondary financial data, identifying a positive correlation between frequent audit meetings and financial stability. Agwu and Eze (2022) used panel regression on data from 20 Nigerian banks over five years, showing that frequent meetings enhanced oversight, ensured adherence to best practices, and boosted firm value as measured by Tobin’s Q. Despite the potential benefits of virtual meetings in enhancing efficiency and flexibility, challenges such as technological issues may hinder their effectiveness. Based on the available study above, the

following hypothesis is formulated:

H1: There is a positive relationship between Audit Committee meetings and Firm Performance.

Audit Committee Independence and Firm Performance

An auditor must be independent and committed to serving public interest (Hayani, et.al, 2022). Independence could be interpreted as a mental attitude that is free from influence, not controlled by another party and not dependent on other people. Independence also means the honesty of an auditor to consider fact and existence in objective consideration, not takes sides in formulating and stating the opinion (Imamsari et. al, 2020). Independence is the attitude expected of an auditor not to have a personal interest in carrying out his duties. Studies were conducted on effect of audit independence and firms’ performance. Among others, Mohammed and Ibrahim (2024) examined regulatory changes in Nigeria, combining qualitative insights with quantitative data. Their findings highlighted mixed outcomes, stressing the importance of balanced regulations that enhance auditor independence while supporting firm performance. Ogundele and Hassan (2023) analyzed 90 listed Nigerian manufacturing firms, finding a significant positive correlation between audit committee independence and performance indicators like profit margins and efficiency. The study advocates for stronger frameworks to enhance audit independence. Singh and Patel (2024) investigated audit committee independence in India through a case study of 60 public companies, concluding that it plays a crucial role in preventing financial irregularities and ensuring sustainable performance. Gurjath and Martinez (2024) conducted a longitudinal study on 200 firms across five Latin American countries, demonstrating a consistent positive relationship between independent audit committees and financial performance, reinforcing the universal importance of strong audit practices. Based on the foregoing, this study hypothesizes as follows;

H2: There is positive relationship between Audit Committee Independence and Firm Performance.

Audit Committee Expertise and Firm Performance

According to Rahayu (2020), the quality of auditors in terms of experience can increase their ability to carry out audits. Audit expertise refers to an auditor with auditing expertise, a lot of knowledge, highly educated and experienced (Malau & Syofyan, 2022). Audit expertise is a critical component of the auditing profession, influencing the quality of audits and the reliability of financial statements (El-Khatib, 2021). It provides valuable insights into the factors that contribute to high-quality audits. Continuous professional development, robust regulatory environments, cultural considerations, technological proficiency, ethical standards and experience play a pivotal role in shaping audit expertise (Ahmed & Hassan, 2023). However, studies were conducted on the relationship between audit committee expertise and firm performance. Among others, Ahmed and Ibrahim (2024) investigated the relationship between auditor expertise and firm value among publicly listed firms in Egypt. Using a dataset of 40 firms over six years, the study employed regression analysis to establish that auditor expertise significantly enhances firm value. On the other hand, a comparative study conducted on Nigeria and Ghana listed firms by Onyenaju et al. (2025) found a significant negative relationship between audit committee expertise and firm value. Besides, Singhania and Panda (2025) conducted a study to examine the relationship between audit committee characteristics and firm performance among top NSE-listed non-financial companies in India. Based on 133 companies covering five years from 2016-2020, the study found insignificant relationship between audit committee expertise and firm performance. The study underlined the critical role of experienced auditors in mitigating risks and promoting transparency. Therefore, In the light of the foregoing, put forward this hypothesis:

H3: There is positive relationship between Audit Committee Expertise and Firm Performance'

Moderating Effect of Audit Committee Gender Diversity on the Relationship between Audit Committee Characteristic and Firm Performance

Abubakar et al. (2023) examined Nigerian firms using structural equation modeling, revealing that gender diversity strengthened the positive impact

of audit committee independence on performance. Women's contributions to audit committees fostered better audit practices and firm outcomes. In Bangladesh, Khan and Memon (2023) also found a positive link between audit committee independence and firm performance, with gender diversity acting as a crucial moderator. Their study highlighted how female participation improved communication, transparency, and audit rigor, ultimately enhancing corporate financial performance. Adeyemi (2023) undertook a study to examine the effect of audit committee characteristics on firm performance among listed Nigerian firms. Using hierarchical regression analysis on 100 firms, the study found that gender diversity strengthens the link between audit committee meetings and firm performance, emphasizing transparency and governance improvements. Bamidele et al. (2024) expanded the analysis to sub-Saharan Africa, assessing 130 firms with a fixed-effects regression model. The study confirmed that gender diversity in audit committees enhances financial performance by improving risk management and fostering innovative solutions. These studies collectively highlight the importance of gender diversity in audit committees across different markets.

Moreover, a study was also conducted by Oladipo and Akinola (2021) using a sample comprising 50 Nigerian financial institutions. The findings of the study suggests that gender-diverse audit teams contributed to better financial performance due to varied perspectives and enhanced decision making. Patel and Singh (2023) analyzed data from 150 Indian corporations. The finding suggests that, the presence of women in audit roles correlated with higher profitability and market valuation. Müller and Schmidt (2023), examining the top 200 German corporations, concluded that gender-diverse audit expertise is associated with higher financial performance and market efficiency. Jones and Davis (2023) explore the impact of gender diversity in audit committees on the financial performance of publicly listed firms in the United Kingdom. The study employed both fixed-effects and random-effects models. The study found that gender-diverse audit committees significantly enhance firm performance, particularly when combined with high levels of audit expertise. This study suggests

that gender diversity can positively influence firm performance by fostering a more inclusive and effective audit process, thereby improving corporate governance. Based on the foregoing, the following hypotheses are formulated.

H4: Audit Committee Gender Diversity positively Moderate the relationship between Audit Committee Meeting and Firm Performance

H5: Audit Committee Gender Diversity positively Moderate the relationship between Audit Committee Independence and Firm Performance

H6: Audit Committee Gender Diversity positively Moderate the relationship between Audit Committee Expertise and Firm Performance

CONTROL VARIABLES

This study include the following variables: firm size, firm age and leverage as control variables as they are commonly linked with variations in firm performance and audit quality outcomes. Firm size remains a significant control variable because it often dictates the complexity of operations, resource availability, and market influence. Larger firms typically have more resources to invest in robust internal controls and can attract higher-quality auditors due to their ability to pay higher audit fees. They are also subject to greater scrutiny by regulators and the public, which can enhance audit quality. Prior research has consistently demonstrated a positive association between firm size and audit quality. For instance, Lawrence et al. (2011) found that larger firms tend to experience higher audit quality because of their capacity to afford more comprehensive audits. Similarly, Francis and Yu (2009) observed that larger firms are more likely to engage Big 4 auditors, who are associated with enhanced audit committee characteristics and more rigorous audit practices. Firm age, on the other hand, reflects the number of years a firm has been in operation and is a proxy for organizational experience, reputation, and stability. Older firms often have established reporting systems, structured governance frameworks, and long-term auditor relationships, all of which can contribute to improved audit quality and firm performance. According

to Alqatamin (2018), older firms generally exhibit better compliance with corporate governance standards due to accumulated experience and reputational considerations. Similarly, Khatab et al. (2021) reported that mature firms tend to perform better financially as their market reputation and operational efficiency increase over time. However, in some cases, older firms may also experience bureaucratic rigidity that could negatively affect innovation and responsiveness.

Leverage, which represents the proportion of debt in a firm's capital structure, is another critical control variable influencing both audit quality and firm performance. High leverage increases a firm's financial risk and the likelihood of default, which can, in turn, attract closer scrutiny from auditors and stakeholders. Jensen and Meckling (1976) agency theory posits that higher leverage intensifies the conflict between debt-holders and shareholders, necessitating stronger monitoring mechanisms such as higher audit quality. Empirical evidence by Li and Lin (2023) and Al-Homaidi et al. (2022) supports this notion, revealing that firms with higher leverage often demand more credible audits to reduce information asymmetry and reassure creditors. Conversely, excessive leverage may constrain a firm's financial flexibility, adversely affecting performance and limiting investment in audit-related activities.

THEORETICAL FRAMEWORK

The conceptual framework is supported by agency theory as the primary foundation, with signaling theory providing a complementary perspective.

AGENCY THEORY

Proposed by Jensen and Meckling (1976), agency theory explains conflicts between principals (shareholders) and agents (managers) due to differing interests and information asymmetry. Managers may prioritize personal gains, leading to agency costs such as monitoring and bonding expenses. This issue is particularly pronounced in Nigeria due to weak governance structures and corruption. Agency theory links audit committee characteristics (ACC) to firm performance, as effective audit committees help mitigate

agency problems by overseeing management decisions, ensuring compliance, and enhancing transparency (Allegrini & Greco, 2013). Attributes like independence, expertise, and diligence improve financial oversight, aligning managerial actions with shareholder interests (Rupley et al., 2012; Eng & Mak, 2003). Studies (Said et al., 2017; Ajibolade & Uwalomwa, 2013; Power, 1991) confirm the role of audit committees in strengthening governance and fostering shareholder confidence.

SIGNALING THEORY

Developed by Spence (1973), signaling theory explains how firms communicate credibility to reduce information asymmetry. Originally applied to job markets, the theory is now extended to corporate governance, where firms use strong audit committees, financial reporting, and governance disclosures to signal reliability (Fagbemi et al., 2017; Ofoegbu & Ifurueze, 2021). In financial markets, boards and executives send signals such as governance reforms or audit committee independence to assure investors of adherence to best practices (Connelly et al., 2010). Prior studies (Brandes et al., 2006; Zhang & Wiersema, 2009; Karasek & Bryant, 2012) highlight how governance mechanisms act as credibility signals. This study applies signaling theory to audit committee characteristics, emphasizing their role in enhancing transparency and investor confidence.

RESEARCH FRAMEWORK

The framework of this study is consistent with theoretical viewpoints and empirical results of prior studies relating audit committee characteristics and firm performance. The framework is adopted from the work of Abubakar and Mohammed (2021), Hassan and Ibrahim (2022), Abdullahi et al. (2023), Kim and Lee (2023), Obamuyi and Fagbemi (2023) and Ojo et al. (2023) with modifications by encompassing different construct related to the study and audit committee gender diversity as moderating variable.

INDEPENDENT VARIABLES

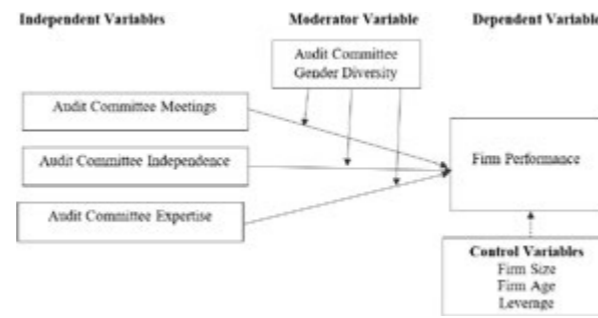


Figure 2.1: Research Framework of the study

METHODOLOGY

This section presents the methodology adopted in conducting this research. This study adopts ex-post facto research design, which was employed to examine the causal relationship among the variables. In this particular study, a quantitative research approach was adopted, utilizing secondary data. Besides, the research focused on financial services companies listed on the Nigerian Exchange Group (NGX) from 2014 to 2023. As of 23th December, 2024, there were 45 financial services institutions listed on the NGX. The study specifically concentrated on these financial services firms. However, this study utilizes secondary data sources. Annual report for the years 2014-2023 was obtained from the corporate websites of selected firms. Company annual reports serve as a source of data for this study due to their widespread acceptance and high credibility and reliability as noted by Deegan and Rankin (1997) and Abdulrahman (2001). The study utilizes quantitative approach using appropriate statistical techniques. The study conducted both descriptive and inferential analysis. STATA 13 statistical software package was used to perform the statistical analysis on the data.

Variable	Type	Measurement	Source
Firm Performance (ROA)	Dependent Variable	Net income ÷ Total assets	Darmadi (2013)
Audit Committee Meeting	Independent Variable	Number of audit committee meetings per year (frequency)	Schmidt (2023)
Audit Committee Independence	Independent Variable	Proportion of non-executive directors on the audit committee	Angsuziri (2021)
Audit Committee Expertise	Independent Variable	Number of audit committee members with accounting/finance expertise	Obesih et al. (2023)
Audit Committee Gender Diversity	Moderator	Percentage of female members in audit committee ÷ Total audit committee members	Kabara et al. (2022)
Firm Size	Control Variable	Natural logarithm of total assets	Ling & Sultana (2015)
Leverage	Control Variable	Total liabilities ÷ Total assets	Cormier et al. (2011)
Firm Age	Control Variable	Observation year – Year of incorporation	Saputri et al. (2020)

Modelling the Relationship between Audit Committee Characteristics and Firm Performance

This model presented the direct relationship between audit committee characteristics and firm performance.

$$FIRMPF_{it} = \beta_0 + \beta_1 AUDCME_{it} + \beta_2 AUDCIN_{it} + \beta_3 AUDCEX_{it} + \beta_4 FIRMSZ_{it} + \beta_5 FIRMAG + \beta_6 LEVERG_{it} + \epsilon_{it} \dots \dots \dots (1)$$

Where:

FIRMPF = Firm Performance, AUDCME = Audit Committee Meetings, AUDCND = Audit Committee Independence, AUDCXP = Audit Committee Expertise, FIRMSZ = Firm Size, FRMAGE = Firm Age, LEVERG = Leverage, β_0 = Intercept and ϵ = Error Term

3.3 Modelling the Moderating Effect of Audit Committee Gender Diversity on Relationship between Audit Committee Characteristics and Firm Performance

This model introduces Audit Committee Gender Diversity as moderator. Specifically, the model assesses the moderating effect of audit committee gender diversity on the relationship between audit committee meetings, independent and expertise variables and a dependent variable (FP). The model is represented as below:

$$FIRMPF_{it} = \beta_0 + \beta_1 AUDCME_{it} + \beta_2 AUDCIN_{it} + \beta_3 AUDCEX_{it} + \beta_4 FIRMSZ_{it} + \beta_5 FIRMAG + \beta_6 LEVERG_{it} + \beta_7 AUDCME_{it} * ACGEND + \beta_8 AUDCIN_{it} * ACGEND + \beta_9 AUDCEX_{it} * ACGEND \dots \dots \dots (2)$$

Where:

GENDIV = Audit Committee Gender Diversity and all other variables were earlier defined.

4.0 Result and Discussions

This section present and discussed the analysis of data using both descriptive statistics and inferential analyses.

Descriptive Statistics

Pallant (2013) explains that descriptive statistics serve a fundamental role in research by providing a clear summary of the essential characteristics of the

study sample. Descriptive statistics help researchers to organize, simplify, and present data in a meaningful way, offering insights into measures such as central tendency, variability, and distribution. Table 1 depicts the descriptive analysis of the study. Accordingly, the mean value for firm performance (FIRMPF) is 0.621 with a standard deviation of 0.415 which moderates performance variations among firms, with a highly skewed distribution (1.500), indicating that some firms perform significantly better than others. This result aligns with the study of Adegbite (2022) which found performance disparities among listed financial service institutions due to governance structures. The audit committee meetings (AUDCME) average 4.369, reflecting compliance with Nigeria’s corporate governance codes, which require at least four meetings annually. The low skewness (-0.100) suggests a nearly normal distribution. This is consistent with the findings of Uwuigbe et al. (2021), which established a positive relationship between frequent meetings and improved oversight. Audit committee independence (AUDCIN) and expertise (AUDCEX) show means of 0.425 and 0.433, respectively, indicating that less than half of the committee members are independent or experts. Their moderate skewness (0.600) suggests slight deviations from normality. This is in line with Sanda et al. (2020), which emphasized the role of independence and expertise in enhancing audit quality, thereby improving firm performance. Audit committee gender diversity (ACGEND) has a mean value of 0.471, showing limited female representation. This is consistent with the view of Okafor et al. (2022), who noted that gender diversity in Nigerian financial institutions remains low but has a positive impact on governance effectiveness.

Variable	Obs	Mean	SD	Min	Max	Skewness	Kurtosis
FIRMPF	390	0.621	0.415	0.241	6.500	1.500	5.500
AUDCME	390	4.369	0.900	2.000	6.000	-0.100	2.700
AUDCIN	390	0.425	0.150	1.000	5.000	0.600	3.300
AUDCEX	390	0.433	0.140	1.000	3.000	0.600	2.800
ACGEND	390	0.471	0.160	0.200	0.800	0.300	2.500
FIRMAG	390	3.350	1.000	1.000	4.500	-1.000	4.500
FIRMSZ	390	18.067	2.500	14.000	24.000	0.500	2.800
LEVERG	390	1.337	0.600	0.500	15.000	2.000	9.000

Note: FIRMPF = Firm Performance, AUDCME = Audit Committee Meetings, AUDCIN = Audit Committee Independence, AUDCEX = Audit Committee Expertise, ACGEND = Audit Committee Gender Diversity, FIRMAG = Firm Age, FIRMSZ = Firm Size and LEVERG = Leverage.

Firm age (FIRMAG) averages 3.350, with a negatively skewed distribution (-1.000), indicating that older firms dominate the sample. Older firms often have better governance mechanisms, as supported by Owolabi and Ogunipe (2023), which attributes firm's maturity to better financial stability and governance practices. Firm size (FIRMSZ) has a mean value of 18.067, suggesting that most listed financial service institutions are large firms. A skewness of 0.500 indicates a relatively balanced distribution. Larger firms tend to have stronger governance structures, reinforcing the findings of Al-Matari et al. (2022) on the positive effect of firm size on audit effectiveness and financial performance. Leverage (LEVERG) shows the highest skewness (2.000) and kurtosis (9.000), indicating a highly skewed distribution with extreme values. High leverage levels in some firms suggest financial risk, which aligns with the findings of Iyoha and Faboyede (2021), which argued that highly leveraged financial institutions require stronger audit committees for effective risk management. The aforementioned findings collectively emphasize that audit committee characteristics significantly influence firm performance in Nigeria's financial sector. Therefore, enhancing audit committee independence, expertise, and diversity while maintaining effective governance structures could improve firm performance, reinforcing corporate governance's role in financial stability.

CORRELATION ANALYSIS

Correlation analysis is a statistical technique for measuring and evaluating the strength and direction of the association between two metric variables (Bhatti & Sundram, 2015). The correlation matrix (Table II) provides insight into the relationship between audit committee characteristics, firm size, leverage, and firm performance of listed financial services institutions in Nigeria. Firm performance (FIRMPF) is negatively correlated with audit committee meetings (AUDCME) (-0.1033), audit committee independence (AUDCIN) (-0.1071), firm age (FIRMAG) (-0.0947), and firm size (FIRMSZ) (-0.3274), but positively correlated with leverage (LEVERG) (0.2008). This suggests that increased audit committee activities and firm size do not necessarily enhance firm performance. This may be

due to regulatory burden, inefficiencies, or bureaucratic tendencies in large firms. The negative impact of audit committee independence aligns with prior studies (e.g., Adegbite, 2015; Uwuigbe et al., 2020) which argued that independent audit committees may lack industry-specific expertise, reducing their effectiveness. Meanwhile, the positive correlation between leverage and firm performance suggests that firms with higher debt levels might experience performance improvements, possibly due to efficient debt utilization or pressure for financial discipline, in line with agency theory (Jensen & Meckling, 1976). The negative effect of firm size on performance (-0.3274) supports previous findings including Olowokure et al., (2016), Okafor and Ibadin, (2021) which affirms that, likely large firms may struggle with operational inefficiencies despite governance mechanisms. This highlights the importance of right-sizing governance structures to avoid diminishing returns.

Table II: Correlation Analysis

Variables	FIRMPF	AUDCME	AUDCIN	AUDCEX	ACGEND	FIRMAG	FIRMSZ	LEVERG
FIRMPF	1							
AUDCME	-0.1033*	1						
AUDCIN	-0.1071*	0.0556	1					
AUDCEX	0.019	-0.0835*	-0.0994	1				
ACGEND	0.0237	0.0087	0.0688	-0.0347	1			
FIRMAG	-0.0947*	0.0748	-0.0392	0.0673	0.0648	1		
FIRMSZ	-0.3274***	0.0290	0.0237	-0.1356***	0.0111	-0.2224***	1	
LEVERG	0.2008***	-0.0894*	0.1203*	0.016	0.0096	-0.0082	-0.1455	1

Note: FIRMPF = Firm Performance, AUDCME = Audit Committee Meetings, AUDCIN = Audit Committee Independence, AUDCEX = Audit Committee Expertise, ACGEND = Audit Committee Gender Diversity, FIRMAG = Firm Age, FIRMSZ = Firm Size and LEVERG = Leverage.

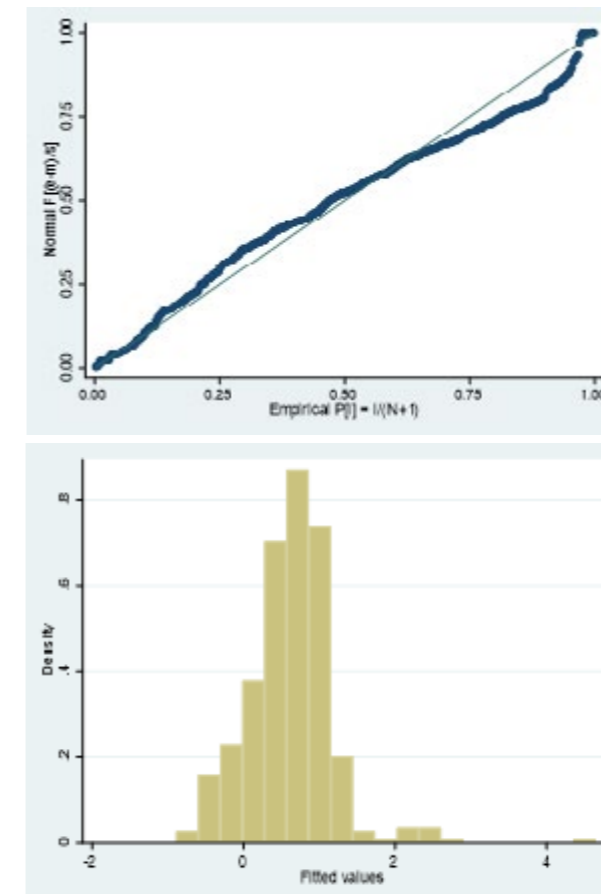
DIAGNOSTIC TESTS

Diagnostic tests in statistics and data analysis are essential tools for validating the assumptions underlying a statistical model and ensuring its robustness, reliability, and interpretability. Gujarati (2004), Hair et al. (2010), and Sekaran and Bougie (2016) emphasize the importance of these assumptions as a prerequisite for reliable statistical inference.

NORMALITY TEST

Normality of the dataset can be determined using either graphical or numerical techniques. Hair et al. (2014) and Park (2008) stated that graphical and numerical methods are statistical techniques that are widely used in confirming the normality of data in a study. Accordingly, the present study used plot probability (PP Plot) to test the normality of the data. The PP plot relates the empirical aggregate distribution functions of the variables with a specific hypothetical

aggregate distribution function by means of the standard normal distribution function (Park, 2008). As depicted in Figure 4.1, the data points had not departed very far from the fitted line. Furthermore, the results of the histogram kdensity test for normality indicate that the data has relatively normal distribution. Besides, the p-value of 0.103 from the Jarque-Bera normality test for residuals distribution (Fig 4.2) also indicates that the data was normally distributed.



MULTICOLLINEARITY TEST

Multicollinearity test is a diagnostic test used to detect collinearity or other conditions between predictor variables. According to Gujarati (2004), correlation between predictors should not exceed 0.8., if the correlation is greater than 80%, there may likely be existence of multicollinearity in the dataset. On the other hand, Variance Inflation Factor (VIF) and the tolerance value are also methods used to test the possible existence of multicollinearity in a dataset. However, the value of the VIF is the amount of variability of the selected independent variable, which

is explained by other independent variables. In contrast, the tolerance is the inverse of VIF (Hair et al., 2010). The VIF and the tolerance values cut-off points are 10 and 0.10 respectively, which indicates that if VIF is closer to 1.00 represents little or no multicollinearity. Based on Table 3, VIF values range between 1.01 and 1.23, whereas tolerance values range between 0.815 and 0.988. Therefore, the result of the collinearity statistics (Variance Inflation Factor, VIF) and Tolerance values for the various independent variables as depicted in the Table III suggest that there is no significant issue of multicollinearity in the model.

Table III: Collinearity Statistics: Tolerance Value and Variance Inflation Factor

Variables	VIF	Tolerance (1/VIF)
FIRMPF	1.23	0.815
AUDCME	1.08	0.927
AUDCIN	1.07	0.933
AUDCEX	1.05	0.950
ACGEND	1.04	0.956
FIRMAG	1.03	0.967
FIRMSZ	1.01	0.988
Mean VIF	1.09	

Note: FIRMPF = Firm Performance, AUDCME = Audit Committee Meetings, AUDCIN = Audit Committee Independence, AUDCEX = Audit Committee Expertise, ACGEND = Audit Committee Gender Diversity, FIRMAG = Firm Age, FIRMSZ = Firm Size and LEVERG = Leverage.

HAUSMAN TEST

Hausman test is a test that is commonly used in panel data analysis to compare the consistency of estimates between Fixed Effects (FE) and Random Effects (RE) models. The purpose is to determine whether the unique errors (or random effects) are correlated with the regressors in the model. If they are correlated, the fixed effects model is preferable; otherwise, the random effects model is efficient and preferred. The Hausman test result as presented in Table 4.

Table IV: Hausman Test Between Fixed Effects (FE), Random Effects (RE), and Ordinary Least Squares (OLS)

Variables	FE	RE	OLS
AUDCME	-0.0027	-0.0181	-0.0665
AUDCIN	-0.4200	-0.6183	-1.0844**
AUDCEX	0.3273	0.1736	-0.2309
ACGEND	0.2467	0.2720	0.3584
FIRMAG	-0.2516	-0.3280*	-0.3361***
FIRMSZ	-0.1527**	-0.1755***	-0.1988***

Variables	FE	RE	OLS
LEVERG	0.0180	0.0324	0.0641**
-CONS	5.2572***	5.5268***	5.7799***
N	390	390	390

Note: FIRMPF = Firm Performance, AUDCME = Audit Committee Meetings, AUDCIN = Audit Committee Independence, AUDCEX = Audit Committee Expertise, ACGEND = Audit Committee Gender Diversity, FIRMAG = Firm Age, FIRMSZ = Firm Size and LEVERG = Leverage. *Significance Levels: p < 0.10, ** p < 0.05, *** p < 0.01

From Table 4 above, the result of the Hausman test reveals that Audit Committee Meetings (AUDCME) has insignificant coefficients across all models. This suggests that frequent meetings alone do not enhance firm performance. This aligns with prior studies indicating that, mere frequency of audit committee meetings

does not guarantee improved oversight effectiveness unless coupled with qualitative engagement (Adegbe & Fakile, 2023). Audit Committee Independence (AUDCIN) indicates significant negative coefficient under the OLS model (-1.0844, ** p < 0.05) suggests that higher independence of the audit committee may negatively impact firm performance. This could imply that excessive independence may limit the practical knowledge of committee members, thereby affecting their ability to support management decisions. Prior research such as Ofoegbu et al., (2023) also affirms that while independence enhances monitoring, an overly detached committee may hinder strategic flexibility.

Audit Committee Expertise (AUDCEX) reveals mixed results across models indicating an unclear impact. Under FE (0.3273) and RE (0.1736), expertise appears beneficial, but the negative OLS result (-0.2309) suggests that mere technical competence without strategic alignment may not improve firm performance. Prior findings such as Uwuigbe et al., (2022) support the view that expertise alone is insufficient without active involvement in decision-making. Audit Committee Gender Diversity (ACGEND) shows insignificant coefficients in all models (e.g., 0.3584 under OLS) suggest that gender diversity within audit committees does not independently drive firm performance. However, literature including Olarewaju and Ilesanmi (2023) asserts that, while diversity enriches perspectives, its impact depends on the effective inclusion of diverse voices.

Firm Age (FIRMAG) shows a significant negative coefficient in RE (-0.3280, * p < 0.10) and OLS (-0.3361, *** p < 0.01) which indicates that older firms may experience diminishing returns due to rigidity and bureaucratic inefficiencies. Studies like Adebayo and Olayemi, (2023) confirm that while experience enhances stability, older firms must innovate to sustain performance. Firm Size (FIRMSZ) reveals a consistently negative and significant coefficients across all models (e.g., -0.1988, *** p < 0.01 under OLS) suggesting that larger firms may suffer from inefficiencies that outweigh their scale advantages. This finding supports prior research of Owolabi and Akinyemi, (2023), which found that large Nigerian financial institutions often struggle

with operational complexity and reduced agility. Leverage (LEVERG) shows a significant positive coefficient under OLS (0.0641, ** p < 0.05) indicates that financial leverage can enhance firm performance, potentially due to tax benefits and disciplined capital allocation. This aligns with findings of Okeke et al. (2022) which observed that, leverage can be beneficial when managed effectively.

REGRESSION ANALYSIS

Table 5 presents the result of the regression analysis of this study. As depicted in the Table, Audit Committee Meetings (AUDCME) reveals an insignificant value (Coeff.= -0.084, p = 0.515) which suggests that, frequency of meetings does not significantly impact firm performance. This aligns with prior studies indicating that mere meeting frequency does not necessarily translate into effective decision-making (e.g., Uwuigbe et al., 2022). Audit Committee Independence (AUDCIN) has a significant negative relationship with firm performance (Coeff.= -1.291, p = 0.003), implying that higher independence may lead to lower financial performance. The possibly reason for this result may be due to regulatory compliance without active engagement. This is consistent with Olayemi and Babatunde (2023), which affirms that independent directors may lack the industry expertise to contribute effectively. Conversely, Audit Committee Expertise (AUDCEX) show a positive and significant influence on firm performance (0.327, p = 0.010). This supports the findings of Adamu and Yusuf (2023) which noted that financially knowledgeable audit committee members improve oversight quality, leading to better financial performance.

Variable	Coefficient	Std. Err.	t-value	P-value
AUDCME	-0.084	0.128	-0.66	0.515
AUDCIN	-1.291	0.583	-2.21	0.003
AUDCEX	0.327	0.125	2.6	0.010
ACGEND	-2.066	1.794	-1.15	0.007
AUDCME * ACGEND	0.172	0.193	0.89	0.008
AUDCIN * ACGEND	1.695	0.747	2.27	0.005
AUDCEX * ACGEND	0.064	0.023	2.78	0.000
FIRMAG	0.254	0.134	1.89	0.066
FIRMSZ	0.154	0.060	2.54	0.015
LEVERG	0.018	0.011	1.63	0.112
-CONS	6.382	1.588	4.07	0.000
R Squared	0.0681			
Prob > F	0.000			

Note: FIRMFF = Firm Performance, AUDCME = Audit Committee Meetings, AUDCIN = Audit Committee Independence, AUDCEX = Audit Committee Expertise, ACGEND = Audit Committee Gender Diversity, FIRMAG = Firm Age, FIRMSZ = Firm Size and LEVERG = Leverage.

The result of the regression analysis as depicted in Table 5 shows a significant negative relationship between Audit Committee Gender Diversity (ACGEND) and firm performance (Coeff.= -2.066, p = 0.007). This result suggests that, increase in gender-diverse committees will lead to decrease in firm performance among Nigerian financial sector. However, the result of the moderating effect (AUDCME * ACGEND, AUDCIN * ACGEND and AUDCEX * ACGEND) show positive and significant moderating effect for all the three relationships. This result implies that audit committee gender diversity enhances the relationship between audit committee meetings, independence and expertise on firms' performance. This result is in line with Okonkwo et al. (2022), which found that gender diversity enhances financial expertise and independence effectiveness among financial institutions. Firm Age (FIRMAG) and Firm Size (FIRMSZ) show a positive impact on firm performance, reinforcing prior studies (e.g., Adebayo & Salami, 2021), suggesting that older and larger firms benefit from economies of scale and experience. However, Leverage (LEVERG) is insignificant, implying that financial leverage does not significantly influence performance in this context. These findings emphasize the need for financial service institutions to focus on expertise and gender-diverse committees to enhance governance and performance, rather than just increasing meetings or independence without industry expertise.

CONCLUSION

This study examines the relationship between audit committee characteristics and financial performance of listed Nigerian financial service firms, with audit committee gender diversity as a moderating variable. The study used secondary data from 2014 to 2023 retrieved from annual reports of listed financial service companies. However, the multiple regression analysis conducted revealed a significant relationship between audit committee independence and firm performance. Expertise has significant positive influences on firm performance. Meeting frequency does not show a significant effect on firm performance. For the moderating effect, gender diversity moderated

the relationship between audit committee meeting, independence, expertise and firm performance. This result has highlighted the need for inclusive audit committees to strengthen corporate governance in Nigeria's financial sector. The findings indicate that audit committee characteristics influence firm performance, with expertise being a key driver of financial success. However, excessive independence may limit practical decision-making. Gender diversity in audit committees plays a significant moderating role, improving the effectiveness of independent and expert members. These results emphasize the importance of corporate governance reforms in Nigeria, advocating for diverse, knowledgeable, and strategically involved audit committees to enhance financial oversight and organizational performance.

RECOMMENDATIONS

Based on the conclusion presented above, this study made the following recommendations:

- i. Firms should ensure that audit committee members have relevant financial and industry expertise to improve oversight effectiveness.
- ii. While independence is crucial, firms should balance it with practical knowledge to enhance decision-making.
- iii. Regulatory bodies should encourage increased female representation in audit committees to improve governance outcomes.
- iv. Instead of focusing solely on frequency, audit committees should prioritize the quality of discussions and strategic engagement.
- v. Policymakers should refine governance frameworks to foster a more inclusive, accountable, and efficient financial oversight structure.

Implications

The findings of the study have several implications.

- i. Theoretical implications:

Traditionally, Agency Theory suggests that audit committee independence and expertise act as monitoring mechanisms to reduce information asymmetry. However, the initial finding of a negative relationship

with performance suggests that in the Nigerian context, these characteristics might lead to "over-monitoring" or rigid compliance that stifles operational flexibility. This means the current study implies that Agency Theory may need to be contextualized for emerging markets where institutional environments differ from the West.

The shift from negative or insignificant results to significant positive results after introducing gender diversity strongly supports Resource Dependency Theory. First it suggests that women bring different professional networks, experiences, and cognitive styles (resources) that the committee previously lacked. (2) The findings indicated that boundary spanning where gender diversity enables the audit committee to better manage external dependencies and social legitimacy, which directly translates into better performance.

The findings of this study contribute to the discussion on Critical Mass Theory. By showing that gender diversity moderates the effectiveness of other committee traits (independence, expertise, and meetings), the study demonstrates that gender is not just a "check-the-box" requirement. Instead, it acts as a synergistic variable that "unlocks" the potential value of technical expertise and independent oversight that were otherwise dormant or counterproductive.

The study highlights that the process of governance (how committees interact) is just as important as the structure (who is on the committee). The fact that audit committee meetings became significant only when moderated by gender suggests that female presence may improve the quality of discourse and decision-making during those meetings, moving them from a routine compliance exercise to a value-adding activity

While independence is often viewed through an Agency lens, the gender moderation results suggest a shift toward Stewardship Theory. The inclusion of women may foster a more collaborative and "pro-organizational" environment, aligning the goals of the independent experts and the board more closely with the long-term performance of the firm.

ii. Practical Implications:

Strategic Board Composition: The shift from negative or insignificant relationships to a positive

correlation when gender diversity is introduced suggests that women bring unique monitoring styles or cognitive diversity that "unlock" the value of independent and expert members. Firms should move beyond tokenism and view gender diversity as a performance-enhancing tool.

Policy Reform for Regulators: The Nigerian Securities and Exchange Commission (SEC) and the Central Bank of Nigeria (CBN) should consider strengthening gender quotas within the Nigerian Code of Corporate Governance. The study proves that diversity isn't just a social goal but a financial safeguard.

Optimizing Audit Committee Meetings: Since meetings alone were found to be insignificant, the results imply that "more" meetings aren't necessarily "better" unless they are diverse. Firms should focus on the quality of discourse facilitated by a gender-inclusive committee rather than just the frequency of sitting.

Professional Development: Recruitment for audit committees should prioritize female candidates with technical expertise. Because diversity moderates the impact of expertise on performance, having women with accounting and financial backgrounds is critical for the "expertise" variable to yield positive results.

Investment Appeal: For investors and stakeholders, a gender-diverse audit committee can serve as a signal of high-quality governance, potentially lowering the perceived risk and increasing the market valuation of listed financial firms.

iii. Managerial Implications:

Strategic Board Composition: Managers should move beyond "tokenism" (appointing only one woman to fulfill perceived requirements) and aim for a "critical mass" of female representation. Evidence suggests that the performance benefits of gender diversity are stronger in firms with two or more female directors.

Mitigating Governance Weaknesses: In emerging markets like Nigeria, where institutional frameworks may be weaker, gender-diverse audit committees can serve as a substitute for deficient oversight mechanisms. Female directors are often more diligent, sensitive to ethical considerations, and inclined toward transparency, which strengthens financial oversight.

Enhancing Decision-Making Quality: Gender diversity improves the functional performance of the audit committee by bringing varied perspectives and more rigorous monitoring. This helps in challenging management decisions constructively and ensuring that complex financial problems are analyzed from multiple angles.

Improving Sustainability and Reporting: Diverse committees are more likely to align corporate oversight with long-term sustainability goals and reduce opportunistic behaviors, such as aggressive earnings management.

Policy and Training Alignment: Firms should not only recruit more women into these roles but also invest in continuous training and development, focusing on diversity management and emerging financial reporting standards to maximize their effectiveness.

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The determinants of online shopping experience and online customer satisfaction among millennials in Malaysia

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ABSTRACT

The main objective of this study is to examine the determinants of online shopping experience and online customer satisfaction among the Millennials in Malaysia. This quantitative research has collected 147 online survey questionnaires from the sample frame of MBA Millennials with past online shopping experience using non-probability purposive sampling method. The primary data collected for this cross-sectional explanatory study data is being assessed using IBM SPSS version 29. Adopted from previous studies, this study relied on the research instrument of a five-point Likert scale questionnaire that covered two segments. The first segment covered the demographic information of respondents while the second segment measured the five constructs, namely one dependent variable (online customer satisfaction) and four independent variables (i) experience with product; (ii) experience with online information; (iii) experience with service; and (iv) experience with e-platform. The study generated an outcome of all the independent variables that has a significant positive impact on the online customer satisfaction, with the exception of experience with online information. Hence, it is resolved in this study that positive experience with online information will not generate a positive online customer satisfaction among the Millennials in Malaysia. This study holds a few inherent limitations. Firstly, the data collected are from MBA students in Universiti Malaya-Wales and Universiti Malaya, which do not truly represent entire country. Secondly, given that this research adopts a purposeful sampling method, opponents believe that this method is susceptible to errors and biased opinions. Lastly, this quantitative research captures an effective response by solely relying on a five-point Likert scale questionnaire, especially this is a social science topic. This study is valuable to e-retailers, human resource departments and academicians who are interested in understanding the determinants of online shopping experience and online customer satisfaction among the Millennials in Malaysia.

Keywords: Online Shopping Experience, Online Customer Satisfaction, Millennials in MalaysiaIntention.

INTRODUCTION

The aim of this study is to examine the determinants of online shopping experience (OE) and their influence on online customer satisfaction (OS) among Millennials in Malaysia. Alleviated by COVID-19, digitalisation and consumerism

mega trends have reshaped global business models across industries, particularly in the e-commerce industry with an accelerated shift from traditional retail industry towards digital shopping platforms (Nanda, Xu & Zhang, 2021). These trends are similar in Malaysia as well. With established

digital technologies infrastructures and matured smartphone penetration (93%) in Malaysia, experts believe that the e-commerce industry will grow at a steady doubled-digits growth rate with 23% contribution to Southeast Asia's e-commerce industry (Hageman, 2022).

The digital structural shift is apparent among the Millennials, representing 50% of Malaysia's working population, who are looking for positive online shopping experiences and are tech-savvy to equip up-to-date technologies to achieve satisfaction from online shopping (Subramaniam, 2022). In 2021, 70% of Malaysian Millennials contributed RM195 billion into the e-commerce industry, which represents 6.5% of Malaysia's Gross Domestic Product (GDP) (Department of Statistics Malaysia, 2021b). Hence, the return of online shopping confidence unbridled Millennials' rebound which breeds new expectations, in which online Millennials are looking at going beyond meeting the functional and safety needs in e-commerce (Saylikhanov, 2019). As individualism trends become more apparent, online Millennials are expecting more customisable and solution-based products which spurs innovation waves in Malaysia's online shopping environment (Sneader & Singhal, 2021). As e-commerce becomes an important feature in Malaysia's economy and a strong catalyst for business growth, many are gaining attention to understand Millennial's online shopping experience and online customer satisfaction to unleash the full potential in the new economy (Karim et al., 2020).

LITERATURE REVIEW

Online customer satisfaction is not a buzzword in the 21st century digital era with numerous studies conducted to understand its effect on online shopping experience (Guan et al., 2022). Although the journey to achieve optimal online customer satisfaction is complex due to challenges in identifying the right online shopping experience, companies that perform well in this area tend to outperform their peers, which increased the incentives for business owners to capitalise on

emerging business opportunities (Gligor & Maloni, 2022).

Millennials grew up in the digital era and are exposed to innovative experiences and have the opportunity to witness technology refinement throughout the life-stage (Herring, 2019). Consequently, this cohort appreciates the convenience brought by technologies and is likely to be less dependent on conventional print media. This creates a huge opportunity for the e-commerce industry since the demographic characteristic fits the e-commerce industry (Indartoyo, 2021). Interestingly, at least 65% of Millennials preferred the high-touch shopping experiences which poses a business threat with market reopening in the post-pandemic period (Briedis et al, 2020). However, therein lies business opportunity, especially to those business owners who have successfully integrated online and physical shopping experiences.

Traditionally, consumers faced challenges of high search cost due to time invested to search for the product needed in a physical store (Xu & Jackson, 2019). Hence, the e-commerce business model provides a solution, and it fits Millennial needs because it creates a positive online shopping experience via a wide assortment, which enhances online customer satisfaction. Predominantly among Millennial online consumers, culturally diverse culturally diverse backgrounds trigger tailored-needs to create excitement in the shopping experience and therefore increased satisfaction (Gupta, 2023). Mofokeng (2021) elaborated that e-retailers who offer a clear and complete product range in the same store will increase online customer satisfaction since it relieves the pain point of high search cost in physical stores. Aligning with business results, wider assortment and online-exclusive product offering generates at least 35% higher profit compared to its peers (Kantar, 2021).

Technology disruption in the 21st century revolutionised the e-commerce industry with convenience technology–touchpoint to address the physical touchpoint gap in e-commerce (Gao

& Xu, 2021). Historically, brick-and-mortar stores benefit from asymmetric information and provide opportunities for business owners to take advantage of flawed pricing mechanisms and hike up the pricing on the poorly informed consumers (Duggal & Verma, 2022). This phenomenon is prevalent in the monopoly environment, which was common in the 80s, in which the retailers will put pressure on the fragmented consumers to make purchase decisions that are undesired due to low bargaining power (Bushe, 2019).

In the early stage of the e-commerce industry, most online buyers are satisfied by the fulfilment of basic elements of the shopping experience, such as well-packaged parcels and on-time delivery (Milioti, Pramartari & Zampou, 2020). As Malaysia's e-commerce industry reaches maturity, customers are seeking for deeper engagement with the e-retailer, including excellent customer services, satisfactory delivery mode and seamless return policies (Kantar, 2021). This is aligned with experiential learning theory in which once online customers are learning tangible and concrete knowledge with e-commerce, online customers are expecting an end-to-end solution to satisfy their online shopping journey.

Experience of e-platform is categorised into website design and search engine excellence. Firstly, an effective design of the website must include three elements, namely information-oriented, transaction-oriented, and customer-oriented (Rita, Oliveira & Farisa, 2019). Secondly, due to the wide assortment in online channels, the ability to reduce online searching cost will improve customer satisfaction. At least 60% of online shoppers are dissatisfied at the searching time and cost due to irrelevant search results (Xu, 2020). Consequently, a strong search engine provides prominent business opportunities to improve customer experience, addressing customer pain during purchase journey

RESEARCH MODEL AND THEORY

Firstly, Chen and Chang (2003) developed the descriptive model with the aim to explore online shopping experience from three elements, including interactivity (experience with e-platform); transaction (experience with products); and fulfilment (experience with services). The data source of this model is developed from a pool of online shoppers with descriptive pain and gain



Diagram 1: Chen and Chang model (source: Chen and Chang, 2003)

from online shopping experience and is therefore relevant to be adopted in this research (Diagram 1).

The second model is developed by Rose et al. (2012) which emphasised on both cognitive and emotional elements of online shopping experience to arrive at online customer satisfaction (Diagram 2). Compared to the descriptive model, this model offers a more comprehensive review of online shopping experience with deeper analysis of the emotional elements. Further, this model is adapting to the brick-and-mortar shopping experience, with added elements to synchronise into the online environment. This includes experiences with website designs and Internet connection which is novel in e-commerce settings. This model is highly applicable in this research since



Diagram 2: Rose et al. model (source: Rose et al., 2012)

Millennials are actively seeking for a deeper usage in e-commerce, which is inclining towards

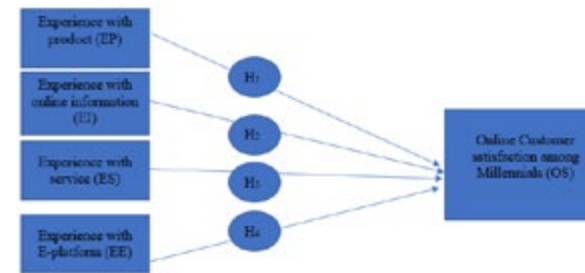


Diagram 3. Conceptual Framework

emotional experience (Kantar, 2021).

RESEARCH FRAMEWORK AND HYPOTHESES

H1: Experience with product has a positive significant impact on online customer satisfaction among Millennials.

H2: Experience with online information has a positive significant impact on online customer satisfaction among Millennials.

H3: Experience with service has a positive significant impact on online customer satisfaction among Millennials

H4: Experience with e-platform has a positive significant impact on online customer satisfaction among Millennials.

Research Methodology

This study will be using a quantitative research method, focusing on collection of numerical data to describe a specific situation. This method is suitable in this study since the use of numerical data offered a more systematic review of the results with strong validity and reliability findings (Poitras et al., 2019). Besides, given that there is a lack of emphatical studies and data in this topic, primary research is more suitable since it allows collection of original data that are highly specific to the research objective (Mofokeng, 2021).

Firstly, this study will be conducted in hypothesis analysis with an objective to assess the causes (online shopping experience) and effects (online customer satisfaction). Secondly, this

quantitative research gathers numerical data and utilises statistical tests to examine the relationship between the variables. Thirdly, this study will be explaining the relation between variables, explicitly four online shopping experiences (experience with product; online information; service and e-platform) as independent variables and online customer satisfaction as dependent variable in the context of Millennials in Malaysia. Lastly, driven by time-constraint, this research will be collecting primary data at a single point in time in 2023 via online questionnaires from the target population using a sampling method.

The collection of primary data in this study will be adopting online survey questionnaires method using Google forms. This is an appropriate approach considering several aspects. Firstly, although the market has been reopened in Malaysia post COVID-19, considering the volatility of COVID-19 situation in Malaysia, online collection of data is often superior to conventional methods due to limited exposure to unnecessary physical contacts. Secondly, online survey questionnaires are suitable in this study since it provides solutions for collection of large samples to achieve the research objectives in an effective and efficient manner, considering privacy protection of participants' and limited research resources. Lastly, consistent with the data collection method adopted by previous researchers with similar quantitative research topics, most studies conducted are using online survey questionnaires method to collect primary data. (Mofokeng, 2021).

To ensure the multiple regression analysis is being carried out effectively, a linear regression model is being developed with careful consideration of correlation between independent variables in the study (Hoque et al., 2020). To prevent skewed results and create better model, a constant term is included in the multiple regression analysis, and it is formulated as follow:

$$OS = \beta_0 + \beta_1 EP + \beta_2 EI + \beta_3 ES + \beta_4 EE + \epsilon$$

whereby,

OS = Online Customer satisfaction among Millennials (dependent variable)

β_0 = constant

EP = Experience with product

EI = Experience with online information

ES = Experience with service

EE = Experience with e-platform

ε =Error term

Data Findings and Analysis

Descriptive Statistic

The overall characteristic of the demographic of respondents is inclined to homogeneous in nature, particularly, all of the respondents are (i) aged within the range of 27 to 42; (ii) possesses postgraduate degree; and (iii) possess online shopping experience in the past. This is in line with the adoption of non-probability purposive sampling method with an intention to achieve efficiency in collection of responses from a group of information-rich people (Millennials in Malaysia with MBA who has experience in online shopping) (Olsen, Vogt & Andereck, 2018). Although online shopping frequency varies among the respondents, with more than 87% of the respondents has more than 5 times online shopping experience within the last 12 months, the research findings are expected to be similar in accordance to the Pareto theory (Nagaballi & Kale, 2020). In terms of gender, the demographic results show almost equal weightage in this study. Some critics believe that female online customers are skewed towards emotional element in online shopping experience while male preferred cognitive online shopping experience (Tyrväinen, Karjaluo, & Saarijärvi, 2020). Although non-probability purposive sampling is an approved method, this still represents a limitation of study which provides an opportunity for future researchers to address via cross-validating the findings within the same sampling frame (Saunders, Lewis & Thornhill, 2009).

Overall, all the variables have a low standard

deviation value (less than one) which indicates that the data are clustered around the mean (Mishra et al., 2019). Table 1 summarises all of the sub-variables descriptive analysis data which gives us a good indication that the mean represents well the data given that all of the data, including the sub-variables, are less than 1 (threshold defined by Mishra et al., 2019). Although all data generates a healthy distribution, there are some variables are heavier skewed towards the reading of 4 while some are inclining towards 3. From Table 1, the data in this study shows a skewness towards “Agree” range, with an exception to “Experience with service” and “Experience with online information”. “Experience with service” has the lowest mean among the variables, namely only 2.991. This shows that the respondents in this study are feeling neutral over the questions relating to “Experience with service”, especially in the questions surrounding “It is easy to find customer service representatives if there is a problem” and “This website provides good amount of time to return an unwanted product” with the mean score of 2.96 and 2.87 respectively. On another spectrum, “Experience with online information” has the highest mean score of 4.329, particularly on “This website provides sufficient product information” and “This website presents effective visual images of the products” with mean value of 4.45. In relation to “Experience with E-platform” (mean score of 3.991), most respondents agreed to have “This website is convenient to search for a product” and “This website provides a tool that enables product comparison” with mean value of 4.13 and 4.12, whereas “This website provides assurance for security of personal information” have the lowest mean score amounting to only 3.73. “Experience with product” gives a mean score of 3.567 with skewness of higher mean score in “I can find most of the products I need on the website” and “There are good selections for products at the website” valued at 3.76 and 3.66. However, relating to “The product range of the website is clear” and “The products have lower prices than offline stores”, most respondents are

Variable	Mean	Standard Deviation	Sub-variables	Mean	Standard Deviation
EP	3.567	0.8809	EP1 The product range of the website is clear	3.44	0.770
			EP2 The products of other website are better than at the site	3.75	0.810
			EP3 I can find most of the products I need on the website	3.76	0.770
			EP4 There are good selections for products at the website	3.66	0.770
			EP5 The products have lower prices than offline stores	3.45	0.770
EI	4.329	0.24779	EI1 The website provides up-to-date product information	4.44	0.270
			EI2 The website provides sufficient product information	4.45	0.270
			EI3 The website provides product information easy to understand	4.44	0.270
			EI4 The website provides product information that is relevant and relevant	4.44	0.270
			EI5 The website presents effective visual images of the products	4.45	0.270
ES	2.991	0.91199	ES1 I have received prompt services from the website	3.2	0.770
			ES2 The time spent by the website is well utilized and perfectly spent	3.25	0.810
			ES3 It is easy to find customer service representatives if there is a problem	2.96	0.810
			ES4 I am satisfied with the delivery made of the website over express delivery, home delivery	3.89	0.810
			ES5 The website provides good amount of time to return unwanted product	2.87	0.810
EE	3.991	0.91199	EE1 The website is convenient to search for a product	4.13	0.770
			EE2 The website is easy to navigate website pages	4.11	0.770
			EE3 The website provides a tool that enables product comparison	4.12	0.770
			EE4 The website provides assurance for security of personal information	3.73	0.770
			EE5 I feel confident to buy at the website	4.09	0.770
OS	4.13	0.5707	OS1 I feel satisfied with my overall experience	4.25	0.270
			OS2 I have made right choices during the experience	4.25	0.270
			OS3 I would recommend the company to other people	4.25	0.270
			OS4 I will continue to do online shopping in the near future	4.2	0.270
			OS5 The online shopping experience is good compared to other people	3.98	0.270

Table 1: Descriptive Analysis

neutral over the construct in the questionnaire. Lastly, “Online customer satisfaction” has a mean value of 4.16 whereby “I feel satisfied with my overall experience”, “I have made right choices during the experience” and “I would recommend this company(s) to other people” have the highest mean score at 4.25.

RELIABILITY TEST

A reliability test is recommended to perform for usage of the multiple regression models via the Cronbach’s Alpha method, especially for newly developed questionnaire’. Cronbach’s Alpha value that is more than 0.7 is accepted (Taber, 2018).

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
EP_Mean	16.0351	5.147	.693	.871
EI_Mean	16.1916	4.933	.739	.860
ES_Mean	16.4717	4.411	.762	.854
EE_Mean	16.2698	4.531	.707	.868
OS_Mean	16.2245	4.651	.752	.856

Table 2: Reliability Test: Cronbach’s Alpha

Table 2 indicates that all 5 variables are reliable. Experience with product scale conveyed the highest alpha value ($\alpha = .871$), followed by Experience with e-platform ($\alpha = .868$), Experience with online information ($\alpha = .860$), Online customer satisfaction ($\alpha = .856$) and Experience with services ($\alpha = .854$). Therefore, the results shown concludes that the questionnaires in this study are reliable which can be used for intended usage in the coming chapters.

MULTICOLLINEARITY

It is crucial to investigate the correlation of each of the independent variables. According to Gjonikarameta et al. (2021), correlation coefficients (r value) that are within the range of 0.5 and 0.7 indicate a moderate magnitude in correlation while r value more than 0.7 indicates that the variables are highly correlated. From Table 3, the correlation matrix shows that each of the independent variables have a moderate correlation. Although the correlation between “Experience with service” and “Experience with online information” are the highest at the r value of 0.678, it is still within a moderate range which is acceptable and is not leading to multicollinearity issues.

Secondly, variance inflation factor (VIF) is

Correlations				
	EP_Mean	EI_Mean	ES_Mean	EE_Mean
EP_Mean	Pearson Correlation	1	.668**	.615**
	Sig. (2-tailed)		<.001	<.001
	N	147	147	147
EI_Mean	Pearson Correlation	.668**	1	.678**
	Sig. (2-tailed)	<.001		<.001
	N	147	147	147
ES_Mean	Pearson Correlation	.615**	.678**	1
	Sig. (2-tailed)	<.001	<.001	
	N	147	147	147
EE_Mean	Pearson Correlation	.511**	.566**	.617**
	Sig. (2-tailed)	<.001	<.001	<.001
	N	147	147	147

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

Table 3: Correlation of Independent Variables

Coefficients ^a		
Collinearity Statistics		
Model	Tolerance	VIF
1	EP_Mean	.499
	EI_Mean	.424
	ES_Mean	.435
	EE_Mean	.571

a. Dependent Variable: OS_Mean

Table 4: Collinearity Tolerance and VIF

assessed in this study to test the multicollinearity. Based on the rule of thumb, collinearity tolerance and VIF should be more than 0.1 and less than 10 respectively (Senaviratna & A-Cooray, 2019). Based on Table 4, the results show that each of the variables has a low collinearity tolerance and variance inflation factor value which ranges between 0.424 to 0.571 and 1.751 to 2.360 respectively. From the statistics below, it is concluded that the data in this study is free from collinearity issues.

REGRESSION

Firstly, the first hypothesis (H1) gives a p-value of 0.025, which is significant and indicates that there is experience with the product having a 17.3% positive significant impact on online customer satisfaction among Millennials. The experience with products includes, (i) clear product range; (ii) complete product portfolio; and (iii) attractive price point. Given that the mega trends of individualisation and consumerism are getting more prominent, especially among the Millennials, e-commerce provides a good platform to address the consumer pain (difficulties to purchase the product which fulfilled their needs) (Vidili, 2021). Hence, this enhances the online customer satisfaction which helps to improve the value proposition of the e-commerce industry. Besides, having favourable experiences with products harness the megatrends of convenience on today's consumer market (Kumar, 2022). Given that time is crucial for convenient consumers (especially among the Millennials who are struggling in multitasking work-life priorities), a highly efficient solution that drives convenience via wide product assortment in e-commerce enhances online customer satisfaction (Angus, 2021).

Secondly, H2: Experience with online information has a positive significant impact on online customer satisfaction among Millennial generates a p-value of 0.34, with beta value of 0.08. This means that experience with online only gives 8% of impact on online customer satisfaction among Millennials, and therefore the

hypothesis is being rejected. Online information experiences comprise information received from e-commerce platforms is in-the-know, sufficient, and complete (Pham & Ahammad, 2017). From the result, this hypothesis is being rejected because positive experience with online information does not give a positive online customer satisfaction. Given the salient demand in e-commerce among the Malaysia Millennial (online penetration of 90%), online product information has shifted, in particular cognitive elements (especially in online information) have changed to become expected delivery from online platforms (Department of Statistics Malaysia, 2021a). The technology savvy characteristic of Millennial is expected to be more prominent among MBA students (Thompson, 2023). In the era where e-commerce is less mature, Millennials who are technology savvy means that they just need to know the basis of the way around e-commerce (Bubanja & Vidas-Bubanja, 2022). A seismic shift is in progress in the expectation of technology savvy Millennials in e-commerce nowadays. Today, Millennials are expecting e-commerce industry players to continuously raise the bar by fulfilling more emotional elements to enhance online customer satisfaction (Pradeep & Vakayil, 2022). Consistent with the law of diminishing marginal utility theory, Millennials treat experience with online information as fundamental and to enhance online customer satisfaction, it is expected to go beyond giving positive experience with online information.

Thirdly, experience with service has a positive significant impact on online customer satisfaction among Millennials (H3) bounces 0.005 p-value. This gives a significant relation of independent and dependent variables in which experience with service has 23.3% positive significant impact on online customer satisfaction among Millennials in Malaysia. The scope of experience with service consists of efficient post-delivery support, proactive customer services, and prompt delivery services (Cao, Ajjan & Hong, 2018). In the digital era today, technology enables convenience and empowers online consumers with control across

all areas of their lives, including online shopping experience. Hence, the age of on-demand translated the pool of Millennials with high expectations on online customer experience, especially in post-purchase online experience with services (Tanniru & Peral, 2021). This means that Millennials in Malaysia are expecting online experience with services to be fulfilled at anytime and anyplace with frictionless experiences. Linking to experiential learning theory, as online penetration maturity increased among the Millennials in Malaysia, willingness to pay a premium are getting more prominent with a high demand in value in-depth e-retailers engagement (Grabiwoda & Mróz, 2022). This includes seamless end-to-end solutions which includes 24-hours customer care services, exceptional delivery services with flexible delivery and return options and more (Kantar, 2021). Besides, the online consumer pain in the fear of heightened counterfeits risk in e-customer to customer (eC2C) segment in Malaysia, experience with services such as convenient and seamless return process will elevate online customer satisfaction (Yusoff et al., 2020). In conclusion, similar to past research findings, positive experience with services is moving in tandem with online customer satisfaction, and therefore the hypothesis is supported. 0.005 p-value 0.025

Lastly, this research developed less than 0.001 p-value in H4, in which experience with e-platform has a positive significant impact on online customer satisfaction among Millennials. From Table 5 experience with service creates 41.5% positive significant impact on online customer satisfaction among Millennials in Malaysia. The findings in this research originate that the experience with e-platform has the highest beta value among the four independent variables. Rita, Oliveira, and Farisa (2019) categorised experience of e-platform into two main categories, namely website design and search engine excellence. COVID-19 has taught everyone (especially among the Millennials) to value a well-balanced priority in life. Since pandemic, routines have been reimagined and Millennials are more determined than ever to find

a balance of that. As lives are getting busier than ever, online shopping experiences that provide solutions that eliminate the pressure from their chorus will enhance online customer satisfaction (Shneiderman, 2022). Particularly, positive experience with e-platform is an enabler and acts as a pain reliever to Millennials in Malaysia. In the eC2C segment which is categorised by wide and messy product assortments with multiple price points of a similar product, positive experience with e-platform (such as search engine, product comparison tools) will enhance online customers satisfaction (Yalan & Wei, 2021). Besides, an

Hypotheses	Beta coefficient	Significant (P<0.05)	Decision
H1 Experience with product has a positive significant impact on online customer satisfaction among Millennials	0.173	0.025	Accept
H2 Experience with online information has a positive significant impact on online customer satisfaction among Millennials	0.08	0.34	Reject
H3 Experience with service has a positive significant impact on online customer satisfaction among Millennials	0.233	0.005	Accept
H4 Experience with e-platform has a positive significant impact on online customer satisfaction among Millennials	0.415	<0.001	Accept

Table 5: Summary of Hypothesis Testing

e-platform with an effective website design will enhance online customer satisfaction. This is aligned with the perceived value theory of which online consumer will assess the utility of a product or service based on the observations of what is received and what is provided (Lin, Wang & Huang, 2020). Enhanced experience with e-platform (including aesthetic and quality information in the website design) will act as a beacon to attract customers and generate favourable online customer satisfaction (Khatib et al., 2019).

DISCUSSION AND RECOMMENDATION

From the research results, experience with online information is the only independent variable that has insignificant impact on online customer satisfaction whereas the other three shows significant impact. Consequently, this study concluded that experience with product; experience with services; and experience with e-platform have significant positive impact on online customer satisfaction. Experience with e-platform is tested to have the most significant positive impact on online customer satisfaction at the p-value of less than 0.001. This reveals that the e-retailers should priorities in enhancing experience with e-platform

in order to generate positive online customer satisfaction. Followed in a sequential manner, experience with e-platform (with p-value of 0.005) and experience with product (with p-value of 0.025) both has a significant positive impact on online customer satisfaction.

In general, online shopping experience is pivotal in influencing the online customer satisfaction among the Millennial in Malaysia (Pham & Ahammad, 2017). Given the salient growth in Malaysia ecommerce industry and shirking cash outlay among the Millennials in the era of inflation today, understanding the determinants of online shopping experience and online customer satisfaction are becoming more prominent in order to create a unique selling proposition which stands up in the hyper-competitive e-commerce industry today (Kotabe & Helsen, 2022).

IMPLICATION

Firstly, to e-retailers, by understanding the determinants of online shopping experiences that positively impact the online customer satisfaction, e-retailers can improve the business performance by focusing on enhancing the online shopping experiences that are relevant to online customer satisfaction. To create and implement effective business strategy, it is imperative to have a thorough understanding of the strategic customer base in e-commerce in Malaysia (in this case the Millennials) (Mohd-Satar, Dastane & Ma'arif, 2019). E-retailers who prioritises values beyond the fundamental online customer experiences cultivate lasting customer loyalty and setting a good base for commanding a premium in the online market-place (Kantar, 2021). Hence, the research findings are crucial to reduce business risk by investing in areas which are crucial in enhancing online customer satisfaction and therefore improve business profitability. This also helps in enhancing customer-centric marketing plans that creates competitive advantage (Madhani, 2019). For example, an e-retailer should focus on investing in providing seamless end-to-end solutions to online customers using AI and excellent customer

services given that Millennials in Malaysia valued efficient-based solutions which is lacking in the e-commerce industry.

Secondly, the knowledge from the study aids the human resource department in the e-commerce industry. The research outcome helps the human resource department to shape an integrated human resource strategy in the company (Azizi et al., 2021). This includes provision of guidance in recruiting the right talent that drives positive online customer satisfaction in a company, such as recruiting talents with core skills in having empathic skills, upright communication, and problem-solving skills (Merkert & Hoberg, 2022). Also, it also helps to design and develop the key performance indicators which is crucial in a business. With that, it helps in providing clearer guidance on a talent's development areas which aid in provision of training throughout the organisation and practicing the value is perceived positive in generating online customer satisfaction, especially in the element of experience with product, services, and e-platform (Chien et al., 2020).

Lastly, this study is crucial to academicians to enhance their existing knowledge on online shopping experience and online customer satisfaction. It also provides a good foundation of knowledge for future researchers to develop an in-depth study on the similar topic via focusing on a diverse focus group or sample frame and expansion of sample size for formation of a reminiscent conclusion.

LIMITATION OF THE STUDY

This study holds a few inherent limitations. Firstly, in terms of data collection, this study has scoped in a focus group for measurement of perception on online shopping experience and online customer satisfaction, namely from MBA students in Universiti Malaya (UM) and Universiti-Malaya-Wales (UM-Wales) with online shopping experience in the past. Hence, the research findings might not be representative of the population since users who fall outside the sampling frame

in this study might have different determinants of online shopping experience and online customer satisfaction. Secondly, given that this study adopts a purposeful sampling method, opponents believe that this method is susceptible to errors and biased opinions. Lastly, this is quantitative research captures an effective response by solely relying on a five-point Likert scale questionnaire, especially this is a social science topic.

FUTURE STUDY RECOMMENDATIONS

To address the limitations in this study, it is important to expand the sample size to a larger diverse group. It is important to broaden the research scope and cross-validate the findings with the current sample frame in an ideal context. This gives a good opportunity for future research given that multi-demographic characteristic helps to provide robust research findings. Besides, future researchers can consider utilising a mixed-method research design with an inclusion of systematic interviews and questionnaires to form a more exhaustive insight.

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Shariah Issues and Legal Framework of Commodity Murabahah Practices in Malaysia

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ABSTRACT

Prior to the introduction of Commodity Murabahah in Islamic banking products and services in Malaysia, the concept of Bay' Inah had become the main underlying contract for most deposit and financing products. However, its application has led to disagreement among Shariah scholars regarding its permissibility. To resolve this, the Commodity Murabahah was introduced as an alternative. Therefore, the main purpose of this study is to discuss and analyse the Shariah issues and legal framework governing the Commodity Murabahah practices in the Islamic banking system in Malaysia. This concept paper reviewed relevant literature and documents to comprehend the Shariah issues and legal framework of Commodity Murabahah in Malaysia. The discussion is confined to only the Commodity Murabahah practices in Islamic Banking products in Malaysia and does not cover the Interbank Money Market and Islamic Capital Market. This study found that the practice of Commodity Murabahah is well-supported by a robust legal framework to overcome any disputes related to Commodity Murabahah practices. Moreover, the establishment of Bursa Suq Al-Sila (BSAS) is aimed at facilitating the liquidity management of the Islamic as well as enhancing the transparency and efficiency of the Commodity Murabahah transactions. The finding also highlights the importance of a sound governance framework to support the growth and diversification of Islamic finance products and to provide better Shariah scrutiny.

Keyword (s): Commodity Murabahah, Shariah Issues, Legal Framework, Islamic Financing, Islamic Deposit

INTRODUCTION

Malaysia has attempted to diversify a range of Islamic banking products that are intended to improve the efficiency of Islamic financial institutions and thereby boost Malaysia's economy which is in line with the vision of becoming a global hub for Islamic finance. In the past, employing bay' inah in financial market transactions was common in Malaysia. Conflict arose, though, because the majority of Shariah scholars had different opinions on its permissibility. To resolve this dispute, the Commodity Murabahah also known as tawarruq, was presented as bay' inah's substitute. As a result, the Commodity Murabahah concept has become the foundation for several Islamic financial products, including financing, deposit products, asset

and liability management, and risk management products (Ahmad et al., 2017).

Introducing the Commodity Murabahah is motivated by the desire to solve the complexity of the application of bay' inah in tackling the compliance issue with Bank Negara Malaysia policy and adhere to the majority opinion of Shariah scholars who prohibit bay' inah. Shariah scholars who permit Commodity Murabahah are of the view the creation of financial products based on Commodity Murabahah is consistent with Shariah principles as well as the objective of Shariah (Ghazali, 2014). However, Shahrudin (2019) in his study found that the Commodity Murabahah by most Islamic banks is insignificantly different

from the bay' inah contract. Both products create debt instruments. This leads to criticism, especially among Muslim economists who view that the adoption of the Commodity Murabahah does not support the achievement of the objectives of Shariah.

Despite the criticism, the Commodity Murabahah is considered the most practical option for Islamic bankers to develop alternatives for interest-free financial products. In other words, given the prevailing banking regulatory requirements and settings, the Commodity Murabahah contract is the best available solution for fulfilling the financial needs of Muslim customers, especially in Malaysia. However, there is a need for a special marketplace to overcome the limitations and constraints of the sheer size of Islamic finance transactions in executing the Commodity Murabahah transaction. During the early stage of the development of Islamic financial institutions, the London Metal Exchange (LME) was the only platform available for commodity traders to conduct sales and purchase of commodities. Considering the importance of this special marketplace in facilitating the liquidity management of the IFI, the Malaysian government has taken the initiative to establish Bursa Suq As-Sila (BSAS) as a new Shariah-compliant platform for commodity trading. This platform seeks to enhance the best practice of the Commodity Murabahah in IFI by ensuring appropriate contract sequencing, sufficient delivery procedures, and transparent Shariah review and audit processes (Micheal, 2021).

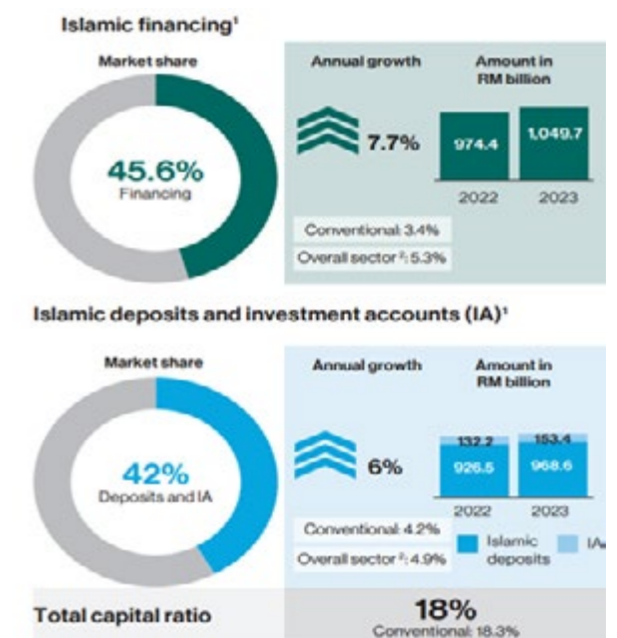
Therefore, this study attempts to discuss the Shariah issues and legal framework of Commodity Murabahah practices in Malaysia. It is hoped that this discussion could provide a better understanding of the reason Commodity Murabahah has become a major preference for the Islamic banking industry in Malaysia and how Malaysia deals with the Shariah dispute in its practice.

REVIEW OF LITERATURE

The Role of Commodity Murabahah in the Development of Islamic Banking Industry in Malaysia

The Islamic banking industry in Malaysia has experienced remarkable growth in recent years, emerging as a viable alternative to conventional banking systems. Figure 1 below exhibits the Islamic banking industry's share of total financing in the financial system increased from 44.5% in 2022 to 45.6% in 2023 (Bank Negara Malaysia, 2023).

Figure 1: Islamic Banking Industry Growth in 2023



Source: Bank Negara Malaysia (2023)

It is believed that central to this growth is the adoption of innovative financial instruments, with Commodity Murabahah standing out as a key driver of market share development. Commodity Murabahah, a Shariah-compliant financing structure, has played a pivotal role in expanding the market reach and competitiveness of Islamic banks.

The expanding use of Commodity Murabahah as the underlying contract for Islamic banking activity has pushed forward efforts to develop Islamic

banking institutions' ability to properly manage credit and market risks arising from Commodity Murabahah -based trade transactions. This will pave the way for new innovative applications of Commodity Murabahah in conjunction with other Shariah contracts, as outlined in the Shariah standards and operational requirements for Commodity Murabahah. Moreover, the rising use of commodities murabahah during the past three years is a noteworthy development in the Islamic banking industry's implementation of Shariah contracts for financing. Commodity Murabahah finance increased by more than 34% in 2016, making up 22.4% of all outstanding financing that complies with the Shariah standards. The broad application of Commodity Murabahah in financing during the past three years has shown noteworthy development in the Islamic banking industry. Commodity Murabahah financing increased by more than 34% in 2016, making up 22.4% of all total Sharia-compliant financing (Bank Negara Malaysia, 2016).

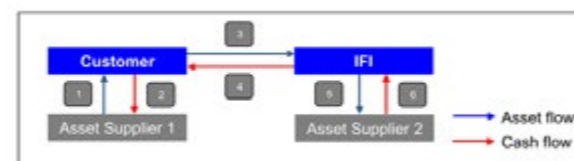
On the other hand, the development of the Islamic banking sector has also been greatly supported by Bursa Suq Al-Sila's commodities trading, which has lowered the costs and risks involved with commodity-based murabahah transactions. In the year 2016, there was a 7.5% growth in Islamic deposits based on Commodities Murabahah, which might be attributed to the increasing demand for fixed rates of return on deposits made through Commodity Murabahah contracts (Bank Negara Malaysia, 2016). It is critical to highlight that one of the key features of Commodities Murabahah is its capacity to offer a fixed profit rate, which is accomplished by a predetermined profit margin agreed upon at the beginning of the transaction. This fixed profit rate provides several benefits, including predictability, which allows customers to know their repayment obligations ahead of time to assist in financial planning and budgeting; stability, as the fixed rate remains constant throughout the financing period regardless of market fluctuations; and transparency, as the clear and agreed-upon profit margin encourages trust between the

customer and the financial institution.

THE APPLICATION OF COMMODITY MURABAHAH IN ISLAMIC BANKING PRODUCTS IN MALAYSIA

In Malaysia, the practice of Commodity Murabahah involves three main Islamic finance segmentations such as the Islamic banks, the Interbank Money Market (IIMM) and Bursa Suq Al-Sila (BSAS) (Ahmad et al., 2017). In Islamic banking operations, the Commodity Murabahah contract was used as an underlying contract for both deposit and financing products. Meanwhile, within the application of the Islamic Interbank Money Market (IIMM), Islamic banks serve as brokers based on Commodity Murabahah standards to manage liquidity (Hasmad & Alosman, 2022). Recent data shows that the Commodity Murabahah is the most widely used contract in key product segments which include financing, deposits and interbank money market. This is largely due to its ability to facilitate the placement of funds and provide cash for different finance purposes such as working capital, trade financing and the purchase of properties (Bank Negara Malaysia, 2022). The following figures illustrate the general structure of Commodity Murabahah for financing and deposit products according to Bank Negara Malaysia. Figure 2 and Figure 3 illustrate the commodity Murabahah structure, with Figure 2 detailing the structure for financing products and Figure 3 depicting the structure for deposit products.

Figure 2: Commodity Murabahah Structure for Financing Products



Source: Bank Negara Malaysia (2018)

The above figure shows that a customer requires financing of RM100,000 from the IFI. Upon this request, the IFI executes the tawarruq arrangement.

- i. The IFI purchases the asset with a selling price of RM100,000 from the Asset Supplier
- ii. The IFI pays cash to Asset Supplier 1. Subsequently, the IFI sells the asset to the customer at an agreed selling price of RM120,000 (RM100,000 + profit RM20,000).
- iii. The customer makes deferred payments through monthly instalments for a period of 5 years.
- iv. Subsequently, the customer appoints the IFI as its agent to sell the asset to Asset Supplier 2 on the spot at the selling price of RM100,000.
- v. The customer obtains a cash of RM100,000 required for the financing.

Figure 2: Commodity Murabahah Structure for Financing Products



Source: Bank Negara Malaysia (2018)

Based on the figure above, a customer makes a fixed deposit placement of RM100,000 with the IFI for a 90-day period. Upon this request, the IFI executes the tawarruq arrangement.

- i. The customer appoints the IFI as its agent to purchase the asset from Asset Supplier 1 with a selling price of RM100,000.
- ii. The IFI uses the cash deposit placed by the customer to pay for the purchase.
- iii. Subsequently, the customer appoints the IFI as its agent to sell the asset to the IFI itself at an agreed selling price of RM100,863 (RM100,000 + profit RM863 i.e. 3.5% per annum)
- iv. The IFI makes a deferred lump sum payment to the customer upon maturity of the deposit placement.

v. Subsequently, the IFI sells the asset-to-Asset Supplier 2 on the spot at the selling price of RM100,000.

vi. The IFI obtains cash of RM100,000 as per the deposit placement.

Islamic Deposit Products Based on Commodity Murabahah

In Malaysian Islamic banking practices, the Islamic deposit account has been divided into two types of accounts which are the current account saving account (CASA) and the Islamic term deposit account. The Islamic deposit CASA is structured based on either a qard or Commodity Murabahah arrangement. Meanwhile, for Islamic term deposit accounts, almost all Islamic banks nowadays use the Commodity Murabahah contract as their underlying contract which gives fixed returns and requires specific terms and maturity dates for the placement of deposits. Table 1 shows the list of Islamic banks utilizing Commodity Murabahah in Islamic deposit products in Malaysia.

Table 1: Commodity Murabahah in Islamic Deposit Products by Islamic Banks in Malaysia

No.	Islamic Banks	Islamic Deposit (CASA)	Term deposit
1.	Affin Islamic Berhad	√	√
2.	Al Rajhi Bank	√	√
3.	Alliance Islamic Berhad	√	√
4.	AmBank Islam	√	√
5.	Bank Islam Malaysia Berhad	x	√
6.	Bank Muamalat Malaysia Berhad	√	√
7.	CIMB Islamic	√	√
8.	Hong Leong Islamic	√	√
9.	HSBC Amanah	x	√
10.	Kuwait Finance House	x	√
11.	Maybank Islamic Berhad	√	√
12.	MBSB Bank	√	√
13.	OCBC Al Amin	√	√
14.	Public Islamic Berhad	x	√
15.	RHB Islamic Bank	√	√
16.	Standard Chartered Sandiq	√	√

Source: Product disclosure sheets of respective banks.

Islamic Financing Products Based on Commodity Murabahah

For financing activities, the bank provides liquidity according to the customer's needs. The bank provides financing through the mode of commodity trading and the customer pays in instalment or deferment upon the due date as the result of the credit sale by the bank (Ahmad et al., 2017).

Islamic Home Financing

Muneeza et al. (2020) stated that the Commodity Murabahah has now become a popular alternative to Bay' Bi thaman 'Ajil (BBA) when BIMB first introduced it to the market in 2013 as a substitute for the contentious BBA product. Commodity Murabahah has gained popularity due to its flexibility features such as simple, quick, trustworthy, and risk-free to make any transaction through the BSAS platform. Ibrahim and Sapian (2022) found that about 62.5% of Islamic banks provided Islamic house financing using the Commodities Murabahah in 2020. The quantity of financing for the banks that provided the Commodity Murabahah was rising yearly. Despite several operational, legal, and Shariah concerns, the preference for Commodities Murabahah was presumably due to its lower level of risk. Liquidity management is another reason why Commodities Murabahah is so popular. Customers in need of cash and liquidity have no other options for products. Another important factor is that it offers finance in the event of insecurity, especially working capital that complies with Shariah (Fa-Yusuf and Ndiaye, 2017).

Islamic Personal Financing

Islamic personal financing involves offering funds to people, companies, and the government by Malaysian Islamic banks which totalled RM 58 million until 2021. The elements of attitude and religious responsibilities, together with other considerations, have an important influence on people's desire to use Islamic financial products. In contrast, the pricing of Islamic personal financing has been determined to be minimal (Hasmad & Alosman, 2022). Muslims in Malaysia must have

an Islamic alternative for personal loans because it has become a need, and in some cases, it might even become compulsory. The implementation bay' 'inah has faced several criticisms, prompting the establishment of the Commodity Murabahah (Hasmad & Alosman, 2022).

Islamic Credit Cards

Islamic credit card refers to an Islamic payment instrument which indicates a line of credit or financing based on Shariah principles granted by the issuer to the user and where any amount of the credit or financing utilised by the user has not been settled in full on or before a specified date, the unsettled amount may be subjected to a lesser rebate (ibra') by the issuer (Bank Negara Malaysia, 2016). Being the most widely used payment card in Malaysia, an average of 349 million credit card transactions were made annually over the past decade (Bank Negara Malaysia, 2019). Bank Negara Malaysia has specified in its credit card-i policy document that credit cards issued under the concept of Commodity Murabahah must conform with the Commodity Murabahah policy document released by Bank Negara Malaysia (Bank Negara Malaysia, 2019).

Islamic Cashline Facility

Islamic banks provide cash line facilities to allow clients to take out more money than they have in their accounts (current accounts). Referring to the facility limit that the bank has set for the customer makes this feasible. This type of product is also known as an overdraft facility. Cash line-i facilities are often given to finance working capital, the purchase of goods or assets, or personal use. A cash line's unique characteristic is that the user can withdraw any amount as long as it stays within the facility limit that has been assigned to them (Mahmud et al., 2018). Table 2 presents a summary of the use of commodity Murabahah in financing products by Islamic banks in Malaysia.

TABLE 2: SUMMARY OF THE USE OF COMMODITY MURABAHAH IN FINANCING

PRODUCTS BY ISLAMIC BANKS IN MALAYSIA

Islamic Financing Products Based on Commodity Murabahah

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Table 2: Summary of the Use of Commodity Murabahah in Financing Products by Islamic Banks in Malaysia

No.	Islamic Banks	Personal	Home	Credit Cards	Cashless Facility
1.	Affin Islamic Berhad	√	×	√	√
2.	Al Rajhi Bank	√	√	N/A	√
3.	Alliance Islamic Berhad	√	×	N/A	√
4.	AmBank Islamic	×	√	×	√
5.	Bank Islam Malaysia Berhad	√	√	√	√
6.	Bank Muamalat Malaysia Berhad	√	√	N/A	√
7.	CIMB Islamic	√	√	×	N/A
8.	Hong Leong Islamic	√	√	N/A	√
9.	HSBC Amanah	√	×	×	√
10.	Kuwait Finance House	√	×	N/A	√
11.	Maybank Islamic Berhad	√	√	×	√
12.	MBSB Bank	√	√	N/A	√
13.	OCBC Al Amn	N/A	×	N/A	√
14.	Public Islamic Berhad	×	×	×	N/A
15.	RHB Islamic Bank	√	√	×	N/A
16.	Standard Chartered Saadiq	√	×	N/A	N/A

Source: Product disclosure sheets of respective banks.

MATERIALS AND METHODS

This concept paper examines relevant literature and documents to understand the Shariah issues and legal framework surrounding Commodity Murabahah in Malaysia. The discussion is limited to the Commodity Murabahah practices in Islamic banking products in Malaysia, excluding the Interbank Money Market and Islamic Capital Market, to maintain a focused and detailed analysis of its application within the banking sector.

DISCUSSIONS

Concerning the permissibility of Commodity Murabahah, the Shariah Advisory Council, in its 51st meeting dated 28 July 2005, has resolved that deposit and financing products based on Commodity Murabahah are permissible. The resolution is based on the following textual provisions and views relating to the permissibility

of Commodity Murabahah based on the Quran, legal maxim and contemporary views of Shariah scholars on the permissibility of Commodity Murabahah based on views of Hanafi, Hanbali and Syafii school of thoughts. From the Quran, Allah SWT says: "...Whereas Allah has permitted trading and forbidden riba usury...". Based on the general meaning of the above verse, scholars are of the view that the Commodity Murabahah is allowed since it is a kind of trading activity. It may be conducted to obtain cash, with the purpose known by all related parties or not. It may also be conducted due to a pressing need or as a common practice of certain parties or institutions. In the aspect of legal maxim, it is based on the maxim "According to the original method of ruling, mu'amalah is permissible, except when there is a provision prohibiting it." SAC BNM also highlights that as a result of the transaction above; the Islamic financial institution will assume liability (the cost price of the commodity plus profit margin) to be paid to the customer on maturity. The purchase price of the commodity from metal trader A and the sale price of the commodity to metal trader B are of the same amount (Bank Negara Malaysia, 2010).

Shariah Resolution of Bank Negara Malaysia thereby defines Commodity Murabahah as a mu'amalah with two stages of transactions. In the first stage, the buyer will purchase an asset on credit from the original seller, and in the second stage, the buyer will then sell the asset on a cash basis to a third party. It is named Commodity Murabahah because the buyer purchased the asset on credit with no intention of utilising or benefiting from it, but rather to sell it to obtain cash. It is widely used in deposit products, financing, asset and liability management as well as risk management (Bank Negara Malaysia, 2010).

Shariah Issues in the Application of Commodity Murabahah

Commodity Murabahah is pivotal in fulfilling liquidity needs and offering financing solutions in Malaysia's Islamic financial landscape. However, its widespread adoption has brought several issues

and controversies in Malaysia such as the issue of organised Commodity Murabahah, dual agency, commodity ownership, and commodity delivery.

a) Organised Commodity Murabahah

It is argued that a designated third party in an organised Commodity Murabahah is just a ruse to prevent two parties from completing a commodities transaction, which leads to the things sold returning to the original seller. This method has elements of deception and ambiguity (syubhat) when IFIs declare that the proposed transaction is Shariah-compliant. The Organisation of the International Council of Islamic Fiqh Academy (OIC) has prohibited the practice of organised or pre-arranged commodities murabahah transactions (Shafie et al., 2020). The Islamic Fiqh Council claims that the structured Commodity Murabahah used in Islamic banks does not align with the traditional Commodity Murabahah, which is accepted by most jurists. The organised Commodity Murabahah seems to be the same as the bay' 'inah contract since the bank is designated as the client's representative, responsible for selling the underlying asset to the third party and distributing the proceeds to the customer (Shaharuddin, 2019)

b) Dual Agency

Some prominent scholars have criticised the usage of organised Commodity Murabahah due to dual agency arrangement in which the customer appoints the Bank to conduct all transactions on their behalf through multiple agency appointments, removing any customer interaction during the transaction is considered organised Commodity Murabahah rather than real Commodity Murabahah (Shafie et al., 2020).

c) Commodity Ownership and Sequencing transaction

Commodity Murabahah places such importance on the sequencing of commodity transfers that a single misstep can lead to a cascade of transactional defects. Many people were unaware of how crucial sequencing is as commodities typically need to change hands and owners quickly (Shafie et al., 2020).

d) Commodity Delivery

There is concern that the arrangement of the Commodity Murabahah would be flawed and not in accordance with the correct content of the contract if the customer requests delivery and the commodities are not delivered. It might be seen as a deception to make money. To guarantee deliverability, the Bank must appropriately handle the commodity's location, availability, and condition. To reassure Shariah experts, however, the brokers and different markets have also constructed systems to demonstrate the deliverability and existence of such commodities. The majority have consistently given the scholars assurances (Shaharuddin, 2019).

Legal framework of Commodity Murabahah

As far as the issues related to Commodity Murabahah are concerned, Bank Negara Malaysia as the main regulator has provided stringent policy documents and guidelines to govern and manage Islamic finance in Malaysia. The issuance of these specific policy documents on Commodity Murabahah often addresses various issues with Commodity Murabahah transactions, including their structure, execution, and oversight (Bank Negara Malaysia, 2018). These policy guidelines aim at achieving Shariah compliance with regard to Commodity Murabahah transactions. In the policy document, the Commodity Murabahah is defined through the principles and criteria that must be followed by Islamic banks to be deemed Shariah-compliant. For example, in addressing the issue of dual agency, Bank Negara Malaysia has therefore put in strict requirements to comply with the adherence to rules of the dual agency practice. BNM is to conduct detailed checks at banks to ensure compliance (Bank Negara Malaysia, 2018). Table 3 below highlights specific Shariah standards and requirements related to the ongoing Shariah-related issues as discussed in the preceding section.

No.	Issues	Shariah Standards and Requirements
1.	Dual Agency	<p>S 17.1 Dual-agency may be implemented in a Commodity Murabahah.</p> <p>G 17.2 A dual-agency in the Commodity Murabahah may involve the following:</p> <p>(a) an action of one of the contracting parties who acts as an agent to purchase an asset on behalf of the other contracting party, and subsequently acts as an agent to sell the asset on behalf of the same contracting party to himself; or</p> <p>(b) an action of one of the contracting parties who acts as an agent to purchase an asset from himself on behalf of the other contracting parties, and subsequently acts as an agent to sell the asset on behalf of the same contracting party to a third party</p>
2.	Commodity Ownership & Sequencing transaction	<p>S 17.3 Pursuant to paragraph 17.2, the execution of the sale and purchase contracts between the principal and the agent shall comply with the following requirements:</p> <p>(a) essential criteria or specification of the authorised task, such as price, tenure and asset specification, shall be mutually agreed by the contracting parties; and</p> <p>(b) the transaction shall be in a proper sequence as provided in paragraph 17.2 and supported by proper evidence.</p> <p>S 17.4 In the event where:</p> <p>(a) the sale and purchase contracts in the Commodity Murabahah are executed on a date later than the date on which the funds are received from the principal; and</p> <p>(b) the profit of the sale and purchase contract which is on a deferred basis is calculated from the day the funds are accepted, the selling price shall be disclosed by the agent to the principal.</p>
3.	Commodity Delivery	<p>S 15.1 Each sale and purchase contract in a Commodity Murabahah shall satisfy all the necessary conditions of a valid sale and purchase contract under Shariah.</p> <p>S 15.2 All sale and purchase contracts in the Commodity Murabahah shall be executed by entering into a separate and independent sale and purchase contract.</p> <p>S 15.3 Execution of each sale and purchase contract in the Commodity Murabahah must be respectively evidenced by appropriate documentation or record.</p> <p>S 15.4 The purchaser in each sale and purchase contract in the Commodity Murabahah shall have the right to take delivery of the asset.</p>

Source: Bank Negara Malaysia (2018)

The policy documents also provide operational standards and requirements to further strengthen risk management, governance, transparency and disclosure, market conduct and other operational aspects of applying Shariah standards. This policy guideline has been developed broadly aligned with global standards and best practices, including standards set by the Basel Committee on Banking Supervision (BCBS) and the Islamic Financial Services Board (IFSB). This is to ensure that the

Bank provide standards which adequately address the risks associated with the distinct underlying features of different Shariah contracts. This often entails expanded guidance and prescriptions within domestic standards. On the other hand, in the operational requirements, the role and responsibilities of the main organ of governance in Islamic financial institutions are highlighted to maintain a proper execution of Commodity Murabahah contract (Bank Negara Malaysia, 2018). Table 4 below shows the main role and responsibilities Board of Directors, Shariah Committee and Senior Management in providing oversight function of the whole operation of Commodity Murabahah in Islamic banks.

Table 4: Role and Responsibilities of BODs, Shariah Committee and Senior Management

No.	Main organ	Role and Responsibilities
1.	Boards of Directors	<p>S 24.4 The roles and responsibilities of the Board in respect of the Commodity Murabahah shall include the following:</p> <p>(a) setting the IFI's business strategy and risk appetite with regard to the application of the Commodity Murabahah;</p> <p>(b) approving and overseeing policies and procedures governing the Commodity Murabahah and risk management to ensure compliance with relevant legal and regulatory requirements;</p> <p>(c) establishing appropriate systems to implement the Commodity Murabahah in compliance with Shariah;</p> <p>(d) ensuring that the IFI has adequate and qualified personnel with sufficient knowledge and competency on the concept, application and risks associated with the Commodity Murabahah; and</p> <p>(e) ensuring that independent reviews are conducted regularly to assess compliance with the policy documents issued by the Bank and internal policies established by the IFI.</p>
2.	Shariah Committee	<p>S 24.5 The Shariah Committee (SC) shall perform the following to ensure that all activities associated with a Commodity Murabahah undertaken by the IFI are conducted in line with Shariah.</p>

		<p>(a) endorse the application of Shariah requirements in the relevant policies and procedures governing the Commodity Murabahah;</p> <p>(b) deliberate and endorse that the terms and conditions stipulated in the legal documentation and other documents such as information published on promotional materials, product manuals or other publications are in compliance with Shariah;</p>
3.	Senior management	<p>The roles and responsibilities of the senior management with regards to the Commodity Murabahah shall include:</p> <p>(a) developing and implementing business strategies, internal control and risk management requirements in line with the IFI's business objectives.</p> <p>(b) establishing policies and procedures and processes with regard to proper management of the Commodity Murabahah;</p> <p>(c) implementing relevant internal systems and infrastructure and adequate mechanisms to identify, measure, control and monitor risk inherent in the Commodity Murabahah;</p> <p>(d) identifying, assigning and training key personnel with the appropriate skills and ensuring that the roles and responsibilities are properly delegated to the relevant functions to undertake the different activities under the Commodity Murabahah e.g. asset purchase and asset sale.</p> <p>(e) undertaking regular reviews and monitoring of compliance with the approved policies; and</p> <p>(f) ensuring timely disclosure of relevant information to the Board and the SC.</p>

Source: Bank Negara Malaysia (2018)

Apart from stringent procedures for the proper documentation of Commodity Murabahah provided by BNM in policy documents, Micheal (2021) emphasises that the introduction of BSAS has also facilitated better Shariah review to resolve any concerns with Commodity Murabahah contracts. These involve establishing proper contract sequencing, adequate delivery procedures, and explicit Shariah review and audit processes. BSAS was the first transparent and internet-based platform in the market that specialised only in Shariah-compliant transactions (Micheal, 2021).

CONCLUSIONS

In conclusion, it is important to note that Malaysia has developed a robust regulatory framework that supports the practice of Commodity Murabahah within the Islamic finance industry. Regulatory guidelines

provided by Bank Negara Malaysia (BNM) offer clear guidelines and standards for Islamic financial institutions, ensuring compliance with Shariah principles. The endorsement of Commodity Murabahah by Shariah scholars and the Shariah Advisory Council provide credibility and assurance to market participants. The Shariah-compliant nature of Commodity Murabahah transactions enhances confidence among investors and customers. Malaysian Islamic financial institutions have demonstrated innovation and adaptability in structuring Commodity Murabahah transactions to meet diverse financing needs. This flexibility has enabled the expansion of Commodity Murabahah across various product segments, including financing, deposits, and interbank money markets.

This study recommends that a clear regulatory framework is essential to provide guidelines and standards for the practice of Commodity Murabahah. It also seeks to ensure compliance with Shariah principles and regulatory requirements. Besides, it is important to develop a robust market infrastructure to support the execution and settlement of Commodity Murabahah transactions. This includes establishing commodity trading platforms which consist of a regulatory oversight mechanism to ensure transparency and efficiency in the market. In the case of Malaysia, the BSAS plays a significant role in facilitating Commodity Murabahah transactions within the Islamic finance industry. It also serves as a commodity trading platform specifically designed to address the Shariah operational issues concerning Commodity Murabahah..

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An Analysis of Halal Hotel Attributes in Brunei

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ABSTRACT

The exponential expansion of halal tourism has heightened the demand for tourist locations to provide halal items as a service to cater to the Muslim market. Halal hotels were subsequently introduced because of the explosive growth of halal tourism. It presents the prospect of having a lodging facility that complies with Shariah criteria. Hence, this study aims to examine the attributes of hotels in Brunei. To categorise a hotel as a halal hotel, it must meet features outlined by Shariah principles, including the prohibition of alcohol, the provision of halal food only, the availability of prayer mats, clearly marked qibla directions, and the avoidance of inappropriate entertainment. The study used a web-based research method to examine the features of halal hotels on hotel websites. It also applied a qualitative method by conducting open-ended interviews with hotel managers of two hotels selected from the web-based research in Brunei to evaluate their perspectives on halal hotel attributes. The analysis of hotel websites and hotel managers' perspectives on Halal hotel attributes in Brunei revealed that the hotels meet the features or attributes of Halal hotels. As Brunei Darussalam continues to position itself as a critical player in the Halal tourism market, the research findings have a dual impact on academic discussions and practical applications for improving halal hotel management techniques. Ultimately, the study is a valuable foundation for future research endeavours to refine further and expand our understanding of the dynamic interplay between Halal tourism concepts and hotel management practices.

Keywords: Brunei, Halal Hotel Attributes, Halal Tourism, Hotel Managers

INTRODUCTION

The number of Muslims is increasing, which raises the market's demand for Muslim goods and services (Razali et al., 2015). According to the (PEW Forum on Religion and Personal Life (2011), by 2030, the Muslim population is projected to reach 2.2 billion, up from 1.6 in 2010, or 23.4 percent to 26.4 percent of the world's population. Omar, Islam, and Adaha, 2013, cited in Razali et al., 2015, stated that the tourism industry is anticipated to be significantly impacted by the demand for Muslim-friendly products due to the increasing trend of the Muslim population and inherent encouragement of Islam in terms of travelling. A novel idea like

Islamic tourism and halal hospitality, comparable to the concept of halal foods, which has gained popularity in many nations, including the Middle East, is gaining popularity (Samori & Sabtu, 2014; Battour et al., 2011).

As the number of Muslim tourists continues to rise, destination marketers are increasingly tasked with developing tourism products that align with Islamic religious requirements. This is a direct response to the growing influence of the Muslim consumer market, which is shaped by their unwavering commitment to the Islamic religion and its principles (Henderson, 2003). Muslims must abide by the halal and haram rules in all

aspects of their daily lives, even while travelling. Regarding Muslim consumers, adherence to religious principles is paramount while travelling (Haque et al., 2019).

The hospitality industry, including hotels, is undergoing transformative shifts to cater to the needs of Muslim travellers. The emergence of Halal tourism is a significant phenomenon, reshaping the landscape of hotel management. Battour and Ismail (2016) assert that the global tourism sector is witnessing a notable rise in the popularity of Islamic-friendly services. Global Muslim Travel Index (GMTI) 2019 data shows that by 2026, the number of Muslim tourists is projected to reach 230 million worldwide (MasterCard & CrescentRating, 2019). Additionally, it is projected that Muslim travellers will allocate a total of USD 180 billion towards online travel expenditures by the year 2026 (Shafa et al., 2020). Hence, halal tourism is a growing segment of the global tourism industry, with Muslim travellers seeking accommodations and services that cater to their religious and cultural needs (Sim & Abdullah, 2023; Sulaiman & Hashim, 2023).

Brunei's government has made tourism one of its primary areas of concentration to promote economic diversification in several high-value tourism markets. Although Brunei has traditionally drawn tourists to its Islamic past, there is currently a determined effort to market the Sultanate and its distinctive MIB ethic as an Islamic tourism destination. The expansion of Islamic tourism provides Brunei Darussalam with a significant potential to advance Islam and enhance its standing internationally (Oxford Business Group, 2016). To capitalise on these markets, hoteliers in Brunei must improve their infrastructure further to meet Muslim aspirations and wants. Hotels in Brunei must, therefore, operate and align with Shariah-Compliant practices.

In Brunei Darussalam (herein called Brunei), a predominantly Muslim country, the halal tourism market presents significant opportunities for hotels to attract and serve this niche. Therefore,

as Brunei strives to broaden its economy and decrease its reliance on oil exports, the halal tourist market offers a favourable prospect for the nation's Islamic travel sector (Sim & Abdullah, 2023). Brunei possesses inherent advantages as a Muslim-Friendly Tourism (MFT) destination due to its predominantly Islamic character, shared religious values with potential target markets like the United States and Australia, a safe environment (Darussalam – Abode of Peace), and common use of the English language (Sim & Abdullah, 2023). Therefore, hoteliers need to pay attention to the attributes of halal-friendly hotels to be offered to tourists because later, it will be the focus and attention in shaping consumers' preferences for staying at their hotels (Shafa et al., 2020).

As of 2024, the study discussing the analysis of halal hotel attributes in Brunei still needs to be explored. Therefore, this research endeavours to delve into the nuanced realm of hotel management by investigating hotel managers' perspectives on the concept of Halal hotels, with a specific focus on Brunei's unique context. As the global tourism sector witnesses a growing interest in catering to the preferences and needs of Muslim travellers, understanding the perspectives and challenges hotel managers face in implementing Halal hotel concepts becomes crucial. By exploring their views, experiences, and strategies, this study aims to contribute valuable insights to both academic discourse and the practical aspects of hospitality management in the context of Brunei's evolving tourism industry.

REVIEW OF LITERATURE

Recent studies have explored the prospects of halal green tourism in Brunei, which combines the principles of halal tourism with eco-friendly practices (Sulaiman & Hashim, 2023). Furthermore, research has been conducted to assess the level of awareness and understanding among hotel authorities in Brunei regarding the consumption of halal foods in hotel restaurants (Nordin, 2021). However, according to Alam et al. (2024), Brunei, known for its majority Muslim population, has

limited visibility in publishing halal labels on halal tourism. Hence, this paper seeks to investigate the halal attributes in hotel operations from web-content analysis and further online interviews, leading to Brunei hotels being classified as halal.

HALAL TOURISM

World Travel Market explains halal tourism as religious tourism that conforms with Islamic teachings regarding behaviourism, dress, conduct, and diet (World Travel Market, 2007). So, halal tourism can be interpreted as tourism that is allowed, according to Islamic teachings, to be done by Muslims (Battour & Ismail, 2016). To sum up, halal tourism is any object or action permissible according to Islamic teachings to be used or engaged by Muslims in the tourism industry (Battour & Ismail, 2016).

Halal tourism aims to provide more excellent convenience for Muslim tourists so that they can still carry out their worship while travelling (Putra & Tucunan, 2021; Vargas-Sánchez & Moral-Moral, 2020; Battour & Ismail, 2016) and avoid all Allah's prohibitions (Vargas-Sánchez & Moral-Moral, 2020). Both concepts consider Shariah law the basis for delivering halal tourism products and services to tourists, such as tourist attractions, lodging accommodations, food restaurants, and so on (Putra & Tucunan, 2021).

A significant paradigm must be understood in halal tourism development: Halal tourism does not seek to alienate Muslim tourists from conventional tourist activities or exclude non-Muslim travellers from specific travel destinations (Putra & Tucunan, 2021). Its development aims to provide greater convenience for Muslim tourists to carry out their worship while travelling (Putra & Tucunan, 2021).

Furthermore, the fundamental requirements given priority in halal tourism are directly linked to their religious practices. At least six fundamental needs are needed in Muslims' daily lives, including when doing tourist activities (Bahardeen, 2016; CrescentRating, 2019). The essential requirements encompass the provision

of water purification facilities, facilities for religious prayer (salat), halal cuisine, and tourism activities that adhere to Islamic principles and are devoid of any immoral or malevolent elements. Additionally, there should be services catering to Ramadan and recreational facilities or services that offer privacy (Bahardeen, 2016).

Hence, the halal tourism industry has created a niche that allows many countries to offer specially packaged Muslim-friendly products. The demand for Islamic hospitality is high due to the increasing number of tourists from the Middle East and Europe, hence opportunities for destination marketers to develop tourism products based on Islamic requirements (Battour et al., 2010).

Brunei is located on the island of Borneo and is bordered by Indonesia and Malaysia, which are well ahead in tourism development (Kassim, 2003). The Brunei government has granted various facilities to develop Shariah-compliant concepts that align with this growth trend. The destination features a variety of distinctive infrastructures, notably exquisite mosques that provide convenient facilities for Muslim travellers to pray. Brunei is also recognised as an Islamic country, and it is simple for them to obtain halal-certified food (Sulaiman & Hashim, 2023). Thus, Brunei is considered a safe destination for Muslim travellers, mainly due to the ubiquitous availability of mosques, halal food restaurants and business transactions in Islamic banking, making it easy for travellers to fulfil their basic and special needs. This speciality is excellent for showcasing Brunei to tourists as a halal location (Sulaiman & Hashim, 2023). Therefore, this study will delve into the attributes of hotels in Brunei and whether they could be classified as halal or not.

HALAL HOTEL ATTRIBUTES

Extensive research has been conducted on the characteristics determining halal hotels due to the increasing interest in halal tourism. Hanjaya et al. (2019) asserted that attribute is one element that leads to consumer identification of possible responses to a need. Hotel attributes influence consumers' minds, especially when choosing accommodation options. Hotels with superior attributes can better win the competition by influencing all critical aspects consumers consider when choosing hotels (Baniya & Thapa, 2017).

According to Shafa et al. (2020), a halal hotel is a facility that aims to meet consumers' religious needs. A halal hotel has four attributes: halal services, halal food and beverages, halal facilities, and halal privacy. Additional religious services and provisions at the hotel will result in the withdrawal of new markets and increased hotel rates.

There still need to be written formal requirements or classifications for Sharia-compliant hotels (Saad, Ali, & Abdel-Ati, 2014). However, a ministerial regulation issued by the Minister of Tourism of Indonesia regulates the Sharia Hotel in Indonesia. The criteria for a Sharia-compliant hotel involve the establishment of qualifications and classifications that encompass aspects of products, services, and management. Sharia hotels are categorised into two classes: Hilal 1 and Hilal 2. Hilal 1 refers to Sharia hotels that exhibit some flexibility in implementing Sharia law, such as allowing the presence of alcoholic beverages like wine. In contrast, Hilal 2 represents Sharia hotels that fully embrace Sharia law in their services, operations, and management (Menteri Pariwisata, 2014). However, the number of Sharia-compliant hotels in Indonesia still needs to grow.

Shariah-compliant hotels are first being implemented in the Middle East because local customs should not conflict with Islamic law (Saad, Ali, & Abdel-Ati, 2014). Experts believe the Shariah-compliant hotel concept has a promising future despite its sluggish development. Furthermore, some claim that applying a dry or

Shariah-compliant hotel concept will undoubtedly drive away some Western guests and reduce the market's potential (Ahmat, Ridzuan, & Zahari, 2012). The biggest obstacle to implementing a Shariah-compliant hotel is the loss of revenue from alcohol sales, which will eventually impact the profits from food and beverages.

As one of the ASEAN nations, Singapore is home to a majority non-Muslim population and is governed by a non-Muslim government. As such, Shariah-compliant hotels there may eventually encounter difficulties competing with more traditional, mainstream lodging options. The decrease in revenue is one issue that could result from the prohibition of alcohol (Samori & Rahman, 2013). For many hotels, alcohol sales make up a sizable portion of their revenue because they are so profitable. Since they believe that their guests anticipate alcohol to be available, international hotel management companies in Singapore are hesitant to run Islamic hotels because they are unable to tolerate the loss of revenue.

One key aspect of halal hotels is ensuring halal certification for food and beverages. Research, such as that by Battour et al. (2024), underscores the vital role of halal certification in catering to the needs of Muslim travellers. This certification guarantees compliance with Islamic dietary laws, a crucial factor for Muslim consumers. Food quality, including its preparation and sourcing, is also a significant attribute influencing consumer preferences in halal-friendly hotels (Shafa et al., 2020).

For Muslim clients and consumers, the assurance of halal certification is paramount. It signifies that the product satisfies Islamic religious requirements and reassures them of its quality and authenticity. Products that have received halal certification from an authorised body indicate that the halal principle has been followed throughout the manufacturing process, instilling confidence in Muslim consumers. This emphasis on halal certification is not limited to products but also extends to services, with certain hotels and tourist

destinations in non-Muslim nations beginning to serve halal food, including The Intercontinental Hotel in Prague, Hilton Glasgow, and The Currumbin Wildlife Sanctuary in Australia (Harith et al., 2022).

In Malaysia, the application for the Halal logo certificate from JAKIM, with 101 hotels participating nationwide, underscores a growing trend in certifying their restaurants and cafes. Notably, some traditional hotels are proactively repositioning themselves as Muslim-friendly establishments, a development highlighted by Karim et al. (2014). While the concept of Islamic or Shariah-compliant hotels is familiar in Malaysia, there is a recognised need to enhance compliance (Razalli et al., 2012). Consequently, the branding of Islamic Hotels in Malaysia is classified as an outbound Islamic brand, targeting both Muslim and non-Muslim markets globally (Alserhan, 2010a; Samori & Sabtu, 2014). The marketing strategies for these establishments focus on values such as purity and humanity (Alserhan, 2010b).

Compared to Malaysia, Indonesia, and Singapore, there is less research regarding Halal hotels in Brunei as there is less awareness of this aspect of Halal Tourism. As Muslim Malays comprise most of the population, Brunei's offerings (including food and drink, lodging, dining options, and public spaces) would undoubtedly satisfy halal standards and draw in perspective Muslim tourists. To guarantee that food and dining establishments in the nation are halal, food makers and outlets are now required by law to receive halal certification. The country's hotels are halal-friendly since it is illegal to sell alcohol, and it does not provide any of the goods or services that are forbidden by Islam, such as adult television channels and gambling (Muhamad et al., 2019).

In addition to providing halal food, hotels could support Muslim travellers by hanging qibla direction on the ceiling of each room and providing adequate prayer facilities. Research consistently points to the importance of giving sufficient prayer facilities. Hotels offering dedicated prayer

rooms and resources such as prayer mats and qibla direction indicators appeal more to Muslim guests. For instance, a systematic review indicated that the availability of such facilities significantly enhances guest satisfaction and loyalty (Alam et al., 2024; Battour et al., 2024).

A hotel that complies with Shariah law accommodates Muslim guests' needs and typically follows specific laws or standards to verify the conditions met to achieve Shariah compliance. Recognising Islamic characteristics in the hospitality sector, a Shariah-compliant hotel prioritises meeting the religious needs of its guests and emphasises the environment, safety, health, and economic well-being of all people, regardless of their culture, religion, or race (Stephenson, 2014; Salleh et al., 2014). According to Suci et al., (2020), Shariah guidelines or Islamic law should serve as the foundation for all hotel operations to comply with the law.

Regarding room concept, facilities provided, kitchen, food and beverage, housekeeping, and employee dress code, Shariah-Compliant Hotel differs from other hotels (Jaehang et al., 2020). A hotel's social environment, including its ambience and community engagement, plays a significant role in attracting Muslim tourists. Hotels that foster a family-friendly atmosphere and respect Islamic customs, such as avoiding alcohol and providing family-oriented amenities, tend to receive higher satisfaction ratings from Muslim guests (Shafa et al., 2020).

Samori and Sabtu (2014) also have outlined a few traits of a "friendly Muslim hotel," including the prohibition of serving any food or drink that is forbidden in the hotel room, the division of male and female rooms, the presence of a prayer mat, the qibla direction, and Quran translation in each room. Studies and data indicate that the market for hotels adhering to Shariah has excellent potential, given that Muslims make up approximately 24% of the world's population (Papastathopoulos et al., 2020; Shnyrkova & Predvoditeleva, 2022)

Moreover, Saad et al. (2014) describe a Shariah-

compliant hotel as providing services according to the Shariah principles, such as Halal food, alcohol-free beverages, a copy of the Qur'an in each room, prayer rooms with qibla direction, Islamic funding, and appropriate entertainment (Saad et al., 2014; Battour & Ismail, 2016). To be considered a fully Shariah-compliant hotel, the hotel's operation, design, and financial system must comply with Shariah rules and principles (Ahmat et al., 2012; Saad et al., 2014).

Over the years, the development of Shariah-compliant characteristics has evolved from basic needs in halal food and beverages, as well as Muslim praying facilities, into operations, ambience and surroundings, types of entertainment, and provision of the necessary information to Muslim travellers on the availability of facilities and services offered at their premises (Sailan & Rahim, 2018).

Based on the literature, the characteristics of Shariah compliance can be classified as having halal-certified food and beverages, no-serve alcohol, and qibla direction. Sajadda is provided in the room, and staff are aware of halal tourism. These characteristics or attributes are aligned as portrayed with OIC/SMIIC 9: 2021 - Halal Tourism Services – General Requirements on the accommodation premises with Halal tourism

No	Services	Shall Have	Shall not have	Recommended
1	Halal food options upon request (Halal certified kitchen or providing halal food or list of local Halal restaurants)	☒		
2	Remove alcohol from the minibar upon request	☒		
3	Marked qibla direction	☒		
4	Directions to local mosques			☒
5	Sajadas (prayer mats) and prayer schedule upon request	☒		
6	Trained staff on awareness of Halal Tourism Services Principles	☒		

Source: (The Standards and Metrology Institute for Islamic Countries, 2019)

basic scale services for category C shall have the following services tabulated in Table 1.

MATERIALS AND METHODS

This study adopts a qualitative research methodology, whereby information is derived from various types of sources such as articles, journals, official websites, internet sources, and mainstream media (newspapers and official social media sites/platforms) to produce a good and fruitful outcome for our area of research and discussions, as well as

to get the current information to contribute to the development of these particular articles, despite the difficult task of looking up for the materials to have an extensive betterment of research and development.

Then, the data collected were analysed using thematic analysis to uncover the theme of the Shariah-compliant hotel concepts in the pertinent literature obtained. The study area was focused mainly on the framework that portrays various Shariah-compliant and Islamic identities in hotels, such as halal food, no alcohol, prayer room, and qibla sign. Moreover, it also aimed to provide a source of example for the observers or industry players as a start-up point to have Muslim-friendly or Shariah-based / compliant hotels in the current tourism industry.

To gather data and generate ample information to understand our topic, the study conducted a web-based research method to examine the features of halal hotels on hotel websites. The study collected data from six hotels in Brunei through their main website page. Then, the study also applied a qualitative method by conducting open-ended online interviews with hotel managers of two hotels selected from the web-based research to evaluate their perspectives on halal hotel attributes. The

Table 1. Online Interview Questions

Item	Question
1	What do you understand about the Halal Hotel?
2	What do you think are Halal hotel roles in Halal tourism?
3	Have you or your team received any training or information related to Halal hospitality?
4	Do you think there is a demand for Halal accommodations among guests in Brunei Darussalam?
5	Do you believe incorporating Halal practices can be a competitive advantage for hotels in Brunei Darussalam in the future? Please explain the advantages.
6	If there were a halal certification body for hotels, would your hotel be granted certification if you applied for it?

Source: Constructed for this study

questions were emailed to the hotel managers for the interview and have been tabulated in Table 1.

The study opted for open-ended questions to give leeway towards hotels being sent online questionnaires to provide answers that are free from biases but also, in a way, answer with answers that the researchers expect. According to Yaddanapudi & Yaddanapudi (2019), questionnaires are a valuable tool for gathering data from a community on facts, opinions, behaviours, and knowledge.

Analysed data from the online interviews, along with the literature and hotel web pages research, were used to integrate and classify the hotel in Brunei as meeting the requirements of a halal hotel.

The study used multiple data sources, namely literature, hotel websites, and online interviews with hotel managers, to corroborate the findings. These various sources are called triangulation data collection. With this data collection method, even with a small sample size, integrating different perspectives or data types can strengthen the overall validity of the research (Chetty & Thakur, 2020).

FINDINGS

While there is no strict rule, many qualitative researchers suggest that sample sizes can range from 5 to 30 participants, depending on the study's complexity and the richness of the data required (Omona, 2013). Morse (1994) proposed that a single individual in a case study is enough. Therefore, this study selected six hotels for the hotel website content research and interviewed two critical informants of the chosen hotel online; their general descriptions are tabulated in Table 2. Due to the request for informant confidentiality (Dooly, Moore, & Vallejo, 2017), the hotel name

Table 2. Sampling Detail

No	Hotel Code	Foundation Year	Data Collected Source	Key Informant
1	LH	2018	Hotel Website & Online Interview	Hotel Manager
2	TH	2015	Hotel Website & Online Interview	Hotel Manager
3	CRS	1968	Hotel Website	-
4	RH	1981	Hotel Website	-
5	EH	2000	Hotel Website	-
6	RqH	2006	Hotel Website	-

was coded, and the name of the key informant was concealed or secret.

Data collected from selected hotel websites in Table 3 shows the findings of halal tourism services offered by chosen hotels in Brunei. All the six selected hotels provide halal food service, have halal-certified restaurants, have qibla directions in

Table 3 The halal attributes of hotels in Brunei

Halal Hotel Attributes	LH	TH	CRS	RH	EH	RqH
Qibla direction	☒	☒	☒	☒	☒	☒
Halal Food Service	☒	☒	☒	☒	☒	☒
Halal Certified restaurant	☒	☒	☒	☒	☒	☒
Al-Quran	☒	☒	☒	☒	☒	☒
Strais	☒	☒	☒	☒	☒	☒
Shariah-Compliant Uniform/Outfit for Employees	☒	☒	☒	☒	☒	☒
Gender segregated facilities	☒	☒	☒	☒	☒	☒

Notes: ☒ provided
☒ not provided
☒ data not available.

Source: Data Analysis

the rooms, and the employee uniform is Shariah-compliant. Three out of six hotels had built-in prayer rooms in the hotel.

According to the responses from the informants

Table 4. Hotel Managers' Perspectives on Halal Hotel

Item	LH	TH
Item 1	• Halal-certified food • Gender separation for restrooms	Provide services to their customers by Islamic rules
Item 2	To attract tourists that are more at ease and prefer Halal-certified hotels (whether practising the Muslim faith or others)	It can guide Muslim guests to find which hotel is suitable for them (which they prefer)
Item 3	Islamic values on customer service	Some only
Item 4	Mostly locals	Yes
Item 5	Personally, I think it might not be an advantage as hotels currently provide similar services, but people are still more interested in travelling overseas.	Yes, because the hotel will be a unique one as they incorporate the halal practice since the people of Brunei will be more comfortable if such practice is implemented as they no longer need to ask where specific hotel get their supply of food
Item 6	No. Not all services can be provided according to halal requirements	Yes. Because some halal practices have been provided, some services, such as separated swimming pool areas, are not applicable.

Source: Data Analysis

in the online interviews, Table 4 below shows that they are aware of and understand the halal hotel concept.

DISCUSSION

According to the MasterCard-Crescent Rating Global Muslim Travel Index (GMTI), the availability of halal food plays a vital role in deciding on a holiday destination, especially for Muslim travellers (CrescentRating, 2014). Even Battour et al. (2012) stressed that the availability and accessibility of halal food are a plus as they allow Muslim tourists to practise their beliefs with ease.

HOTEL IN BRUNEI AS A HALAL HOTEL

The findings showed that the operation of a hotel in Brunei met Shariah-compliant criteria. Table 3 illustrates the halal products and services provided by six different hotels in Brunei Darussalam. First, the Table 3 shows that all six hotels have qibla directions in their hotel rooms. This is a vital display for Muslim customers to perform their necessary duties. This is also evident in halal food service, as all hotel management provided excellent service. The availability of Qibla direction indicators in halal hotels is vital for supporting Muslim guests in their religious practices.

Table 3 also shows very little difference in the following category of Halal-certified restaurants. The CRS merely serves a ready-made breakfast

menu rather than a full-course meal. In addition, RsH provides gluten-free and vegetarian options on its meal menu. COMCEC Coordination Office's (2016) finding shows that 95% of respondents stated that the presence of halal food options is very important. The availability of halal food significantly enhances the overall guest experience for Muslim travelers. Research indicates that when hotels offer a variety of halal food options, it contributes to higher satisfaction levels among guests. This satisfaction is linked to the assurance that their dietary needs are respected and catered to, allowing them to enjoy their stay without concern over food choices (Shafa et al., 2020; Eldin & DeMicco, 2023).

Three hotels do not supply the Quran in their hotel rooms, and the authors could not identify any source indicating that the Quran is provided at the other two hotels. According to OIC/SMIIC 9 2019 halal tourism services of category C halal hotels, the availability of the Quran in the rooms is not a requirement. However, the Quran shall be available upon request.

Furthermore, three of the six hotels include a prayer room (surau) in their hotel. The size of the hotel is the main factor, as LH, EH, and RqH are all recognised for being higher-class accommodations with more room and territory. Having a designated prayer area within the hotel ensures that guests can fulfil their religious obligations conveniently without needing to leave the premises. This is particularly beneficial for travellers who may have limited time or access to nearby mosques.

Additionally, all six hotels provide their staff with Shariah-compliant uniforms to wear during business hours. Shariah-compliant uniforms for hotel staff should adhere to the principles of modesty and appropriateness. This typically involves covering the awrah (intimate parts of the body that should be covered) and avoiding tight or revealing clothing. For men, this may include long pants and shirts with sleeves, while for women, it often involves loose, non-transparent clothing that covers the head, arms, and legs.

Finally, as Table 3 illustrates, no hotel has any amenities divided or designated for men and women, such as separate gyms or swimming pools. Halal hotels should provide gender-segregated facilities to cater to the needs and preferences of Muslim guests.

According to Alam A. et al. (2024), the behaviour of visitors choosing a halal hotel is influenced by religiosity. Religion affects attitudes toward making choices because of their religious commitment. The study can infer from the answer to this question that a halal hotel offers services to clients according to Shariah law and that certified halal food and facilities are segregated by gender. It is known that the hotel managers of these two establishments are familiar with what constitutes a halal hotel. In that sense, Alam et al. (2024) indicate that it is a Muslim-friendly hotel that offers qibla direction, halal food, halal places, prayer facilities, and an alcohol-free policy. The halal hotel should carefully outline its offerings, including food and beverage options, furnishings, services, and activities.

Junaidi (2020) and Alam A. et al. (2024) indicated that Halal tourism strongly emphasises permissible movement, an essential part of spiritual travel for God's service. In the context of the tourism sector, halal refers to all elements and characteristics that comply with Islamic law. Halal travel aims to meet the unique needs of Muslim tourists. The responses are nearly identical in emphasising the importance of helping fellow Muslim visitors locate lodging that suits their needs and preferences.

The term "halal hospitality" describes the provision of goods and services that respect Islamic law and accommodate the demands of Muslim tourists. As stated by Junaidi (2020), these principles include implementing halal concepts in every travel activity managed, also known as halal or travel tourism. Halal hospitality strives to give Muslim tourists a warm, friendly, and accommodating atmosphere to comfortably and confidently fulfil their religious duties while travelling. Serving guests' needs is another crucial duty of hotel

staff. Regretfully, the hotel management provided training and instruction to a limited number of staff members, imparting only a limited understanding of halal hospitality. To guarantee that other staff members are well-versed in this field of expertise, revisions and improvements must be performed. Realising this, one way to address the issue and make improvements is, where necessary, the government should also form a committee to create, implement, and oversee compliance criteria for Halal and Islamic hospitality (Suban, Madhan, & Shagirbasha, 2023).

That being said, one of the examples that can be taken is from Indonesia, where their government has enacted Act No. 33 of 2014 concerning Halal Product Assurance (UU JPH). This obligation applies to food products, beverages, and slaughtered products and services. This was emphasised by the Halal Partnership and Audit Services Director of LPPOM MUI during one of the seminars in 2023 (LPPOM MUI Encourages Halal-Certified Hotels and Restaurants | LPPOM MUI, 2023).

Regarding halal accommodations, it is essential to note that the majority of users and customers will be Muslims, with non-Muslims making up the minority. As an Islamic nation, Brunei Darussalam prioritises Islamic principles and customs, particularly the halal diet. It is reasonable to presume that domestic and foreign visitors need Halal lodgings. Halal lodgings offer an ambience that follows Islamic precepts, guaranteeing that visitors can enjoy Halal cuisine, prayer areas, and an overall Islamic feel. This demand may be driven by Muslim travellers looking for accommodations that align with their Islamic beliefs and practices. Furthermore, halal products and services must be provided to guarantee that the hotel's customers are satisfied with their stay. These hotels must adhere to Shariah rules to meet the ideal criterion for halal accreditation. That said, as taken from an interview session during the International Seminar on Halal Tourism and Hospitality (ISHTaH), Brunei MYCE 2022, the Director of the Halalan Thayyiban Research Centre at Universiti Islam Sultan Sharif

Ali (UNISSA) Pengiran Dr Hajah Norkhariah binti Pengiran Haji Hashim emphasised that the halal tourism sector in the Sultanate needs to be based on Maqasid Syariah to ensure that the services are in place, including an ablution spot and the qibla, to support the industry (Mohamad, 2022).

The findings in Table 4 support the LH's contention that incorporating halal principles would not provide any competitive advantages for hotels in Brunei Darussalam. As indicated, most of the hotels in Table 3 give the same products and services in their accommodations. Given this, the quality of the goods and services will be critical in distinguishing between the accommodations available.

On the other hand, according to TH, implementing halal practices can lead to the hotel developing a distinct identity. If such practices are implemented, customers will be confident that the hotel's products and services are halal and Muslim-friendly. As stated before, LPPOM MUI has implemented regulations for companies offering services to be Halal to ensure assurance and confidence for Muslim consumers.

A potential strategy to address The LH's reply is for authorised management to establish and enforce formal, broadly accepted halal standards for managing Shariah-compliant tourism businesses. This can aid in creating a uniform and appropriate policy to achieve sustainability in their administration. Furthermore, the government must encourage hotels to seek halal certification, influencing hotels' willingness to receive certificates and hold government events since their restaurants are Shariah-compliant (Alam A. et al., 2024).

CONCLUSION

In conclusion, this study has shed light by exploring the Halal hotel concept in Brunei Darussalam has shed light on crucial aspects of the evolving hospitality landscape. The insights garnered from this study, coupled with the observations of the increasing popularity of

Islamic-friendly services in the global tourism sector, emphasise the growing significance of addressing the preferences and needs of Muslim travellers. The challenges and strategies elucidated by hotel managers in this study underscore the importance of aligning hospitality services with the principles of Halal tourism. As Brunei Darussalam continues to position itself as a critical player in the Halal tourism market, the findings of this research contribute not only to academic discourse but also offer practical implications for enhancing Halal hotel management strategies. Ultimately, the study is a valuable foundation for future research endeavours to refine further and expand our understanding of the dynamic interplay between Halal tourism concepts and hotel management practices.

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Risk Committee Attributes, Financial Leverage, and Firm Value of Listed Manufacturing Firms in Nigeria

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ABSTRACT

The Nigerian business environment is characterized by inconsistent policies, bureaucratic hurdles, regulatory compliance challenges, uncertainty surrounding the foreign exchange market, tax regimes, energy costs, rising raw material prices, and restrictive trade regulations. These factors hinder investment, innovation, and growth initiatives among manufacturing firms. The research investigates how financial leverage influences the connection between the attributes of risk management committees (RMCs) and the value of listed manufacturing companies in Nigeria. A correlational research approach was adopted. The sample includes forty (40) manufacturing companies from five (5) different sectors that are registered on the Nigerian Exchange Group (NGX). Data were collected from the annual financial statements of the firms, covering an eight-year timeframe from 2015 to 2022. The hypotheses were tested using the multiple regression method. The results from the Panel Corrected Standard Errors (PCSEs) estimates indicate that the expertise of the RMC positively affects firm value in a significant way. Moreover, the attributes of RMC such as size, independence, gender diversity, and overlapping directors negatively and significantly influence firm value, whereas the diligence of RMC has a positive but not statistically significant effect on firm value. Additionally, when interacting with the moderating variable of financial leverage, RMC diligence, independence, and overlapping directors positively and significantly affect firm value. The results of this research provide significant insights for those overseeing corporate governance (CG) code reforms in Nigeria to review and strengthen the existing risk management committee codes where necessary. More so, this study recommends that the Financial Reporting Council of Nigeria (FRCN) should ensure that the risk management committee consists of members with diverse backgrounds and expertise in risk management. The firm's management should aim for an optimal balance between debt and equity financing based on its risk appetite and ability to meet debt obligations. In addition, the RMC of the firm should establish key performance indicators to assess the level of its risk management efforts. Finally, the firm's management should strive to foster collaboration and communication between the risk committee and the top management of the firm. between Halal tourism concepts and hotel management practices.

Keywords: Brunei, Halal Hotel Attributes, Halal Tourism, Hotel Managers

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INTRODUCTION

Manufacturing companies play a crucial role in the economy of a nation. In developed countries, they represent a considerable portion of overall economic activity. In Nigeria, this sector contributes more than 10% to the total Gross Domestic Product (GDP) annually. These companies provide jobs for approximately 12% of the workforce in the formal economy (NBS, 2020). The importance of the manufacturing industry to the Nigerian economy cannot be overemphasized due to its immense contributions in terms of employment generation and the provision of essential commodities for domestic use and export. Thus, it is imperative to study factors that can affect the value of manufacturing firms in Nigeria.

Manufacturing firms in Nigeria contend with a complex regulatory environment characterized by inconsistent policies, bureaucratic hurdles, and regulatory compliance challenges. Uncertainty surrounding government policies, tax regimes, and trade regulations creates a challenging business environment, hindering investment, innovation, and growth initiatives, thereby constraining firm value. Also, limited access to affordable financing options is a pervasive issue for manufacturing firms in Nigeria. High interest rates, strict collateral demands, and insufficient access to credit hinder firms' capabilities to invest in advanced technologies, grow their operations, and improve production methods. This financing gap stifles growth opportunities and inhibits value creation for manufacturing firms. The firms are susceptible to market volatility and currency fluctuations, which impact input costs, pricing strategies, and profit margins. Instability in exchange rates, inflationary pressures, and economic uncertainties undermine firms' financial performance and erode firm value over time.

Despite the growing importance of corporate governance in enhancing performance, there exists a significant population gap in empirical studies focusing specifically on Nigerian manufacturing firms. Existing research predominantly focuses on financial, banking and insurance sectors, overlooking the unique contextual factors and

challenges faced by manufacturing firms operating in emerging economies like Nigeria. As a result, there is a dearth of comprehensive empirical evidence that directly addresses the relationship between risk committee attributes, financial leverage, and firm value within the Nigerian manufacturing context (see, Frank & Ukpong, 2024; Agbaje et al, 2024 Yahaya & Ogwiji, 2021; Virginus et al., 2021; Chukwujekwu et al., 2020; Fali et al., 2020; Kakanda et al., 2018; and Jimoh & Attah, 2017). This population gap limits the applicability of existing governance models and best practices, necessitating tailored research efforts to fill this critical gap in the literature.

The literature on the relationship between risk committee attributes and performance in manufacturing firms, particularly within the Nigerian context, is sparse and fragmented. While existing studies have examined the impact of some RMC attributes financial performance, few have explored the nuanced interaction between risk oversight practices, financial leverage, and value creation specifically within the manufacturing sector (see, Frank & Ukpong, 2024; Malik et al., 2021; Boudiab & Ishak, 2020; Kakanda et al., 2018). The existing literature often lacks consensus on the effectiveness of different governance mechanisms in mitigating risks and enhancing firm value, highlighting the need for more rigorous empirical studies to reconcile conflicting findings and generate actionable insights for practitioners and policymakers. Moreover, the study expanded the model by examining additional variables such as overlap directors, gender diversity and introducing a moderating variable financial leverage.

Firm value represents the sum of all the assets, liabilities, and future cash flows of the business. It is influenced by a range of factors, such as the firm's profitability, growth prospect, market position and risk profile. It is an important metric used by investors, analysts, and management to evaluate the performance of a firm and its potential for growth. The goal of corporate finance decisions in the long run is to maximize shareholder's wealth and investment. The firm value of a firm is closely linked to its ability to effectively manage risks. A risk committee plays a critical role in helping a

firm to identify, assess, and manage risks, which in turn can help to preserve and enhance the firm's value.

An effective risk management committee should have a diverse range of skills and expertise to ensure that all potential risks are adequately identified and addressed. A committee made up of individuals with different backgrounds and experiences can bring about range of perspectives, which can help the firm identify risks that may have been overlooked. For example, a committee member with background in finance, accounting, or related field can help identify risks associated with financial mismanagement, operational inefficiencies, or regulatory compliance issues. Furthermore, the committee should have members who are independent and objective, ensuring that they are not influenced by personal or business interests. This independence can help the committee make objective decisions regarding risk management, which is critical in mitigating potential risks that could negatively impact the organization's value. Additionally, independence can provide stakeholders with confidence in the committee's decision-making processes, thereby enhancing the firm's reputation and value.

When making economic decisions, creditors and other stakeholders are interested in the firm's value. The cost of capital is directly proportional to the firm's value. The lower the cost of capital, the higher the firm's worth. This means that capital providers view firms with low market value as high-risk, resulting in higher interest rates on loans than firms with higher market value. The financial and market worth of a firm are critical pieces of information for lenders and other stakeholders. As a result, corporate executives are faced with the challenge of determining the optimal financing choice that will have an influence on the firm's value and long-term viability. The financing options available are a combination of equity and debt, categorized as an essential issue encountered by a firm's financial manager. This financing mix may influence the value of the firm, either

positively or negatively. Prior studies have shown a positive relationship between financial leverage and firm value (Berger et al., 2002; Hadlock & James, 2002; Ghosh et. al., 2000).

In reality, determining the best capital mix is a difficult task for corporate managers. To reach an exact combination that can optimize its worth, a firm may need to issue various securities in a mix of debt and equity. The company has achieved its ideal capital structure when the combination of capital can enhance its overall value. As noted by Jensen and Meckling (1976), the amount of financial leverage in a company's capital arrangement mitigates agency conflicts between management and shareholders, thereby potentially impacting managerial conduct and operational choices. This is in tandem with Harris and Raviv (1991), as well as Graham and Harvey (2001). The failure of the firm can be attributed to inefficient financing and capital structure decisions (Mwangi et al., 2014).

LITERATURE REVIEW

2.1 The Concept of Firm Value

The net worth of a firm at any one time is known as market value. The term "firm value" is occasionally used to describe it. Firm value is a term used to describe how much an asset or firm is worth in a financial market. One of the most important financial metrics that attracts investors and other stakeholders is market value. The goal of corporate finance decisions in the long run is to maximize shareholders' wealth and investment. The measure of a firm's value is an indicator of the size of its asset. The firms with a larger total asset value have reached a stage of maturity where the cash flow has been positive and the firm is considered to have good prospects within a relatively long period. However, it also shows that the firm is relatively more stable and capable of generating profits than firms with low value (Daniati, 2006).

2.2 Empirical Review

There has been a rise in research on topics related to risk management over the past decade.

Arevalo (2021) suggests that companies should implement a framework to manage financial risks in order to prevent excessive borrowing linked to economic growth. Earlier studies have indicated that Risk Management Committees (RMCs) impact the decision-making process. For example, Subramaniam et al. (2009) examined independent RMCs, governance practices, and the quality of financial reporting. The results indicated a notable positive correlation between distinct RMC and better corporate practices, as well as improved quality of financial reporting. Ng et al. (2012) examined the connection between RMC characteristics and risk-taking behaviors within Malaysian insurance companies. The research found that both the size and independence of the RMC seem to have a negative relationship with underwriting risk, whereas the number of RMC meetings held was not a significant factor.

Abdullah et al., (2015) studied the RMC attributes and hedging activities and information disclosure among listed Malaysian firms. The finding revealed RMC independence has significant negative influence on hedging activities and information disclosure. While RMC meetings has positive impact on information disclosure. Wu et al., (2016) studied RMC characteristics and prestige on the efficiency of listed Malaysian firms. The finding revealed that the RMC influences the efficiency level of the listed firms in Malaysia. Terjesen et al. (2016) described that a Risk Management Committee (RMC) is expected to enhance the effectiveness of risk oversight functions, subsequently leading to better corporate performance and increased firm value.

Kallamu (2015) investigates the attributes of risk management committees and their impact on market valuation and accounting returns in Malaysia. He found a notable positive correlation between the independence of the RMC and the market valuation of firms. Jia (2019) analyzed how gender diversity within RMCs influences a firm's risk of experiencing financial distress. The findings indicated a significant negative relationship

between the gender composition of the RMC and the probability of financial distress.

Elamer and Benyazid (2018) investigated how the Risk Committee affects the financial performance of financial institutions in the UK. Their results reveal a negative correlation between the size, expertise, meeting frequency, existence, independence of the RMC, and performance. Boudiab and Ishak (2020) analyzed the characteristics of RMCs and the performance of non-financial listed companies in Malaysia. The results showed that the size of the risk management committee (RMC) and training negatively correlate with performance, whereas diligence does not have a meaningful impact on performance. Ramlee and Ahmad (2020) investigated the influence of Malaysian risk management committees on the financial performance of publicly listed companies. The results suggest that the presence of a chief risk officer, along with the knowledge and expertise of the RMC, significantly affects a firm's performance.

HYPOTHESIS DEVELOPMENT

Risk management committee size

The agency theory suggests that a larger Risk Management Committee (RMC) facilitates effective management and oversight of risks by the company's leadership, ensuring adherence to organizational policies, programs, and transparent reporting of findings to the main board (Alles et al., 2005). The presence of a larger RMC is associated with increased agency costs resulting from higher leverage and the added complexity of a firm's operations (Subramaniam et al., 2009). It has been proposed that Boards with a distinct, independent committee dedicate their efforts exclusively to risk management, reflecting a commitment to enhancing the overall corporate governance framework of the organization (Yatim, 2010). The resource dependency and agency theory have suggested that a small number of boards play a key role in effectively advising and counseling on the firm's strategic choices (Pearce & Zahra, 1991). Zahra

and Pearce (1989) noted that larger boards are sometimes seen as more effective in scrutinizing the actions and decisions of top management, as it becomes more challenging for CEOs to dominate a larger board. Similarly, Ahmed et al. (2015) argued that larger boards can lead to significant improvements in corporate performance due to their diverse skill sets. Valuable insights regarding various levels of risk factors, along with robust justifications, can directly contribute to ideas that mitigate internal agency conflicts.

H01: There is no positive impact of RMC size on firm value.

Risk management committee diligence

The frequency of meetings plays a crucial role in determining the effectiveness of the RMC board members (Kakanda, et al., 2018; Ng, et al., 2012; Yatim, 2009). Through meetings, RMC members can communicate effectively, engage in discussions, and achieve a unified goal while identifying risk factors by staying alert (Kakanda, et al., 2018; Ng, et al., 2012). Furthermore, committee meetings enable each member to continuously update themselves on managing risk factors after a period of consistent effort (Kakanda, et al., 2018; Ng, et al., 2012; Yatim, 2009). It is widely expected that regular meetings will provide a solid and vigilant framework that assists in making decisions related to the firm (Ng, et al., 2012). Additionally, Yatim (2010) asserts that the members of the RMC are attentive in fulfilling their oversight duties, particularly concerning RMC activities, while also enhancing communication among themselves and encouraging the board members of the RMC to take proactive measures in managing risk factors and overseeing operations. The diligence of the RMC is viewed as an important action taken by the board of directors to address matters that have been neglected by management (the agent). The RMC plays a crucial role as the principal entity. Furthermore, agency theory further reinforces this assertion.

In the context of resource dependency theory,

a Risk Management Committee (RMC) meeting plays a crucial role in sharing information and insights with specialists, which is a vital and technical asset for the organization. The primary aim of the Committee meeting is to mitigate problems, exchange valuable ideas, and offer comprehensive guidance to the management in addressing current challenges posed by unpredictable factors. According to resource dependence theory, regular board meetings facilitate access to external resources. During these discussions, directors contribute their expertise and knowledge as vital resources that enhance effective decision-making. Zaman et al. (2011) suggest that a higher frequency of meetings correlates with increased effectiveness, while fewer meetings are associated with diminished effectiveness. Consequently, the frequency of meetings serves as an indicator of the RMC's commitment.

H02: There is no positive impact of RMC diligence on firm value.

Risk management committee expertise

The agency theory suggests that ongoing training and educational initiatives are vital for board structures. In addition, in alignment with the resource dependency theory, the qualifications and expertise of members can enhance the competencies required by RMC members and the organization as a whole. RMC members should have adequate Accounting and finance knowledge, especially on risk portfolio, internal control and risk management, guaranteeing the monitoring role is accomplished perfectly. In consistent with the resource dependence theory, member's qualifications and knowledge may positively add to the competencies needed by RMC members and the organization. Mas'ud (2020) documented a significant relationship between qualified RMC members and corporate performance. Members of the sub-committee ought to have substantial experience and be adequately trained to comprehend risk management tasks (Yatim, 2009). Providing sufficient training for Risk Management Committee members will guarantee that their

oversight responsibilities are met effectively. Furthermore, a robust risk oversight function is attained when directors have a variety of skills and experiences acquired through education that are essential for conducting effective risk oversight.

H03: There is no positive impact of RMC expertise on firm value.

Risk management committee independence

The independent members of the Risk Management Committee (RMC) are anticipated to gather all essential information and resist any influence from managers aiming to manage firm risk, thereby improving company performance. According to the revised corporate governance code (2018), the RMC chairman must be a non-executive director. Various corporate governance frameworks globally mandate that organizations form their RMCs with a majority of independent directors to ensure their functions are performed autonomously. In alignment with agency theory, non-executive directors can oversee and identify any self-serving behaviors by management, thereby lowering agency costs. Kallamu (2015) reported that RMCs comprised predominantly of independent non-executive members have a notably positive effect on corporate performance and market valuation. Furthermore, Wu et al. (2016) discovered that the ratio of independent members in RMCs has a significant and favorable impact on the operational efficiency of firms.

H04: There is no positive impact of RMC independence on firm value.

OVERLAP DIRECTOR

Hines et al. (2015) suggest that companies with directors who serve on various board sub-committees tend to report higher quality accounting information and incur lower audit fees. Similarly, Coles, Daniel, and Naveen (2015) offered empirical data regarding the joint membership of board members and its impact on firm value. Their research utilized data from 1500 US-listed companies spanning the years 1996 to 2014 and examines whether “overlapping directors

affect the firm value.” Their results reveal that overlapping directors have a positive effect on firm value in complex organizations and collaborative environments.

H05: There is no positive impact of overlap directors on firm value.

Risk management committee diversity

A greater degree of gender diversity on the board conveys a message of independence and transparency to the Firm's external stakeholders (Rose, 2007; Lückerath & Rovers, 2013). In this research, female representation is evaluated in absolute figures as the count of female members within the risk committee. This information is derived from the corporate governance sections of annual reports (Malik, 2017). This aligns with the Nigeria code of corporate governance, which requires firms with separate risk committees to include one or more directors who serve on both the risk committee and the audit committee (Financial Reporting Council of Nigeria, 2018).

H06: There is no positive impact of RMC diversity on firm value.

Leverage as a Moderating Variable between RMC Attributes and Firm value

Financial leverage has been used as a moderating variable in numerous previous studies (See, for instance, Dahiyat & Bawaneh, 2021; Bashir & Asad, 2020; Abubakar, et al., 2020; Osabe, et al., 2019; Osazuwa & Che-Ahmed, 2016). Debt financing, or leveraging, refers to the use of borrowed funds by companies to improve their performance, and has been extensively applied in various research that explores the relationship between corporate governance and firm performance, revealing a positive influence of leverage on both financial and market performance (Chiang & Lin, 2011; Hurdle, 1974; Kang & Kim, 2011; Kyereboah, et al., 2006). This direct connection between financial leverage and firm value aligns with the moderation framework proposed by Kenny and Baron (1986).

Jensen and Meckling (1976) illustrate that

the degree of financial leverage in a company's capital structure can diminish agency conflicts between managers and shareholders, thereby influencing managers' actions and operational choices. This view is supported by Harris and Raviv (1991) and Graham and Harvey (2001). A firm's downfall can stem from financial choices that lead to particular suboptimal financing and capital structure determinations. Both investors and company management are anxious about the presence and pursuit of an optimal capital structure. Since the aim of all financing decisions is to enhance shareholder wealth, a direct method to evaluate the impact of any financial decision is by examining its effect on the firm's value and performance (Mwangi et al., 2014). Additionally, leverage can enhance a firm's worth by alleviating conflicts between shareholders and managers regarding free cash flow, the appropriate level of risk, and the most effective investment strategies (Myers, 1977).

H07: Financial leverage cannot moderate the relationship between risk committee and firm value.

UNDERPINNING THEORIES

The Model 1 of the study is anchored on agency and resource dependency theories. The agency theory explains how shareholders (principal) delegate decision making authority to managers (agents) to run the affairs of the business. As a result, managers often engage in opportunistic behaviour in order to satisfy their utility. Risk committee can help mitigate this problem by ensuring that management risk-taking behaviour aligns with shareholders' interest. The theory posits that agents take excessive risk, potentially harming the principal. Effective risk committee can reduce this risk by monitoring and advising management on risk-taking, which will impact on the firm's value.

Resource dependency theory posits that firm depend on external resources for survival. The risk committee can help manage these dependencies

by identifying and mitigating risks associated with resource acquisition and management. Supporters of this theory opine that a firm's ability to regulate external resources determines its level of success. In addition, the risk committee members add value to the firm in a variety of additional ways. Members of the risk committee, for example, contribute to the firm extra resources such as unique skills, expert knowledge, business connections and goodwill which is often called board capital. This model examined the direct relationship between RMC attributes and firm value.

The second model of the research explores the link between financial leverage as a moderating variable and firm value as the dependent variable. This model is based on the trade-off theory, which suggests that managers weigh the costs and advantages of debt and equity financing to determine an optimal capital structure, considering market imperfections such as taxes, bankruptcy costs, and agency costs. This theory also forms the foundation for the third model of the research, which assesses how financial leverage moderates the relationship between risk committee characteristics and the value of publicly listed manufacturing firms in Nigeria. Leverage enhances firm value by alleviating conflicts between shareholders and managers that may arise from excess cash. Ebaid (2009) contended that leverage reduces agency costs since both the firm's reputation and the manager's salaries are at stake. Conversely, increased leverage signifies greater commitment from the firm to fulfill its future principal and interest payments. Consequently, this research is grounded in agency, resource dependency, and trade-off theories.

METHODOLOGY

The data for this research was gathered from the annual financial statements of manufacturing companies registered on the Nigeria Exchange Group, utilizing a correlational ex-post facto research methodology. The population of the study consists of all 56 manufacturing firms that were listed as of December 31, 2022. Purposive

sampling techniques were employed, a criterion to narrow down the sample, requiring that the firm have a separate RMC and have been listed within the study's time frame. Only 40 out of 56 firms remained after 16 firms were removed from the sample. The investigation lasted for eight years (2015-2022). This time frame was chosen because it coincided with the advent of IFRS and the strict regulatory requirements by regulators.

Model specification

The following model is presented for this study

$$FV_{it} = \alpha_0 + \alpha_1 RMC_{it} + \alpha_2 RMCD_{it} + \alpha_3 RMCE_{it} + \alpha_4 MCI_{it} + \alpha_5 OD_{it} + \alpha_6 RMCG_{it} + \epsilon_{it}$$

$$FV_{it} = \alpha_0 + \alpha_1 RMC_{it} + \alpha_2 RMCD_{it} + \alpha_3 RMCE_{it} + \alpha_4 MCI_{it} + \alpha_5 OD_{it} + \alpha_6 RMCG_{it} + \alpha_7 FLEV_{it} + \epsilon_{it}$$

$$FV_{it} = \alpha_0 + \alpha_1 RMC_{it} * LEV_{it} + \alpha_2 RMCD_{it} * LEV_{it} + \alpha_3 RMCE_{it} * LEV_{it} + \alpha_4 MCI_{it} * LEV_{it} + \alpha_5 OD_{it} * LEV_{it} + \alpha_6 RMCG_{it} * LEV_{it} + \epsilon_{it}$$

Where α_0 is constant for all firms over the period

FV_{it} = Firm Value

RMC_{it} = Risk Management Committee Size

$RMCD_{it}$ = Risk Management Committee Diligence

$RMCE_{it}$ = Risk Management Committee Expertise

MCI_{it} = Risk Management Committee Independence

OD_{it} = Overlap director

$RMCG_{it}$ = Risk management committee gender diversity

LEV_{it} = Financial Leverage

ϵ_{it} = Error term for all firms over the period

The variables under study were measured using measurements adapted from the literature, as displayed in Table 1.

DISCUSSION OF RESULTS

Table 2 Summary of Descriptive Statistics (n=320)

Variable	Acronym	Measurement	Source
Firm Value	FV	(Tobin's Q)	(Yermack, 1996)
Risk management committee size	RMCS	Number of RMC members at financial year end	(Odeh et al., 2011)
Risk management committee diligence	RMCD	Number of RMC meetings during the financial year	(Kilian et al., 2010)
Risk management committee expertise	RMCE	Proportion of RMC members with accounting, finance or related qualifications	(Sensabaugh & Jiang, 2020)
Risk management committee independence	RMCI	Proportion of non-executive members on the RMC	(Yates, 2009)
Overlap director	OD	1 if there is a member who serves on both the RMC and the AC and 0 otherwise	(Tao, 2013)
Risk management committee diversity	RMCG	The number of female members on the RMC	(Odeh, 2017)
Financial Leverage	FLEV	Total liability of the firm divided by the total asset	(Adenuga & Ayoola, 2001; Myers, 1977)

Table 2 outlines the characteristics of the data set, offering details on the number of observations, standard deviation, mean, and both maximum and minimum values. The firm value exhibits

Variable	Obs	Mean	Std. Dev.	Min	Max
FV	320	1.619	1.455	.324	9.287
RMCS	320	4.78	1.267	3	8
RMCD	320	3.111	.985	1	7
RMCE	320	.464	.197	.2	1
RMCI	320	.603	.144	.2	.81
OD	320	.09	.263	0	1
RMCG	320	.569	.606	0	2
FLEV	320	0.3407	0.1155	0.001	0.574

Note: FV= Firm value; RMCS= Risk management committee size; RMCD= Risk management committee diligence; RMCE= Risk management committee expertise; RMCI= Risk management committee independence; OD= Overlap director; RMCG= Risk management committee diversity; FLEV= Financial leverage.

maximum and minimum values of 9.2873 and 0.1241, with a mean and standard deviation of 1.602389 and 1.431124, respectively. Throughout this analysis, the average firm value was recorded at 16 percent, as indicated by the mean value. The standard deviation of 1.431124 illustrates the variability in firm firm value between the minimum and maximum values. Since the standard deviation is lower than the mean, the figure of 1.602389 indicates a minor deviation from the mean. Although some manufacturing firms experience low firm value, others show consistent improvement. The RMCS shows an average of 4.778125, suggesting that most manufacturing firms typically have around five directors on the RMC. The RMCD, with a mean value of 3.115625,

indicates that the RMC convened for an average of three meetings each financial year.

The RMCE shows a mean of .46225, suggesting that merely 46% of RMC members possess knowledge in accounting and finance. The RMCI displays a mean value of .606, indicating that a notable proportion of the RMC composition in Nigeria's manufacturing sector consists of non-executive directors. The overlap director has a mean of .6875, revealing that many members of the RMC participate in two or more board committees. Lastly, the gender diversity within the committee has a mean value of .59375, signifying a considerable presence of female members in the risk management committees of manufacturing companies in Nigeria.

	FV	RMCS	RMCD	RMCE	RMCI	OD	RMCG	FLEV	VIF
FV	1								1.35
RMCS		1							1.22
RMCD			1						1.22
RMCE				1					1.22
RMCI					1				1.27
OD						1			1.14
RMCG							1		1.06
FLEV								1	1.26
Mean VIF									1.29

Table 3. Pearson correlation matrix and multicollinearity test

Source: Author's computation using STATA14

TABLE 4. PANEL CORRECTED STANDARD ERROR ANALYSIS AND DIAGNOSTIC TEST

Variable	Model 1		Model 2		Model 3				
	Coefficient	Z-value	Coefficient	Z-value	Coefficient	Z-value			
RMCS	-1.49378	-3.91	0.000	-1.225893	-4.44	3.000	-1.225893	-4.44	0.000
RMCD	0.26222	0.22	0.754	0.04972	0.23	0.816	0.07802	0.24	0.809
RMCE	0.46225	4.48	0.000	0.46225	4.78	3.000	-0.521187	-1.58	0.061
RMCI	-1.525387	-4.24	0.000	-1.525387	-2.76	3.000	1.525387	2.96	0.004
OD	1.181919	9.80	0.000	1.181919	30.49	3.000	1.181919	9.97	0.000
RMCG	-0.59375	-3.28	0.001	-0.59375	-3.11	3.002	-1.548744	-1.82	0.068
FLEV				0.111124	1.80	0.072			
_cons	3.82227	32.47	0.000	3.141567	5.93	3.000	4.052984	4.94	0.000
Tot. of obs	320		320		320				
R squared	0.2228		0.2114		0.2090				
Wald chi2 (7)	333.24		309.76		282.06				
Prob > chi2	0.0000		0.0000		0.0000				
Wald chi2 test	79.568		0.0000						
Block Prob > chi2 (Variance)	151.44		0.0000						
Statistic: F(7,28)	33.228		0.00000						

According to Table 4, the size of the risk management committee is shown to have a negative and significant relationship after interacting with financial leverage ($\beta = -1.225893$, $p < 0.05$). This outcome contradicts the hypothesis that posits financial leverage moderates the link between RMC characteristics and the value of the firm. For RMC diligence, the interaction with financial leverage reveals a positive and

significant effect on firm value ($\beta = .9578922$, $p < 0.05$). This finding aligns with the hypothesis suggesting that financial leverage can moderate the connection between RMC attributes and the value of listed manufacturing firms in Nigeria. This also corresponds with the principles of agency theory. Regarding risk management committee expertise (RMCE), as shown in Table 4.10, it demonstrates a negative and significant effect on firm value following the interaction ($\beta = -1.525387$, $p < 0.05$). This outcome does not support the hypothesis claiming that financial leverage can moderate the relationship between RMC traits and the value of listed manufacturing firms in Nigeria. Regarding the independence of the risk management committee (RMCI), as shown in table 4.10, RMCI demonstrated a significant positive effect on the value of publicly traded manufacturing companies following the interaction ($\beta = 1.515152$, $p < 0.05$). This result supported the hypothesis, indicating that financial leverage positively and significantly influences the relationship between the characteristics of the risk management committee and the value of listed manufacturing firms.

The findings suggest that the increase in monitoring activities by creditors of heavily leveraged firms compensates for the inadequacies in the performance of committee duties by non-executive directors. Consequently, this led to a change in the strength and direction of the relationship between RMCI and firm value when financial leverage acted as a moderator. According to table 4.10 regarding directors who overlap on the risk committee (OVLD), there was a significantly positive effect on the value of listed manufacturing firms in Nigeria ($\beta = 1.518141$, $p < 0.05$). This validates the hypothesis stating that financial leverage can influence the relationship between the attributes of RMC and firm value. Additionally, this finding aligns with the requirements of the NCCG 2018, which mandates that firms with a separate risk committee should include two or more overlapping directors. Conversely, regarding risk management committee gender diversity (RMCG), table 4.10 indicates that

there was no shift in direction in post-interaction concerning the link between RMCG and firm value. RMCG exhibited a negative insignificant effect on firm value even after this interaction ($\beta = -.1364744$, $p < 0.05$). This finding does not support the hypothesis asserting that financial leverage can moderate the relationship between RMC attributes and the market value of listed manufacturing firms in Nigeria.

CONCLUSION

This study has examined the complex interactions between risk management committee attributes, financial leverage, and firm value within the context of Nigerian manufacturing firms. The study found strong evidence that the inclusion of overlapping directors, diligence, and independence are This research has explored the intricate relationships among the characteristics of risk management committees, financial leverage, and firm value within Nigerian manufacturing companies. The findings provide substantial evidence that the presence of overlapping directors, diligence, and independence are attributes of risk committees that significantly affect firm value. Financial leverage serves as a moderating element in this dynamic. The notable and significant influence of risk committee expertise, diligence, independence, and overlapping directors on firm valuation highlights the critical role of effective corporate governance practices in improving the firm value of manufacturing firms in Nigeria. This finding aligns with previous research highlighting the critical importance of effective risk oversight frameworks in safeguarding shareholder interests and minimizing corporate risks. By demonstrating a clear link between the characteristics of risk committees and firm value, the study strengthens the notion that strong corporate governance frameworks are essential for achieving long-term business success in emerging economies such as Nigeria. Additionally, the moderating influence of financial leverage on the relationship between risk committee features and firm value introduces a more complex aspect to the understanding of

corporate governance dynamics. The interplay between risk committee characteristics and financial leverage indicates that the effects of governance practices on firm value may differ based on the level of financial leverage utilized by the firm. This conclusion emphasizes the necessity of taking contextual factors into account when assessing the effectiveness of corporate governance mechanisms in enhancing firm value.

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