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**COMMITMENT TO ETHICS AND FINANCIAL PERFORMANCE:
THE MODERATING ROLES OF INSTITUTIONAL INVESTORS**

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The lack of ethical transparency signals that Malaysian companies suffer from unethical practices that can impact company value thus raises the concern of information asymmetry and effective monitoring mechanisms. Drawing from the agency theory, this study examines the relationship between companies' ethical commitment disclosure proxied by ethical commitment index (ECI), and financial performance (ROA, ROE, EPS, MVA, PE-ratio, and logTOBINq) among Malaysian publicly listed companies. The introduction of the Malaysian Code of Institutional Investors (MCII) motivated this study to examine the moderating role of institutional investors on the relationship between ethical commitment disclosure and financial performance among Malaysian publicly listed companies. This study developed the ECI based on prior literature and the recommendations of the Malaysian Code on Corporate Governance (MCCG). The content analysis of the annual reports of 1115 companies found a slight increment in the level of ECI. However, poor disclosures on implementation of a code of ethics, whistleblowing, disciplinary actions, and ethics committee. Panel data analyses of 1115 companies on Bursa Malaysia from year 2012 to 2016 found that higher ECI is associated with higher company performance. Institutional investors as the moderator weakens the relationship between ECI and performance. Further analyses found that pressure-sensitive investors do not influence the relationship between ECI and performance. However, pressure-resistant investors are found to weaken the relationship between ECI and performance. The heterogeneity of institutional investors in Malaysia influences ethical commitment and performance

differently, which is further proven by aggregating institutional investors based on their business characteristics. This study contributes towards theory in that ECI is able to improve performance and can be applied in the current corporate governance framework as a supplementary measure. The implication of this study is that regulators and the management of companies need to strengthen their policies on ethical practices i.e. code of ethics and whistleblowing policies, and to ensure the efficacy of the implementation of the policies. Another implication on findings related to the heterogeneity of institutional investors is that all types of institutional investors need to strengthen their monitoring roles to ensure that companies act ethically in the pursuit towards maximizing the shareholder's wealth.

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**KOMITMEN ETIKA DAN PRESTASI KEWANGAN SYARIKAT:
PERANAN MODERASI OLEH PELABUR INSTITUSI**

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Kekurangan ketelusan yang beretika memberi isyarat bahawa syarikat Malaysia masih mengamalkan amalan tidak beretika yang boleh memberi kesan kepada prestasi syarikat, justeru menimbulkan kebimbangan berkenaan ketidakseimbangan maklumat dan keberkesanan mekanisme pemantauan. Dari rangka teori agensi, kajian ini meneliti hubungan antara pendedahan komitmen etika syarikat yang diukur oleh indeks komitmen etika (IKE) dan prestasi kewangan diukur oleh ROA, ROE, EPS, MVA, PE ratio dan logTOBINq di dalam kalangan syarikat tersenarai awam Malaysia. Di samping itu, pengenalan Kod Pelabur Institusi Malaysia (KPIM) mendorong kajian ini untuk mengkaji peranan pelabur institusi terhadap hubungan antara pendedahan komitmen etika dan prestasi kewangan di kalangan syarikat awam yang disenaraikan di Malaysia. Kajian ini menyesuaikan IKE dan diubahsuai berdasarkan kajian lepas dan cadangan dari MCCG. Melalui analisa kandungan 1115 laporan tahunan syarikat, terdapat sedikit peningkatan pendedahan komitmen etika. Walau bagaimanapun, maklumat tentang pelaksanaan kod etika, perlindungan pemberi maklumat, tindakan tatatertib dan jawatankuasa etika adalah sangat rendah. Melalui analisa data panel dengan 1115 syarikat tersenarai di dalam Bursa Malaysia dari tahun 2012 hingga 2016, penemuan membuktikan bahawa IKE memberi impak positif terhadap prestasi kewangan syarikat. Manakala pelabur institusi melemahkan hubungan di antara IKE dan prestasi syarikat. Analisis lanjutan mencadangkan bahawa pelabur sensitif-tekanan tidak mempengaruhi hubungan di antara IKE dan prestasi syarikat. Walau

bagaimanapun, pelabur tahan-tekanan melemahkan hubungan di antara IKE dan prestasi syarikat. Hasil analisa lanjutan menunjukkan bahawa kepelbagaian jenis pelabur institusi di Malaysia memberi kesan yang berbeza terhadap komitmen etika dan prestasi yang dibuktikan dengan mengelaskan pelabur institusi berdasarkan ciri perniagaan mereka. Kajian ini menyumbang kepada teori bahawa IKE dapat meningkatkan prestasi dan disaran IKE dalam rangka kerja tadbir urus korporat sebagai penambahan pengukuran etika. Kajian ini memberi implikasi kepada ahli perniagaan serta pihak penguasa kerana terdapat ruang penambahbaikan amalan etika korporat seperti kod etika dan juga polisi Pemberi maklumat, serta pelaksanaannya di dalam syarikat. Implikasi terhadap penemuan yang berkaitan dengan kepelbagaian pelabur institusi adalah setiap jenis pelabur institusi perlu mengukuhkan peranan mereka sebagai pemantau kepada syarikat untuk memastikan syarikat bertindak secara beretika dalam usaha memaksimumkan pulangan pelaburan pemegang saham.