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DISCLOSURES AND TRANSPARENCY AMONGST SMALL-MEDIUM-ENTERPRISES: A COMPARATIVE STUDY BETWEEN MALAYSIA AND INDONESIA

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Abstract

Since the late 1990s, Corporate Governance (CG) has gained momentous attention within the Asia-Pacific region. Whilst Small and Medium Enterprises (SMEs) still play a major role in most economies, particularly in emerging economies which contribute around 33 percent of Gross Domestic Products (GDP). The CG compliance codes has become the norm for listed firms across the globe. This study purposed to compare and analyse the Disclosures and Transparency (D&T) of CG items between Malaysia and Indonesia's SMEs' listed firms. The design and methodology used in this study is a descriptive analysis approaches based on secondary data sources, i.e the SMEs Annual Report and the companies' website. The Indonesia's SMEs were taken from the top Pefindo 25 Index Members, whilst the Malaysia's SMEs were taken from the FTSE Bursa Malaysia ACE Index top performers. The research framework tools applied the Asean Corporate Governance Scorecards (ACGS). It found that Indonesia listed SMEs have better performance against Malaysia's listed SMEs which D&T scores was 71% and 51%, respectively; mainly in several D&T items, including, the annual report quality, related party transactions disclosure, medium of communications, timely annual and financial reports publications, company's website performance and investor relations contact. Nevertheless, both countries shared the similar poorly experience in terms of the disclosure information implementation

Keywords: Corporate Governance, SMEs, ACGS, Disclosures and Transparency.

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1. Introduction

Since the late 1990s, Corporate Governance (CG) has gained momentous attention from stakeholders in the Asia-Pacific region, especially from businesses and government (Cheung, et al., 2014). The reason for the scrutiny is that corporate governance was identified as one of the major factors believed to have caused the Asian Financial Crisis in 1997. As argued by (Zhuang, Edwards, & Capulong, 2000) that poor corporate governance practices led to poor investment and financing decisions among firms within East Asia.

Meanwhile, Small and Medium Enterprises (SMEs) still play a major role in most economies, particularly in developing countries. Formal SMEs contribute up to 45 percent of total employment and up to 33 percent of national income (GDP) in emerging economies (World Bank, 2015). In Indonesia, SMEs accounted to 99 percent of all firms, employed around 97 percent of total employment and contributed approximately 57 percent of its GDP (Bellefleur, Murad, & Tangkau, 2012), whilst in Malaysia it represent 57% of the total employment in the labour market and 99.2% of the overall SMEs business establishments. Furthermore, Malaysian SMEs contribute 32% of the GDP and 19% of the total export value of the SMEs (Bank Negara Malaysia, 2013). Moreover, SMEs also play an important role within ASEAN Economic Community (AEC) integration because of around 90 percent of the firms in this region are constituted in SMEs forms (ERIA, 2014). It is believed that SMEs development would strengthen of the competitiveness and business sustainability of the region's economies. Nevertheless, to reap such business sustainability, the SMEs should follow sound governance and principles practices as proposed by (IODSA, 2011) as well as the Institute of Hawkamah-Dubai for Corporate Governance (Hawkamah, 2012).

Up to present, the corporate governance codes of compliance has served the norm for listed firms all over the world. In majority countries, especially in developing nations, SMEs do not strictly comply with such codes but it has often been argued that such codes should also apply to those SMEs for future's advancement (Abor & Adjasi, 2007;IFC, 2014; Jaswad, Iqbal, & Sumiadji, 2015).

2. Problem Statement

2.1 Corporate Governance (CG) Framework Concept and its Importance

According to (Peng, 2006), Corporate Governance (CG) is defined as the connection amongst various members in determining the direction and performance of organisation involving all corporate stakeholders, including shareholders, employees, customers, suppliers, creditors, government and the community. Furthermore, (Steiner, 2012) identified that CG is the exercise of authority over members of corporate community based on formal structures, rules and procedures. In addition, (Lawrence & Weber, 2014) applied this term by declaring that CG refers to the process where a corporation is controlled and/or governed. As a consequence, corporations have systems of internal governance that determine overall strategic direction and balance some divergent interests within organisations. Therefore, a Good Corporate Governance (GCG) refers to how a corporation/organisation is a well-controlled and governed for the benefits of all its stakeholders.

(OECD, 2004) clarified that corporate governance is only part of the major economic context where firms operate that includes, for instance, macroeconomic and microeconomics policies as well as the competition within product and factor markets level. As an implication, the corporate governance

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framework also depends on the external environment including, legal, regulatory, and institutional factors. In addition, factors such as business ethics and corporate awareness of the environmental and communities' societal interests where a company operates can also have an effect on its reputation and its long-run successfulness.

Good Corporate Governance is a crucial on a number of different levels. Within the company level, well-governed companies tend to have an accessibility easiness to capital, and tend to outperform their poorly governed- peers over the long-term. Companies that prevail upon the highest standards of governance be able to reduce many of the risks inherent to an investment within a company (Lin, Liu, & Zhang, 2006). By and large, well-governed companies are better benefactors to the national economics' well-being (Claessens & Yurtoglu, 2012), because these corporations tend to be healthier companies that add more value and benefits to shareholders, workers, communities, and countries; in contrast with poorly governed companies that might cause job losses, and even deteriorate confidence level of exchange markets as well as the nations' economics sovereignty (IFC, 2014).

2.2 Corporate Governance Implementation in Indonesia and Malaysia

In Indonesia, the financial crisis in 1997-1998 has had economics and politics' turmoil, in which brought the Indonesia Rupiah (IDR) currency plunged to almost 80 percent and significantly increased poverty level as well as has changed the political nation's ruling party. In accordance with the (IFC, 2014), the depth of the collapse in Indonesia, is among the largest peacetime contractions since at least in the late 1960s. According to some experts, the recession in Indonesia was ignited by many institutional weaknesses, among which the lack or inadequate enforcement of the central bank's regulations along with irregular banking practices and the extremely poor financial regulation. In other words, there were poor good corporate governance implementation. Since then, although there is still plenty of room for improvement, the awareness, and enthusiasm as well as legal and regulatory framework on corporate governance in Indonesia has changed and improved dramatically in recent years.

Indonesia had done many initiatives and efforts to implement good corporate governance, both from government side as well as private (IFC, 2014). Bapepam-LK, the securities regulator (currently has merged into the Financial Services Authority Agency – Otoritas Jasa Keuangan/OJK), has continued to introduce and amend its regulations, and has actively enforced these regulations to better in protecting investors. In 2006, Bank Indonesia stipulated rules for corporate governance in banks, and has actively overseen and enforced their implementation. The Code of Good Corporate Governance (CGCG), first adopted in 1999, then was amended in 2006, and sector specific codes issued for Banking and Insurance. In 2007 a new Company Law was adopted that introduced explicit duties for board members, notwithstanding, some challenges are still put in place. While the new Company Law has clarified the basic duties of board members, commissioners still do not carry out many key functions required by the OECD Principles of Corporate Governance, particularly the choice of CEO (President Director). Board committees have permanent members who do not serve on either board tier, in part because commissioners are not believed to have sufficient technical skills. Besides that, minority shareholders have little influence on board member selection.

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As mentioned by the (World Bank, 2010), the implementation of CGCG in Indonesia was still poor and need improvement,

> "….a significant weakness is a lack of reporting of ultimate ownership and control, which deters the effectiveness of rules on conflicts of interest. Shareholders also have limited rights to access information from the company, such as, the articles of association, financial reports, and many companies post little or no relevant information on their company's' websites. Mandatory corporate governance statements also tend to have limited content. While shareholder rights are generally respected, shareholders have relatively weak rights to propose agenda items or ask questions. However, these rules and policy on takeovers were changed in June 2008 and now require a higher threshold before a tender offer has to be made. Market participants have noted that these changes have made it difficult for large shareholders to accumulate shares and delist their companies from the exchange market. While some of its provisions have been adopted into regulation, the CGCG is voluntary and companies do not have to "comply or explain" their adherence. This has reduced awareness of and compliance with the Code. Shareholders have made limited use of their redress rights under the law. Courts are slow, and few suits have been filed against companies or board members…"

Similar with its counterpart, in Malaysia, corporate governance issues became the centre of public concern following the collapse of East Asian economies in the late of 1997. The initiative begun with the establishment of Finance Committee on Corporate Governance in 1998 that consists of both government and industry (bin-Zulkafli, Adul Samad, & Ismail, 2007). After that, the government has taken significant steps in order to improve the Malaysia's corporate governance strengths. The major reforms that took place were the issuance of Malaysian Code on Corporate Governance (MCCG) by Finance Committee on Corporate Governance (FCCG) which has first stipulated in 2000 and was revised in 2007 and 2012, respectively; determined of the Capital Market Master Plan (CMP) by Securities Commissions and Financial Sector Master Plan (FSMP) by Bank Negara Malaysia in 2001. Other significant reforms are including the establishment of key institutions such as Malaysian Institute of Corporate Governance (MICG) in 1998 and Minority Shareholders Watchdog Group (MSWG) in 2000. Furthermore, in 2008, the establishment of a corporate governance department, or corporate surveillance and investigation division, by Bursa Malaysia to implement and monitor corporate governance policies of listed companies which has aligned with Malaysia's corporate governance practices closer to the international best practices.

2.3 CG Disclosures and Transparency (D&T): SMEs Implementation Challenges in Indonesia and Malaysia

According to (IFC, 2014) disclosure is defined as ensuring accessibility and easiness to obtain information for all interested parties, regardless of the purposes, through a transparent procedure in timely manner. Timely and accurate disclosure is essential for shareholders, potential investors, regulatory authorities and other related stakeholders. Disclosure makes it possible to assess and oversee management,

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as well as to keep management accountable for the company and shareholders' vision and mission. Disclosure benefits companies since it allows them to demonstrate accountability towards shareholders, act transparently towards the markets, and maintain public confidence and trust. Therefore, a good disclosure policies should also reduce the cost of capital. Finally, information is also useful for creditors, suppliers, customers and employees to assess their positions, respond to changes and shape their relations with companies. In a nutshell, improving GCG's Disclosures and Transparency circumstances will lead to a more positive impacts to all stakeholders (Masry, 2015).

In general, the characteristics of Indonesia's SMEs are: (a) The Stand-alone management - there is no clear separation between the owner and manager of the company, (b) The same person of SMEs' owner and manager (c) The capital SMEs' provider by an owner or a small group of owners, (d) The area of localized operations, although there are also SMEs that have a foreign orientation, in the form of countries' exports and trading partners (e) the size of the company, both in terms of total assets, number of employees, and small infrastructure (Hanifah, 2015). The development of SMEs as the country's economy supporting factor which contributes relatively large to the government budget still has many obstacles both internally and externally. Most SMEs are always more focused on managing access to obtain resources so that they can survive in the competition. Whilst the implementation of good corporate governance is often overlooked. In fact, unwittingly corporate governance plays an important role in determining the quality of the business to achieve profit. Adopting good corporate governance can provide more benefits for SMEs. Through the implementation of GCG, business management will be able to become more organized and more profitable (Abor & Adjasi, 2007). It is supported by (Maskur, 2012) who found that poor transparency and accountability were the major problems of GCG implementation in Indonesia's SMEs.

Similar with its counterparts, CG failure within the SMEs is a big threat to the Malaysian economics, as it is stated that SMEs are the major benefactor to the country's GDP and the major employment sector of the country. Most of the SMEs failed to follow the corporate governance reforms from Companies Commission of Malaysia (CCM), and it caused many fraudulent activities, providing fake financial and annual reports, illegal investment schemes which lead to a high monetary losses to the outside investors (Umrani, Jhol, & Ibrahim, 2015). Moreover, Malaysian SMEs are family concentrated companies, where most of the SMEs are run by families themselves with concentrated ownership (Claessens, Djankov, & Lang, 2000).

3. Research Questions

The major research question of this study was whether the Malaysia and Indonesia's SMEs implement the best practice of the specific part of CG Disclosures and Transparency? The other research question was whether the implementation of such specific CG can improve SMEs performance in both countries?

4. Purpose of the Study

The main purpose of this study was to compare and analyse the specific part of CG Disclosures and Transparency (D&T) practices between Malaysia and Indonesia SMEs listed firms. The paramount reason chosen this purpose was in accordance with the International Finance Corporation (IFC, 2014) that the

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transparency and disclosure issues are amongst the most critical points of the listed firms and these remain challenging issues especially for the emerging countries. The secondary objective was to investigate the performance of respective SMEs listed firms in both countries.

5. Research Methods

The design and methodology used in this study is a descriptive analysis approaches based on secondary data sources, namely the SMEs Annual Report in 2015 and the companies' website. The Indonesia's SMEs listed companies were taken from the top Pefindo 25 Index Members whilst the Malaysia's SMEs listed companies were taken from the top performers of the FTSE Bursa Malaysia ACE Index.

Indonesia's Pefindo25 is a stock price index which consists of SMEs selected based on certain performance criteria, both financially and shares' performance liquidity. It was firstly introduced in May 2009 and being reviewed bi-annually each year. For this study, there are 13 Indonesia's SMEs listed firms were chosen and taken from the top performers which on the Pefindo25 index for the three consecutive years. The list can be seen in the following table.

Table 01. The Top Listed SMEs' Firms in the Indonesia Stock Exchange (2015)

No	Firms Name	Stock Code	Main Business	Total Assets (US$ Million)	Established/ Listed Year	Public Shares – below 5% (%)
1	PT Ace Hardware Indonesia Tbk	ACES	Retailer of household appliances and lifestyle products	236.86	1995/2007	39.74%
2	PT Arwana Citramulia Tbk	ARNA	Ceramic tiles manufacturer	103.72	1993/2001	51.91%
3	PT Bisi International Tbk	BISI	Agricultural/horticulture commodities and seed producer	155.24	1983/2007	45.92%
4	PT Catur Sentosa Adiprana Tbk	CSAP	Trader of industrial and consumer goods	255.35	1983/2007	42.28%
5	PT Elnusa Tbk	ELSA	Upstream oil and gas services	319.50	1969/2008	31.67%
6	PT Link Net Tbk	LINK	Broadband communication network	321.72	1996/2014	32.73%
7	PT Metrodata Electronics Tbk	MTDL	Computers seller & high-technology products	253.47	1983/1990	50.60%
8	PT Nusa Raya Cipta Tbk	NRCA	Contracting civil buildings	144.62	1975/2013	21.87%
9	PT Nippon Indosari Corpindo Tbk	ROTI	Bread manufacturer, sales and distribution	196.18	1995/2010	29.24%
10	PT Sido Muncul Tbk	SIDO	Herb industry	202.69	1975/2013	19.00%
11	PT Siloam International Hospital Tbk	SILO	Medical and hospital services	216.47	1996/2013	29.18%
12	PT Selamat Sempurna Tbk	SMSM	Machinery and automotive spare-parts	160.94	1976/1996	41.87%
13	PT Total Bangun Persada Tbk	TOTL	Constructions	162.10	1970/2006	33.70%

Sources: Firms Annual Report 2015 and Websites

Malaysia's ACE Market which stands for the "Access, Certainty, and Efficiency" is the new name for the formerly MESDAQ - Malaysian Exchange Securities Dealing and Automated Quotation market

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(Sherman, 2015). MESDAQ came into existence in 1997 when it was the home mainly technological stocks and today it is replaced by the ACE Market under Bursa Malaysia. The ACE Market was derived together with the unification of the Main and Second Board into the Main Market of Bursa Malaysia in 2009.

Table 02. The Top Listed SMEs' FTSE Bursa Malaysia ACE ten

No	Firms Name	Stock Code	Main Business	Total Assets (US$ Million)	Established/ Listed Year	Public Shares – below 5% (%)
1	Accsoft Technology Berhad	0018	Investment holding and IT support development	1.88	2000/2004	33.99%
2	Borneo Aqua Harvest Berhad	0098	Marine fish breeding and hatchery R & D	42.88	2004/2005	73.66%
3	Eduspec Holdings Berhad	0107	Investment holding and IT support development	30.97	2004/2005	62.85%
4	IFCA MSC Berhad	0023	IT business software development	13.36	1987/2004	44.81%
5	IRIS Corporation Berhad	0010	IT provider with core expertise in digital identity, business, farming and environmental solutions.	357.02	1994/2004	57.05%
6	JHM Consolidation Berhad	0127	Electronic products and investment holding	22.34	2005/2006	26.68%
7	N2N Connect Berhad	0108	Application Provider for e-Commerce and m-Commerce	42.34	2000/2004	42.68%
8	Perak Transit Berhad	0186	Integrated public transportation terminal	62.21	2008/2016	31.02%
9	Salutica Berhad	SALUTE	Design, development and manufacture of consumer electronic products	32.57	2012/2015	27.48%
10	Vivocom International Holdings Berhad	0069	E-business software application development,	96.07	2012/2016	48.53%

Sources: Firms Annual Report 2015 and Websites

The ACE Market is seen as the ideal market for start-ups and new firms which are run by entrepreneurs (SMEs type firms) who are looking to push for more capital by listing their firms' public. This is where they might not have the large and high amount like firms in the Main Market but would probably have a strong product or service portfolio which if injected more capital. For this study, there are 10 SMEs firms were chosen and taken from the top ten FTSE Bursa Malaysia ACE Index. The list can be seen in the Table 02.

For a certain reason one firm i.e Perak Transit Berhad was not calculated for the D & T chosen items due to the undisclosed of its annual report publication and has just less than six months listed in the Bursa Malaysia in 2015.

5.1. Research Framework Tools

The research framework tools applied in this study was taken from the ASEAN Corporate Governance Scorecard (ACGS) which was initiated and developed by the ASEAN Capital Markets Forum (ACMF, 2011). This initiative is undertaken in parallel with the efforts to achieve convergence in ASEAN countries by 2015 as an economic community. Broadly, the ACMF Implementation Plan seeks to achieve the objectives of the ASEAN Economic Community (AEC) aspirations through the following areas:

- Creating an enabling environment for regional integration
- Creating the market infrastructure and regionally focused products and intermediaries
- Strengthening the implementation process
- Enhancing the visibility, integrity and branding of ASEAN as an asset class

In line with the AEC issues, therefore, the objectives of the ACGS are to:

- Raise corporate governance standards and practices of ASEAN Public Listed Companies (PLCs)
- Showcase and enhance the visibility as well as investability of well-governed ASEAN PLCs internationally
- Complement the other ACMF initiatives and promote ASEAN as an asset class

The ACGS covers the following five areas of the OECD Principles, namely: (1) Rights of shareholders; (2). Equitable treatment of shareholders; (3). Role of stakeholders; (4). Disclosure and transparency; (5) Responsibilities of the board. However, because of the limitation of the study and the crucial point of the Disclosure and Transparency (D & T) issues which was proposed by the IFC, the author only applies the Disclosure and Transparency focus area for this study.

The disclosure and transparency area of the ACGS has nine subjects analysis which is divided by 41 focus items. Each item is marked by one point; and after that is summed to get the total mark. The final percentage score is calculated by dividing the total mark with total items of disclosure and trasnparency area i.e 41 and multiply by 100%. Then, every SMEs listed's final score is ranked by using of the D & T CG grade scale percentage criterias, as follows:

Table 03. Disclosures and Transparency (D&T) CG Scores Grade Range

Final Score (%)	CG Grades	Comments
≤ 60	Fifth Grade (Poorly Disclosure)	Lack of disclosure and transparency in most items. It needs radical and major improvements changes
61 – 70	Fourth Grade (Satisfactory Disclosure)	Only fulfilled minimum requirements of disclosure and transparency items. It needs medium to major improvements
71 – 80	Third Grade (Good Disclosure)	Fulfilled majority of disclosure and transparency items with needs minor improvements
81 – 90	Second Grade (Very Good Disclosure)	Fulfilled most of disclosure and transparency items
91 – 100	First Grade (Excellent Disclosure)	Fullfilled all of disclosure and transparency items

Source: (ACMF, 2011)

6. Findings

In terms of SMEs firms' profile, it found that the differences and similarities of characteristics between listed SMEs in Indonesia and Malaysia's performance. As it can be seen in the Figure 01, in terms of the assets and the establishment date, the average of Indonesia's SMEs firms' assets have three times higher than Malaysia's firms (US$ 210 million against US$ 70 million), as well as the average of Indonesia's firms' established year nearly three times older than its counterparts (31 years old against 12

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years old). It means, in average, Malaysia's SMEs consist of smaller and younger firms. On the contrary, in terms of average of public shares in the market (shareholders below five percent), Malaysia's SMEs firms publics shares' percentage were outweighed of its counterparts (45 percent against 36 percent), which means the shares market of the Malaysia's SMEs firms much more liquid compared to Indonesia's, even though both Malaysia and Indonesia have the similar length period listed in the exchange market i.e eight years.

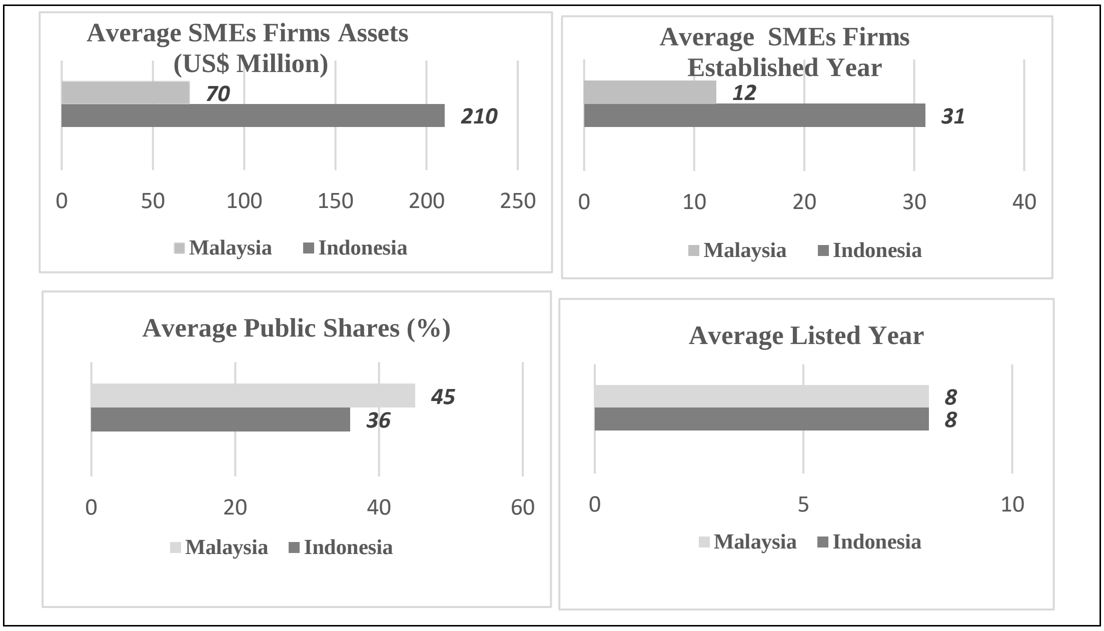

Figure 01. SMEs Listed Firms Profile

In terms of main business, around 80 percent of Malaysia's listed SMEs consist of Information Technology (IT), software and computer services' firms (Figure 02). For the rest, consist of marine producer and industrial transportation firms by 10 percent, respectively. For Indonesia's listed SMEs, the situation are different which consisting of more variety in the firms' main business. Retailer and consumer goods contributed around 30 percent of SMEs, followed by building and construction type of business (23 percent) and IT, software and computer services (15 percent). For the rest, consist by eight percent were agriculture products, oil and gas services, medical and hospital services and machinery and automotive, respectively. It can be concluded, in average SMEs main business in Malaysia were more homogenised compared its counterparts. It was informed at the beginning the Malaysia's ACE market was the home of mainly technological firms stock.

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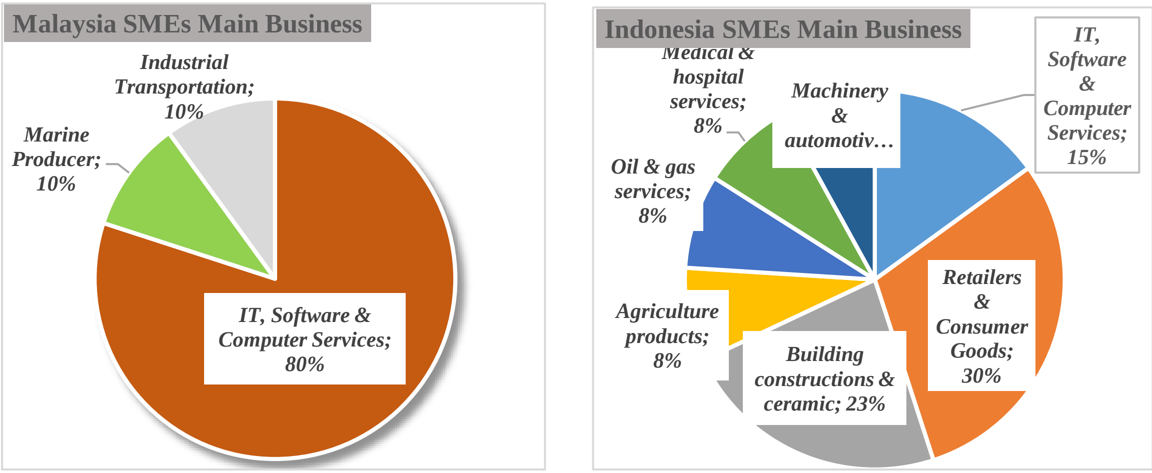

Figure 02. SMEs Main Business

In terms of the D & T implementation, Indonesia listed SMEs performance have outperformed against Malaysia listed SMEs, where Indonesia achieved better D & T grades which is classified as a good disclosure at 71 percent, whilst Malaysia has only reached a poorly D&T grade at 51 percent (Figure 03).

Indonesia SMEs have succeeded in achieving six D & T subjects which qualifying a good, very good and even excellent D & T grade (above 71 percent), namely timely filling of annual and financial report (100%), investor relations (92%), medium of communication (79%), company website (78%), quality of annual report (77%) and disclosure of related party transactions (RTP).

Meanwhile, Malaysia SMEs only can achieved one D & T subject which has a good D&T grades qualification, namely transparent ownership structure (71%). For Malaysia, there were four subjects which have poorly D&T disclosures (< 60%), namely quality of annual report (56%), company website (42%), external auditor and auditor report (33%) and disclosure of related party transactions (13%).

For the quality of annual report, the majority lower grade were contributed by the undisclosed or no information regarding with the non-financial performance indicators and whistle blowing policy details explanation. For the company website, undisclosed information relating with notice and minutes of AGM/EGM as well as firms' constitution acts were the major factors of the D&T lower grades. For the external auditor report, the undisclosed information of the auditor and non-auditor fees were the main factors of lowering D & T grades. Finally, the absence of information related to the (RTP) institutions, values and nature was the most item in cutting D&T grades down.

It is one of indication that the D & T CG implementation in Indonesia's SMEs much more well a head compared to Malaysia's.

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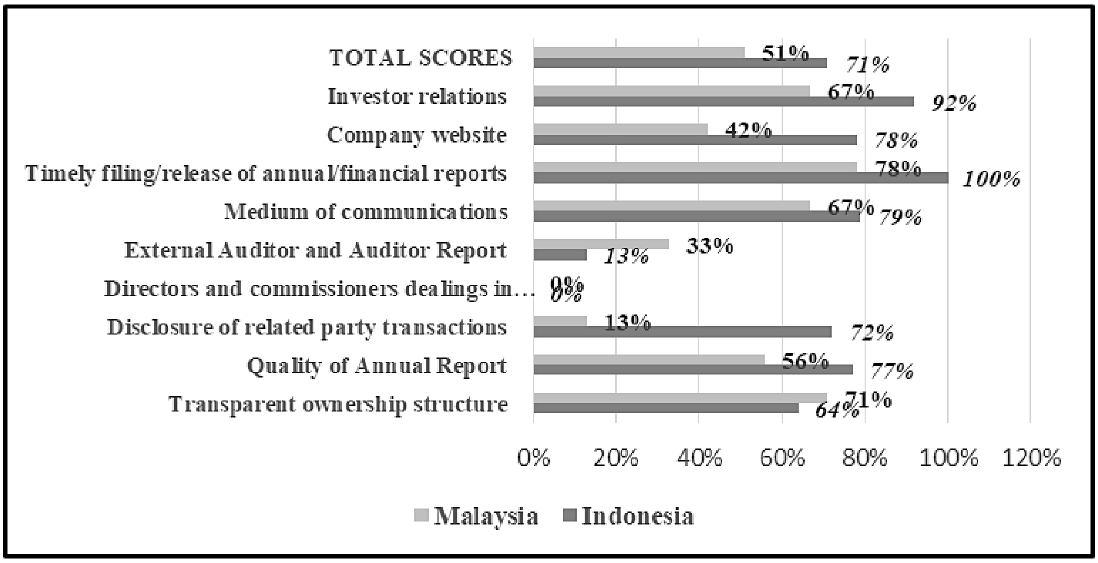

Figure 03. D & T SMEs Performance Subjects Comparison

Nevertheless, both countries shared the similar poorly experience in terms of implementation in the disclosure of information regarding the directors/commissioners dealings in shares of the company which results nil percent, which means there were no disclosures at all for this D&T item in both nations. In other words, Indonesia and Malaysia should give a more pay attention and need a major change improvements for this subject. The details comparison D & T figures of average scores' items and percentage from both countries can be seen in the Table 04.

Table 04. Comparison D & T Scores Percentage, Indonesia & Malaysia SMEs Performance

No	Disclosure and Transparency (D&T) Items	Indonesia SMEs		Malaysia SMEs	
		Total Avg. Score	%	Total Avg. Score	%
I	Transparent ownership structure (5 items)	3.19	*64%*	3.56	*71%*
II	Quality of Annual Report (12 items)	9.23	*77%*	6.72	*56%*
III	Disclosure of related party transactions (RPT) - 3 items	2.15	*72%*	0.39	*13%*
IV	Directors and commissioners dealings in shares of the company (1 item)	0.00	*0%*	0.00	*0%*
V	External Auditor and Auditor Report (3 items)	0.38	*13%*	1.00	*33%*
VI	Medium of communications (4 items)	3.15	*79%*	2.67	*67%*
VII	Timely filing/release of annual/financial reports (3 items)	3.00	*100%*	2.33	*78%*
VIII	Company website (9 items)	7.00	*78%*	3.78	*42%*
IX	Investor relations (1 item)	0.92	*92%*	0.67	*67%*
	TOTAL SCORES	**29.04**	***71%***	**21.11**	***51%***

Sources: Firms Annual Report (2015) and website (processed)

As it can be seen in Table 05, from the individual listed SMEs analysis comparison in both countries, no one firm from both nations has achieved the first grade of D & T (excellent disclosure).

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Indonesia's TOTL and ELSA have had the only firms that achieved a second grade of D&T (very good disclosure). Next, Indonesia's SMSM, ACES and ROTI have reached a third D&T grade by 80, 79 and 72 percent, respectively. Nevertheless, no Malaysia's SMEs firms which have reached a first, second and even third grades range of D&T.

In the fourth D & T grades range (satisfactory disclosure), Indonesia posted six or 47 percent of its SMEs firms, namely MTDL (70 percent), SILO (68 percent), SIDO (67 percent), NRCA (67 percent), CSAP (65 percent), and LINK (61 percent), respectively. Meanwhile, Malaysia only placed two or 22 percent of its SMEs firms, namely 0069 (62 percent) and 0127 (61 percent), respectively.

Table 05. Comparison D & T Percentage by Individual SMEs Firms (Indonesia & Malaysia)

Indonesia	***D & T Grades (%)***	**Malaysia**
None	***First Grade - Excellent Disclosure (91-100)%***	None
TOTL (87%) ELSA (87%)	***Second Grade - Very Good Disclosure (81-90)%***	None
SMSM (80%) ACES (79%) ROTI (72%)	***Third Grade - Good Disclosure (71-80)%***	None
MTDL (70%) SILO (68%) SIDO (67%) NRCA (67%) CSAP (65%) LINK (61%)	***Fourth Grade - Satisfactory Disclosure (61-70)%***	0069 (62%) 0127 (61%)
ARNA (60%) BISI (59%)	***Fifth Grade - Poorly Disclosure (≤ 60%)***	0098 (56%) SALUTE (56%) 0107 (49%) 0108 (49%) 0010 (48%) 0023 (46%) 0018 (37%)

Sources: Annual Report (2015) and website (processed)

At the lowest D & T grade (poorly disclosure) only two Indonesia's SMEs firms were placed, namely ARNA at 60 percent followed by BISI at 59 percent, respectively. Meanwhile, around 78 percent or seven of Malaysia's SMEs firms were posted in this grade range. Figure 4 summarises of all comparison D&T grade range between Malaysia and Indonesia.

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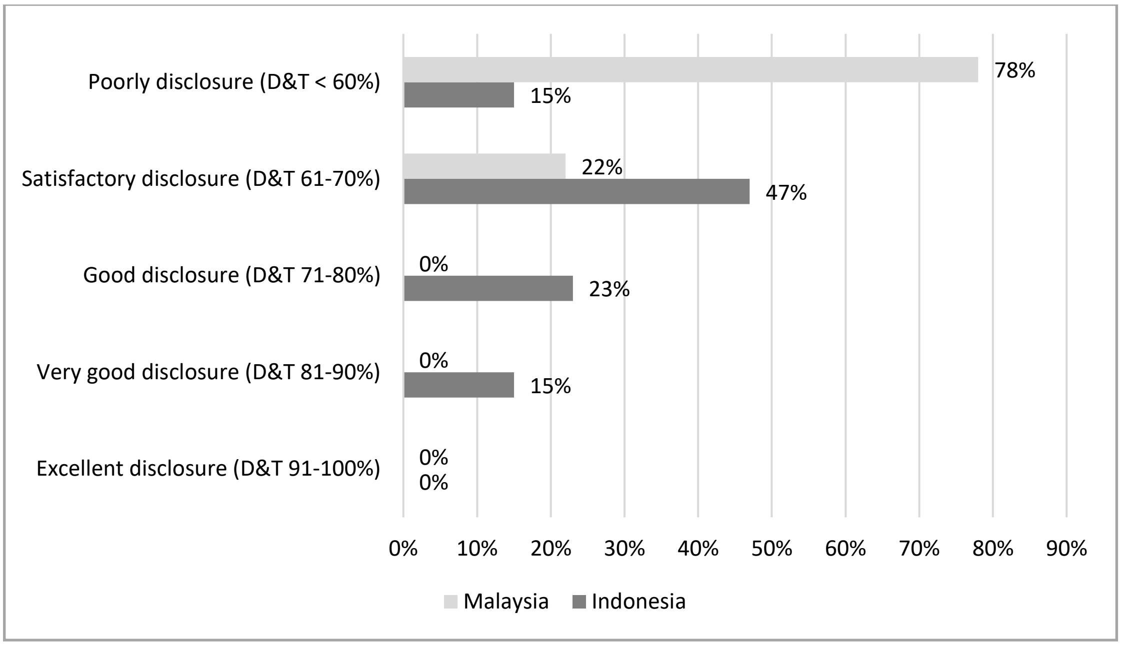

Figure 04. Comparison D & T Disclosure Grade Range

7. Conclusion

The Corporate Governance (CG) issues have become hot topic discussions since the last decade by academician scholars as well as business people across the globe. In ASEAN countries, this issue has obtained more attention, especially after the economic crisis hit this region in the end of 1990s. Every country, including Indonesia and Malaysia has promoted the CG regulations and legal framework to implement the best GCG in the company's operations and performance.

To face and challenge the AEC by 2015, the ACMF has released the CG Scorecard which is recommended used for all public listed companies within this ASEAN region. For the study objective, the D & T items was chosen in a purpose to compare and analyse the listed SMEs performance against the CG scorecards in Indonesia and Malaysia.

It found that in general, Indonesia listed SMEs have better performance against Malaysia's listed SMEs which D&T scores was 71% and 51%, respectively. Indonesia's SMEs were excel its counterpart mainly in several D&T items including, quality of the annual report (77% against 56%), disclosure of related party transactions (72% against 13%), medium of communications (79% against 67%), timely in releasing annual and financial reports (100% against 78%), company website performance (78% against 42%) and investor relations contact (92% against 67%). However, both countries shared the similar poorly experience in terms of implementation in the disclosure of information regarding the directors/commissioners dealings in shares of the company and the disclosure of external auditor and auditor reports' fees. It signs that the D & T CG implementation in Indonesia much more well a head compared to Malaysia. In other words, Indonesia listed SMEs much more ready to face the AEC integration challenge in the years to come. Notwithstanding, both countries shared the similar poorly experience in terms of implementation in the disclosure of information regarding the directors/commissioners dealings in shares of the company which results nil percent, which means there were no disclosures at all for this D&T item in both nations.

For both nations, it is recommended to pay more attentions and need a major change improvement to advance their CG performance. For all SMEs firms that place in the lowest grade range are needed more efforts to improve their D&T performance in the future. Therefore, the outcome of this study is to promote a better D&T for the respective listed SMEs in both countries that in line with the best of ACGS in improving performance for the firms' going concerns. As a result, the better SMEs' performance, the better countries' economics for both nations in the future.

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