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Corporate Governance: A Case Study of SMEs in Malaysia

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Abstract: The important role of board of directors has been widely acknowledged by the industrial players, regulators, investors and researchers nowadays. Well-executed and better-governed corporations are less likely to have less management problems. They respond and recover from financial shocks more swiftly; consequently they achieve quicker and more sustainable growth. Thus, many developed and developing countries as well as international organizations have come out with the guidelines for good corporate governance practices. However, most of guidelines focus on the public listed companies, not on small and medium sized enterprises (SMEs). In our opinion, regardless of the size of the business, there is a need for good corporate system to ensure that transparency, accountability and disclosing all the financial information for the betterment of the enterprises. Thus, this research aims to explore on the perception of SMEs towards the important role of governance and their perceived level of importance of each task and responsibility of board of directors. SMEs operating in Kuala Lumpur and Selangor are focused in this study. Questionnaire survey is used and random sampling method is employed in this study. The findings from 945 SME respondents show that SMEs recognize the important role of corporate governance players. Hence, the regulators need to come out with the good corporate governance practices for SMEs which mainly includes written policy on corporate governance practice and responsibility of board of directors. It is expected that these findings will be the interest of regulators and SMEs players for future development of this sector.

Key words: Board · Corporate governance · Malaysia and SME

INTRODUCTION

Corporate governance is defined as “the process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, whilst taking into account the interests of other stakeholders” [1]. If the history of corporate governance (CG) is revisited, its important role has been emphasized due to the Asian financial crises [2, 3] and corporate failures like Lehman Brothers [4]. The first CG guideline is started with the Cadbury Report from United Kingdom in 1992. Later on, there are many developed and developing countries and international organizations have laid down the CG guidelines to mold the board of directors [5]. It shows that the regulators, industrial players and investors are giving attention to the role of board of directors to lead and advise the enterprises to be profitable and sustainable while discharging the corporate social responsibility. It has acknowledged that having good corporate governance system is likely to help recovering from the financial crisis, ensuring sustainable growth, gaining the investors’ confidence and less likely in exposing to mismanagement [6, 7].

Implying the CG principles can bring benefits for the owners and managers. At the same time, it will enhance transparency and disclosure of the information. This make the enterprises easily access more capital and attract the partners and investors. In addition, it will also contribute the enterprises to survive and sustain in an increasing competitive situation by mergers, acquisitions and partnerships [8]. However, all the existing CG codes focus on public listed companies, not on the SMEs. Only a few countries such as Hong Kong and Dubai and OECD have provided the guideline on CG of SMEs. It might be due to the fact that the separation of ownership and management is more in public listed companies, compared to SMEs.

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However, nowadays, due to the complex nature of businesses, the rapid growth of SMEs and they should be aware of the important role of CG [9].

Barnes [10] suggests that it is necessary to know which type of corporate governance is suitable for SMEs. [11] who examines the ownership and control structure in 1,313 SMEs and an interview survey of 1,040 Danish owner-managed SMEs finds that board of directors' role should be more towards resource suppliers rather than controllers [8], find that in Malaysian SMEs, there is a conflilct of interest between majority and minority shareholders and the sitution becomes worst in the concentrated shareholding SMEs. They have suggest to have a good corporate governance to control and monitor SMEs to ensure that the interests of all the parties are served with justice and fairness. In Malaysia, SMEs have very high potential to boost the country's economy. We believe that the guidelines on corporate governance for SMEs might need a different approach by looking at the advisory role of board of directors in addition to the controlling and monitoring role. [12], state that the research on the relationship between corporate governance and SME is limited. To the extent of our knowledge, there is no research has been conducted the SMEs' perception towards the role of board of directors in Malaysian SME sector. Therefore, the purpose of this research is to examine the perception of SMEs towards the important role of board of directors as good corporate governance.

The rest of the paper is discussed as follows: first, corporate governance in Malaysian context, secondly, the implementation of the corporate governance theories such as the agency theory and the stewardship theory in the context of SMEs, thirdly, the role of corporate governance in SMEs, fourthly, overview of SMEs in Malaysia, sixthly, research method used in this study and seventhly, findings of this research. The last part of the paper provides the conclusion.

Corporate Governance in Malaysia: If the history of corporate goveranance is reviewed, the code has been introudced in 2000 and revised it again in 2007 and 2012. The first Malaysian Code on Corporate Governance (MCCG) was issued in March 2000 and it marked a significant milestone in corporate governance reform in Malaysia. The objective is to cultivate an excellent corporate governance culture. It opened the mind of board of directors and shareholders that in order for the enterprises to be successful in long-term, not only financial performance but also ethical and social performance must be considered. The MCCG was later revised in 2007 to strengthen the roles and responsibilities of the board of directors, audit committee and the internal audit function.

The MCCG [1], focuses on strengthening board structure and composition. It further states that directors should be the stewards and guardians of the enterprise and they have a fiduciary duty towards the sharholders in particular and the stakeholders in general. They are responsible to set up the strategic direction and oversee the performance of the enterprise. In addition, the board should mold the top managment to ensure that the enterprise is operating within the framework of the regulatory and observing the ethical code of conduct. The board should take care of the enterprise risk managment and effectivenss of the internal control functions. Boards and management should also direct their efforts and the enterprise resources for the best interest of the enterprise and its shareholders while ensuring that the interests of other stakeholders are not compromised. In disclosing the financial information, the transparency is essential for informed decision-making. It is because the timely availability of quality and accurate information including the reporting of financial performance are key factors to protect the investors and to gain the confidence from the market and this task is on the shoulders of the board. MCCG [1] is founded on eight main guiding principles to establish clear roles and responsibilities of board of directors and managment, to strengthen board composition, to reinforce the independence, to foster commitment, to uphold integrity in financial reporting, to recognise and manage risks, to ensure timely and high quality disclosure and to strengthen relationship between company and shareholders.

Regarding with the first principle, the code recommends that the functions of board and managment should be clearly separated. The board should formalize the ethical and compliant standards to ensure that the management discharges the fiduciary and leadership functions. The board should be responsible to provide the strategies for the sustainability of the corporations and should review the performance of the management periodically. In the case of the second principle, the board should establish the nominating committee which should exclusively comprise of non-executive directors and the majority must be independent. This committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors. In addition, they should be responsible to establish formal and transparent remuneration policies and procedures to attract and retain directors.

Under the third principle, it recommends to assess the independence of directors annually. The board chairman and CEO should not be the same person and the chairman must be a non-executive director, otherwise, the board must comprise a majority of independent directors. In addition, the approval of shareholders is necessary to retain an independent director who exceeds a cumulative term of nine years. For the fourth principle, the proper training should be given to the directors and they should accept more directorship if and only if they can commit on their assigned tasks. The fifthe principle recommends that the Audit Committee should ensure financial statements comply with the relevant and the applicable financial reporting standards and they should have policies and procedures to assess the suitability and independence of external auditors. Six principle recommends that the board should establish a sound framework to manage risks and establish an internal audit function which reports directly to the Audit Committee. The seventh principle relates to the transparency and disclosure quality of the financial positions of the corporations. The last principle recommends the directors to encourage the participation of the shareholders at the general meetings and to promote the effective communications with the shareholders.

Agency Theory, Stewardship Theory in the Context of SME Corporeate Governance: According to [13], the agency relation is defined as a contract under which one party (the principal) engages another party (the agent) to perform some service on the principal's behalf. The principal will delegate some decision making authority to the agent. According to the agency theory relationship, directors (as agents), are delegated the authority by the shareholders (as principals) to monitor the management of the company. Therefore, the directors are indirectly responsible for the smooth running of the company which is in line with the interests of the shareholders. However, directors might maximize their own interests at the expense of the shareholders. Thus, the agency theory demands the presence of mechanisms that align the interests of principals and agents [14]. In addition, the agency theory stresses the problems that could arise due to the separation of owners and managers [15]. If an individual has a substantial amount of interest in a particular company, he will be more interested in the performance of the company, compared to the shareholders who own a smaller number of shares [16]. It is supported by Gorton and Schmid [17] who studied the relationship between corporate governance and ownership dispersion in the Austrian cooperative banking sector. They find that firm performance declines as the numbers of cooperative members increase, corresponding to a greater separation of ownership and control. In summary, the agency theory demands the good corporate governance system in order to guide board of directors in the environment, where dispersion of ownership exists.

Unlike agency theory, stewardship theory assumes that directors are stewards whose behaviors are aligned with the objectives of their principals. In the stewardship theory, directors are trying their best to achieve high performance. According to this theory, good corporate governance system can be achieved by having a harmonized system among board of directors, management and shareholders. Thus, the directors as stewards are able to provide the service [18] and advice, rather than to control and monitor the top management which has been suggested by the agency theory [19] Many researchers highlight the suitability of the stewardship in SMEs since this sector does not have much conflict between the separation of ownership and control, but rather needs the contribution of service and advice from board [20].

In the case of SMEs in Malaysia, it seems that we should establish corporate governance concept and principles deriving from both theories. It is because the studies in the Malaysian SMEs show that SMEs are in need of the good corporate governance which is based on the monitoring, advising and servicing roles.

Role of Corporate Governance in SMES: Since SMEs are operating in the competitive environment, the inputs of the boards by giving the innovative ideas for SMEs are essential [21]. The board is able to direct the appropriate strategic plan to the management [15]. The board plays the significant role for SMEs to access the capital, to gain the investors' confidence and subsequently to stimulate the private sector investment and to contribute the country's economy [22, 12] Introducing corporate governance in SMEs will improve the prospects of the SMEs in terms of obtaining the funding from the banks,

Table 1: Annual sales turnover

Size	Manufacturing (including agro-based) & manufacturing-related services	Primary Agricult-ure	Services Sector (including ICT)
Micro	Less than RM250,000	Less than RM200,000	Less than RM200,000
Small	From RM250,000 toless than RM 10 million	From RM 200,000 to less than RM 1 million	From RM 200,000 to less than RM 1 million
Medium	From RM10 million to less than RM 25 million	From RM1 million to less than RM5 million	From RM1 million to less than RM5 million

Table 2: Number of full-time employees

Size	Manufacturing (including agro-based) & manufacturing-related services	Primary Agriculure	Services Sector(including ICT)
Micro	Less than 5 employee	Less than5 employee	Less than 5 employee
Small	From 5 to less than 50 employee	From 5 to less than 20 employee	From 5 to less than 20 employee
Small	From 50 to less than 150 employee	From 20 to less than 50 employee	From 20 to less than 50 employee

investors and venture capitalists. By having the good corporate governance, the enterprises will improve on accountability of board members and the financial reporting and transparency in disclosing the information and it will help to reduce the investors' risk [23].

Important roles of corporate governance in SMEs highlighted by [24] and [25] are to assist for faster expanding of SME sector, to attract investors and financing from the bank, to provide stewardship direction and portray the SMEs as an attractive business sector for the investors, customers, employees and other stakeholders. [12] Studied a sample consisting of 50 Tunisian SMEs and found that board plays a significant role in improving the SME performance. Findings of [20] show that the independent directors contribute towards better performance of the enterprises. Similarly, [18, 26, 27] mentioned that having good corporate governance is essential for the growth of SMEs, especially in the dynamic market situation to achieve a more successful performance

SMEs in Malaysia: According to SME Masterplan [28], SMEs are defined based on two criteria, namely annual sales turnover and number of full-time employees of a business. For the manufacturing and manufacturing-related services, SMEs refer to enterprises with sales turnover of less than RM25 million or full-time employees of less than 150 workers, while for the services and the other sectors, SMEs are those with sales turnover of less than RM5 million or less than 50 workers. More specifically, the detailed definition by Micro, Small and Medium enterprises are as follows:

It is expected that the development of the small and medium enterprises (SMEs) plays an important role to turn Malaysia into a high income nation by 2020. SMEs play a pivotal role in the domestic economy and their contribution needs to be enhanced to be comparable to their counterparts in other developing and high income nations. In 2011, there are 645,000 SMEs operating in Malaysia, which represent 97.3% of total business community. The report also revealed that SMEs remained resilient in 2011, with the SME GDP continuing to expand at a faster pace (6.8%) than the overall economy (5.1%). The positive development over the years have resulted in SME contribution to GDP increasing gradually from 29.4% in 2005 to 32.5% in 2011, but still a long way towards achieving the Masterplan target of 41% by 2020 [29]

SMEs have been backbone of the economic growth and due to its potential contribution towards the Malaysian GDP, the governance has allocated significant resoruces to support SMEs mainly through the national development plans. More than 15 Ministries and 60 Agencies have been involved in implementing these programmes. The motivation of the programmes was to assist SMEs given that they lag behind large firms in many dimensions of performance due to their size. Among the key constraints faced by SMEs are in terms of management ability and killed workforce; access to finance and markets; inability to exploit economies of scale and lack of bargaining power; and access to technology and innovation. Hence, Government programmes have been designed to address these constraints to promote growth, enhance competitiveness and create employment, in addition to fulfilling the socio-economic needs of SMEs [28, 30].

Based on the current situation, SMEs' performance is impressive and it is expected that SMEs contribution should reach to 65% of GDP by 2020. Although it seems that the growth and opportunity in SMEs, it does not mean that they are free from challenges and problems [28, 31] highlights that some challenges are related (a) innovation and technology adoption (access to national innovation system, low commercialization and research and development, poor technology update), (b) human capital development (workforce lacks job readiness, low utilization of existing training, non-competitive rewards

Table 3: Total Number of SMEs according to the states

State	Number of SMEs	Percentage
Johor	4466	9.66
Kedah	1800	3.89
Kelantan	1093	2.36
Melaka	1977	4.28
Negeri Sembilan	1535	3.32
Pahang	1140	2.47
Pinang	4301	9.30
Perak	2637	5.70
Perlis	193	0.42
Selangor	14102	30.50
Terengganu	1480	3.20
Sabah	1436	3.11
Sarawak	1541	3.33
Kuala Lumpur	8355	18.07
Labuan	79	0.17
Putrajaya	97	0.21
Total	46232	100.00

and benefits), (c) market access (procurement by government and large companies, information barrier for exports, limited focus on marketing and branding and low bargaining power), (d) infrastructure (trade clearance and facilitation system and low and infrequent trade volume), (e) legal and regulatory environment (licensing or permits, complying to regulations) and (f) access to financing (limited non-banking avenues, poor creditworthiness and lack of know-how and resources).

In our opinion, SMEs need a group of experts who can provide the strategies and monitor the performance in order to achieve the target and expectation of SME Master Plan. Therefore, we believe that by having a board of directors might accelerate the growth of SMEs.

Research Design: It is believed that in order for the SMEs to achieve the target, this sector should be guided by the good corporate governance guideline. This guideline will provide the light to the owners how to get the benefits from the board of directors who are the experts and how to mitigate the risks faced by them and how to outperform their businesses. Both primary and secondary data are used in this study. Primary data is collected by questionnaires and secondary data is used by reviewing the most related articles, books and the internet resources. To the extent of our knowledge, no research has been done on the corporate governance for SMEs. This study plans to explore on it and questionnaire is used to examine the SMEs' perception towards the level of importance on the main tasks of board of directors as CG players. According to [32] primary data collected by questionnaire is an appropriate method for the exploratory research. We develop the questionnaire based on the prior research and existing corporate governance guidelines provided by Security Commission Malaysia, Organization for Economic Cooperation and Development. The questionnaire is designed to find out SMEs' opinions regarding the roles and responsibilities of board of directors, board composition, their independence and commitment. In addition, SMEs' perceptions towards directors' monitoring role in financial reporting, managing risks and observing the relationship between company and shareholders are further examined. Five likert scale is used ranging from strongly disagree (1) to strongly agree (5). In collecting the questionnaire, stratified sampling method is used. Table 1 shows the total number of SMEs in Malaysia.

There are 46,232 SMEs operating in Malaysia. In this research, SMEs which are operating in Kuala Lumpur and Selangor are focused since majority of SMEs are operating in these two states (48.57% of the total SMEs).

DISCUSSION

Profile of Respondents: Total of 3000 questionnaire are distributed and 945 SMEs responded. Thus, the response rate is 31.5%. Majority of the respondents are male, i.e. 73%. Education background of the respondents shows that most of the respondents are degree holders, followed by the diploma holders, SPM holders and master holders respectively. In addition, majority of respondents are from trading sector and it is followed by service sector, electrical and electronic product sector, transport equipment sector and others. In terms of age, majority of respondents are 40-49 years old. Regarding working experience, majority of the respondents have working experience of 13-17 years.

SMEs' Perception Towards Overview of Corporate Governance: We first examine the perception of SMEs towards overview of CGC. The mean value of 4.93 shows that the respondents strongly agree that SMEs need CGC which is suitable to their need and it should be compulsory to follow (mean = 4.85). The statement, i.e. the code should identify specifically the roles and responsibilities of the board, is strongly agreed by the respondents with the mean value of 4.89. With regard to flexibility in implementing the code, the mean value of 4.68 shows that the respondents prefer flexible guideline so that they can modify to meet their needs. It might be due to the fact that in Malaysian context, SMEs needs both advisory role and monitoring role of the board members. It has been supported by the mean value of 4.77 from the

Table 4: Profile of Respondents

	Frequency	Percentage
Gender		
Male	692	73
Female	253	27
Total	*945*	*100.00*
Educational background		
SPM	164	17
Diploma	170	18
Bachelor degree	192	21
Master	49	5
Professional qualification		
(ACCA, CIMA, CFA, etc)	20	2
Others	350	37
Total	*945*	*100.00*
Sectors		
Chemical and petrochemical products	19	2
Electrical and electronic products	67	7
Food beverage	61	6
Machinery and engineering	52	6
Wood and wood products	17	2
Rubber products	9	1
Metal products	48	5
Manufacturing and related services	25	3
Paper and printing	19	2
Plastic products	23	2
Textile & apparels & leather	16	2
Business and professional service	42	4
Education and training	18	2
Transport equipments	67	7
ICT	32	3
Construction	17	2
Logistics	17	2
Health care	14	2
Distributive trade enterprises		
(wholesale and retail)	295	31
Services provider	87	9
Total	*945*	*100.00*
Age range		
20 - 29	55	6
30-39	145	15
40-49	560	59
50-59	180	19
60 and above	5	1
Total	*945*	*100.00*
Working experience in SMEs		
Below 3 years	180	19
3 - 7	40	4
8 - 12	123	13
13 - 17	345	37
18 - 22	220	23
23 - 27	20	2
Above 27	17	2
Total	*945*	*100.00*

statement asking whether the role of board of directors should portray as advisors in addition to the providers of strategies and monitors. It seems that the respondents strongly support the idea of the independence of the board because majority of board members should not be the employees (4.59) and be independent from the management (mean = 4.78). In addition, the separation of the CEO from the Board Chairman is highly demanded with the mean value of 4.64. Smaller board size is required since SMEs are not big enterprises like public listed companies.

It can be summarized that the need of corporate governance for SMEs is strongly supported. The flexibility of the implementing of code is necessary to consider since the nature and the needs among the SMEs vary and the code should be the general and flexible enough to accommodate the current needs of SMEs. Independence of the board from the management is essential in order to the board to provide the independent and fresh ideas and to enhance the board role in advising and controlling SMEs.

SMEs' Perception towards Responsibilities of Board of Directors: When the responsibility of board of directors is examined, the survey results strongly agree that board has a fiduciary duty to discharge their responsibility as the top controllers of SMEs. With the mean value of 4.65, SMEs strongly support for having frequent board meetings. It might be due to the reasons that SMEs need more advice and service from the board members from time to time. Mean value of 4.78 strongly provides the evidence that the board should attend the training to keep in touch with the latest development of the industry as well as the laws governing SMEs. In managing the risks of SMEs, board is strongly recommend to guide SMEs in order to mitigate risks (mean = 4.69), to involve in SMEs' risk management activities (mean = 4.67), evaluate and improve the effectiveness of risk management team within SMEs (mean = 4.84).

Regardless of whether SMEs are family owned or not, businesses are separate legal entities from the owners. Thus, timely and adequate disclosure of the information in the annual report is essential to show the performance of SMEs and to discharge the board responsibility towards the shareholders in specific and other stakeholders in general. It does not mean that SMEs should provide the comprehensive annual reports similar to the practice of listed companies. However, all the material information should be disclosed in order to provide the useful and timely information to the investors.

Table 5: Overview of corporate governance code for SMEs

No		Mean
1	There should be a specific corporate governance code (CGC) which meets the needs of SMEs.	4.93
2	CGC should be compulsory for SMEs to implement.	4.85
3	CGC should outline precisely the roles and responsibilities of board of directors and management.	4.89
4	CGC should be flexible enough to accommodate the needs and expectation of the SMEs.	4.68
5	CGC should provide the roles of directors as advisors in addition to the providers of strategies and monitors.	4.77
6	Majority of board members should not be the employees of the SMEs.	4.59
7	Board size should be minimum of 3 and maximum of 7 depending on the complexity of the business.	4.65
8	Majority of board members should be independent from the management.	4.78
9	The SME should make any separation between the functions of Chairman of the Board and General Manager or Chief Executive Officer	4.64
10	Board should be well verse and have experience in the business of SMEs where they are engaged.	4.91

Table 6: Responsibilities of board of directors

No		Mean
1	Board of Directors meeting frequently as necessary for the discharge of its governance obligations and to make sure of the good functioning of SMEs.	4.65
2	Board members are able to guide SMEs to mitigate risks.	4.69
3	Board members should involve in SMEs' risk management activities.	4.67
4	Board should evaluate and improve the effectiveness of risk management team within SMEs.	4.84
5	Board members are responsible to provide the true and fair view of the financial statements timely.	4.73
6	The information about board members such as remuneration, board meeting frequency and background of each member.	4.74
7	Annual report should disclose audit fees and non-audit service fees which paid to external auditors.	4.79
8	Annual report should disclose internal control and risk management strategy.	4.78
9	Annual report should disclose the shareholder structure.	4.61
10	Annual report should disclose accounting policies, significant events and contingencies.	4.59
11	Annual report should highlight financial and non-financial performance at least for 5 years.	4.49
12	Annual report should present the financial statements for 2 years for the comparative purpose.	4.84
13	Annual report should also disclose the future outlook of SMEs.	4.79
14	Board should be doing their best to achieve SMEs' objective in proper way and to protect the goodwill as well as having full and immediate access to all information, documents and records pertaining to SMEs.	4.93
15	Board members should be aware of the prevailing accounting standards related to SMEs while preparing its financial statements.	4.91
16	Board members should attend the training to update their knowledge.	4.78
17	Annual report should include SMEs' contribution towards the society and how they take care of the environment.	4.65
18	Annual report should include how much zakat and income tax have been paid.	4.58

SMEs strongly believe that board members are responsible for the timely (mean = 4.73) and fairly (mean = 4.73) and adequate disclosure of the financial as well as non-financial information. The most important and strongly recommended disclosure related to board members is information on remuneration, board meeting frequency and background of each member (mean = 4.74). In addition, the audit fees and non-audit service fees paid to external auditors is strongly recommended to be disclosed in the annual report since the mean value is 4.79. Other information that is highly recommended to disclosure are statement on the internal control and risk management strategy (mean = 4.78) and the shareholder structure (mean = 4.61).

With respect to the financial accounting information disclosure, the accounting policies, significant events and contingencies should be strongly recommend to present in the annual report with the mean value of 4.59. It is because this information is the basic foundation on which the whole annual report is prepared. As far as the performance of the SMEs is concerned, the disclosure is essential with the mean value of 4.49 for both financial and non-financial performance (at least for 5 years) and the mean value of 4.84 to provide financial statements for 2 years for comparison purpose. Apart from that, it is highly recommended that there should be one separate section in the annual report which presents the future outlook of SMEs (mean= 4.79). In discharging the responsibility, the mean value of 4.93 evidences that the board should be doing their best to achieve SMEs' objective in proper way and to protect the goodwill as well as having full and immediate access to all information, documents and records pertaining to SMEs. In addition, the mean value of 4.91shows the directors should be well-equipped with the prevailing accounting standards and other rules and regulation to discharge their responsibility effectively and efficiently. Therefore, the board is highly encouraged to attend the training to enhance their competency and to update knowledge on the SME business.

Table 7: SMEs' perception on board's relation with stakeholders

No	Mean	
1	The SME should initiate to encourage shareholders in participating at the general meetings.	4.58
2	The SME should to ensure the effectiveness of information disclosure and treat the partners and shareholders fairly with respect of their wishes in exercising their rights of inspection.	4.64
3	Board should ensure that the employees are treated in accordance to the principles of fairness and equity without any discrimination regardless of race, religion or gender.	4.67
4	Board should guide SMEs how they should operate for the success in long-term.	4.56
5	Board should guide SMEs to have a standard operating procedure (SOP) in handling and managing customer relationship.	4.85
6	Board should formalize ethical standards through a code of conduct and ensure its compliance.	4.97
7	Board should guide SMEs to have the procedures in order to protect resources and allocate them efficiently and effectively.	4.83
8	Board should consider other stakeholders in addition to the owners in making decision to ensure that all the parties are treated with equity and justice.	4.92
9	Board should consider how SMEs can contribute for the better Malaysian economy.	4.59

In discharging the corporate social responsibility, the mean value of 4.65 highly recommends to disclosure SMEs' contribution towards the society and how they take care of the environment. Mean value of 4.58 further recommends on the disclosure for zakat and income tax paid per year. Finally, how the board is doing their best to achieve SMEs' objective and to protect the goodwill should be elaborated in the annual report. In sum, it could be summarized that the board is responsible in all aspects of SMEs such as risk management, information disclosure, discharging corporate social responsibility and etc.

SMEs' Perception Towards Board of Directors' Relations with Shareholders and Other Stakeholders: Since the boards of directors are the agents of the shareholders, they should discharge their assigned responsibility by the shareholders while taking into considering the needs of the stakeholders. Thus, this section discusses on what SMEs' expect from the board in terms of communication with shareholders and other stakeholders.

It has been strongly agreed that boards are also responsible for shareholders and other stakeholders. The mean value of 4.58 evidences that SMEs strongly agree that board is responsible to initiate the necessary producer to encourage the shareholders to participate actively in the annual general meeting. The right of employees and customers should be taken care for the long-term success of SMEs and so it should be given attention by the board members with the support of mean value 4.67. The shareholders' participation is important since they are the owners of the enterprises and consequently, this conducive practice will attract the potential investors for investing in SMEs. The SME should consider any mechanism to ensure the effectiveness of information disclosure and treat the partners and shareholders fairly and it is supported by the mean value of 4.64. It is highly recommended by the mean values of 4.56 and 4.85 that the board should guide SMEs how they should operate for the success in long-term by adopting a standard operating procedure (SOP) in handling and managing customer relationship and in allocating the resources efficiently and effectively.

In addition, the mean value of 4.97 highly recommends the board to formalize ethical standards through a code of conduct and ensure its compliance and confirm that all the affected parties are treated with fair and justice (mean = 4.92). Resource allocation is another area that the board should give the attention seriously since the mean value is 4.83. Apart from that, board should consider how SMEs can contribute to achieve the Malaysia Master plan (2012-2020). In sum, it is expected that the board should have the standards for the efficient allocation resources, ethical aspect of SMEs and treatment of all the shareholders and stakeholders with justice and fairness.

CONCLUSION

In Malaysia, the contribution of SMEs towards the country's economy is tremendously impressive. To grow this sector further, the government has come out with the SME Master plan (2012-2020) and supported with the financing needs of SMEs by opening SME banks. Although this sector is currently rapidly growing, it is not free from challenges [33]. In addition, for the listed companies, there is a corporate governance code which provides the guidelines to the board of directors to be outstanding top corporate players and to be able to advice and monitor the management. We believe that to meet the Malaysian government's target, SMEs should have board of directors who are competent and responsible and also able to provide advice and service. In addition, they should be molded by a specific corporate governance code suitable to the needs of

SMEs. Thus, the objective of this research is to explore on the perception of SMEs towards introducing corporate governance code for them and willingness of having board of directors as top SME players.

Findings show that SMEs recognize the important role and responsibility of corporate governance players. The survey also reveals that there is a need for the proper written code on corporate governance for SMEs to ensure that board of directors performs according to the interest of the owners while taking into considering the needs of other stakeholders. The results of this research reveal that SMEs need CGC which is suitable to their need and it should be compulsory to follow. The respondents believe that the annual report should disclose the frequency of board meetings and provide full and timely information disclosure including the information related to the board members and service fees such as audit fees and non-audit service fees which paid to external auditors, statement of internal control functions, risk management strategy, zakat and income tax. In the case of the performance disclosure, the provided information should be good enough to make the comparison. In addition, the future outlook of SMEs and their corporate social responsibility should be stated. The board should be accountable to perform according to interests of shareholders while considering the need of the other stakeholders. These findings will be the interest of regulators for future development of rules and regulations. This study is a preliminary research related to board of directors in SMEs sector and hence, this should be the stepping stone for the researcher for future research.

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