An investigation into CG principles and firm performance

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I hereby declare that:

(1) This postgraduate research project has been the end result of my own effort and I have acknowledge all sources in our references be they printed, electronic, or personal.

(2) No portion of this research project has been submitted in support of any application for any other qualification of this or any other university, or other institutes or learning.

(3) The word count for this report is 27,252 words.

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Date: 26 March 2017

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ABSTRACT

This study examines corporate governance practices in 178 public listed companies in Malaysia and the impact of these practices on the company performance in terms of total shareholder returns and returns of asset. Besides that, this research also examines the level of compliance with the MCCG2012 among public listed companies from the perspective of company secretary through a questionnaire survey. The study found that corporate governance practices do not have a big impact on corporate performance. However, from the view of the company secretaries, public listed companies have achieved a high level of compliance with the MCCG2012. These findings suggest that even though having good corporate governance practices does not improve company performance, public listed companies are still willing to incorporate corporate governance best practices into their business practices. The findings of this study will improve the existing literature and provide a guideline for regulators to come out with an improved code of corporate governance that would ensure better corporate governance practices.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Corporate scandals have been running rampant in corporations around the world, and it seems that no corporations, no matter how big or small, are immune from it. The Volkswagen emission scandal shook the corporate world with by having the blatancy to engage and participate in fraudulent activities that are meant to defraud regulation and consumers, which leads to desertion of investors from the company. From the Enron scandal, the BCCI scandal and the Olympus scandal, just to name a few, corporations have been engaging in activities that are dishonest and deceptive activities meant to benefit themselves despite regulations have been put into place with the aim to curb these fraudulent activities and protect investors. However, nothing shocks the world more when Toshiba, once a leader in corporate governance in Japan, a country which is well-known to uphold high level of integrity in its business, was discovered to have carried out inappropriate accounting. It seems that no corporation is immune.

The scandal broke when a third party investigative report found that Toshiba had been manipulating its profit figure for the past six years. What is even shocking than the Volkswagen scandal is that this incident has a more far reaching consequences. Firstly, no executive has received any funds or kickbacks, indicating that this is not an issue of greed, but a matter of pride to make the company looks good, thus making the practice harder to be discovered. Secondly, an accounting scandal can only occur if it is carried out systematically throughout the whole company, indicating a deep rooted problem regarding corporate governance practices throughout the whole company. Lastly, the company has indeed been engaging in improving its corporate governance practices and system; however, it is more like a show than having any effect. It was clear now that in order for corporate governance to be effective, the commitment of top management is essential and ultimately, the only thing that matters.

Malaysia has aspired to move towards and eventually becoming a developed nation by the year 2020. Malaysia wishes to achieve this by participating in the global capitalist market by having wealth production and prosperity. However, this aspiration also meant that Malaysia is also a country that is vulnerable to the destructive effect that capitalism brings and had led to the topic of corporate governance playing a pertinent role in the business environment in Malaysia. Capitalism has been associated with greed, unequal wealth distribution and oppression. Corporations, both in the public and private sector, thus believe that having good corporate governance is a necessity, not a privilege, when it comes to creating an alluring investment climate by having sufficient investor protection. Good corporate governance offers not only efficiency in the financial and economic market, but also the protection of minority shareholders, who are the most vulnerable to a collapse in the company due to a scandal.

The proliferation of scandal has brought the topic of corporate governance to the attention of the world and has become a priority in the business world. Malaysia, as part of the global economic scene, is no exception. While it is certain that almost all the firms are affected by the financial crisis to a certain degree, some firms are simply affected more badly than the other. (Taylor, 2009) A study by Brunnermeier (2009) suggests that the reason why some firms are affected more badly than the others could be due to poor corporate governance, which impacted the firm's risk management and financing, which eventually impacted the firm's ability to survive when the financial crisis hit. Since the 1997/98 financial crisis and 2008/09 subprime crisis shaked the economic landscape of Malaysia, corporate governance has become an integral part of Malaysian companies. During these periods of crisis, businesses in Malaysia and their reputations have been destroyed with such force and efficiency that some never recovered.

According to Khan (2002), the weak stock market performance in Malaysia during the 1997/98 crisis is to a certain extent attributable to weak corporate governance. Public listed companies, especially, has received increased scrutiny from investors and corporate governance is perceived as a pre-condition and necessity before they are willing to invest. At the same time, according to Winter (2011), the crisis occurred

because shareholders have not played their role in disciplining the management. Thus, investors who have learned their lesson have called out for more and more stringent corporate governance best practices when scandals after scandals have broken out despite having regulations in place.

In recent years, corporate governance again, finds itself in the spotlight as the flourishing of global trade due to globalization has widened the breadth and depth of a country's financial market. It is at the frontline for establishing corporate standards, which is aimed at reducing undesirable business practices that is considered as despicable, while at the same time; provide an environment where fair business could thrive. Companies in today's business environment needs a strong corporate governance policy as it is considered as a steering agent for the growth of the company. Eustaquio de Nicolás Gutierrez, chairman of the board in the Mexican and real estate company, Homex, is certain that a high level of corporate governance in business could create value and enhance the public trust in the company. The efficiency of an investment allocation in a country's financial system, thus, depends on how well the law in that particular country has enacted in order to protect investors and creditors. According to Porta et.al. (2000), without having protection, minority shareholders and creditors are at an extensive risk of being expropriated and unable to recoup their investments. Therefore, in order to prevent the harmful effect of extensive expropriation from undermining the financial system, there arises a need to put in place certain mechanisms that could offer protection to the investors and creditors, and that mechanism is known as corporate governance.

1.2 Background of the Study

Since Malaysia is also part of the global financial system, introducing a corporate governance mechanism in order retain investor's confidence has become inevitable. A Mckinsey (2002) study indicates that over 60% of investors view good corporate governance practices as an important factor that will affect their investment decision. Investors usually rely on financial reports that are published by the company to make investment decisions and one such report is the annual report. Corporate governance

is also concluded to improve the firm performance which will attract investors as they are interested in the firm's ability to make profit. (Khanna & Zyla, 2010) Conversely, firms with poor corporate governance deter investors as they have poorer performance and investors who have suffered will sell their shares. (Norwani et. al., 2011) Thus, investors will be more willing to invest in a company if there is a separate section detailing the corporate governance practices that the company has undertaken as they will feel more confident.

The Finance Committee of Corporate Governance realized the importance of corporate governance in attracting investments in Malaysia as they know that investors will ask for strong regulations that could ensure that their money could be returned safely. (Klapper & Love, 2004) This leads to an attempt to promote the desired corporate governance prospect and advance corporate governance practices among public listed companies. One of the recommendations of the committee is to issue a Malaysian Code on Corporate Governance (MCCG). The committee also provides a definition of corporate governance, where corporate governance is the process and structure that could enhance a firm's profitability and accountability. Following the recommendation by the Finance Committee, Securities Commission has issued the MCCG in 2000. The issuing of the Code signifies a momentous milestone in reforming corporate governance practices in Malaysia. This code attempts to provide a guideline to public listed companies regarding the ideal corporate governance structure and internal process that they should practice.

Corporate governance is also a long term objective, where every firm should aim to maximize shareholder value, but at the same time, taking account of other stakeholders' interest. Its primary objective of introducing corporate governance is to increase the long term health and value of the company. The introduction of corporate governance into the management of the company is aimed at promoting accountability, where this increase in accountability is then turned into the reduction of fraud and abuse, which will then bring better and more efficient financial return. (Crawford, 2009).

Bursa Malaysia made its first attempt in codifying corporate governance best practices and principles in March 2000 by incorporating the first recommendation into

its listing rules and requires explanation in annual report if other recommendations are not followed. In order to achieve a distinct corporate governance landscape, Bursa Malaysia builds up market discipline and establishes a satisfying corporate governance culture among public listed companies. The code was later revised in 2007 after taking into account the changing market interaction, where the role of board of directors and audit committee were bolstered. In 2012, the code was revised yet again, this time to focus on the board structure and composition, where the company directors are required to not only make strategic decision to propel their business forward and achieving growth, but are also responsible in ensuring the necessary compliance of the laws and ethics of business, besides establishing a corporate governance framework that could manage risk and provide internal control.

In order to protect investors and promote market confidence, MCCG 2012 was revised and came into effect in 31 December 2012 to mainly recommend that the board of directors taking into account the interest of shareholders and stakeholders to promote transparency and assure availability of relevant accurate material information in a timely manner. Datuk Guan Ah Tee, the managing director of BDO Malaysia Berhad welcomes the introduction of MCCG 2012 and opines that MCCG 2012 puts a lot of emphasis on the efficiency of the board of directors of public listed companies as they are integral in ensuring the upholding of corporate governance practices in a company. The code also emphasizes the importance of having integrity in financial reporting and listed companies will need to recognize and manage their risk. (ACCA, 2014).

1.3 Problem Statement

According to the listing requirements, public listed companies are expected to adopt the recommendations in the MCCG 2012 as part of their corporate structure. They are required by the Bursa Malaysia to provide an explanation regarding their level of compliance with the code in their annual report. However, Bursa Malaysia also realizes that corporate governance practices differ across industries and companies, where a one sizes fit all approach is not practical. This is largely influenced and derived from the British model, or better known as the Cadbury-style “comply or

explain model" for the implementation of corporate governance among public listed companies. Therefore, the implementation approach of MCCG is a voluntary approach rather than compulsory compliance. Companies, thus, are allowed to determine the most appropriate approach when incorporating the principles into their business. They will have the discretion to determine the type and extent of corporate governance practices in their companies. (Wahab, How & Verhoven, 2007)

Due to the discretionary and voluntary policy that is implemented by Bursa Malaysia, despite having a formal guideline in the form of MCCG, the implementation of internal corporate governance mechanism and its effectiveness has been subject to debate. An emerging economy is especially vulnerable to the questioning corporate governance efficiency in its companies as investors will be wary to invest in companies that they believe not to have a strong corporate governance practice. This could be demonstrated in a research by Afsharipour (2009) on the corporate governance rule by India.

The government in India, similar to Malaysia, has introduced a voluntary corporate governance code by the Ministry of Corporate Affair. However, even though the introduction of the code seems to indicate the determination of corporate governance reforms in India and to converge the corporate governance level in the country to the level of developed country, reforms are impaired by local characteristics and being reduced to just a mere formal document that is toothless and powerless. The author argues that India is unable to enforce its new rule effectively, thus hampering the initial intention of promoting corporate governance best practices by introducing the code. The author also agrees that it is difficult for a corporate governance code to be implemented efficiently in a country and it requires fundamental change on the social and political level. This case in India could be a mirror for Malaysia when introducing a voluntary code of corporate governance and intense monitoring regarding the implementation of the code is required to ensure that the code is not reduced to a mere formality due to negligence.

After the latest revision of the code in 2012, two years later, in 2014, Bursa Malaysia has released a report, examining the disclosure of corporate governance in the annual report of public listed companies. The result that Bursa Malaysia obtained indicates

that although the 300 companies that were surveyed do have a high level of compliance with the corporate governance code, many public listed companies still has not embrace the practice of corporate disclosure, especially in principle 1, 5 and 6, where there is a lack of quality disclosure. (The Star, 2015) It suggests that most corporations only obey the recommendations at a minimum and not the best practices that are expected by regulators. There are also listed companies that do not adopt any of the recommendation provided by MCCG (Mansoor, 2015). Therefore, this research would like to examine the impact of practicing good corporate governance on the company performance from the year 2008 to 2015 to indicate if improved firm performance could be a motivation for companies to adopt good corporate governance.

Secondly, as the level of compliance with the MCCG in a company's report is from the director's viewpoint, this research intends to examine the level of compliance with MCCG through the viewpoint of another equally important stakeholder who is working closely with the board of directors, which is the company secretary. Thus, this research aims to seek the level of compliance with best practices from the company secretary viewpoints after the second revision of the code in 2012.

1.4 Research Questions

The two research questions in this research are:

1. Does implementation of corporate governance best practice (non-CEO duality, independent chairman, lower ownership concentration, bigger board composition, bigger board size, lower leverage level and higher number of women on board) enable improvement in corporate performance in terms of ROA and TSR among public listed companies in Malaysia?

This follows the research questions that will be answered:

i. Is non-CEO duality (chairman of the board and the CEO is not held by the same individual) positively related to Malaysian public listed companies' performance? Non CEO-duality occurs when the, which will reduce the conflict of interest.
ii. Is independent chairman positively related to Malaysian public listed companies' performance? A chairman of the board is independent if there is no conflict of

interest with the company and has not been an independent director of the board for more than nine years without shareholders' approval.

iii. Is ownership concentration negatively related to Malaysian public listed companies' performance? Ownership concentration is examined by determining the percentage of shares that the largest shareholder of the company holds.

iv. Is board composition positively related to Malaysian public listed companies' performance? Board composition refers to the number of independent directors on the board.

v. Is board size positively related to Malaysian public listed companies' performance? Board size refers to the total number of directors, both independent and non-independent, on the board.

vi. Is leverage level negatively related to Malaysian public listed companies' performance? Leverage level is the percentage of total liabilities when compared to total asset.

vii. Is the number of women on board positively related to Malaysian public listed companies' performance?

2. What is the level of compliance maintained by Malaysian public listed companies in regards of corporate governance best practices from a company secretaries' perspective?

1.5 Research Objectives

The key objectives of this research are:

1. To examine the impact of compliance with corporate governance best practices on corporate performance. This study seeks to examine if corporate governance best practices and the performance of the company as measured by Total Shareholder Return (TSR) and Return on Asset (ROA) are positively correlated. Even though some corporate governance best practices have been made compulsory by the listing requirements, companies still enjoy considerable freedom in adopting corporate governance best practices. As such, the level of compliance with the corporate governance best practices could vary among companies and this study

wishes to explore the hypothesis that a higher level of compliance would bring better company performance. Variables that will be used to measure the level of corporate governance best practices include CEO duality, existence of an independent chairman, ownership concentration, board composition, board size, leverage level and the number of women on the Board.

2. To examine the level of compliance with the corporate governance best practices recommended by an existing code from a company secretary perspective. The level of compliance is examined through a survey distributed to and completed by company secretaries of public listed companies, under eight dimensions of corporate governance best practices recommended by the MCCG2012.

1.6 Hypotheses of Study

There are two hypotheses that that this study wishes to make. The first hypothesis is that implementation of corporate governance best practices would help to improve company performance. Secondly, the level of compliance with the MCCG among the public listed companies through the company secretary's viewpoint would be more than 80%, which indicates high compliance level among the companies.

1.7 Significance of Study

Malaysia had seen an incredible extend of economic growth since the past decades, which is largely due to the dominant force of private companies which attract substantial amount of foreign investments. The introduction of stock market had provided an avenue for funds to pour in, and investors' confidence would more likely be facilitated by a robust business environment which is governed by corporate governance practices. In light of this, the need to understand the existing framework of corporate governance had become a crucial task to convince foreign investors on the strength of Malaysian capital market.

Many researches on corporate governance are done in countries with a different social and economic background as compared to Malaysia, which lead to limited information when examining the corporate governance issue in Malaysia. Previous researches regarding the corporate governance scene in Malaysia largely concentrated on the initial introduction of the code in 2000. (Wahab, How & Verhoven, 2007; Germain, Galy & Lee, 2014; Ponnu, 2008). Besides that, according to Noor & Faizal (2003), Malaysia has released two revision of the code in 2007 and 2012. Ample studies have been done for to the first two codes in the pre-implementation and post implementation context. This research would like to improve the understanding of the impact of MCCG on Malaysian public listed companies.

Correspondingly, this research seeks to diminish the knowledge gap by examining the impact of corporate governance on the company performance in recent years as previous researches have largely concentrated on years before 2012. Besides that, little research had been done to examine the correlation between corporate governance best practices and company performance. Moreover, no research has been conducted in Malaysia that seeks to examine the level of compliance with corporate governance practices through the company secretaries viewpoint. Therefore, an additional perceived gap could be filled by conducting this research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In the current global business vocabulary, corporate governance has become a commonly used term and is often seen as a criterion to prevent business failure. The substantial growth of interest in corporate governance has spurred many academic research and public discourses. However, even with the huge volume of research, there is not a common and generally accepted definition of corporate governance. It would seem that there are difference in the views of what constitute corporate governance best practices according to the difference in countries and their corporate culture. Traditionally, corporate governance is viewed as a set of constraints that affects the actual bargaining of the quasi-rent generated by a firm. (Mulbert, 2010). According to the Cadbury Report in the United Kingdom, corporate governance refers to the system on how the business is directed and control. Other definitions talk about the supervision and the legal framework in managing the company. Some of the corporate governance practitioners even view corporate governance as a way to manage the relationship between managers, shareholders and the board directors.

The OECD principles of Corporate Governance set out in 2004 takes a broader view, perhaps provides the most comprehensive definition of what corporate governance is since it has been reviewed and takes into account the experiences of members and non-members. It defines corporate governance as the relationship between the company's management, board, shareholders and stakeholders. It is considered as the extent to which corporation actions could be observed by an outsider. Therefore, good corporate governance should contribute to two aspects to a company: an appropriate incentive so that the board and managers act in the interest of shareholders and the effective monitoring of their actions by the shareholders. (OECD, 2004). In the MCCG 2012 itself, there is also a definition of corporate governance according to the

High Level Finance Committee Report 1999. It is known as the structure that is used to manage the business to enhance the accountability and prosperity of the business by maximizing long-term shareholder wealth and taking into account the interest of other stakeholder.

More commonly, corporate governance is about how power is exercised in a corporate entity and how by exercising the power, the supplier of finance could ensure a satisfying return for themselves. (Shleifer & Vishny, 1997) According to Fung (2014), the board is responsible for the governance of a company and therefore should be the main driver of sound corporate governance. All organizations are the same, as corporate governance must start from the top before it is able to percolate down to the employees through the management. What corporate governance wishes to achieve is simple, which is to improve the company's performance, which in practice is not that simple. It is because corporate governance also takes into account the different stakeholders, and different stakeholders have different viewpoints of what is considered as good corporate governance. It is all about creating a business environment where trust, ethics and confidence could synergize and involved all the stakeholders. Each stakeholder plays a different role in maintaining corporate governance in corporation, where government has their regulations, all the professionals provide value added service and the investors provide capital and confidence so that the whole business sector could prosper.

In this chapter, literature regarding corporate governance practices in Malaysia is presented in section 2.2 before a discussion the importance of having good corporate governance practices in Malaysia in section 2.3. Relevant theoretical framework will be discussed in section 2.4 followed by the review of related literature and their hypothesis formation in section 2.5. A conceptual framework is in section 2.6 with the chapter concluding in section 2.7.

2.2 Corporate Governance in Malaysia

Malaysia has recognized the need for good corporate governance practices ever since the crisis and scandals strike. It has been well-documented that Malaysia has taken

ample steps to do so. In order to provide a guideline in implementing good corporate governance practices, the Malaysia Code of Corporate Governance (MCCG) was introduced and continuously revised over the years, indicating that Malaysia is indeed committed to not only promote, but ensuring a strong and sustainable corporate governance culture. The MCCG has been amended twice, and this document reflects the constantly changing business environment and the ability of the relevant bodies to introduce principles and guidelines that could adapt to the changes.

Initially, the corporate governance model focuses on the insider-based model where family owned public listed companies in Malaysia incur serious corporate governance problem and this problem then becomes one of the reasons why many South East Asian country, Malaysia included, succumb to the financial crisis. The problem with huge ownership concentration in Malaysian company is that there is no separation between ownership and control, thus giving the majority shareholder a dominant position and minority shareholder at risk. (Haniffa & Hudaib, 2006) Therefore, the policy makers have learned a valuable lesson and seek to improve the corporate governance standard by introducing the MCCG in 2000 and this has been a significant milestone in corporate governance reform in Malaysia.

Since then, Malaysia has been continuously improving their corporate governance framework. The code has been revised in 2007 and the latest revision in 2012 has been applauded by many. This is because the constant revision indicates the commitment of the policy makers to consecutively improving the corporate governance and standards, and ensures that it does not become a deadpan rule that is forever behind the robust, constantly evolving corporate scene in Malaysia. The approach that Malaysia has taken to constantly update MCCG is a correct one, as evidence from history has time and time again shows us that whenever there is a problem in the society, regulations are always one step behind and has been trying hard to prevent further misshapen.

However, crime still takes place despite regulations being in place as seen from recent scandals. Therefore, being able to plan ahead and introduce a guideline such as the MCCG 2012 to lead corporation in the right direction through better corporate governance practices before any potential scandals could happen and disrupt the

Malaysian economy is indeed a good measure. MCCG2007 emphasizes best practices in four areas while MCCG2012 has eight areas of best practices, where the principles in corporate governance for both MCCG are listed in the table below. Besides that, the corporate governance variables in this study that are derived based on MCCG2012 are also listed as below:

MCCG2007	**MCCG2012**	**Corporate Governance Variables to be examined**
Part A: Directors. Focus on the board balance, supply of information, appointments to the board and re-election.	Principle 1: Establish clear role and responsibilities. Board responsibilities include management oversight, setting strategic direction and promoting ethical conduct.	• Independent Chairman • CEO Duality
Part B: Directors' Remuneration. Focus on the level of remuneration, procedure and disclosure.	Principle 2: Strengthen composition. Transparent policies to select board members that will bring value to the board.	• Board Size • Number of Women on Board
Part C: Shareholders. Focus on dialogue between companies and investors.	Principle 3: Reinforce independence. Ensure effectiveness of independent directors	• Board Composition
Part D: Accountability and audit. Focus on financial reporting, internal control and relationship with auditors.	Principle 4: Foster commitment. Directors devote time to carry out responsibilities and update their knowledge and skills	
	Principle 5: Uphold integrity in financial reporting. Ensure financial statements are a reliable source of information.	
	Principle 6: Recognize and manage risk. Establish risk management framework and internal control	• Leverage Level
	Principle 7: Ensure timely and high quality disclosure	
	Principle 8: Strengthen relationship between company and shareholder. Facilitate the exercise of shareholder's rights	

Table 2.1: Differences between MCCG2007 and MCCG2012

Source: Developed for the research

Under MCCG 2012, the role of directors have been strengthened and amplified. The board now have a duty to become an effective leader and steward of the company, not only in the making of strategic decision of the business, but also in ensuring that the company adopts effective corporate governance practice and conducts itself with accountability as an indispensable part of the daily operation and corporate culture to maintain a responsible risk management and internal control. It is therefore pertinent to have a strong and independent board of directors that can stop any risky actions by the management that the board thinks that it is inappropriate for the company to undertake. The board that is successful in their task will be able to assured the shareholders that the CEO is not acting in accordance to their own interest, but what the board thinks is best for the interest of all the stakeholders, and especially the shareholders.

Corporate governance is only considered effective when the board of directors have the power to determine the company's strategic direction, oversee its senior executives, deciding the compensation for the top management of the company and ensure that the financial reporting is in accordance with the regulations. The MCCG 2012 thus provides a strong tapestry in fulfilling the corporate governance reform agenda. The MCCG 2012 provides a guideline in corporate government best practices by having recommendation to set out the standard the companies are expected to adopt and commentaries to help companies with understanding the recommendation.

2.3 Importance of Corporate Governance

Corporate governance could provide a mechanism when it comes to setting the objectives of a company. According to Lubo & Zhou (2001), having a comprehensive corporate governance environment structure could help a firm enhance its value. This is because by having a sound corporate governance structure, Malaysian corporate

sector could provide a business environment that is efficient and sustainable. Firstly, good governance could be considered as something that is valuable in the company as it provides assurance to the investors that the company has the method to deal with any challenges that arise, be it financially or managerial because it has a good internal control and is not vulnerable to the manipulation of the executives for their own benefit. Secondly, an efficient market will be able to capture this value and subsequently, the value is reflected in the increase in stock price. Having effective corporate governance will reduce the perceived risk by investors and the cost of capital due to the trust that foreign investors place on the company for its transparency and accountability. This, in turn, will lead to the maximization of the firm value when they company is able to operate with the minimum cost of capital. According to Young (2003), even though it is not easy discover a relationship between corporate governance practices and a company's performance, it is still the belief of many investors that good corporate governance will bring better corporate performance.

As the advent of information technology brings the world closer and provides faster business transaction, a phenomenon known as globalization has penetrated the business scene of almost all the countries in the world. Globalization has prompted the interconnectivity of the global financial market, and with it, comes company activities that are increasingly complex in nature in order to be able to compete in this highly unified global market. However, the increasingly complex financial activities have a blatant weakness. Companies that are dishonest may manipulate these financial activities by using equally complex methods such as creative accounting and inflating profits in order to cover up the weakness in these activities for their own benefits. There then arise needs regarding the sustainability of these activities, which is a question investors usually ask when making the decision to provide financial funds to support these activities for the fear of investing in companies that looks well on the surface but is actually financially vulnerable. Investors are demanding better transparency and financial reporting to lower their uncertainty in their investments. Since there is a need for good corporate governance by the investors, company that responds positively by providing it will enjoy better goodwill and foreign capital investment as foreign investors feel that their rights are being respected. (Vijay & Gaurav 2011) Having good governance will also help the company to develop a brand

name for itself and this will also influence investor's investment decision. (Gupta & Sharma, 2014).

In the emerging economy, corporate governance has been secretly climbing the priority ladder since the mid-1990s and has become an increasingly contested issue. Ever since the Asian financial crisis, corporate governance has been the centre figure and catchphrase in the development debate. Implementation of different corporate governance mechanism and system has been prevalent and their efficiency has been a crucial practical issue as emerging market seeks to develop their market and move towards their aim of becoming a developed market. (Berglöf & von Thadden, 1999)

Fast forward almost 20 years later, corporate governance has been recognized as an avenue to provide growth in the developing country. Besides associated with lower risk and cost of capital, corporate governance also ensures the more efficient allocation of resources and management, which helps in creating wealth. Furthermore, according to the Gulf News Economy (2008), research done is the past 40 years have indicated that good corporate governance will produce an effective financial system, which will eventually leads to economic growth when the financial system is able to exert corporate control and allocate resources to the project that has the highest return. Therefore, it is not surprising that emerging economies such as Malaysia are giving greater emphasis to corporate governance.

Besides that, scandals that kept breaking out in the developed countries such as United States, Germany and Japan entice investors in those countries to seek investments elsewhere. Emerging markets thus could capitalize on this opportunity to increase international investment by improving their corporate governance practices and attract disappointed investors in developing countries to their market. Furthermore, emergence of institutional investors such as EPF, hedge funds and insurance companies also prompt companies to adopt corporate governance practices. These funds pool money from investors and thus hold a huge amount of funds but will only invest in companies that they deemed have managed the companies with professional diligent. Thus, having good corporate governance practices are assurance that the company is committed to maintain a sustainable corporate environment as well as protecting investors.

Corporate governance, especially in relation to disclosure, is also important to maintain a company reputation by providing a channel of communication and information to the investors. When investors are unable to obtain an open dialogue and information that are needed, they will provide negative comments of the company, which will damage the reputation of the company and causes a domino effect when the selling off of shares occur due to the negative prospects that are perceived by investors,. Thus extensive corporate disclosure is crucial in order to maintain openness and ascertain transparency in the mind of investors to help maintain a favourable perception among the investors. Besides that, they will also benefit from being the neighbours of choice of financial analyst, where their favourable future prospects could be enhanced, which will help to enhance the reputation of the company and attract investors. (Fombrum, Gardberg, and Barn, 2000)

Since Malaysia has a "comply or explain" approach in corporate governance, observance of MCCG 2012 by public listed companies is not mandatory. Besides that, the MCCG 2012, like all the other codes, advocates the compliance of the code beyond the minimum standard. It is important then to conduct a research to find out the relationship of corporate governance and firm performance, which could help to provide an incentive for firms to comply with the MCCG2012 or even comply beyond the minimum level.

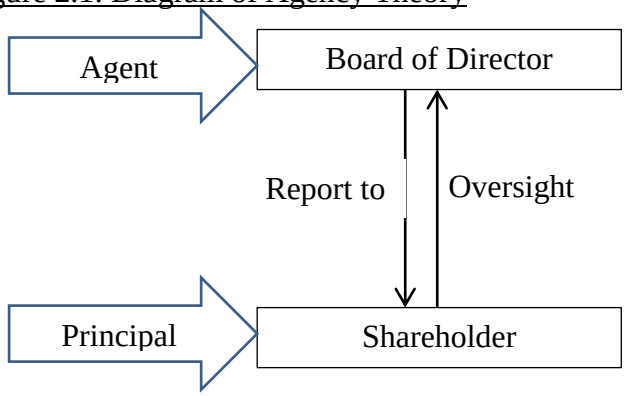
2.4 Theoretical Framework

In order to analyse corporate governance, a different number of theoretical framework has been introduced. Each of these frameworks comes from different discipline through numerous studies that have been conducted. For example, the agency theory is developed from the field of economics and finance and the stakeholder theory arises from a social oriented perspective. Each theory may use different methodology and view the problem from different perspective, but at the end of the day, they are still trying to analyse the same thing, which is problem that arises from corporate governance. This research will outline the numerous approaches that are commonly

used when analysing corporate governance theory and discuss about all of the competing paradigms. The different approaches that this research will be discussing will be the agency theory, stakeholder theory and transaction cost theory.

2.4.1 Agency Theory

Figure 2.1: Diagram of Agency Theory



Source: Developed for the research

According to Solomon (2010), in order to understand the various theories of corporate governance, it is important to understand the agency theory as it is considered as a foundational aspects of the different corporate governance theories. Furthermore, in order to understand the agency theory, it is also important to understand the development of the financial and stock market, where their operations eventually leads to a problem in corporate governance known as the agency problem.

What contributes to the development of agency theory is the concept of limited liability and separation of ownership that is promoted by the operation of financial market. Before there is a financial market, companies are usually owned by a few wealthy individuals that run the company at the same time. There is no public ownership at that time, and only a privileged few that is rich enough could own a company. However, no matter how wealthy the individual is, there is a still a limitation on the amount of funds that he could raise, thus limiting the growth prospects of the company as they do not have sufficient funds to pursue expansion. In order to raise funds, the companies need money from the public, which constitutes a huge sum when it is pooled. Thus, stock market is created. Now, companies could be publicly listed in order to obtain external finance when they buy shares in the

companies, which could provide a steady flow of fund to the company. The issue arises when, in order to entice public to buy shares in the company, a concept known as the limited liability has been introduced.

The reason for limited liability is to reduce the fear of the investors as they do not need to bear all the debts of the company they invest in if it is insolvent and will only lose the amount that they invested. In return, the investors could obtain lucrative returns through capital gain and dividend. Theoretically, by buying shares in a company, the public becomes its shareholders and its owners. However, many of these shareholders hold such as negligible amount of shares in the company and thus will not be responsible in the daily operation of a company. They will, instead, appoint a board of directors, who is then responsible for managing the company with the funds that are provided and entrusted to them by the shareholders. This separation of ownership and management indicates a delegation of the company's operation to the directors and is the foundation of the agency problem.

Agency theory first arises when Ross (1973) explored it before Jensen & Meckling (1976) provides a detailed theoretical framework. In their definition, the shareholders are the owners of the company, and the managers and directors that the shareholders appoint are their agents, which the owners have delegated the day to day operation of the company to. With this system of separation of ownership, the problem arises when the managers are not acting in the best interest of the owners. In corporate governance and finance, the constant exploration of different corporate controls so that managers could act in the best interest of shareholders has always been a major concern. (Allen & Gale, 2001)

In finance, theoretically, it is normally assumed that the fundamental objective of a company is to maximize shareholder wealth. In practice, though, this is not always true. Agency theory argues that the objectives of managers and owners could conflict. It argues that managers are likely to neglect the company's objectives of shareholder wealth maximization and instead pursue their own objectives and is inclined to the practice of egoism, which is putting their self-interest above the interest of the owner. (Boatright, 1999) They could engage in practices such as taking less risk to ensure that there is less risk of failure to protect their job and reputation or perhaps focus on

projects that are bringing in short term profits since their bonuses and pay are related to the profit that they are bringing in on that year. The long-term shareholder wealth that is achieved though making long-term investments are cast aside as these gains need time to be realized and will not be reflected in the managers bonuses immediately.

Besides that, managers and directors often supplement their salary by rewarding themselves with extra benefits, also known as perks, such as giving themselves holidays and luxury cars that are paid for by the company. The perks that are given to managers are in no way used in the production of income to the company and using company fund to pay for these perks is a cost to the company, and the funds could not be put into more productive use. Thus, this will also reduce the shareholder's value and brings residual loss to the company according to agency theory. The owners then find themselves in the need to control the action of managers as they are now facing loss due to the actions of the managers.

Owner will then ask themselves: "How could I control the actions of managers so that the agents are acting in my best interest?" Accordingly, there are different ways that the agents could do that, but all of them involve a high cost to the principal and the cost used to monitor the agent's action is known as the agency cost. (Eisenhardt, 1989) Some of the examples of cost involved are monitoring cost and bonding cost. Monitoring is potentially expensive because the principal will have to take an initiative to hire an outsider to monitor the action of management. Another way is to align the interest of the principal and agent by using schemes such as performance pay scheme or stock option scheme.

Bonding cost, on the other hand, is the cost that is incurred by the manager when trying to show the shareholder that they are responsible and accountable. They may then incur costs such as trying to provide better risk management through hedging or more information in financial reporting. Due to the different attitudes towards risk between the managers and shareholders, it provides that the value of the firm is hardly maximized because of this diverging attitude as extra costs will be involved to monitor the managers. This is when corporate governance mechanism could provide a framework in which a good corporate governance practice will be able to prevent

managers from using the company's fund for their own interest, thus securing the maximization of return on investments for the shareholders.

Corporate governance could achieve that by placing an effective control mechanism in the company. There are numerous control mechanisms that corporate governance could place on the management of a company to ensure that the managers are utilizing resources efficiently. Corporate governance mechanism could be divided into internal or external control. (Biswas & Bhuiyan, 2006). An example of the internal corporate governance mechanism is the monitoring by the institutional shareholders. This is especially applicable in Malaysia as institutional shareholders are considered as big players in the share market.

To give an example, Permodalan National Berhad, a fund management company, has a total fund size of RM267.8 billion, which amounts to a shocking 16% of the country's equity market. They also have equity in 200 companies. Since they are usually holding a huge sum of shares in a company and has a huge stake in it, this will provide them with an incentive to monitor the performance of the company and top management. Their huge shareholding provides them with the power and they could force the management to change its strategy if they feel that the management is not maximizing the shareholder value. There are different corporate governance tools that institutional shareholders could use to make their voice heard in a company. They could arrange a one-to-one meeting with the manager by sending a representative or having a focus list to ensure that the management is maximizing shareholder value. Besides that, having good corporate governance ensures that there are different sub committees that are being formed, which could provide a check and balance system to the board of directors and protect shareholder interest. External corporate governance mechanism is the regulation that is introduced by the government such as MCCG2012 to reduce agency problem and protect the shareholder's interest.

2.4.2 Transaction Cost Theory and Stewardship Theory

Figure 2.2 Diagram of Transaction Cost Theory

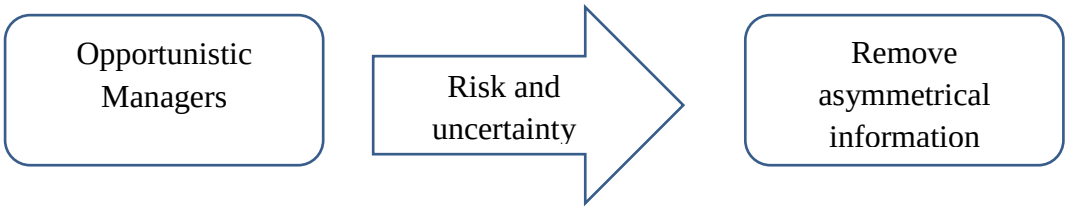
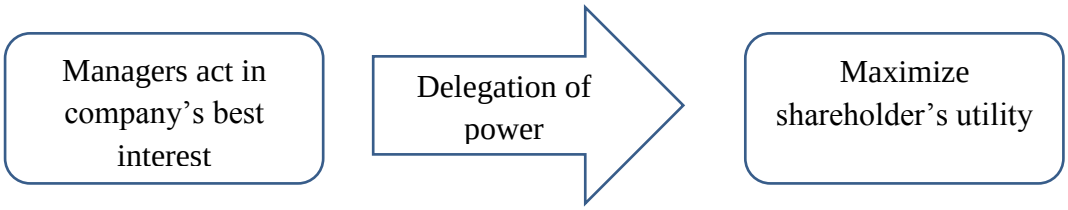


Figure 2.3 Diagram of Stewardship Theory



Source: Developed for the research

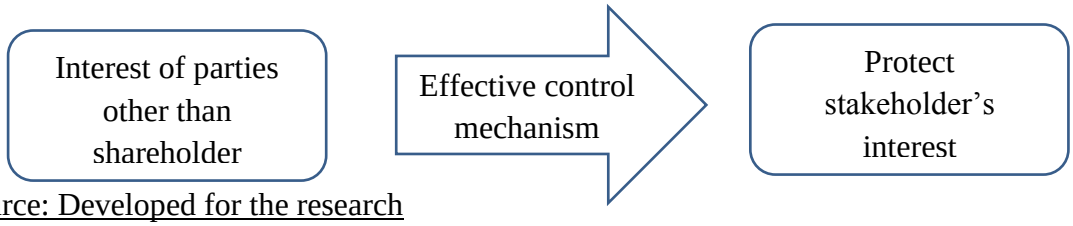
Another theory to explain corporate governance is the transaction cost theory. Transaction cost theory arises when the firm becomes so huge that it replaces the market to become the distributor of resources. However, to do so, the company must be able to internalize transactions to remove risk and uncertainty. Removing asymmetrical information is one of the ways to remove such business risk and is an advantage to the company. However, this theory also states that managers are opportunistic and needed to be control. There are stark similarity between this theory and the agency theory. Williamson (1996) concludes that one of the differences between these two theories is simply the different terminology used.

For example, in transaction cost theory, managers are thought to be opportunistic and companies have to safeguard themselves against the hazard of opportunism. This is similar to the moral hazard and agency cost that is discussed by the agency theory. Another example will be transaction cost theory focuses their analysis on the transaction itself while agency cost theory focus their analysis on the agent itself. Similarly, though, they attempt to answer the same question, which is how a company management could be persuaded to maximize shareholder's wealth and not self-interest. This is when corporate governance comes in and as a way to regulate the manager's behaviour so they could act in a way that would protect the shareholder's interest.

Stewardship theory, on the other hand, argues that managers and the board are the steward of the company, and as steward, they will act in the company's interest and not their own interest. When they view the company as an extension of themselves, not only could the shareholder's utility be maximized, but also their own utility function as they are able to achieve long-term success with the company and thus acts in a way that benefits the shareholders. (Davis, et.al., 1997). This theory suggests that managers are satisfied when they could achieve organizational success and there is no need for corporate governance principles to be applied in the company as the managers will strive to help the firm achieve long-term profitability. (Mallin, 2004). This view, though, is in the minority, as most investors do not believe that managers, if left unchecked, will use the company for their own needs and could be trusted to act on their own without some form of regulation in place.

2.4.3 Stakeholder Theory

Figure 2.4 Diagram of Stakeholder Theory



Source: Developed for the research

All of the theories that have been discussed so far are regarding the relationship between the managers and the shareholders, where corporation has always been thought to be belonged to the shareholders and any action that is taken must be for the benefits of these providers of funds. Shareholders are thought to be privileged and any management action must be carefully deliberated to ensure that it could advance the interest of the shareholders. However, development in the area of management and finance indicates that the actions of companies do not only impact the shareholder, but also the society around it. Thus another method is used to persuade the managers not to pursue self-interest but instead look after interest of others. This time, though, it is not only the interest of shareholders that managers have to look after but also they will have to consider the interest of stakeholder in their decision making. Stakeholders

are individuals or parties that have a stake in the actions of the company. Some examples of stakeholders are shareholders, employees, government, suppliers and customers.

Corporate governance, when view in accordance to stakeholder theory, also indicates that there is an efficient control mechanism in a corporation. Various stakeholders, thus, use corporate governance as a mean to control the operation of a company through exercising their rights in the company, which is given to them by the existing legal framework such as the listing requirements by Bursa Malaysia or the MCCG 2012. So, why is taking care of the stakeholder interest important for a company? Firstly, research by Kolk & Pinkse (2006) sheds a light on the collapse of various companies such as Enron and Parmalat in Italy by displaying the failure of these companies to take care of stakeholder's interest and their ignorance of the other side of corporate governance: the relationship of companies with stakeholders.

Secondly, the interest of stakeholders has become more important as the world is getting more interconnected. Failure to take into account of the stakeholder's interest represents a flaw in thinking and could lead to outright disastrous consequences. (Bryson et al., 2011) The interconnectedness redefines the position of a firm in the society, as it is no longer just a bundle of asset that belongs to the shareholders and thus must work only in their favour. Instead, companies have become so large and their impact to the society so pervasive that they should be accountable to more parts of the society other than their shareholder. A firm is now in an arrangement with any parties that have an exchange relationship with it, where not only are the stakeholders affected by the company, but the company is also affected in some way by the different stakeholders.

To balance the different and diverse needs of different groups of stakeholders is by no means an easy job. However, this should not be an excuse for companies to not engage in achieving this balance as it may be part of good corporate governance practices. Stakeholder's theory is linked with corporate governance when it becomes obvious that a firm could only achieve corporate governance best practices when it acknowledges that its actions could affect more than its shareholders and takes into account the interest of the various stakeholders. In today's business world, businesses

have increasingly more stakeholders and the dimension of their relationship has changed to become more complicated and intangible.

As Christopher (2010) argues, understanding stakeholder theory is essential for corporate governance because this theory could provide an understanding of different needs by the stakeholder to the managers and reconcile these needs with the organization objectives. Corporate Governance Association of Turkey and Deloitte (2007) also mentions that a corporation success could only be sustained if the company has the confidence of their stakeholders and they are willing to continuously and improved collaboration with the company. The stakeholder approach by companies has indicated a shift of the company's role from being the defenders of shareholder's interest to the defenders of stakeholder's interest. A company that is successful could claim that they have fulfilled their corporate governance obligations, at least those related to the stakeholders.

A firm that upholds the stakeholder theory is seen as being in conflict with the agency theory. In other words, once a company is committed to satisfy the huge and diverse needs of different stakeholders, they will then have to forego shareholder wealth maximization. It is seen as an alternative to the shareholder's maximization approach. But is it the only way? Apparently, it is not so. Firstly, let's not forget that shareholders are also included in the stakeholders of the companies and taking care of the interest of the stakeholders does not mean that the interest of the shareholder will be neglected. Besides that, satisfying the need of the different stakeholders may actually increase the efficiency of the company's operation and reduces unnecessary cost.

For example, having a good relationship with supplier will reduce the delivery time and inventory cost. Satisfying the government regulation will also prevents unnecessary fines that will add to the cost of the company. Being able to service the community increases the company's reputation and its sales. Taking into account the different needs of stakeholders into the company's vision and mission prompts the company to re-examine its culture and value. From there, companies could incorporate the interest of different stakeholders into their operations and will be able

attain a competitive advantage when they are able to capitalize on the intangible values that these stakeholders could bring such as human capital and social capital.

Future evolution of the corporate governance paradigm is also more likely to be influenced by society pressure as more and more groups in the community are speaking up and demanding social equality. Companies would be wise to take into account the interest of a wider group of stakeholders as they could have the power to destroy a company is their needs are not satisfied. Therefore, by satisfying the interest of stakeholders, the company's cost can be reduced and profit maximized, and in turn maximizing shareholder's wealth. There may be a growing paradigm that even these two conflicting approaches could actually be compatible and thus is useful in broadening the classical relationship between shareholders and owners to include the relationship between shareholders, owners and all the stakeholders. (Wheeler et al., 2002) There are actually similarities between these two theories as the purpose of both of these theories is to try and reconcile diverging interest and is actually a form of monitoring using corporate governance structure.

2.5 Related Literature Review

2.5.1 Dependent Variable – TSR

Total shareholder return is also known as the return on equity (ROI), which is defined as the combined price appreciation and dividend paid to the shareholder and their generated returns after investing funds in a company. This includes the dividends that the company declare to its shareholders and any capital gain that the shareholder could obtain after selling their shares. (Donaldson & David, 1991) Every shareholder that invests in the company will wish to maximize their returns by obtaining a constant stream of dividend and reasonable capital gain on their shares. Furthermore, the proliferation of institutional investors such as insurance companies, mutual funds and pension funds now provide a new source of power to the investors through their collective power to ensure that the companies that they are investing in provide them

with a satisfactory return with the threat of takeovers as mentioned in the agency theory above. (Lazonick & Mary O'Sullivan, 2000)

However, according to Harford, Mansi and Maxwell (2008), having weak corporate governance will results in a lower dividend pay-out due to poor cash flow management and lower the share price of the company as investors lose confidence in the company, which contradicts with the investors expectation of being able to maximize their return on investment in the company. Thus, having corporate governance best practices in the company is the best way to ensure that the shareholders will be able to maximize their return in the company.

2.5.2 Dependent Variable – ROA

According to Khatab et.al. (2011), ROA is defined as a measure of profitability, which calculates the profit generated for every dollar of shareholder's equity. It also aims to give an idea to the investors the efficiency of the managers in using the company asset to generate returns and earnings to the company. ROA is a percentage based indicator that is calculated by dividing the company's total earning by its total assets. According to a study by Velnampy (2013), he finds that although most researchers have highly praised that good corporate governance brings about better firm performance, there are several studies that shows either a negative or no relationship. He explains that this may be due to using ROA as a measure for the firm performance is restrictive in nature and thus contributes to this inconsistency. Besides that, Krivogorsky (2006) also points out that most empirical research only involving corporate governance variables only consider the relationship between corporate governance variables and firm performance using only two variables at a time.

Thus, this research will be able to examine the extent of the firm performance measured by ROA that is influenced by corporate governance best practices, and the corporate governance variables will be expended to include six variables.

2.5.3 Relationship between CEO duality, Independent Chairman and Company Performance

One of the reasons for the existence of corporate governance is the prevention of having duality of the board. CEO duality occurs when the CEO is also chairman of the board of directors and majority of the board is also made up of executive directors. Regulators and activists have been pressuring the abolishing of CEO duality as they opines that the cost that these management dominated board bring to the company is severe.

Another argument in favour of abolishing CEO duality is the view that the board of director is the apex of decision making in a corporation. Having CEO duality runs the risk that this decision making process is interfered by the agency problem. Therefore, not having CEO duality could mitigate agency problem and prevents the conflicting interest of CEOs from maximizing shareholder's wealth. (Fama & Jensen, 1983)

Since these CEO are often employees of the company, they usually do not own much shares in the company. (Lipton & Rosenblum, 1991) As a result, they will often put their own compensation in the first place by promoting short term earnings, which will impact the long-term growth of the company. This is consistent with the agency cost in the agency theory that has been discussed in the previous section. This is also recommended in principle 3.4 of MCCG2012 where the position of chairman and CEO are held by different individuals and the chairman must be a non-executive member of the board.

There is empirical study showing that when there is CEO duality, there would be a conflict of interest, allowing for CEO to be paid more but having lower sensitivity to the company's turnover. (Core et al., 1999; Goyal and Park, 2002) Separate leadership could also bring the benefits of specialization, where the CEO has the expertise to run the company while the chairman of the board has the expertise to run the board. (Dalton et al., 1998)

According to Crawford (2009), another reason why a board with a duality of chairman is unhealthy is the reluctance of the board to police any misconduct by the managers.

The Enron scandal is a stark example where fraud occurs because the board has done almost nothing to detect and prevent fraud, partly because some of the directors are involved and partly because they are reluctance to discipline their own colleague.

Proponents of CEO duality has been citing greater efficiency, better communication, reduction in meeting cost and the decrease in asymmetrical information as a defence for CEO to play a dual role in the company. Those in favour of having dual leadership emphasize on the leader ability to react quickly to changing environment as there is a unified leadership. (Brickley et al., 1997; Larcker & Tayan, 2011)

Therefore, if CEO duality exists in a company, then there must also be a strong counterbalance in terms of having a majority of independent director to sit on the board in order to provide a more transparent and quality disclosure. The CEO also faces more difficulty in misusing his power to obtain more personal gain, which would help to prevent future scandals such as Enron. Having CEO duality and non-independent chairman in the company will therefore negatively affect the company performance. Thus, I hypothesize that there is a negative relationship between CEO duality and non-independent chairman with the company performance. The hypothesis is as follow:

$H1_{1A}$: non-CEO duality is positively related to TSR.
$H1_{1B}$: non-CEO duality is positively related to ROA.
$H1_{2A}$: Independent chairman is positively related to TSR.
$H1_{2B}$: Independent chairman is positively related to ROA

2.5.4 Relationship between Ownership Concentration and Company Performances

When discussing corporate governance, an issue that is hotly discussed is the impact of ownership on corporate governance. Many previous literatures that discuss corporate governance often assumes management are widely disperse and there will be a conflict of interest as there will be a separation of ownership such as the agency problem that is discussed above. However, not all companies have a widely dispersed ownership, in which some companies have their ownership concentrated on the hands

of a few individuals, and thus the discourse of corporate governance has shifted to incorporate this characteristic. (Yeh, Lee & Woidtke, 2001). In fact, many large businesses around the world have a concentrated ownership and they are forming a cornerstone of the business world.

Ownership concentration is defined as the amount of stock owned by large-block shareholders. An example of company that has high ownership concentration is a family-owned company. According to Claessens et.al. (2000), after examining nine East Asian countries, the research finds dominance of family control in the businesses in these countries. The views of Pearl Initiative (2009), many multinational companies start as a family business. Family-owned businesses are businesses that are owned by a family and that family has a dominant position by holding a large percentage of the firm's equity. (Yasser, 2011). Thus, the family that controls the firm has the final say in all the major decisions of the firm. These high ownership concentrated firms can be seen as an opportunity when the concentration of ownership reduces agency cost. However, high concentration of ownership is often seen instead as a threat to the investor community due to distrust and the possible abuse of power. Thus, investors will scrutinize these businesses even closer as there are long history of poor transparency and accountability among family-owned business. (Gulzar & Wang, 2010). Thus, a more practical way to restore investor confidence is to implement corporate governance best practices.

However, implementing corporate governance practices is easier said than done and it is not enough to have established the corporate governance guidelines when enforcement is an issue. One country where the main challenge in implementing corporate governance is due to these highly concentrated firms is Bangladesh. Bangladesh has introduced legislation to govern the corporate governance scene in the country since as early as 1969. Besides that, the country also introduces a corporate governance guideline in 2006, which is also based on a "comply or explain" model. However, the introduction of corporate governance legislation and code and its implementation is a separate matter as there is still controversy regarding corporate governance practices among companies in the country. (Arcot & Bruno, 2012) Another research result also indicates that 58.42% of respondent does not believe in

the possibility of having good corporate governance practices in a highly concentrated corporate culture. (Hasan, 2013)

However, the slow adoption of corporate governance due to high concentration of ownership is not only a problem in developing country such as Bangladesh, but is also an issue in a developed country such as Korea. Oh Seok-Hyun (1999) discusses about the corporate structure in South Korea after the financial crisis. He indicates that the financial crisis that hit so many South East Asian countries also impacted Korea because of the way corporation in the country is run. In Korea, structural imbalance exists in Korean companies that are known as chaebols. These are huge conglomerates that are usually family-owned, which has high ownership concentration.

Besides that, Kim & Kim (2008) also talks about the best corporate structure for corporate governance to prosper. They are newly privatized companies, large corporation that is managed by professionals and huge banks with substantial foreign equity. These corporations often met the necessary corporate governance standards that are at a global level. Conversely, high ownership concentration companies are at the other extreme end of the corporate governance spectrum as they are the most resistant to change and the most reluctant to implement reform in introducing corporate governance into their business practices. (Villalonga & Amit, 2006)

From the evidence that is given above, it could be concluded that high ownership concentration firms will face a larger challenge when implementing corporate governance best practices. This is because, according to a report by OECD (2009), there will be a need to consider an extra layer of relationship during the management of the business to maintain the harmony among the few shareholders, thus complicating the management structure of the firm.

Ward (1991) also argues that high ownership concentration companies are less reluctant to practice good corporate governance by hiring independent directors to help in the management of company for the fear of losing control of the company to outsiders. Besides that, there is also prevalent disbelief regarding the ability of outsider to truly understand the business, many of which have been operating for a

long time. Lastly, there is also fear by the owners of new idea and viewpoints that will challenge their existing management style. Thus, it could be seen that ownership concentration has a negative impact on the firm performance and the hypothesis is as follow:

$H1_{3A}$: Ownership concentration is negatively related to TSR.
$H1_{3B}$: Ownership concentration is negatively related to ROA.

2.5.5 Relationship between Board Composition and Company Performances

Management of a company plays an important role in ensuring the firm's success. However, an equally important factor to ensure success is by having a concrete firm structure that could provide sufficient supervisory role to ensure that the management truly does have the best interest of the company at its heart. Thus, being the body that supervises the action of managers, it is crucial the board is composed of a majority of outside independent directors.

Clifford & Evans (1997) defines outside independent director as a person who has no other connection with the company other than his capacity as the director of the company. This means that to be an outside independent director, the person involved could not be for example, an accountant, secretary, auditor, customer or creditor of the company to preserve their independence. Studies such as Beasley (1996) and Klein (2002) indicates that by having more outside independent directors in the board, there will be a lower risk that managers will manipulate the finances and earnings in the company's account, and therefore, the more the number of outside independent directors, the better should the company performance be. (Pearce & Zahra, 1992)

However, contradict to that view is the study by Rashid et.al. (2010), in which this paper examines 274 firms in Bangladesh and determines that having outside independent directors could not add economic value to the firm and thus has no effect in improving the firm performance. Arguments from Nicholson and Kiel (2007) also indicates that having independent directors from outside of the company could not help the company to perform better compared to having inside directors as asymmetrical information prevents outside directors from having the knowledge of

the day-to-day operation of the company. Brennan (2006) also agrees as he views these outside directors as part timers and they may fail to perform their duty because they do not have inside information of the company. Wagner et.al. (1998) too support this view as he sees that insiders will have better professional knowledge, abilities and familiarity with company's operation. Thus, the following hypothesis is formulated to test the above arguments and evaluate the relationship between board composition and company performance:

$H1_{4A}$: Having a majority of independent directors positively influences TSR.
$H1_{4B}$: Having a majority of independent directors positively influences ROA.

2.5.6 Relationship between Board Size and Company Performances

Board size refers to the number of directors sitting on the board. According to Guest (2008), after examining 2,746 firms that are listed in the United Kingdom, they found that having a larger board size indicates a strong negative impact on the firm profitability and share return. Furthermore, the study also finds that firms with the strongest negative relation are firms that are largest in the United Kingdom as they have the largest board. The argument that is put forward is that having a larger board size undermines communication and coordination, leading to an inefficient board and undermines their effectiveness. It is harder to arrange for a board meeting and reach consensus on important issues, thus slowing down the progress of the company. There is also the issue where different directors have different point of view and objectives that may obstruct the decision making process if the board gets too large. The board is recommended to have a maximum of 10 directors, with eight or nine as the optimal number. (Lipton and Lorsch, 1992) Besides that, influential scholar also identified that the optimum board size should not be more than 8 or 9. (Jensen, 1993)

Conversely, scholars have argued that there are also more advantages of having a larger board on the firm's performance as a larger board would possesses a more collective information that could subsequently help the board in achieving higher performance. Having more independent directors on the board could also help in monitoring and disciplining the managers to ensure that they are not out of line and work in congruence with the company's objective. (Dalton et al., 2005, Lehn et al.,

2004) Thus, in order to examine the relationship between board size and company performance, the following hypothesis is formulated:

$H1_{5A}$: Having a larger board positively influences TSR.
$H1_{5B}$: Having a larger board positively influences ROA.

2.5.7 Relationship between Leverage Level and Company Performances

The financial market in recent years have started to look more on the corporate governance issue as it could affect the different aspects of company, which include their capital structure. The leverage level of a company is reflected in its capital structure and is affected by the usage of capital by the management. Hampton (2001) defined financial leverage as the amount of debt needed by the company to purchase necessary assets for their operations and the ability to pay back this debt.

Ojo (2012) states that the leverage level in a company will affect the individual perception of risk and will then have a feedback effect on the firm earning capacity and the return to their shareholders. By examining panel data between 1993 and 2005, the author finds that leverage level does affect corporate performance in Nigeria. Horne (2002) too supports this statement by stating that the increasing amount of debt will cause an increasing risk of bankruptcy, which will have a negative impact on the cost of capital, causing the company to incur higher cost and reduces the earnings of the company and their shareholders' return.

Salim & Yadav (2012) examines 237 Malaysian listed companies for the period of 1995-2011 across six different sectors. They find that ROA and ROE have a negative relationship with the amount of debt the company owns. Chang (2004) also analyses 77 public listed companies in Malaysia over a four year period from 1996-1999 and finds that the gearing ratio significantly influences the company performance. He finds that for every 1% increase in borrowing, the ROE will decrease by 01.3%.

Haim and Marshall's (1988), on the other hand, opine that having debt does improve the company performance, especially if the company is holding government bonds. This is because bonds are a relatively low risk security and has the interest paid are usually tax deductible. Using bonds to raise fund ensures that the firm could have a

cheaper source to finance growth. Besides that, using bond will not incur any sharing of ownership of the company and since bond is also not permanent, it permits greater flexibility in the financial management of the company as they could adjust their financing program to meet unanticipated changes.

Stakeholder's theory states that the management of the company is responsible in ensuring that all the parties' interest is protected. Thus, it is the management responsibility to ensures that the company adopt an optimal leverage level so that they could repay their debt on time and at the same time, ensure that the level of debt used does not affect the earnings of the company. Thus, the following hypothesis is presented to examine the relationship between leverage level and company performance.

$H1_{6A}$: Higher company leverage level negatively influences TSR.
$H1_{6B}$: Higher company leverage level negatively influences ROA.

2.5.8 Relationship between Numbers of Women on Board and Company Performances

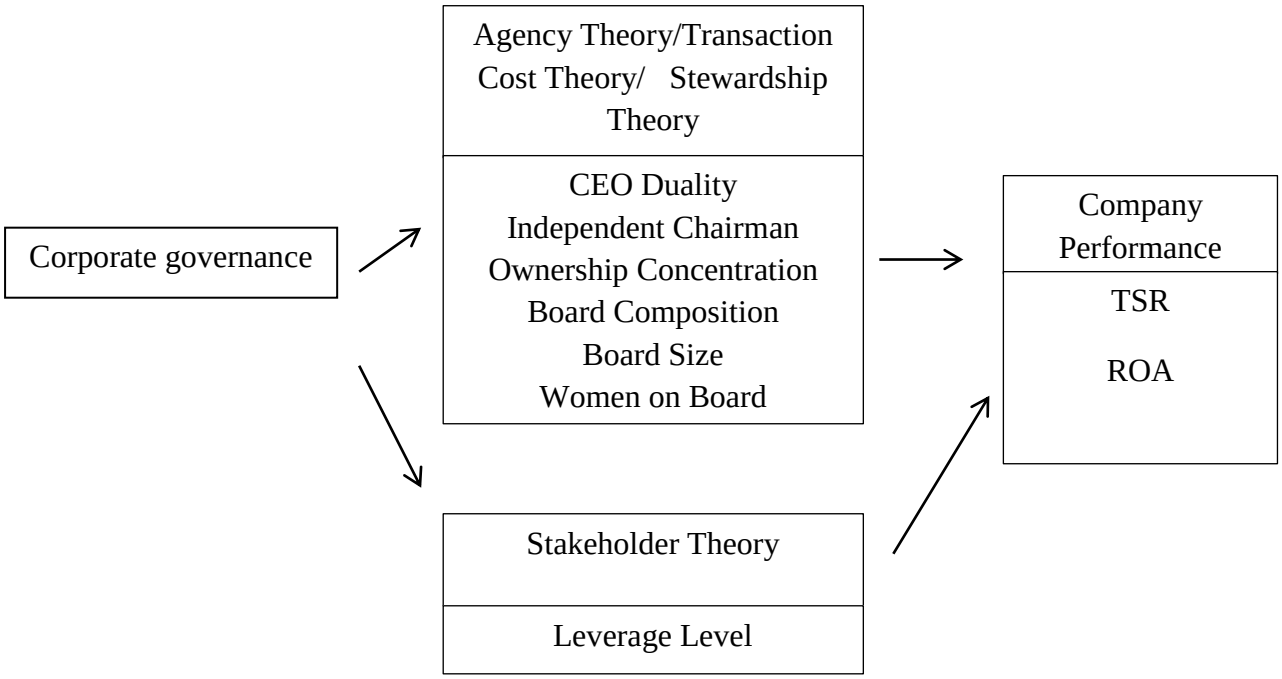
Compared to other corporate governance variables, the literature of women on the board of directors is a relatively new area of research and is gaining prominence as more and more women are recognized for their ability and given more responsibility in the management of a company. The number of women on the board of directors is still significantly lower than their male counterparts. For example, The Dutch Female Board Index (2007) indicates that by 2008, only 5 per cent of the directors in Dutch companies are female. This issue has been recognized in European countries and corporate governance codes in Dutch, Spain and Norway have introduced a balanced board composition in terms of sex as part of their code.
Researchers (Adams & Ferreira, 2009; Sealy, Singh, & Vinnicombe, 2007) argue that having a homogenous all-male board of directors would not be able to reflect the current society and the business environment the company is operating in, besides contributing to weak corporate governance and missed opportunity. One of the arguments by recent literatures suggests that having women on board would be able to improve company performance due to better decision making in the boardroom. A

diverse team with the presence of women directors lead to more diverse viewpoint, which would lead to better decision, business value and company performance. (Burgess & Tharenou, 2002; Singh & Vinnicombe, 2004)

There is, however, another viewpoint from researchers that having to consider more perspectives can be lead to an increase in time cost and conflicts among board members, delay decision making and divide the board members, all of which would impede the growth of a company (Rose, 2007). Dwyer, Richard & Chadwick (2003) also observes that a more diverse top management team cost more to operate and coordinate, and the cost arising from coordination end up neutralising the financial benefit obtained from diversity. Thus, in order to examine the relationship between the number of women on board and the company performance, the following hypothesis is formulated:

$H1_{7A}$: Having more women on board positively influences TSR.
$H1_{7B}$: Having more women on board positively influences ROA.

2.6 Conceptual Framework



Source: Developed for the research

The above conceptual framework is developed to answer the research question and meet the research objectives of this study. The independent variables are CEO duality, independent chairman, ownership concentration, board composition, board size, firm leverage level and number of women on the Board while company performance that is measured by TSR and ROA will be the dependent variable.

2.7 Conclusion

In this study, seven different areas of corporate governance which include CEO duality, independent chairman, ownership concentration, board size, board composition, leverage level and number of women on Board are selected as independent variables with TSR and ROA are selected to evaluate company performance and are the dependent variables. The relationship between the dependent variables and independent variables are set out in a hypothesis form as illustrated in the literature review.

CHAPTER 3

METHODOLOGY

3.1 Introduction

This chapter describes the methodology involved in selecting the samples, collecting data and analysing the data. It also includes methods used in order to examine the objectives of this study. There will be a total of eight sections in this chapter: research design, data collection, sampling design, research instrument, constructs measurement and data analysis.

3.2 Research design

The purpose of this research is to examine the relationship between corporate governance practices and the performance of public listed companies based on these companies TSR and ROA from 2008-2015. Besides that, this research also intends to examine the level of compliance with corporate governance best practices from a company secretary perspective. Thus, both objectives could be achieved by conducting a quantitative research. According to Creswell (2003), quantitative research method is used when the information that is collected could be quantified and a statistical analysis could be conducted in order to support or refute the hypothesis. The data that is collected in this research could be quantified and mathematical model will be used in the research methodology. Besides that, this research will follow the historical trend of conducting a quantitative research, which is designing a research, collect data, measure the data and analyse it, thus it could be classified as a quantitative research.

There are three types of quantitative research according to Leedy and Ormrod (2001), which are descriptive, experimental and causal. For this research, descriptive research method will be used. According to Kothari (2004), descriptive research is used to describe the state of an affair as it is in the present. This method is used most commonly in social science and business research. Furthermore, this method, also

known *as ex post facto research*. is often used when the researcher has no control over the variables that he is researching and could only report the facts as it is. As this research wishes to examine the level of compliance with corporate governance in its current state, descriptive statistic is suitable to be used and the results that are obtained will be useful in decision making.

The quantitative data that are collected will the corporate governance data that are collected from the company annual reports obtained from Bursa Malaysia and Bloomberg as these data are considered to be more reliable as there are heavy penalties for the companies for producing fraudulent data. The period chosen will be from 2008 to 2015 as this is the most recent period. All the data chosen will be from companies that are listed in the Bursa Malaysia during this period and with complete data. A time series analysis will be conducted on the overall 7-year relationship between the dependent and independent variables. There will also be an analysis on how these corporate governance variables influence the relationship on a yearly basis.

The second source of quantitative data will be from a questionnaire survey, which is used to collect data regarding the corporate governance best practices and the extent of compliance with each corporate governance level from a company secretary perspective. This is due to the voluntary nature of the MCCG 2012, where they may be deviation with the level of compliance among different public listed companies. Thus, this survey aims to reinforce the results obtained from the data that are collected from the financial statements by comparing the level of corporate governance that is reported from the financial statement and the level of corporate governance from a company secretary perspective.

3.3 Data Collection Method

3.3.1 Annual Reports

Both primary and secondary data are used in this research. The secondary data will be the data from the annual reports and share price that are obtained from Bursa

Malaysia and Bloomberg. Using secondary data is a relatively easy, not obstructive and inexpensive method to obtain the data needed.

3.3.2 Questionnaire Survey

The primary data will be collected by using a questionnaire survey. The questionnaire will contain thirty three questions, divided into two parts. The first part of the questionnaire will include the demographics such as gender and education background. It will also evaluate the nature of ownership in the company by having the respondent indicates whether the company that they are representing is family owned or non-family owned. After that, questions that are related with the company characteristic will be asked, which will include the level of foreign investments in the company, the main influencer of the company decision making and the existence of a labour union in the company.

The second section will then assesses the level of compliance with the MCCG 2012 of the public listed companies of the respective company secretary. This is based on the eight principles set out in MCCG 2012 and the company secretary could evaluate the level compliance based on a 5-point Likert scale, which contains the following options: Up to 20% compliant, Up to 40% compliant, Up to 60% compliant, Up to 80% compliant, and Up to 100% compliant. In part two, each principle is determined based on the MCCG 2012 and the number of questions is also in accordance with the sub section of each principle in the MCCG 2012.

Each copy of the questionnaire survey is sent through mail to the company secretary of the selected companies. The address of each company is obtained from the annual report of the company, which is available online in each of the sample company official website. The reason for using mail questionnaire survey in this study is due to the cost consideration as it is the most effective way to obtain a large number of samples by using the most minimal cost. Besides that, measures have been taken to ensure that the response rate is increased. Response rate is simple the number of respondents that respond divided by the total number of questionnaires that are sent out.

3.4 Sampling Design

3.4.1 Target Population and Sampling Frame

This study wishes to examine the level of compliance with corporate governance best practices among companies in Malaysia from a capital market perspective. Thus, all the companies that are selected are public listed companies in Malaysia. This research will considers all the companies that are listed in the Bursa Malaysia in 2016. There are a total of 811 companies that are listed in Bursa Malaysia in 2016. Thus, the target population for this study will be all 811 companies. These 811 companies will also be the sampling frame for my research in which a sample will be drawn. The complete list of public listed companies could be obtained from the Bursa Malaysia website, which is http://www.bursamalaysia.com/market/listed-companies

3.4.2 Sampling Element

In this research, not the entire population is used in the study as it is impractical to do so. Budget and time constrain also prevent such extensive study. Thus, a sample size of 180 public listed companies will be selected when collecting the secondary data, while a sample size of 400 companies will be selected as the respondents for the questionnaire survey.

3.4.3 Sampling Technique

The sampling technique used in this research will be the probability sampling as each element in the population has an equal chance of being selected as sample. Using this method, we could generalize the result that is obtained and thus the result could be used as a representative of the whole population. This research will also divide the sample obtained into different strata. This is known as stratified random sampling as the sampling frame is evident and could be divided into different strata. In this research, there is a total of 811 in the population, and for the secondary data, the sample of 180 is obtained from different sectors which include construction, IPC, real estate investment trust (REIT), consumer products, hotel, industrial products, plantation, technology, trading services and properties. For the primary data, half of

the population, which are 400 companies, will be selected as a sample in which the questionnaire survey will be sent out.

3.4.4 Sample Size

The method that this research uses to derive the sample size is based on a study by University of Florida (Israel, 1992). According to the study, there are certain methods that could be applied in order to determine the most appropriate sample size. The first way is obtaining the sample size by using a census. However, this method only applies to studies with small populations and is not relevant to my studies as the population of our study is over 800. The second way is to follow the sample size of other similar studies that examine the level of compliance with corporate governance best practices. However, my research will introduce a new aspect in the corporate governance literature as the level of compliance with corporate governance best practices will be based on the perspective of company secretary and there is relatively little research in this area.

Thus, this research may incur error if sample size is chosen based on similar research done on corporate governance because previous model that is formulated by the researchers does not take into account the view of company secretary in their studies. The third way is to use a formula to calculate the sample size. The study provides formula for calculating the sample size, known as a simplified formula for proportion. The formula is according to a research by Israel (1992) and is as below:

$$n = \frac{N}{1 + N(e)^2}$$

In the equation, n is the sample size that is the most appropriate while N is the total population. Besides that, *e* is the precision level that is use selected to be used. My research assumes a confidence level of 95% and level of significance, p of 0.05. The level of precision is determined to be 6%. Level of precision is the range in which the true value of the population is estimated to be. The 6% level of precision is used due to the sample size and the sample size will be the best if this research applies the

formula by using the 6% precision level. When this formula is applied to the study, the number of sample size that is obtained is as follow

$$n = \frac{811}{1 + 811(0.06)^2}$$

Therefore, the optimal sample size should be 207 public listed companies. Thus, 180 samples that are selected from the public listed companies are similar to the research above and thus could be a representation of the whole population.

3.5 Research Instrument

This research obtains its data from the financial statement in annual report and share prices from Bursa Malaysia and DataStream respectively. The TSR, ROA and leverage level are calculated by using Microsoft Excel. After that the variables will be transferred to Statistical Package for Social Science (SPSS) Version 21 for the descriptive analysis, reliability test and Multiple Linear Regression. The table below indicate the samples selected from each sector for this research.

Table 3.1: Number of companies selected as sample for each sector

Sector	Number of Companies	Percentage
Construction	8	4.49
Consumer Product	30	16.85
Hotel	2	1.12
Industrial Products	46	25.84
IPC	1	0.56
Plantation	12	6.74
REIT	2	1.12
Technology	19	10.67
Trading Services	34	19.10
Finance	8	4.49
Properties	16	8.99
Total	178	100

Source: Developed for the research

Besides that, for the data collected from the questionnaire survey the level of compliance, the individual level of compliance of each principle of the MCCG 2012 and the overall level of compliance with the MCCG 2012 will be examined by using Microsoft Excel.

3.6 Construct Measurement

The following table will display how each of the dependent and independent variables for the secondary data are constructed by showing the formula used for each of the construct.

Table 3.2: Table of variables

Dependent Variables	Formula	Adopted From
Total Shareholder Return (TSR)	$\frac{SP_n - SP_{n-1}}{SP_n}$	Donaldson & David (1991) Lazonick & Mary O'Sullivan (2000)
Return of Total Assets (ROA)	$\frac{Net\ Income}{Total\ Asset}$	Velnampy (2013)

Independent Variables	Formula	Adopted From
CEO duality	0= CEO duality, 1= No CEO duality	Yang & Zhao (2014) Goyal and Park (2002)
Independent Chairman	0= No independent chairman, 1= Independent chairman	Hsu, Wang & Hsu (2012)
Board Composition	Number of Independent Directors	Rashid et.al. (2010) Liu et.al. (2015)
Board Size	Number of Directors	Guest (2008)
Ownership Concentration	Highest Percentage of Shareholding by a Controlling Interest	Claessens et.al. (2000) Wang & Shailer (2015) Alimehmeti & Paletta (2012)
Leverage Level	$\frac{Total\ Liability}{Total\ Asset}$	Salim & Yadav (2012) Chang (2004)
Women on Board	Number of Women	Singh & Vinnicombe (2004)\

	Directors	Rose (2007)

Source: Developed for the research

Besides that, since this research will be using a questionnaire survey, the method of obtaining the corporate governance best practice score for each principle and the overall level of corporate governance will be displayed. An example of how corporate governance score for principle 5 will be recorded and calculated is as shown below.

Table 3.3: Example of how corporate governance score are obtained from the questionnaire survey

Principle / Respondent	Principle 5.1	Principle 5.2
Respondent 1	40%	60%
Respondent 2	80%	60%
Respondent 3	40%	80%
Average Score	53%	67%

Source: Developed for the research

As illustrated in the example above, for each of the principle in the MCCG 2012, the respondent will evaluate the level of compliance with the corporate governance principle and indicate that either the company that they are representing are having a 20%, 40%, 60%, 80% or 100% compliance with that principle in the questionnaire that are provided. After that, the level of compliance for principle will then be average in order to obtain an average CG score. The average CG score would be the level of compliance for that principle in the view of the company secretary. This process is repeated with the other 7 corporate governance principles.

3.7 Data analysis

3.7.1 Descriptive Analysis

A descriptive analysis that lists out the mean and standard deviation for the dependent and independent variables of the secondary data will be conducted. For CEO duality and independent chairman, a frequency table will be used to describe the number and percentage of companies that implemented it. For the other corporate governance variables, the mean and the standard deviation would be calculated.

3.7.2 Reliability Analysis

Besides that, an analysis of variance (ANOVA) will also be conducted in order to determine the strength of the relationship between the dependent and independent variables based on past studies of corporate governance which had employed the same method. (Ahmad & Mansur, 2012; Eric, 2011) It is also used to test the fit of the model. An ANOVA will be conducted for the secondary data obtained and if the p-value is less than 0.05, it means that the independent variable is sufficient to explain the dependent variables. Similarly, ANOVA will also be conducted for the questionnaire survey to determine if the corporate governance variables are statistically significant from one another and thus have different contribution to the overall level of compliance with corporate governance best practices.

3.7.3 Inferential Analysis

3.7.3.1 Multiple Linear Regression Analysis

Multiple linear regression attempts to model the relationship between the independent and dependent variable by fitting a linear equation to the data collected. It attempts to explain the degree and direction of the relationship between the dependent and the independent variables. It indicates that how much will the dependent variable changes when an independent variable increases by one unit, assuming that all the other independent variables remained constant. Thus, in this research, multiple linear regression analysis will be used to examine the impact of the changes in the

independent variable on the dependent variable. The regression for each of the dependent variable (TSR & ROA) is as follow:

$$TSR_n = \beta_0 + \beta_1 CEO_n + \beta_2 INEC_n + \beta_3 BC_n + \beta_4 BS_n + \beta_5 OC_n + \beta_6 LL_n + \beta_7 WOB_n$$

$$ROA_n = \beta_0 + \beta_1 CEO_n + \beta_2 INED_n + \beta_3 BC_n + \beta_4 BS_n + \beta_5 OC_n + \beta_6 LL_n + \beta_7 WOB_n$$

CEO is the existence of CEO duality;
INEC is the existence of independent chairman;
BC is the board composition;
BS is the board size;
OC is the ownership concentration; and
LL is the leverage level
WOD is the number of women directors on the Board

CHAPTER 4

RESEARCH RESULTS

4.1 Introduction

This chapter will provide a result and answer the research questions and objectives through the analysis of the primary and secondary data that are collected. This chapter consists of 2 parts. The first part is the descriptive analysis, reliability analysis and inferential analysis of the secondary data that are obtained. The second part will be the descriptive analysis of the primary data and the presentation of the results using bar and line charts.

4.2 Analysis of Secondary Data

4.2.1 Descriptive Analysis for the Independent and Dependent Variables

Table 4.0: Descriptive Statistics for TSR and ROA

		TSR		ROA	
Year	Sample	Mean	Standard Deviation	Mean	Standard Deviation
2008	178	-0.3717	0.25747	0.0431	0.9660
2009	178	0.4294	0.65193	0.0287	0.10705
2010	178	0.2410	0.45161	0.0483	0.08526
2011	178	0.0195	0.35282	0.0466	0.10850
2012	178	0.1037	0.45571	0.0442	0.09968
2013	178	0.3219	0.55477	0.0461	0.09998
2014	178	0.0697	0.56773	0.0775	0.48468
2015	178	0.1504	0.51787	0.0457	0.09584

Source: Developed for the research

The first descriptive statistics that are displayed are the means and standard deviation for TSR and ROA, which measure the company performance. Both the means and standard deviation for TSR and ROA are reported for the year 2008 to 2015 and are recorded in the table above.

Table 4.1: Descriptive Statistics for CEO Duality and Independent Chairman

		CEO Duality		Independent Chairman	
Year	Sample	Yes (%)	No (%)	Yes (%)	No (%)
2008	178	49 (27.5%)	129 (72.5%)	59 (33.1%)	119 (66.9%)
2009	178	46 (25.8%)	132 (74.2%)	65 (36.5%)	113 (63.5%)
2010	178	49 (27.5%)	129 (72.5%)	64 (36%)	114 (64%)
2011	178	48 (27.0%)	130 (73.0%)	65 (36.5%)	113 (63.5%)
2012	178	47 (26.4%)	131 (73.6%)	72 (40.5%)	106 (59.5%)
2013	178	47 (26.4%)	131(73.6%)	77 (43.3%)	101 (56.7%)
2014	178	48 (27.0%)	130 (73.0%)	78 (43.8%)	100 (56.25)
2015	178	48 (27.0%)	130 (73.0%)	81 (45.5%)	97 (54.5%)

Source: Developed for the research

The second descriptive statistics that are recorded are the independent variables, CEO duality and Independent Chairman. Since both of these variables are dummy variables, the number and percentage of companies that practice and do not practice CEO duality and Independent Chairman are reported.

Table 4.2: Descriptive Statistics for Board Composition, Board Size, Ownership Concentration and Leverage Level

		Board Composition		Board Size		Ownership Concentration		Leverage Level	
Year	Sample	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.
2008	178	3.3483	1.2314	7.8764	2.1224	0.3281	0.1601	0.3999	0.2150
2009	178	3.4157	1.2827	7.9045	2.2716	0.3238	0.1531	0.3896	0.2186
2010	178	3.4213	13475	7.7978	2.2281	0.3247	0.1581	0.3864	0.2180
2011	178	3.4551	1.1983	7.7472	2.0906	0.3274	0.1617	0.3866	002345

2012	178	3.5506	1.1742	7.7584	2.0483	0.3280	0.1652	0.3831	0.2264
2013	178	3.5169	1.0535	7.7079	2.1137	0.3122	0.1680	0.2161	0.1651
2014	178	3.5112	1.1559	7.6685	2.1907	0.3057	0.1692	0.2118	0.1648
2015	178	3.4719	1.1359	7.6404	2.0543	0.3091	0.1749	0.2023	0.1608

S.D. is the Standard Deviation

Source: Developed for the research

The descriptive statistics that are reported are for the four other independent variables, which include board composition, board size, ownership concentration and leverage level. All the means and standard deviation for the independent variables are reported for the year 2008 to 2015 and are recorded in the table above.

Table 4.3: Descriptive Statistics for Women on Board

		Women on Board	
Year	Sample	Mean	S.D.
2008	178	0.7360	0.9038
2009	178	0.7697	0.9314
2010	178	0.7528	0.930
2011	178	0.7865	0.9739
2012	178	0.8034	0.9452
2013	178	0.8876	1.0623
2014	178	0.9719	1.0600
2015	178	1.0169	1.0222

Source: Developed for the research

The descriptive statistics that is reported is for the last independent variables, which is the number of women on board. All the means and standard deviation for the independent variable is reported for the year 2008 to 2015 and are recorded in the table above.

4.2.2 Reliability Test

A reliability test is conducted to evaluate the degree to which an experiment yields consistent results each time it is conducted. The reliability test for my study will be conducted for the year 2008 to 2015. An ANOVA will thus be conducted to measure if there are any statistically significant differences in the mean for the independent variables of the model that I am employing.

4.2.2.2 Reliability Test for 2008

Table 4.4: ANOVA Results for 2008

Model		DF	Mean Square	F	Sig.
TSR	Regression	7	0.173	2.754	0.010
	Residual	170	0.063		
	Total	177			
ROA	Regression	7	0.025	2.817	0.008
	Residual	170	0.009		
	Total	177			

Independent Variables: CEO Duality, Independent Chairman, Board Composition, Board Size, Ownership Concentration, Leverage Level and Women on Board

Dependent Variables: TSR and ROA

Source: Developed for the research

Based on the table above, we could observe that both the test statistics for the overall F-test for both TSR and ROA model is 0.010 and 0.008, which are less than 0.05. Thus, the F statistic is significant for both of the model. This shows that the independent variables are able to explain the dependent variable and there is a relationship between the independent variables and company performance.

4.2.2.2 Reliability Test for 2009

Table 4.5: ANOVA Results for 2009

Model		DF	Mean Square	F	Sig.
TSR	Regression	7	0.441	1.043	0.403
	Residual	170	0.423		
	Total	177			
ROA	Regression	7	0.029	2.745	0.010
	Residual	170	0.011		
	Total	177			

Independent Variables: CEO Duality, Independent Chairman, Board Composition, Board Size, Ownership Concentration, Leverage Level and Women on Board

Dependent Variables: TSR and ROA

Source: Developed for the research

Based on the table above, we could observe that both the test statistics for the overall F-test for the ROA model is 0.010, which is less than 0.05. Thus, the F statistic is significant for the model. This shows that the independent variables are able to explain the dependent variable and there is a relationship between the independent variables and company performance. However, the overall F-test for the TSR model is 0.403, which is more than 0.1, thus indicating that this is not a good model to explain TSR as the F-test is not significant.

4.2.2.3 Reliability Test for 2010

Table 4.6: ANOVA Results for 2010

Model		DF	Mean Square	F	Sig.
TSR	Regression	7	0.299	1.498	0.171
	Residual	170	0.200		
	Total	177			
ROA	Regression	7	0.018	2.619	0.014
	Residual	170	0.007		

	Total	177			

Independent Variables: CEO Duality, Independent Chairman, Board Composition, Board Size, Ownership Concentration, Leverage Level and Women on Board

Dependent Variables: TSR and ROA

Source: Developed for the research

Based on the table above, we could observe that both the test statistics for the overall F-test for the ROA model is 0.014, which is less than 0.05. Thus, the F statistic is significant for the model. This shows that the independent variables are able to explain the dependent variable and there is a relationship between the independent variables and company performance. However, the overall F-test for the TSR model is 0.171, which is more than 0.1, thus indicating that this is not a good model to explain TSR as the F-test is not significant.

4.2.2.4 Reliability Test for 2011

Table 4.7: ANOVA Results for 2011

Model		DF	Mean Square	F	Sig.
TSR	Regression	7	0.217	1.798	0.091
	Residual	170	0.121		
	Total	177			
ROA	Regression	7	0.072	7.784	0.000
	Residual	170	0.009		
	Total	177			

Independent Variables: CEO Duality, Independent Chairman, Board Composition, Board Size, Ownership Concentration, Leverage Level and Women on Board

Dependent Variables: TSR and ROA

Source: Developed for the research

Based on the table above, we could observe that both the test statistics for the overall F-test for the ROA model is 0.000, which is less than 0.05. Thus, the F statistic is significant for the model. This shows that the independent variables are able to explain the dependent variable and there is a relationship between the independent

variables and company performance. The overall F-test for the TSR model is 0.091, which is more than 0.05 but less than 0.1. Thus, the F statistic is also significant for the model, but at the 0.1 level. This shows that the independent variables are also able to explain the dependent variable and there is a relationship between the independent variables and company performance at the 0.1 level.

4.2.2.5 Reliability Test for 2012

Table 4.8: ANOVA Results for 2012

Model		DF	Mean Square	F	Sig.
TSR	Regression	7	.174	0.832	0.562
	Residual	170	.209		
	Total	177			
ROA	Regression	7	.025	2.701	0.011
	Residual	170	.009		
	Total	177			

Independent Variables: CEO Duality, Independent Chairman, Board Composition, Board Size, Ownership Concentration, Leverage Level and Women on Board

Dependent Variables: TSR and ROA

Source: Developed for the research

Based on the table above, we could observe that both the test statistics for the overall F-test for the ROA model is 0.011, which is less than 0.05. Thus, the F statistic is significant for the model. This shows that the independent variables are able to explain the dependent variable and there is a relationship between the independent variables and company performance. However, the overall F-test for the TSR model is 0.562, which is more than 0.1, thus indicating that this is not a good model to explain TSR as the F-test is not significant.

4.2.2.6 Reliability Test for 2013

Table 4.9: ANOVA Results for 2013

Model		DF	Mean	F	Sig.

			Square		
TSR	Regression	7	0.425	1.404	0.206
	Residual	170	0.303		
	Total	177			
ROA	Regression	7	0.024	2.492	0.018
	Residual	170	0.009		
	Total	177			

Independent Variables: CEO Duality, Independent Chairman, Board Composition, Board Size, Ownership Concentration, Leverage Level and Women on Board

Dependent Variables: TSR and ROA

Source: Developed for the research

Based on the table above, we could observe that both the test statistics for the overall F-test for the ROA model is 0.018, which is less than 0.05. Thus, the F statistic is significant for the model. This shows that the independent variables are able to explain the dependent variable and there is a relationship between the independent variables and company performance. However, the overall F-test for the TSR model is 0.206, which is more than 0.1, thus indicating that this is not a good model to explain TSR as the F-test is not significant.

4.2.2.7 Reliability Test for 2014

Table 4.10: ANOVA Results for 2014

Model		DF	Mean Square	F	Sig.
TSR	Regression	7	0.835	2.771	0.009
	Residual	170	0.301		
	Total	177			
ROA	Regression	7	0.179	0.756	0.625
	Residual	170	0.237		
	Total	177			

Independent Variables: CEO Duality, Independent Chairman, Board Composition, Board Size, Ownership Concentration, Leverage Level and Women on Board

Dependent Variables: TSR and ROA

Source: Developed for the research

Based on the table above, we could observe that both the test statistics for the overall F-test for the TSR model is 0.009, which is less than 0.05. Thus, the F statistic is significant for the model. This shows that the independent variables are able to explain the dependent variable and there is a relationship between the independent variables and company performance. However, the overall F-test for the ROA model is 0.625, which is more than 0.1, thus indicating that this is not a good model to explain ROA as the F-test is not significant.

4.2.2.8 Reliability Test for 2015

Table 4.11: ANOVA Results for 2015

Model		DF	Mean Square	F	Sig.
TSR	Regression	7	0.479	1.846	0.082
	Residual	170	0.260		
	Total	177			
ROA	Regression	7	0.026	3.032	0.005
	Residual	170	0.008		
	Total	177			

Independent Variables: CEO Duality, Independent Chairman, Board Composition, Board Size, Ownership Concentration, Leverage Level and Women on Board

Dependent Variables: TSR and ROA

Source: Developed for the research

Based on the table above, we could observe that both the test statistics for the overall F-test for the ROA model is 0.005, which is less than 0.05. Thus, the F statistic is significant for the model. This shows that the independent variables are able to explain the dependent variable and there is a relationship between the independent variables and company performance. The overall F-test for the TSR model is 0.082, which is more than 0.05 but less than 0.1. Thus, the F statistic is also significant for the model, but at the 0.1 level. This shows that the independent variables are also able

to explain the dependent variable and there is a relationship between the independent variables and company performance at the 0.1 level.

4.2.3 Multiple Linear Regression Analysis

Multiple linear regressions are conducted in order predict the dependent variable based on more than one independent variables and to investigate the impact of the changes in the independent variables on the dependent variable.

4.2.3.1 Year 2008

Table 4.12: Model Summary (2008)

Model	R	R Square	Adjusted R Square
TSR	0.319	0.102	0.065
ROA	0.322	0.104	0.067

Source: Developed for the research

The R Square for the TSR model is 0.102, indicating that the 7 independent variables could explain a 10.2% variation in the dependent variable. The adjusted R Square is 0.065.

The R Square for the ROA model is 0.104, indicating that the 7 independent variables could explain a 10.4% variation in the dependent variable. The adjusted R Square is 0.067.

Table 4.13: Multiple Linear Correlation Result for TSR (2008)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
TSR	(Constant)	-0.467	0.089		-5.235	0.000
	CEO Duality	0.039	0.046	0.067	0.840	0.402
	Independent	0.079	0.044	0.144	1.799	0.074*

	Chairman					
	Board Composition	-0.030	0.020	-0.145	-1.530	0.128
	Board Size	0.014	0.012	0.116	1.224	0.223
	Ownership Concentration	0.155	0.121	0.096	1.284	0.201
	Leverage Level	-0.132	0.088	-0.112	-1.509	0.133
	Women on Board	0.049	0.022	0.172	2.219	0.028**

**. Correlation is significant at the 0.05 level (2-tailed).
*. Correlation is significant at the 0.1 level (2 tailed).

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= -0.467+0.039 CEO Duality +0.079 Independent Chairman – 0.030 Board Composition +0.014 Board Size +0.155 Ownership concentration - 0.132 Leverage Level + 0.049 Women on Board

The test statistics indicate that independent chairman and number of women on Board is statistically significant at the 0.1 and 0.05 level respectively. This indicates that are when if there is an independent chairman in the company, the company's performance in terms of its ROA will increase by 7.9%, ceteris paribus. Besides that, for every increase of one more women on the board, its ROA will increase by 4.9%, ceteris peribus. The other five variables are not statistically significant to explain TSR, ceteris peribus, as they have a p-value of more than 0.1. Besides that, there is a positive relationship between CEO duality, independent chairman, board size, ownership concentration, TSR and number of women on Board while board composition and leverage level show a negative relationship with TSR.

Table 4.14: Multiple Linear Correlation Result for ROA (2008)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std	Beta		

			Error			
ROA	(Constant)	0.022	0.033		0.665	0.507
	CEO Duality	0.011	0.017	0.051	0.642	0.522
	Independent Chairman	0.031	0.016	0.152	1.901	0.059*
	Board Composition	-0.005	0.007	-0.058	-0.615	0.539
	Board Size	0.006	0.004	0.141	1.490	0.138
	Ownership Concentration	0.035	0.045	0.058	0.779	0.437
	Leverage Level	-0.109	0.033	-0.246	-3.326	0.001**
	Women on Board	-0.001	0.008	-0.005	-0.065	0.948

**. Correlation is significant at the 0.05 level (2-tailed).
*. Correlation is significant at the 0.1 level (2 tailed).

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= 0.022+0.011 CEO Duality +0.031 Independent Chairman – 0.005 Board Composition +0.006 Board Size +0.035 Ownership concentration - 0.109 Leverage Level – 0.001 Women on Board

The test statistics indicate that independent chairman is statistically significant at the 0.1 level while leverage level is statistically significant at the 0.05 level. This indicates that are when if there is an independent chairman in the company, the company's performance in terms of its ROA will increase by 3.1%, ceteris paribus. Besides that, for every 1% increase in the leverage level of the company, its ROA will drop by 10.9%, ceteris paribus. The other five variables are not statistically significant to explain ROA, ceteris paribus, as they have a p-value of more than 0.1 Besides that, there is a positive relationship between CEO duality, independent chairman, board size, ownership concentration and ROA while board composition, leverage level and the number of women on Board show a negative relationship with ROA.

4.2.3.2 Year 2009

Table 4.15: Model Summary (2009)

Model	R	R Square	Adjusted R Square
TSR	0.203	0.041	0.002
ROA	0.319	0.102	0.065

Source: Developed for the research

The R Square for the TSR model is 0.002, indicating that the 7 independent variables could explain a 4.1% variation in the dependent variable. The adjusted R Square is 0.002.

The R Square for the ROA model is 0.102, indicating that the 7 independent variables could explain a 10.2% variation in the dependent variable. The adjusted R Square is 0.065.

Table 4.16: Multiple Linear Correlation Result for TSR (2009)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
TSR	(Constant)	0.576	0.226		2.546	0.012
	CEO Duality	-0.096	0.115	-0.065	-0.837	0.404
	Independent Chairman	-0.169	0.106	-0.125	-1.592	0.113
	Board Composition	0.020	0.050	0.039	0.393	0.695
	Board Size	0.016	0.028	0.054	0.551	0.582
	Ownership Concentration	-0.484	0.329	-0.114	-1.473	0.143
	Leverage Level	-0.014	0.232	-0.005	-0.060	0.952
	Women on Board	-0.058	0.056	-0.083	-1.041	0.299

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= 0.576-0.096 CEO Duality -0.0169 Independent Chairman +0.020 Board Composition +0.016 Board Size -0.484 Ownership concentration - 0.014 Leverage Level – 0.058 Women on Board

The test statistics shows that all the variables are not statistically significant to explain TSR, ceteris peribus, as they have a p-value of more than 0.1. Besides that, there is a positive relationship between board composition, board size and TSR while CEO duality, independent chairman, ownership concentration, leverage level and number of women on Board show a negative relationship with TSR.

Table 4.17: Multiple Linear Correlation Result for ROA (2009)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
ROA	(Constant)	-0.058	0.036		-1.615	0.108
	CEO Duality	0.014	0.018	0.059	0.789	0.431
	Independent Chairman	-0.021	0.017	-0.094	-1.234	0.219
	Board Composition	-0.003	0.008	-0.034	-0.356	0.723
	Board Size	0.009	0.004	0.189	1.986	0.049**
	Ownership Concentration	0.128	0.052	0.182	2.437	0.016**
	Leverage Level	-0.059	0.037	-0.119	-1.584	0.115
	Women on Board	0.007	0.009	0.057	0.738	0.461

**. Correlation is significant at the 0.05 level (2-tailed).

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= -0.058+0.014 CEO Duality -0.021 Independent Chairman – 0.003 Board Composition +0.009 Board Size +0.128 Ownership concentration - 0.059 Leverage Level + 0.007 Women on Board

The test statistics indicate that board size and ownership concentration are statistically significant at the 0.05 level. This indicated that for every increase of one more member on the board, its ROA will increase by 0.9%, ceteris peribus. Besides that, for every 1% increase in the ownership concentration of the company, its ROA will increase by 12.8%, ceteris paribus. The other five variables are not statistically significant to explain ROA, ceteris paribus, as they have a p-value of more than 0.1. Besides that, there is a positive relationship between CEO duality, board size, ownership concentration, number of women on Board and ROA while independent chairman, board composition and leverage level show a negative relationship with ROA.

4.2.3.3 Year 2010

Table 4.18: Model Summary (2010)

Model	R	R Square	Adjusted R Square
TSR	0.241	0.058	0.019
ROA	0.312	0.097	0.060

Source: Developed for the research

The R Square for the TSR model is 0.058, indicating that the 7 independent variables could explain a 5.8% variation in the dependent variable. The adjusted R Square is 0.019.

The R Square for the ROA model is 0.097, indicating that the 7 independent variables could explain a 9.7% variation in the dependent variable. The adjusted R Square is 0.060.

Table 4.19: Multiple Linear Correlation Result for TSR (2010)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
TSR	(Constant)	0.113	0.169		0.664	0.507
	CEO Duality	-0.024	0.078	-0.024	-0.307	0.759
	Independent Chairman	-0.100	0.072	-0.106	-1.383	0.168
	Board Composition	0.052	0.034	0.157	1.565	0.120
	Board Size	-0.009	0.021	-0.047	-0.463	0.644
	Ownership Concentration	0.349	0.218	0.122	1.602	0.111
	Leverage Level	0.072	0.159	0.035	0.457	0.648
	Women on Board	-0.084	0.039	-0.174	-2.163	0.032**

**. Correlation is significant at the 0.05 level (2-tailed).

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= 0.113-0.024 CEO Duality -0.100 Independent Chairman +0.052 Board Composition -0.009 Board Size +0.349 Ownership concentration +0.072 Leverage Level – 0.084 Women on Board

The test statistics indicate that number of women on Board is statistically significant at the 0.05 level. This indicates that for every increase of one more women director on the board, its TSR will decrease by 8.4%, ceteris peribus. The other six variables are not statistically significant to explain TSR, ceteris peribus, as they have a p-value of more than 0.1. Besides that, there is a positive relationship between board composition, ownership concentration, leverage level and TSR while CEO duality, independent chairman, board size and number of women on Board show a negative relationship with TSR.

Table 4.20: Multiple Linear Correlation Result for ROA (2010)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
ROA	(Constant)	-0.005	0.031		-0.151	0.880
	CEO Duality	0.014	0.014	0.073	0.967	0.335
	Independent Chairman	0.021	0.013	0.121	1.602	0.111
	Board Composition	-0.005	0.006	-0.083	-0.845	0.399
	Board Size	0.008	0.004	0.202	2.042	0.043**
	Ownership Concentration	0.060	0.040	0.112	1.496	0.136
	Leverage Level	-0.071	0.029	-0.181	-2.418	0.017**
	Women on Board	0.001	0.007	0.011	0.140	0.889

**. Correlation is significant at the 0.05 level (2-tailed).

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= -0.005+0.014 CEO Duality +0.021 Independent Chairman – 0.005 Board Composition +0.008 Board Size +0.060 Ownership concentration - 0.071 Leverage Level + 0.001 Women on Board

The test statistics indicate that board size and leverage level are statistically significant at the 0.05 level. This indicated that for every increase of one more member on the board, its ROA will increase by 0.8%, ceteris peribus. Besides that, for every 1% increase in the leverage level of the company, its ROA will drop by 7.1%, ceteris paribus. The other five variables are not statistically significant to explain ROA, ceteris paribus, as they have a p-value of more than 0.1 Besides that, there is a positive relationship between CEO duality, independent chairman, board size,

ownership concentration, number of women on Board and ROA while board composition and leverage level show a negative relationship with ROA.

4.2.3.4 Year 2011

Table 4.21: Model Summary (2011)

Model	R	R Square	Adjusted R Square
TSR	0.263	0.069	0.031
ROA	0.493	0.243	0.212

Source: Developed for the research

The R Square for the TSR model is 0.069, indicating that the 7 independent variables could explain a 6.9% variation in the dependent variable. The adjusted R Square is 0.031.

The R Square for the ROA model is 0.243, indicating that the 7 independent variables could explain a 24.3% variation in the dependent variable. The adjusted R Square is 0.212.

Table 4.22: Multiple Linear Correlation Result for TSR (2011)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
TSR	(Constant)	0.072	0.120		0.602	0.548
	CEO Duality	-0.197	0.066	-0.249	-2.971	0.003**
	Independent Chairman	0.117	0.060	0.160	1.935	0.055*
	Board Composition	-0.005	0.027	-0.017	-0.186	0.853
	Board Size	-0.003	0.016	-0.017	-0.182	0.856
	Ownership	-0.018	0.165	-0.008	-0.109	0.914

	Concentration					
	Leverage Level	0.233	0.114	0.155	2.039	0.043**
	Women on Board	0.006	0.029	0.016	0.200	0.842

**. Correlation is significant at the 0.05 level (2-tailed).

*. Correlation is significant at the 0.1 level (2 tailed).

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= 0.072-0.197 CEO Duality +0.117 Independent Chairman -0.005 Board Composition -0.003 Board Size -0.018 Ownership concentration +0.233 Leverage Level + 0.006 Women on Board

The test statistics indicate that CEO duality and leverage level is statistically significant at the 0.05 level while independent chairman is statistically significant at the 0.1 level. This indicates that if there is no CEO duality in the company, its TSR will decrease by 19.7%, ceteris peribus. Besides that, if there is an independent chairman in the Company, its TSR will increase by 11.7%, ceteris peribus. Besides that, for every 1% increase in the leverage level of the company, its ROA will increase by 23.3%, ceteris paribus. The other four variables are not statistically significant to explain TSR, ceteris peribus, as they have a p-value of more than 0.1. Besides that, there is a positive relationship between independent chairman, leverage level, number of women on Board and TSR while CEO duality, board composition, board size and ownership concentration show a negative relationship with TSR.

Table 4.23: Multiple Linear Correlation Result for ROA (2011)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
ROA	(Constant)	0.008	0.033		0.231	0.817
	CEO Duality	-0.025	0.018	-0.104	-1.377	0.170

	Independent Chairman	0.038	0.017	0.168	2.255	0.025**
	Board Composition	-0.002	0.007	-0.020	-0.238	0.813
	Board Size	0.013	0.004	0.249	2.883	0.004**
	Ownership Concentration	0.072	0.046	0.108	1.581	0.116
	Leverage Level	-0.179	0.032	-0.387	-5.662	0.000**
	Women on Board	-0.006	0.008	-0.056	-0.762	0.447

**. Correlation is significant at the 0.05 level (2-tailed).

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= 0.008-0.025 CEO Duality +0.038 Independent Chairman – 0.002 Board Composition +0.013 Board Size +0.072 Ownership concentration - 0.179 Leverage Level – 0.006 Women on Board

The test statistics indicate that independent chairman, board size and leverage level are statistically significant at the 0.05 level. When there is an independent chairman in the Company, its ROA will increase by 3.8%, ceteris peribus. Besides that, for every increase of one more member on the board, its ROA will increase by 1.3%, ceteris peribus. Furthermore, for every 1% increase in the leverage level of the company, its ROA will drop by 17.9%, ceteris paribus. The other four variables are not statistically significant to explain ROA, ceteris paribus, as they have a p-value of more than 0.1 Besides that, there is a positive relationship between independent chairman, board size, ownership concentration and ROA while CEO duality, board composition leverage level and number of women on Board shows a negative relationship with ROA.

4.2.3.5 Year 2012

Table 4.24: Model Summary (2012)

Model	R	R Square	Adjusted R Square
TSR	0.182	0.033	-0.007
ROA	0.316	0.100	0.063

Source: Developed for the research

The R Square for the TSR model is 0.033, indicating that the 7 independent variables could explain a 3.3% variation in the dependent variable. The adjusted R Square is -0.007.

The R Square for the ROA model is 0.100, indicating that the 7 independent variables could explain a 10.0% variation in the dependent variable. The adjusted R Square is 0.063.

Table 4.25: Multiple Linear Correlation Result for TSR (2012)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
TSR	(Constant)	0.142	0.160		0.887	0.376
	CEO Duality	0.103	0.090	0.100	1.146	0.254
	Independent Chairman	0.071	0.079	0.076	0.890	0.375
	Board Composition	-0.014	0.037	-0.036	-0.381	0.704
	Board Size	-0.011	0.022	-0.049	-0.491	0.624
	Ownership Concentration	0.070	0.212	0.025	0.330	0.742
	Leverage Level	-0.175	0.161	-0.087	-1.088	0.278
	Women on Board	0.044	0.040	0.091	1.086	0.279

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= 0.142+0.103 CEO Duality +0.071 Independent Chairman -0.014 Board Composition -0.011 Board Size +0.070 Ownership concentration -0.175 Leverage Level + 0.044 Women on Board

The test statistics shows that all the variables are not statistically significant to explain TSR, ceteris peribus, as they have a p-value of more than 0.1. Besides that, there is a positive relationship between CEO duality, independent chairman, ownership concentration, number of women on Board and TSR while board composition, board size and leverage level show a negative relationship with TSR.

Table 4.26: Multiple Linear Correlation Result for ROA (2012)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
ROA	(Constant)	-0.041	0.034		-1.200	0.232
	CEO Duality	0.018	0.019	0.082	0.975	0.331
	Independent Chairman	0.031	0.017	0.151	1.823	0.070*
	Board Composition	-0.013	0.008	-0.155	-1.699	0.091*
	Board Size	0.012	0.005	0.247	2.581	0.011**
	Ownership Concentration	0.058	0.045	0.096	1.290	0.199
	Leverage Level	-0.028	0.034	-0.063	-0.823	0.411
	Women on Board	0.005	0.008	0.046	0.577	0.565

**. Correlation is significant at the 0.05 level (2-tailed).
*. Correlation is significant at the 0.1 level (2 tailed).

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= -0.041+0.018 CEO Duality +0.031 Independent Chairman – 0.013 Board Composition +0.012 Board Size +0.058 Ownership concentration - 0.028 Leverage Level + 0.005 Women on Board

The test statistics indicate that independent chairman and board composition are statistically significant at the 0.1 level while board size is statistically significant at the 0.05 level. This shows that when there is an independent chairman in the Company, its ROA will increase by 3.1%, ceteris peribus. Besides that, for every increase of one more member on the board, its ROA will increase by 1.2%, ceteris peribus. However, for every increase of independent director in the company, the ROA will falls by 1.3%, ceteris peribus. The other four variables are not statistically significant to explain ROA, ceteris paribus, as they have a p-value of more than 0.1 Besides that, there is a positive relationship between CEO duality, independent chairman, board size, ownership concentration, number of women on Board and ROA while board composition and leverage level show a negative relationship with ROA.

4.2.3.6 Year 2013

Table 4.27: Model Summary (2013)

Model	R	R Square	Adjusted R Square
TSR	0.234	0.055	0.016
ROA	0.305	0.093	0.056

Source: Developed for the research

The R Square for the TSR model is 0.055, indicating that the 7 independent variables could explain a 5.5% variation in the dependent variable. The adjusted R Square is 0.016.

The R Square for the ROA model is 0.093, indicating that the 7 independent variables could explain a 9.3% variation in the dependent variable. The adjusted R Square is 0.056.

Table 4.28: Multiple Linear Correlation Result for TSR (2013)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
TSR	(Constant)	0.648	0.193		3.363	0.001
	CEO Duality	0.104	0.103	0.083	1.005	0.316
	Independent Chairman	-0.059	0.092	-0.053	-0.646	0.519
	Board Composition	-0.087	0.046	-0.166	-1.885	0.061*
	Board Size	-0.003	0.025	-0.013	-0.130	0.897
	Ownership Concentration	0.180	0.249	0.055	0.724	0.470
	Leverage Level	-0.297	0.257	-0.089	-1.159	0.248
	Women on Board	-0.041	0.044	-0.078	-0.931	0.353

*. Correlation is significant at the 0.1 level (2 tailed).

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= 0.648+0.104 CEO Duality -0.059 Independent Chairman -0.087 Board Composition - 0.003 Board Size +0.180 Ownership concentration -0.297 Leverage Level – 0.041 Women on Board

The test statistics indicate that board composition is statistically significant at the 0.1 level. This indicates that for every increase of one more independent director on the board, its TSR will decrease by 8.7%, ceteris peribus. The other six variables are not statistically significant to explain TSR, ceteris peribus, as they have a p-value of more

than 0.1. Besides that, there is a positive relationship between CEO duality, ownership concentration and TSR while, independent chairman, board composition, board size leverage level and number of women on Board show a negative relationship with TSR.

Table 4.29: Multiple Linear Correlation Result for ROA (2013)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
ROA	(Constant)	-0.021	0.034		-0.607	0.545
	CEO Duality	0.044	0.018	0.195	2.419	0.017**
	Independent Chairman	0.008	0.016	0.040	0.493	0.622
	Board Composition	-0.007	0.008	-0.073	-0.844	0.400
	Board Size	0.005	0.004	0.106	1.117	0.265
	Ownership Concentration	0.081	0.044	0.137	1.852	0.066*
	Leverage Level	-0.075	0.045	-0.124	-1.662	0.098*
	Women on Board	0.008	0.008	0.089	1.076	0.283

**. Correlation is significant at the 0.05 level (2-tailed).
*. Correlation is significant at the 0.1 level (2 tailed).

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= -0.021+0.044 CEO Duality +0.008 Independent Chairman – 0.007 Board Composition +0.005 Board Size +0.081 Ownership concentration - 0.075 Leverage Level + 0.008 Women on Board

The test statistics indicate that CEO duality is statistically significant at the 0.05 level while ownership concentration and leverage level are statistically significant at the 0.1 level. This shows that when there is no CEO duality in the Company, its ROA will

increase by 4.4%, ceteris peribus. Furthermore, for every increase 1% increase in the ownership concentration in the company, the ROA will increase by 8.1%, ceteris peribus. Lastly, for every 1% increase in the leverage level of the company, its ROA will drop by 7.5%, ceteris paribus. The other four variables are not statistically significant to explain ROA, ceteris paribus, as they have a p-value of more than 0.1 Besides that, there is a positive relationship between CEO duality, independent chairman, board size, ownership concentration, number of women on Board and ROA while board composition and leverage level show a negative relationship with ROA.

4.2.3.7 Year 2014

Table 4.30: Model Summary (2014)

Model	R	R Square	Adjusted R Square
TSR	0.320	0.102	0.065
ROA	0.174	0.030	0-.010

Source: Developed for the research

The R Square for the TSR model is 0.102, indicating that the 7 independent variables could explain a 10.2% variation in the dependent variable. The adjusted R Square is 0.065.

The R Square for the ROA model is 0.030, indicating that the 7 independent variables could explain a 3.0% variation in the dependent variable. The adjusted R Square is -0.010.

Table 4.31: Multiple Linear Correlation Result for TSR (2014)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
TSR	(Constant)	0.782	0.180		4.350	0.000
	CEO Duality	-0.100	0.101	-0.079	-0.993	0.322

	Independent Chairman	-0.142	0.091	-0.124	-1.558	0.121
	Board Composition	-0.011	0.045	-0.022	-.247	0.805
	Board Size	-0.071	0.026	-0.273	-2.699	0.008**
	Ownership Concentration	-0.030	0.249	-0.009	-0.121	0.904
	Leverage Level	-0.147	0.256	-0.043	-0.574	0.566
	Women on Board	0.046	0.044	0.086	1.038	0.301

**. Correlation is significant at the 0.05 level (2-tailed).

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= 0.782-0.100 CEO Duality -0.142 Independent Chairman -0.011 Board Composition - 0.071 Board Size -0.030 Ownership concentration -0.147 Leverage Level + 0.046 Women on Board

The test statistics indicate that board size is statistically significant at the 0.05 level. This indicates that for every increase of one more director on the board, its TSR will decrease by 7.1%, ceteris peribus. The other six variables are not statistically significant to explain TSR, ceteris peribus, as they have a p-value of more than 0.1. Besides that, all the independent variables except the number of women on Board show a negative relationship with TSR.

Table 4.32: Multiple Linear Correlation Result for ROA (2014)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
ROA	(Constant)	0.211	0.159		1.323	0.188
	CEO Duality	0.040	0.090	0.037	0.450	0.654
	Independent	0.085	0.081	0.087	1.052	0.294

	Chairman					
	Board Composition	-0.047	0.040	-0.112	-1.190	0.236
	Board Size	0.004	0.023	0.018	0.168	0.867
	Ownership Concentration	-0.046	0.221	-0.016	-0.209	0.835
	Leverage Level	-0.217	0.227	-0.074	-0.954	0.341
	Women on Board	-0.004	0.039	-0.010	-0.113	0.910

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= 0.211+0.040 CEO Duality +0.085 Independent Chairman – 0.047 Board Composition +0.004 Board Size -0.046 Ownership concentration - 0.217 Leverage Level - 0.004 Women on Board

The test statistics indicate that all the seven variables are not statistically significant to explain TSR, ceteris peribus, as they have a p-value of more than 0.1. Besides that, there is a positive relationship between CEO duality, independent chairman, board size and ROA while board composition, ownership concentration, leverage level and number of women on Board show a negative relationship with ROA.

4.2.3.8 Year 2015

Table 4.33: Model Summary (2015)

Model	R	R Square	Adjusted R Square
TSR	0.266	0.071	0.032
ROA	0.333	0.111	0.074

Source: Developed for the research

The R Square for the TSR model is 0.071, indicating that the 7 independent variables could explain a 7.1% variation in the dependent variable. The adjusted R Square is 0.032.

The R Square for the ROA model is 0.111, indicating that the 7 independent variables could explain a 11.1% variation in the dependent variable. The adjusted R Square is 0.074.

Table 4.34: Multiple Linear Correlation Result for TSR (2015)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
TSR	(Constant)	0.236	0.173		1.369	0.173
	CEO Duality	0.067	0.092	0.057	0.725	0.469
	Independent Chairman	0.153	0.084	0.147	1.824	0.070*
	Board Composition	-0.090	0.042	-0.198	-2.156	0.032**
	Board Size	0.017	0.025	0.069	0.695	0.488
	Ownership Concentration	0.065	0.223	0.022	0.293	0.770
	Leverage Level	-0.376	0.248	-0.117	-1.519	0.131
	Women on Board	0.032	0.042	0.064	0.777	0.438

**. Correlation is significant at the 0.05 level (2-tailed).

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= 0.236+ 0.067 CEO Duality +0.153 Independent Chairman -0.090 Board Composition + 0.017 Board Size + 0.065 Ownership concentration -0.376 Leverage Level + 0.032 Women on Board

The test statistics indicate that board composition is statistically significant at the 0.05 level and independent chairman is statistically significant at the 0.1 level. When there is an independent chairman on the Board, its TSR will increase by 7.0%, ceteris peribus. This indicates that for every increase of one more independent director on the board, its TSR will decrease by 9.0%, ceteris peribus. The other five variables are not statistically significant to explain TSR, ceteris peribus, as they have a p-value of more than 0.1. Besides that, there is a positive relationship between CEO duality, independent chairman, board size, ownership concentration, number of women on Board and TSR while board composition and leverage level show a negative relationship with TSR.

Table 4.35: Multiple Linear Correlation Result for ROA (2015)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std Error	Beta		
ROA	(Constant)	-0.035	0.031		-1.118	0.265
	CEO Duality	0.039	0.017	0.183	2.370	0.019**
	Independent Chairman	0.019	0.015	0.099	1.250	0.213
	Board Composition	-0.010	0.008	-0.120	-1.338	0.183
	Board Size	0.008	0.005	0.176	1.810	0.072*
	Ownership Concentration	0.077	0.040	0.140	1.910	0.058*
	Leverage Level	-0.067	0.045	-0.113	-1.499	0.136
	Women on Board	0.006	0.008	0.063	0.786	0.433

**. Correlation is significant at the 0.05 level (2-tailed).
*. Correlation is significant at the 0.1 level (2 tailed).

Source: Developed for the research

The regression equation for the above model is as follow:

TSR= -0.035+0.039 CEO Duality +0.019 Independent Chairman – 0.010 Board Composition +0.008 Board Size +0.077 Ownership concentration - 0.067 Leverage Level + 0.006 Women on Board

The test statistics indicate that CEO duality is statistically significant at the 0.05 level while ownership concentration and board size are statistically significant at the 0.1 level. This shows that when there is no CEO duality in the Company, its ROA will increase by 3.9%, ceteris peribus. Besides that, for every increase of one more member in the board, its ROA will increase by 0.8%, ceteris peribus. Furthermore, for every increase 1% increase in the ownership concentration in the company, the ROA will increase by 6.7%, ceteris peribus. The other four variables are not statistically significant to explain ROA, ceteris paribus, as they have a p-value of more than 0.1 Besides that, there is a positive relationship between CEO duality, independent chairman, board size, ownership concentration, number of women on Board and ROA while board composition and leverage level show a negative relationship with ROA.

4.3 Analysis of Primary Data

4.3.1 Introduction

This section would consist of two parts. The first part would be a short discussion on the characteristics of the respondents and would be presented in a table form. The second part would be a presentation of the results obtained from the questionnaire with table and bar charts used to present the corporate governance score from the company secretary perspective for each of the principle in the MCCG2012.

4.3.2 Sample profile analysis

Table 4.36: Descriptive statistics for Respondent Gender

Gender	Frequency	Percentage
Male	12	25%
Female	36	75%
Total	48	100%

Source: Developed for the research

The table above shows that there is an unequal distribution in the gender of the respondent, with 12 males and 36 females, which represent 25% and 75% respectively of the total sample.

Table 4.37: Descriptive statistics for Education Background

Education Background	Frequency	Percentage
MAICSA	33	68.75%
ICSA	6	12.5%
Lawyer	3	6.25%
MAC	2	4.17%
LS	1	2.1%
MICPA	2	4.17%
Accounting	1	2.1%
Total	48	100%

Source: Developed for the research

The statistics in the table above indicates that a majority of the respondents obtain MAICSA qualification, representing 68.75% of the total sample. This is followed by ICSA qualification, with 12.5% of the respondent holding this qualification. 6.25% of our respondent is lawyers followed by two MAC and MICPA holder. Lastly, LS and accounting holder is the minority, consisting of only one each among our respondent.

Table 4.38: Descriptive statistics for Company Background

Company Background	Frequency	Percentage
Stand-alone Company	9	18.75%
Subsidiary of family-owned business	1	2.1%
Subsidiary of business not controlled by families	8	16.67%
Holding Company of family-based business group	19	39.58%
Holding Company not controlled by family	11	22.92%
Total	48	100%

Source: Developed for the research

The table above indicates that the company background among the respondents is mostly holding company, where family-based business group consists of 39.58% of the respondents while holding company not controlled by family consists of 22.92% of the respondents. Besides that, 18.75% of the respondent is a stand-alone company. This indicates that most of the public listed companies in our sample are able to have their own choice regarding the level of corporate governance to be implemented in the companies. Besides that, subsidiary of business not controlled by families represents 16.67% of the sample, while subsidiary of family-owned business represents 2.1% of the sample.

Table 4.39: Descriptive statistics for Level of Foreign Investment

Level of Foreign Investment	Frequency	Percentage
No foreign investment	12	25%
<30% foreign ownership	27	56.25%

<50% foreign ownership	4	8.33%
Substantial foreign ownership	1	2.1%
Subsidiary of foreign	4	8.33%
Total	48	100%

Source: Developed for the research

The statistics show that most of our respondents do not have a high level of foreign investment, with 25% having no foreign investment, 56.25% having less than 30% foreign investment and 8.3% having less than 50% foreign investment. Only 2.1% have a substantial foreign ownership while 8.3% is a subsidiary of foreign company. This could indicate that the corporate governance measure undertaken by the companies is not due to the influence by foreign owners and their practices, but the efforts by the companies themselves to incorporate corporate governance into their practice.

Table 4.40: Descriptive statistics for Influence Level

Influence Level	**Frequency**	**Percentage**
Largest Shareholder	35	72.92%
Several bulk shareholder	4	8.33%
No particular shareholder	9	18.75%
Others	0	0%
Total	48	100%

Source: Developed for the research

The table above shows that most of the companies are influenced by the largest shareholders while 8.33% of them are influenced by several bulk shareholders. Only 18.75% of the respondents are not influenced by any particular shareholder. This is important as having the largest shareholder or several bulk shareholders exerting an influence in the company would help to promote better corporate governance in the

company as it would ultimately be beneficial to the shareholders if the managers and directors act in the company's best interest.

Table 4.41: Descriptive statistics for Labour Union

Labour Union	Frequency	Percentage
Yes	2	4.17%
No	46	95.83%
Total	48	100%

Source: Developed for the research

The table above shows that there is an unequal distribution in the existence of labour union, with only one company has a labour union while the other do not, which represent 4.17% and 95.83% respectively of the total sample. This indicates that there is no pressure from the labour union for corporate governance best practices to be implemented.

4.3.3 Corporate Governance Score

This chapter would now present the level of corporate governance best practices in public listed companies from a company secretary perspective based on the eight principles of MCCG2012 and the questionnaire completed by the respondents.

Principle 1: Establish clear role and responsibility

Table 4.42: Average Level of Compliance for Principle 1

Principle	Principle 1.1	Principle 1.2	Principle 1.3	Principle 1.4	Principle 1.5	Principle 1.6	Principle 1.7
Average Score	79%	83%	82%	77%	81%	90%	85%

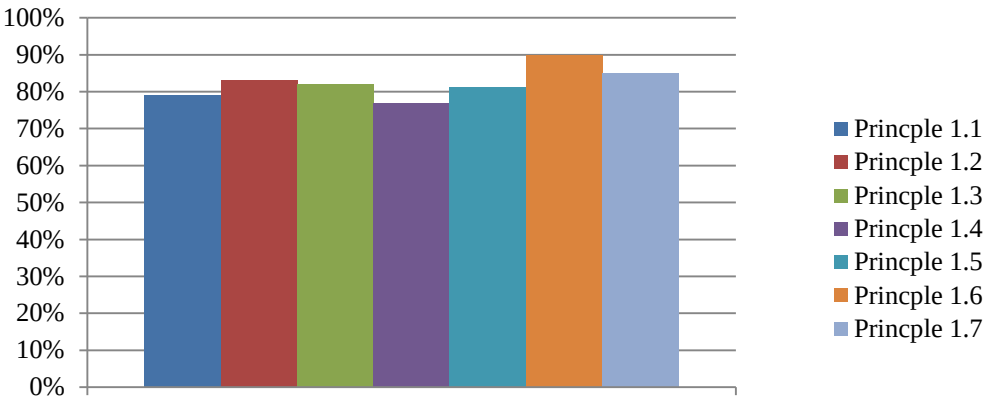


Chart 4.1 : Principle 1

Source: Developed for the research

Based on the chart above, it is observed that from the view of the company secretary, the highest level of compliance among public listed companies (PLCs) is principle 1.6, where the board has ensured that it is supported by a suitably qualified company secretary, which has an average of 90% compliant among the PLCS. This is followed by principle 1.7, where the board has formalized, periodically reviews and made public its board charter, which has an average of 85% compliant. Both principle 1.2 and 1.3 has an average 79% and 83% level of compliant in the view of the company secretaries, indicating that the company does establish clear role and responsibility together with a formalized ethical standards through a code of conduct. Principle 1.5 also has a high average score of 81%, which shows that the company has done its part in allowing its members access to information and advice. Lastly, both principle 1.1 and 1.4 has an average compliant level of 79% and 77%, showing that in the view of company secretary, there is still room of improvement for distinguishing between the role of the board and management and strategies for sustainability.

Principle 2: Strengthen Composition

Table 4.43: Average Level of Compliance for Principle 2

Principle	Principle 2.1	Principle 2.2	Principle 2.3
Average	91%	85%	81%

Score			

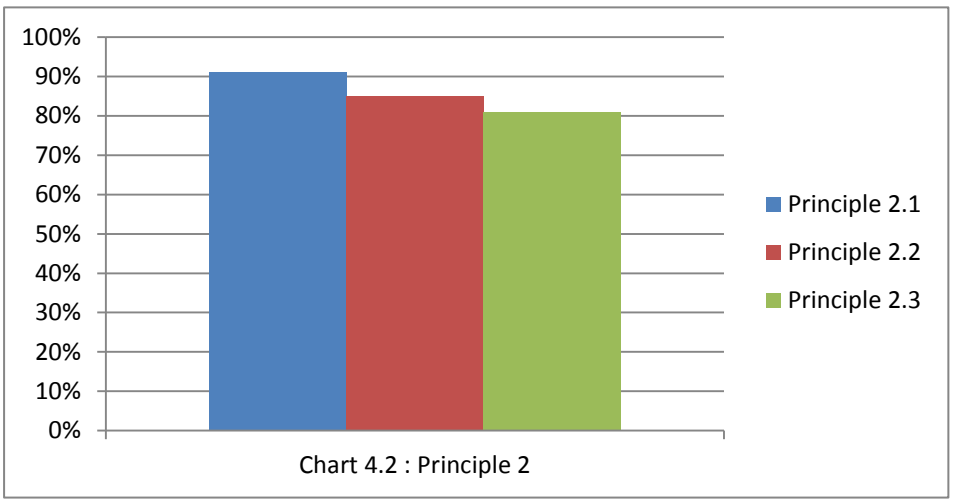


Chart 4.2 : Principle 2

Source: Developed for the research

The chart above indicates that from the view of company secretary, principle 2.1 has the highest level of compliance, with an average of 91% compliant, indicating that most of the Nominating Committee of PLCs comprise exclusively of non-executive directors. This is followed by principle 2.2, in which the Nominating Committee has an average 85% compliance when developing, maintaining and reviewing the criteria in the recruitment process and annual assessments of directors. Lastly, the Company Secretary is in the view that the Company has an 81% compliant when establishing formal and transparent remuneration policies, which has the most room for improvement among principle 2.

Principle 3: Reinforce Independence

Table 4.44: Average Level of Compliance for Principle 3

Principle	Principle 3.1	Principle 3.2	Principle 3.3	Principle 3.4	Principle 3.5
Average Score	88%	80%	83%	78%	64%

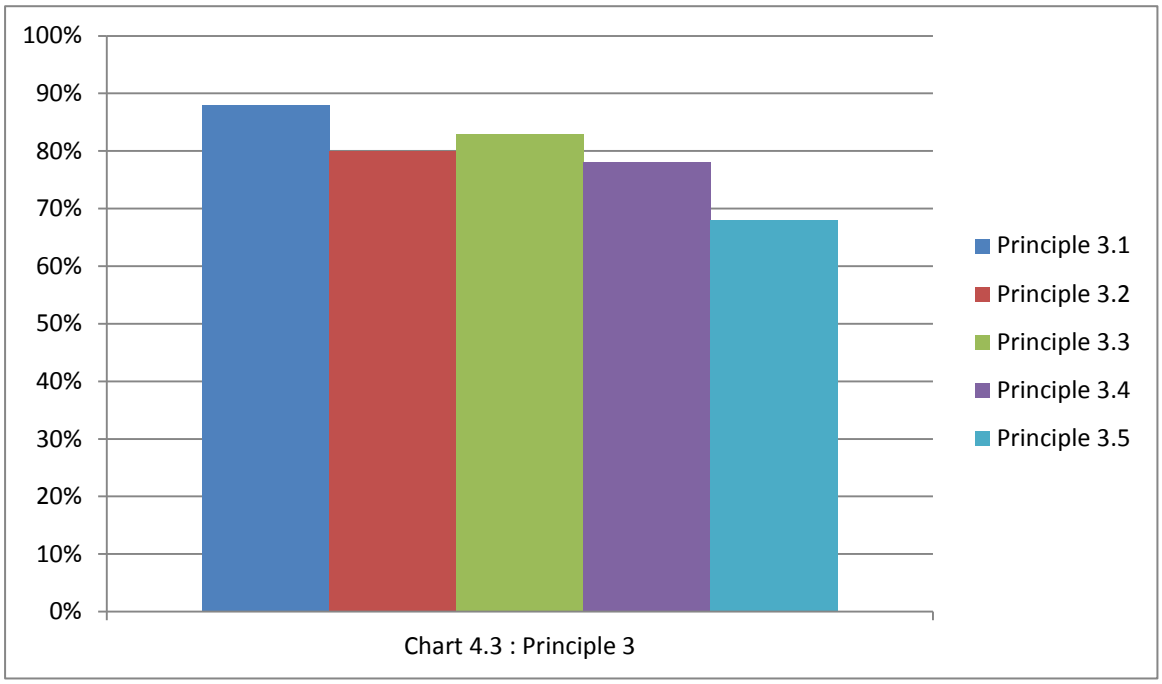


Chart 4.3 : Principle 3

Source: Developed for the research

The chart above shows that the Company Secretary is in the view that the PLCs have a 88% level of compliant in principle 3.1, where it undertakes an assessment of its independent directors. This is followed by 80% and 83% compliant in principle 3.2 and 3.3 respectively, where most of the independent directors do not exceed a tenure of nine years and in the event that a PLC wish to retain a director that has serve in that capacity for more than nine years as independent director, shareholders' approval are sought. However, in the view of the company secretary, principle 3.4 obtain a moderate compliant of 78%, in which some PLCs chairman and CEO are held by the same individual. Lastly, principle 3.5 obtains the lowest average of 64%, which shows that a significant minority of PLCs do not have a majority of independent directors when the chairman of the board is not an independent director.

Principle 4, 5 and 6: Foster Commitment, Uphold Integrity in Financial Reporting and Recognize and Manage Risk

Table 4.45: Average Level of Compliance for Principle 4, 5 and 6

Principle	Principle 4.1	Principle 4.2	Principle 5.1	Principle 5.2	Principle 6.1	Principle 6.2
Average Score	80%	83%	86%	80%	81%	88%

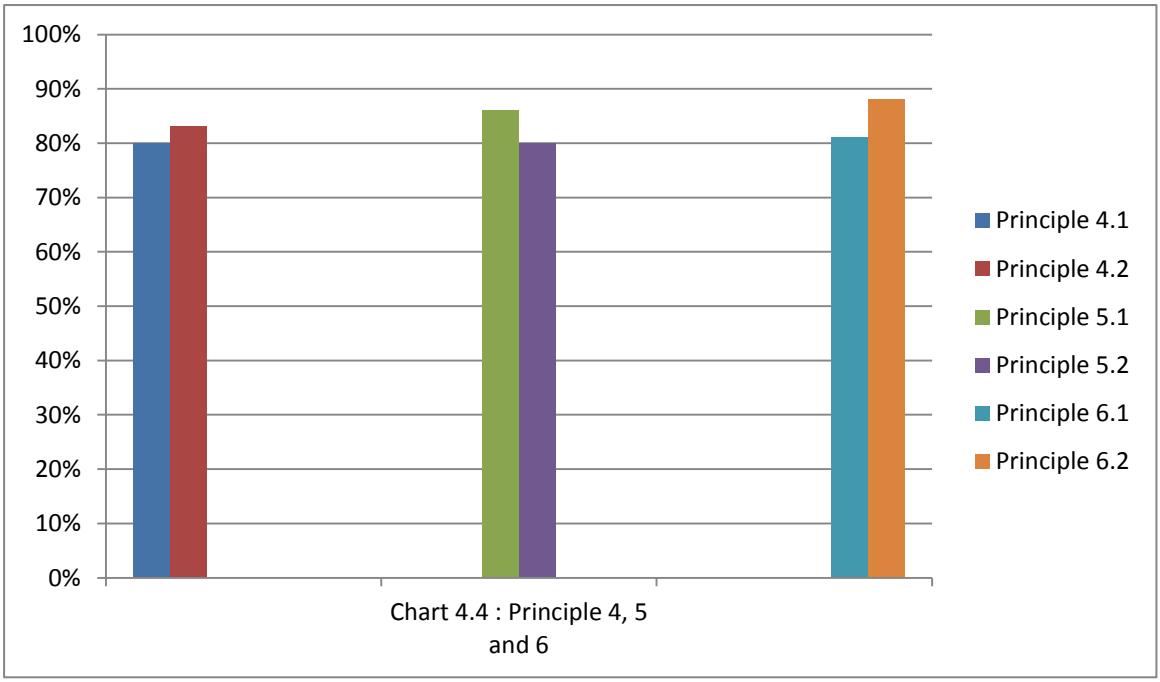


Chart 4.4 : Principle 4, 5 and 6

Source: Developed for the research

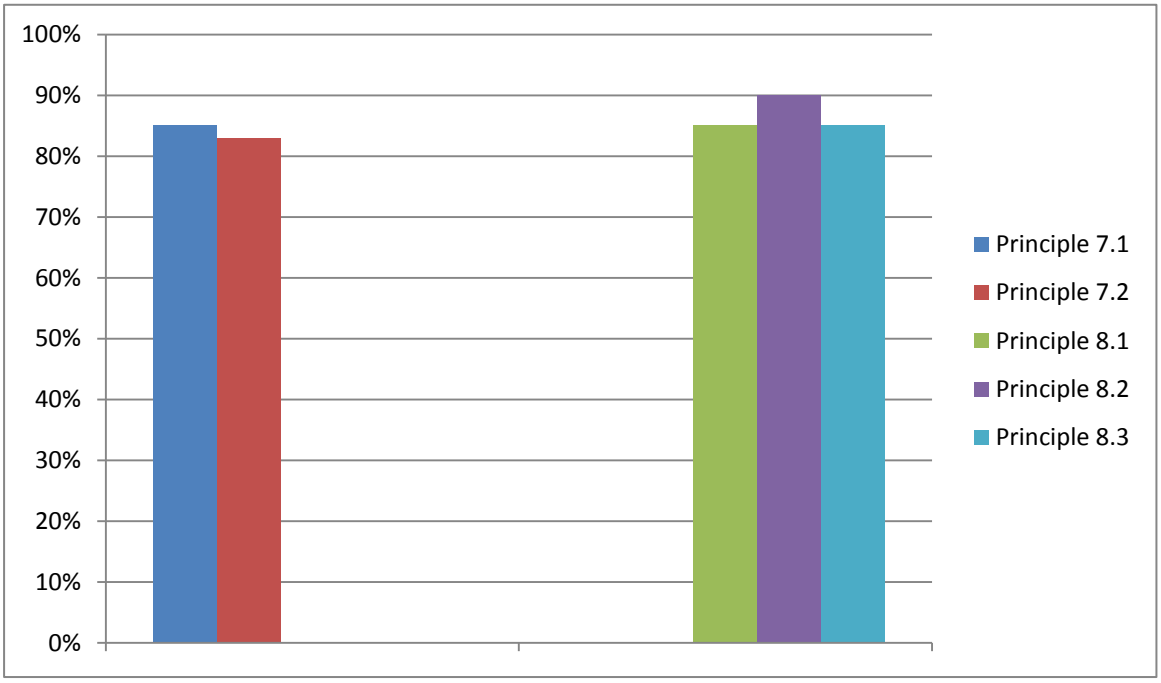
The chart above shows the company secretary view on the compliance level of the three different principles of the MCCG2012. Firstly, the company secretary views that the board has 80% compliance for principle 4.1, thus indicating that a large majority of board sets expectations on time commitment for its members and protocols to accept new members. The board also has a higher compliant level of 83% in principle 4.2, where the board does ensures that its member has access to appropriate education program. Secondly, the Company Secretary views that on average, for principle 5.1,

the Audit Committee has an 86% compliant when ensuring that financial statement comply with applicable financial reporting standards. When it comes to principle 5.2, which evaluates policies and procedures to access the suitability and independence of external auditors, the Audit Committee has a lower compliance level of 80%. Lastly, the board is viewed to have an 81% compliance level in establishing a sound framework to manage risk, which is in line with principle 6.1. Principle 6.2 has a higher compliant level of 88%, showing that the company secretary views that the board has established an internal audit function which reports directly to the Audit Committee.

Principle 7 and 8: Ensure Timely and High Quality Disclosure

Table 4.46: Average Level of Compliance for Principle 7 and 8

Principle	Principle 7.1	Principle 7.2	Principle 8.1	Principle 8.2	Principle 8.3
Average Score	85%	83%	85%	90%	85%



Source: Developed for the research

The chart above shows the complaint level for the last two principles of MCCG2012 from the view of company secretary. The company secretary opined that principle 7.1 has an average 85% compliant and principle 7.2 has a slightly lower 83% compliant, which shows that companies has appropriate corporate disclosure policies and procedures, but is slightly weaker in leveraging on information technology for effective dissemination of information. Furthermore, principle 8.1, 8.2 and 8.3 attains an average of 85%, 90% and 85% compliance level respectively from the view of company secretary. This indicates that the companies has done fairly well in ensuring that they have taken reasonable steps in encouraging shareholder participation in general meeting, encourage poll voting and promotes effective communication with shareholders.

CHAPTER 5

DISCUSSION AND CONCLUSION

5.1 Introduction

This chapter will discuss the summary of test for the secondary data, major findings and managerial implication, limitations of research, recommendations and finally the conclusion of this project.

5.2 Summary of Test for Secondary Data

5.2.1 Descriptive Statistics of Dependent Variables

The dependent variables used in this study are TSR and ROA and observing the descriptive statistics, especially the mean of these two variables, tell us how these two variables have changed from 2008 to 2015. The market-based measure of a firm performance, TSR, shows a steady decline from the year 2009 to 2011, where the average share return drops from 42.92% to 1.95%. After the introduction of the MCCG2012, it is observed that the average share return shows sign of recovery and have an average share return of 15% in 2015. The average asset returns, ROA, which is measured by the accounting-based measure of a firm performance, however, does not fluctuate much throughout the years, and have a steady average return of approximately 4% - 5% from 2008 to 2015.

5.2.2 Descriptive Statistics of Independent Variables

By observing the descriptive statistics of CEO duality, it is shown that there has been a slight decrease in the number of public listed companies (PLCs) that practice CEO duality, from 27.5% in 2008 to 27% in 2015. Although the decrease is small, it still indicates that 73% of the PLCs have taken up the recommendation by MCCG2012

and ensure that the key position of the chairman of the board and CEO is held by separate individuals.

The descriptive statistic for independent chairman, meanwhile, brings favorable result. The result shows that only 33.1% of PLCs have an independent chairman in 2008. However, after the introduction of MCCG2012, the number of independent chairman in PLCs shows a huge increase and in 2015, 45.5% of PLCs are reported to have an independent chairman. This indicates that the recommendation in MCCG2012 is being taken seriously by the PLCs and recognizes that compliance with MCCG2012 by having an independent chairman could bring fairness, transparency and accountability to the board.

The analysis of board composition shows that the number of independent directors in the board remains at 3 from the year 2008 to 2015. The number of directors in the board also remains at an average of 7 from the year 2008 to 2015. This observation indicates that less than half of the directors on the board are an independent director and the recommendation of MCCG2012 to promote the appointment of more non-independent directors to the board in order to monitor executive directors' decision is not followed. Ownership concentration does not show much change from the year 2008 to 2012. Leverage level, however, does show a decrease after 2012, from 40% in 2008 to 20% in 2012. The number of women on Board also shows an increase from an average of 0.74 in the year 2008 to 1.02 in the year 2012. This shows that the number of women directors on the board is still relatively few compared to average of 7 directors on the board, but it could be seen that the number has been increasing over the year.

5.2.3 Summary of Reliability Test

The reliability test applied in this research is the ANOVA test. From observing the reliability test conducted, it is seen that the independent variables are statistically significant and related to ROA, but not TSR in 2008 (p-value = 0.008, F-statistics = 2.817), 2009 (p-value = 0.010, F-statistics = 2.745), 2010 (p-value = 0.014, F-statistics = 2.619), 2011 (p-value = 0.000, F-statistics = 7.784), 2012 (p-value = 0.011,

F-statistics = 2.701), 2013 (p-value = 0.018, F-statistics = 2.492) and 2015 (p-value = 0.005, F-statistics = 3.032),

5.2.4 Summary of Hypothesis Testing

Table 5.1: Hypothesis Testing Summary for TSR Result

	TSR							
	2008	2009	2010	2011	2012	2013	2014	2015
	Sig	Sig	Sig	Sig	Sig	Sig	Sig	Sig
(Constant)	0.000	0.012	0.507	0.548	0.376	0.001	0.000	0.173
CEO Duality	0.402	0.404	0.759	**0.003****	0.254	0.316	0.322	0.469
Independent Chairman	**0.074***	0.113	0.168	**0.055***	0.375	0.519	0.121	**0.070***
Board Composition	0.128	0.695	0.120	0.853	0.704	**0.061***	0.805	**0.032****
Board Size	0.223	0.582	0.644	0.856	0.624	0.897	**0.008****	0.488
Ownership Concentration	0.201	0.143	0.111	0.914	0.742	0.470	0.904	0.770
Leverage Level	0.133	0.952	0.648	**0.043****	0.278	0.248	0.566	0.131
Women on Board	**0.028****	0.299	**0.032****	0.842	0.279	0.353	0.301	0.438

**. Correlation is significant at the 0.05 level (2-tailed).
*. Correlation is significant at the 0.1 level (2 tailed).

Table 5.2: Hypothesis Testing Summary for ROA Result

	ROA							
	2008	2009	2010	2011	2012	2013	2014	2015
	Sig	Sig	Sig	Sig	Sig	Sig	Sig	Sig
(Constant)	0.507	0.108	0.880	0.817	0.232	0.545	0.188	0.265
CEO Duality	0.522	0.431	0.335	0.170	0.331	**0.017****	0.654	**0.019****
Independent Chairman	0.059*	0.219	0.111	**0.025****	**0.070***	0.622	0.294	0.213
Board Composition	0.539	0.723	0.399	0.813	**0.091***	0.400	0.236	0.183
Board Size	0.138	**0.049****	**0.043****	**0.004****	**0.011****	0.265	0.867	**0.072***
Ownership Concentration	0.437	**0.016****	0.136	0.116	0.199	**0.066***	0.835	**0.058***

Leverage Level	**0.001****	0.115	**0.017****	**0.000****	0.411	**0.098***	0.341	0.136
Women on Board	0.948	0.461	0.889	0.447	0.565	0.283	0.910	0.433

**. Correlation is significant at the 0.05 level (2-tailed).

*. Correlation is significant at the 0.1 level (2 tailed).

Table 5.3: Summary of Hypothesis Testing

Research Hypothesis	Result							
	2008	2009	2010	2011	2012	2013	2014	2015
$H1_{1A}$: non-CEO duality is positively related to TSR.	R	R	R	A (-ve)	R	R	R	R
$H1_{1B}$: non-CEO duality is positvely related to ROA.	R	R	R	R	R	A (+ve)	R	A (+ve)
$H1_{2A}$: Independent board chairman is positively related to TSR	R	R	R	A (+ve)	R	R	R	A (+ve)
$H1_{2B}$: Independent board chairman is positively related to ROA	A (+ve)	R	R	A (+ve)	A (+ve)	R	R	R
$H1_{3A}$: Ownership concentration is negatively related to TSR.	R	R	R	R	R	R	R	R
$H1_{3B}$: Ownership concentration is negatively related to ROA.	R	A (+ve)	R	R	R	A (+ve)	R	A (+ve)
$H1_{4A}$: Having a majority of independent directors positively influences TSR.	A (+ve)	R	A (+ve)	R	R	A (-ve)	R	A (-ve)
$H1_{4B}$: Having a majority of independent directors positively influences ROA.	R	R	R	R	A (-ve)	R	R	R
$H1_{5A}$: Having a larger board positively influences TSR.	R	R	R	R	R	R	A (-ve)	R
$H1_{5B}$: Having a larger board	R	A (+ve)	A (+ve)	A (+ve)	A (+ve)	R	R	A (+ve)

positively influences ROA.								
$H1_{6A}$: Higher company leverage level negatively influences TSR.	R	R	R	A (+ve)	R	R	R	R
$H1_{6B}$: Higher company leverage level negatively influences ROA.	A (-ve)	R	A (-ve)	A (-ve)	R	A (-ve)	R	R
$H1_{6A}$: More women on the Board positively influences TSR	A (+ve)	R	A (-ve)	R	R	R	R	R
$H1_{6A}$: More women on the Board positively influences ROA	R	R	R	R	R	R	R	R

*The parenthesis indicates the sign of the coefficient for variables that are significant.

Hypothesis 1

$H1_{1A}$: non-CEO duality is positively related to TSR.

$H1_{1B}$: non-CEO duality is positively related to ROA.

The results generated by the Multiple Linear Regression indicated that overall there is no sufficient evidence to reject the null hypothesis $H0_{1A}$ and $H0_{1B}$. Thus, it can be concluded that there CEO duality does not affect the company profitability, both TSR and ROA. This is consistent with the study of Chen, Lin & Yi (2008) and Dekker (2013).

Hypothesis 2

$H1_{2A}$: Independent chairman is positively related to TSR

$H1_{2B}$: Independent chairman is positively related to ROA

The results generated by the Multiple Linear Regression indicated that overall there is no sufficient evidence to reject the null hypothesis $H0_{2A}$ and $H0_{2B}$. Thus, it can be concluded that independent chairman does not affect the company profitability, both TSR and ROA.

Hypothesis 3

$H1_{3A}$: Ownership concentration is negatively related to TSR.

$H1_{3B}$: Ownership concentration is negatively related to ROA.

The results generated by the Multiple Linear Regression indicated that overall there is no sufficient evidence to reject the null hypothesis $H0_{3A}$ and $H0_{3B}$. Thus, it can be concluded that there ownership concentration does not affect the company profitability, both TSR and ROA. This is consistent with the study of Pathirawasam & Wickremasinghe (2012).

Hypothesis 4

$H1_{4A}$: Having a majority of independent directors positively influences TSR.

$H1_{4B}$: Having a majority of independent directors positively influences ROA.

The results generated by the Multiple Linear Regression indicated that overall there is inconclusive evidence to reject the null hypothesis $H0_{4A}$ but no sufficient evidence to reject $H0_{4B}$. Thus, it can be concluded that there majority of independent directors does not affect the company profitability in terms of TSR and ROA. This is consistent with the study of Rashid et.al. (2010), Nicholson and Kiel (2007), Brennan (2006) and Wagner et.al. (1998).

Hypothesis 5

$H1_{5A}$: Having a larger board positively influences TSR.

$H1_{5B}$: Having a larger board positively influences ROA.

The results generated by the Multiple Linear Regression indicated that overall there is no sufficient evidence to reject the null hypothesis $H0_{5A}$ but there is sufficient evidence to reject $H0_{5B}$. Thus, it can be concluded that there having a larger board does affect the company profitability in terms of ROA but not TSR. This is consistent with the study of Dalton et al. (2005) and Lehn et al. (2004)

Hypothesis 6

$H1_{6A}$: Higher company leverage level negatively influences TSR.

$H1_{6B}$: Higher company leverage level negatively influences ROA.

The results generated by the Multiple Linear Regression indicated that overall there is no sufficient evidence to reject the null hypothesis $H0_{6A}$ and no conclusive evidence for the null hypothesis $H0_{6B}$. Thus, it can be concluded that there having a higher leverage level does not affect the company profitability in terms of TSR and ROA. This is consistent with the study of Kimathi, Galo & Melissa (2015) and Innocent, Ikechukwu &Nnagbogu (2014).

Hypothesis 7

$H1_{7A}$: Having more women directors on the board positively influences TSR.

$H1_{7B}$: Having more women directors on the board positively influences ROA.

The results generated by the Multiple Linear Regression indicated that overall there is no sufficient evidence to reject the null hypothesis $H0_{7A}$ and $H0_{7B}$. Thus, it can be concluded that the number of women directors on the board does not affect the company profitability, both TSR and ROA. This is consistent with the study of Lückerath-Rovers (2013), Pletzer et.al. (2015) and Gallucci, D'Amato & Santulli (2015).

5.3 Discussion on Findings

5.3.1 Findings from Secondary Data

The findings after analyzing the secondary data will now be discussed in details. After conducting the ANOVA, it is discovered that the TSR model fails to be explained by the corporate governance variables in this study, namely CEO duality, independent chairman, ownership concentration, board composition, board size, leverage level and the number of women on Board and there is no relationship between the dependent

and the independent variables. Thus the findings of this study would be explained by using ROA as a measurement for the company performance as the ANOVA proves that the ROA model is statistically significant for 7 out of the 8 time periods included in this study.

The first independent variable, which is CEO duality, is not significant overall to explain the company's profitability. However, it could be observed that CEO quality is statistically significant to explain ROA in the year 2013 and 2015, which is after the introduction of the MCCG2012. Although the descriptive statistics only indicates a decrease of 0.5% in practice of CEO duality after the introduction of MCCG2012, the results indicate that by adopting the recommendation in the MCCG2012 by not having CEO duality, it could bring a positive effect to the company's profitability. The second independent variable, which is independent chairman, is also not significant overall to explain the company's profitability. However, it could be observed that independent chairman is statistically significant to explain ROA and has a positive effect on ROA in the year 2008, 2011 and 2012.

This is consistent with the previous study of Fama & Jensen (1983) where by not having CEO duality, it prevents the conflict of interest and could maximize the return to the company. It is also consistent with the empirical findings by Core et al. (1999) and the study by Goyal & Park (2002) where CEO duality would affects the return to the company as the CEO tends to overpay themselves and are insensitive to turnover. Lipton & Rosenblum (1991) also reports that having CEO duality causes agency cost when CEO tends to focus on short term compensation instead of long term goals of the company. When there is less CEO duality and an independent chairman, this separation could benefit the shareholders and independent directors as they would have a better chance of voicing out their opinion to help improve the company's performance.

The results show that ownership concentration is not overall statistically significant with company performance. However, it does have a significant and positive relationship with ROA in the year 2013 and 2015. This is inconsistent with previous studies by Hasan (2013) where there is a widespread belief of poor governance in a high ownership concentrated firm.

It is also inconsistent with Arcot & Bruno (2012) study of Bangladesh firms where firms are owned by a few individuals and rarely comply with any corporate governance best practices, but does not suffer from lower performance. Gulzar & Wang (2010) meanwhile indicates that a high ownership concentration firms would invite more investor's scrutiny because of distrust and possible abuse of power. In contrast, Gehan & Abdelmoshen (2012) indicates that the more shares that are held by an individual, the better the company performance are. It is also observed that there is a positive effect of ownership concentration on ROA after the introduction of MCCG2012. The high ownership concentration may also be due to institutional shareholders who are more concern about corporate governance best practices in the companies that they invest in to protect their investment. (Sekhar, 2012) The introduction of MCCG2012 provides opportunity for these owners with huge number of shares to introduce corporate governance reform and compliance in the companies, thus helping to secure better returns when there is less agency problem and conflict of interest.

The research findings indicate that board composition does not have an overall significant relationship with ROA. This indicates that the number of independent director on the board does not contribute to better company performance. Rashid et.al. (2010) does indicate that a study of Bangladesh firms determines that having outside independent directors could not add economic value to the firm and thus has no effect in improving the firm performance. Nicholson and Kiel (2007) also argues that independent directors could not help the company to perform better as asymmetrical information prevents outside directors from having the knowledge of the day-to-day operation of the company. This view is also echoed by Brennan (2006) and Wagner et.al. (1998) as they view independent directors as outsiders with not enough professional knowledge.

The results also show that board size have an overall significant relationship with ROA. This result is consistent throughout the whole time period of this study and board size is observed to have a positive relationship with ROA. This is consistent with the study by Dalton et al. (2005) and Lehn et al. (2004) in which a larger board would possesses a more collective information that could subsequently help the board

in achieving higher performance. Lipton and Lorsch (1992) and Jensen (1993) do argue that a larger board would undermine communication and coordination, leading to an inefficient board. Thus, the recommend an optimal board size of eight or nine. However, the descriptive statistics also indicate that the number of directors on the board has also been approximately the same, which is around 7, from 2008 to 2015. Thus, this is consistent with their studies as the number of directors on the board does not exceed eight and would not face communication and coordination issue, which is the reason for the opposition of a larger board.

Furthermore, from the research findings, it could be observed that leverage level has an inconclusive conclusion in their overall relationship with ROA. Leverage level is statistically significant before the introduction of MCCG2012 and has a negative relationship with ROA. This is consistent with previous study Ojo (2012) states that leverage level in a company will have a negative feedback effect on the firm earning capacity by observing data from Nigeria. Horne (2002) too supports this statement as the increasing amount of debt will cause the company to incur higher cost due to higher cost of capital and leads to reduced earnings. This is also in line with Salim & Yadav (2012) data where in Malaysia, ROA has a negative relationship with the amount of debt the company owns has. Leverage level, shows a huge decrease from 40% to 20% from 2008 to 2015. The MCCG2012 could play in a part as principle 6 encourages the company to establish a sound framework to manage risk. Furthermore, since the leverage level of the company has dropped drastically, the role it played in negatively affecting the company performance has also been drastically reduced, thus explaining the statistically insignificance of leverage level in company performance in the year 2012, 2014 and 2015.

Lastly, from the research findings, it is observed that the number of women directors on the board does not have an overall significant relationship with ROA. This could indicates that the number of women directors on the board is not significant to affect company performance, which is consistent with the study of Lückerath-Rovers (2013), Rose (2007) and Dwyer, Richard & Chadwick (2003) which argue that having more women on the board increases the cost for coordination and delay decision making. However, from the descriptive statistic, it could be observed that on average public listed companies in Malaysia only has 1 women director on the board, thus the impact

of women directors have on the company performance might be limited and could not influence the company performance. However, research from Burgess & Tharenou (2002) and Singh & Vinnicombe (2004) indicates that having more women on the board could positively improve the company performance. Malaysia could emulate corporate governance codes in Dutch, Spain and Norway and introduces board diversity as part of the code in order to improve the participation of women in the board.

5.3.1 Findings from Primary Data

After analyzing the data from the questionnaire, it is observed that from the view of the company secretary, public listed companies have achieved a compliance level of 80% or more for most of the recommendations set out in the MCCG2012. The view of the company secretary also help to strengthen the secondary data collected. Firstly, the descriptive statistics show that in 2015, 73% of the PLCs have abandoned the practice of CEO duality and the number of independent chairman has seen an increase of approximately 30% from 2008 to 2015. This is complemented by the view of the company's secretary that the average compliance level for principle 3.4 is 78%, where the company secretary has the view that most companies do separate the position of chairman and CEO, with the chairman being a non-executive member of the board, but there is still room for improvement as not all companies have adopted this practice.

Secondly, by observing the leverage level of the companies, we could see that there has been a drastic decrease of 20% in the average leverage level of the PLCs. This is also complemented by the view of the company secretary as the company secretary reports an average compliance level of 81% for principle 6, suggesting that a huge majority of companies do establish a sound framework to manage risk. The effect of having a sound risk management framework is evident when the leverage level has been brought down over the years and reduces the credit risk of the companies. Thirdly, we could observe that the company secretary reports an average of 83% in the compliance level for principle 7.2, showing that most of the organization leverages on information technology to disseminate information. This is also reflected in the course of this research, as the data required, especially the annual report of the companies could be obtained from the company website. However, it is also observed

that some company website lacks the regular update and there is a further need of improvement in terms of the currency of the information uploaded on the website.

Besides that, we could observed that the company secretary has a view that principle 8.2, which encourages poll voting, has an average compliance level of 90%. However, from 1st July 2016, Bursa Malaysia has made an amendment to the Listing Requirement, where Regulation 8.29A makes poll voting a compulsory for all meeting of PLCs. This research includes companies that have meetings before the enforcement of the new Listing Requirement, thus the compliance level is not 100%. However, having an average compliance level of 90% also indicates that most companies have adopted this practice and it is an encouraging sign that the companies would not face a huge issue when the need of polling in meetings arises.

The company secretary has also provided valuable comments on aspects to be improved in relation to the MCCG2012, which are summarized as below:

- A regulation for the improvement of the internal control function could be added
- Policies could be set up to comply with the MCCG2012, but the implementation and execution of the policies may not be carried out. Future requirement may be implemented to require the policies to be incorporated into board charter and to publish the execution and result of these policies in the annual report.
- Family-based and foreign companies tend not to implement corporate governance best practices
- No consequences for non-compliance if explained in annual report
- Appointment of women directors could be incorporated into future revision of the code

5.4 Limitation of Research

There are a few limitations to this research that may diminish the application into the overall global context.

Firstly, this research only uses TSR and ROA as a measurement for company performance. This research also does not consider any external factors such as

inflation, economics changes or exchange rate that may bring an impact to the company performance.

Secondly, this research only covers public listed companies in Malaysia, thus could not be generalized to include corporate governance practices in other countries and their impact. Besides that, this research also excludes private limited companies, and thus the practice and impact of corporate governance in these private companies are not examined by this research.

Thirdly, due to cost and time constraint, the questionnaire can only be distributed to a limited number of company secretaries in public listed companies. Their views on corporate governance practices in private companies are not examined.

5.5 Recommendations

Based on the limitations suggested, future researches could examine the impact of corporate governance on other measurement of company performance such as earning per share or working capital employed. Besides that, future studies could also account for external factors that could impact the company performance.

Secondly, future research could also compare corporate governance practices and their impact on company performance in other neighboring countries such as Singapore and Thailand. Furthermore, it could also studies the impact of corporate governance best practices on private companies.

Lastly, provided that there is sufficient cost and time, the questionnaire could also be distributed to company secretaries of private companies to gather their opinion as private companies may have a lower level of compliance due to lessor oversight from authorities.

5.6 Conclusion

As a conclusion, from the reliability test, it could be observed that most of the TSR models are not significant. This suggests that there could be other external factors that affect the share price and dividends, thus affecting the shareholder return. Besides that, even though most of the ROA models are significant, many of the corporate governance factors are found to be insignificant to affect the company performance. From the results obtained, it could be observed that board size is the only factor that significantly affects the company performance over time.

However, this should not dampen the effort of the government and authorities to introduce better corporate governance in the future. In fact, it could be seen, from the descriptive statistics and views of company secretaries, that companies have taken measures in order to introduce better governance. Even though corporate governance may not affect company performance, better governance could reduce risk to the shareholders and prevents companies from engaging in malicious practice that could destabilize the market. The effort to promote better governance has indeed positively affected the way companies operate. However, with the business environment advancing at such a rapid pace, constant revision of the code is always wise as it could always provide an updated guideline to assist companies in having better corporate governance.

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APPENDIXES

Appendix A SPSS Output for Multiple Linear Regression Analysis

Year 2008

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
TSR	.319[a]	.102	.065	.25042

a. Predictors: (Constant), WOB08, LL08, INDC08, OC08, BS08, CEOD08, BC08

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
TSR	Regression	1.209	7	.173	2.754	.010[b]
	Residual	10.661	170	.063		
	Total	11.870	177			

a. Dependent Variable: TSR08

b. Predictors: (Constant), WOB08, LL08, INDC08, OC08, BS08, CEOD08, BC08

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
TSR	(Constant)	-.467	.089		-5.235	.000
	CEOD08	.039	.046	.067	.840	.402
	INDC08	.079	.044	.144	1.799	.074
	BC08	-.030	.020	-.145	-1.530	.128
	BS08	.014	.012	.116	1.224	.223
	OC08	.155	.121	.096	1.284	.201
	LL08	-.132	.088	-.112	-1.509	.133
	WOB08	.049	.022	.172	2.219	.028

a. Dependent Variable: TSR08

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
ROA	.322[a]	.104	.067	.09334

a. Predictors: (Constant), WOB08, LL08, INDC08, OC08, BS08, CEOD08, BC08

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
ROA	Regression	.172	7	.025	2.817	.008[b]
	Residual	1.481	170	.009		
	Total	1.653	177			

a. Dependent Variable: ROA08

b. Predictors: (Constant), WOB08, LL08, INDC08, OC08, BS08, CEOD08, BC08

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
ROA	(Constant)	.022	.033		.665	.507
	CEOD08	.011	.017	.051	.642	.522
	INDC08	.031	.016	.152	1.901	.059
	BC08	-.005	.007	-.058	-.615	.539
	BS08	.006	.004	.141	1.490	.138
	OC08	.035	.045	.058	.779	.437
	LL08	-.109	.033	-.246	-3.326	.001
	WOB08	-.001	.008	-.005	-.065	.948

a. Dependent Variable: ROA08

Year 2009

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
TSR	.203[a]	.041	.002	.65047

a. Predictors: (Constant), WOB09, LL09, INDC09, OC09, CEO09, BS09, BC09

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
TSR	Regression	3.089	7	.441	1.043	.403[b]

	Residual	71.929	170	.423		
	Total	75.017	177			

a. Dependent Variable: TSR09

b. Predictors: (Constant), WOB09, LL09, INDC09, OC09, CEO09, BS09, BC09

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
TSR	(Constant)	.576	.226		2.546	.012
	CEO09	-.096	.115	-.065	-.837	.404
	INDC09	-.169	.106	-.125	-1.592	.113
	BC09	.020	.050	.039	.393	.695
	BS09	.016	.028	.054	.551	.582
	OC09	-.484	.329	-.114	-1.473	.143
	LL09	-.014	.232	-.005	-.060	.952
	WOB09	-.058	.056	-.083	-1.041	.299

a. Dependent Variable: TSR09

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
ROA	.319[a]	.102	.065	.10365

a. Predictors: (Constant), WOB09, LL09, INDC09, OC09, CEO09, BS09, BC09

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
ROA	Regression	.206	7	.029	2.745	.010[b]
	Residual	1.826	170	.011		
	Total	2.033	177			

a. Dependent Variable: ROA09

b. Predictors: (Constant), WOB09, LL09, INDC09, OC09, CEO09, BS09, BC09

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
ROA	(Constant)	-.058	.036		-1.615	.108

	CEO09	.014	.018	.059	.789	.431
	INDC09	-.021	.017	-.094	-1.234	.219
	BC09	-.003	.008	-.034	-.356	.723
	BS09	.009	.004	.189	1.986	.049
	OC09	.128	.052	.182	2.437	.016
	LL09	-.059	.037	-.119	-1.584	.115
	WOB09	.007	.009	.057	.738	.461

a. Dependent Variable: ROA09

Year 2010

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
TSR	.241[a]	.058	.019	.44687

a. Predictors: (Constant), WOB10, CEO10, OC10, LL10, INDC10, BC10, BS10

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
TSR	Regression	2.094	7	.299	1.498	.171[b]
	Residual	33.947	170	.200		
	Total	36.042	177			

a. Dependent Variable: TSR10

b. Predictors: (Constant), WOB10, CEO10, OC10, LL10, INDC10, BC10, BS10

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
TSR	(Constant)	.113	.169		.664	.507
	CEO10	-.024	.078	-.024	-.307	.759
	INDC10	-.100	.072	-.106	-1.383	.168
	BC10	.052	.034	.157	1.565	.120
	BS10	-.009	.021	-.047	-.463	.644
	OC10	.349	.218	.122	1.602	.111
	LL10	.072	.159	.035	.457	.648
	WOB10	-.084	.039	-.174	-2.163	.032

a. Dependent Variable: TSR10

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
ROA	.312[a]	.097	.060	.08262

a. Predictors: (Constant), WOB10, CEO10, OC10, LL10, INDC10, BC10, BS10

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
ROA	Regression	.125	7	.018	2.619	.014[b]
	Residual	1.161	170	.007		
	Total	1.286	177			

a. Dependent Variable: ROA10

b. Predictors: (Constant), WOB10, CEO10, OC10, LL10, INDC10, BC10, BS10

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
ROA	(Constant)	-.005	.031		-.151	.880
	CEO10	.014	.014	.073	.967	.335
	INDC10	.021	.013	.121	1.602	.111
	BC10	-.005	.006	-.083	-.845	.399
	BS10	.008	.004	.202	2.042	.043
	OC10	.060	.040	.112	1.496	.136
	LL10	-.071	.029	-.181	-2.418	.017
	WOB10	.001	.007	.011	.140	.889

a. Dependent Variable: ROA10

Year 2011

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
TSR	.263[a]	.069	.031	.34738

a. Predictors: (Constant), WOB11, LL11, OC11, INDC11, BC11, CEO11, BS11

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.

TSR	Regression	1.519	7	.217	1.798	.091[b]
	Residual	20.515	170	.121		
	Total	22.034	177			

a. Dependent Variable: TSR11

b. Predictors: (Constant), WOB11, LL11, OC11, INDC11, BC11, CEO11, BS11

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
TSR	(Constant)	.072	.120		.602	.548
	CEO11	-.197	.066	-.249	-2.971	.003
	INDC11	.117	.060	.160	1.935	.055
	BC11	-.005	.027	-.017	-.186	.853
	BS11	-.003	.016	-.017	-.182	.856
	OC11	-.018	.165	-.008	-.109	.914
	LL11	.233	.114	.155	2.039	.043
	WOB11	.006	.029	.016	.200	.842

a. Dependent Variable: TSR11

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
ROA	.493[a]	.243	.212	.09632

a. Predictors: (Constant), WOB11, LL11, OC11, INDC11, BC11, CEO11, BS11

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
ROA	Regression	.505	7	.072	7.784	.000[b]
	Residual	1.577	170	.009		
	Total	2.083	177			

a. Dependent Variable: ROA11

b. Predictors: (Constant), WOB11, LL11, OC11, INDC11, BC11, CEO11, BS11

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
ROA	(Constant)	.008	.033		.231	.817
	CEO11	-.025	.018	-.104	-1.377	.170

	INDC11	.038	.017	.168	2.255	.025
	BC11	-.002	.007	-.020	-.238	.813
	BS11	.013	.004	.249	2.883	.004
	OC11	.072	.046	.108	1.581	.116
	LL11	-.179	.032	-.387	-5.662	.000
	WOB11	-.006	.008	-.056	-.762	.447

a. Dependent Variable: ROA11

Year 2012

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
TSR	.182[a]	.033	-.007	.45723

a. Predictors: (Constant), WOB12, LL12, OC12, INDC12, BC12, CEO12, BS12

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
TSR	Regression	1.218	7	.174	.832	.562[b]
	Residual	35.541	170	.209		
	Total	36.758	177			

a. Dependent Variable: TSR12

b. Predictors: (Constant), WOB12, LL12, OC12, INDC12, BC12, CEO12, BS12

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
TSR	(Constant)	.142	.160		.887	.376
	CEO12	.103	.090	.100	1.146	.254
	INDC12	.071	.079	.076	.890	.375
	BC12	-.014	.037	-.036	-.381	.704
	BS12	-.011	.022	-.049	-.491	.624
	OC12	.070	.212	.025	.330	.742
	LL12	-.175	.161	-.087	-1.088	.278
	WOB12	.044	.040	.091	1.086	.279

a. Dependent Variable: TSR12

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
ROA	.316[a]	.100	.063	.09649

a. Predictors: (Constant), WOB12, LL12, OC12, INDC12, BC12, CEO12, BS12

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
ROA	Regression	.176	7	.025	2.701	.011[b]
	Residual	1.583	170	.009		
	Total	1.759	177			

a. Dependent Variable: ROA12

b. Predictors: (Constant), WOB12, LL12, OC12, INDC12, BC12, CEO12, BS12

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
ROA	(Constant)	-.041	.034		-1.200	.232
	CEO12	.018	.019	.082	.975	.331
	INDC12	.031	.017	.151	1.823	.070
	BC12	-.013	.008	-.155	-1.699	.091
	BS12	.012	.005	.247	2.581	.011
	OC12	.058	.045	.096	1.290	.199
	LL12	-.028	.034	-.063	-.823	.411
	WOB12	.005	.008	.046	.577	.565

a. Dependent Variable: ROA12

Year 2013

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
TSR	.234[a]	.055	.016	.55036

a. Predictors: (Constant), WOB13, LL13, OC13, CEO13, BC13, INDC13, BS13

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
TSR	Regression	2.978	7	.425	1.404	.206[b]

	Residual	51.493	170	.303		
	Total	54.470	177			

a. Dependent Variable: TSR13

b. Predictors: (Constant), WOB13, LL13, OC13, CEO13, BC13, INDC13, BS13

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
TSR	(Constant)	.648	.193		3.363	.001
	CEO13	.104	.103	.083	1.005	.316
	INDC13	-.059	.092	-.053	-.646	.519
	BC13	-.087	.046	-.166	-1.885	.061
	BS13	-.003	.025	-.013	-.130	.897
	OC13	.180	.249	.055	.724	.470
	LL13	-.297	.257	-.089	-1.159	.248
	WOB13	-.041	.044	-.078	-.931	.353

a. Dependent Variable: TSR13

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
ROA	.305[a]	.093	.056	.09715

a. Predictors: (Constant), WOB13, LL13, OC13, CEO13, BC13, INDC13, BS13

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
ROA	Regression	.165	7	.024	2.492	.018[b]
	Residual	1.605	170	.009		
	Total	1.769	177			

a. Dependent Variable: ROA13

b. Predictors: (Constant), WOB13, LL13, OC13, CEO13, BC13, INDC13, BS13

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
ROA	(Constant)	-.021	.034		-.607	.545

	CEO13	.044	.018	.195	2.419	.017
	INDC13	.008	.016	.040	.493	.622
	BC13	-.007	.008	-.073	-.844	.400
	BS13	.005	.004	.106	1.117	.265
	OC13	.081	.044	.137	1.852	.066
	LL13	-.075	.045	-.124	-1.662	.098
	WOB13	.008	.008	.089	1.076	.283

a. Dependent Variable: ROA13

Year 2014

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
TSR	.320[a]	.102	.065	.54883

a. Predictors: (Constant), WOB14, CEO14, OC14, LL14, BC14, INDC14, BS14

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
TSR	Regression	5.842	7	.835	2.771	.009[b]
	Residual	51.207	170	.301		
	Total	57.049	177			

a. Dependent Variable: TSR14

b. Predictors: (Constant), WOB14, CEO14, OC14, LL14, BC14, INDC14, BS14

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
TSR	(Constant)	.782	.180		4.350	.000
	CEO14	-.100	.101	-.079	-.993	.322
	INDC14	-.142	.091	-.124	-1.558	.121
	BC14	-.011	.045	-.022	-.247	.805
	BS14	-.071	.026	-.273	-2.699	.008
	OC14	-.030	.249	-.009	-.121	.904
	LL14	-.147	.256	-.043	-.574	.566
	WOB14	.046	.044	.086	1.038	.301

a. Dependent Variable: TSR14

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.174[a]	.030	-.010	.48703

a. Predictors: (Constant), WOB14, CEO14, OC14, LL14, BC14, INDC14, BS14

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.256	7	.179	.756	.625[b]
	Residual	40.323	170	.237		
	Total	41.579	177			

a. Dependent Variable: ROA14

b. Predictors: (Constant), WOB14, CEO14, OC14, LL14, BC14, INDC14, BS14

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.211	.159		1.323	.188
	CEO14	.040	.090	.037	.450	.654
	INDC14	.085	.081	.087	1.052	.294
	BC14	-.047	.040	-.112	-1.190	.236
	BS14	.004	.023	.018	.168	.867
	OC14	-.046	.221	-.016	-.209	.835
	LL14	-.217	.227	-.074	-.954	.341
	WOB14	-.004	.039	-.010	-.113	.910

a. Dependent Variable: ROA14

Year 2015

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
TSR	.266[a]	.071	.032	.50942

a. Predictors: (Constant), WOB15, CEO15, OC15, BC15, LL15, INDC15, BS15

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
TSR	Regression	3.353	7	.479	1.846	.082[b]

	Residual	44.116	170	.260		
	Total	47.469	177			

a. Dependent Variable: TSR15

b. Predictors: (Constant), WOB15, CEO15, OC15, BC15, LL15, INDC15, BS15

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
TSR	(Constant)	.236	.173		1.369	.173
	CEO15	.067	.092	.057	.725	.469
	INDC15	.153	.084	.147	1.824	.070
	BC15	-.090	.042	-.198	-2.156	.032
	BS15	.017	.025	.069	.695	.488
	OC15	.065	.223	.022	.293	.770
	LL15	-.376	.248	-.117	-1.519	.131
	WOB15	.032	.042	.064	.777	.438

a. Dependent Variable: TSR15

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
ROA	.333[a]	.111	.074	.09217

a. Predictors: (Constant), WOB15, CEO15, OC15, BC15, LL15, INDC15, BS15

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
ROA	Regression	.180	7	.026	3.032	.005[b]
	Residual	1.444	170	.008		
	Total	1.624	177			

a. Dependent Variable: ROA15

b. Predictors: (Constant), WOB15, CEO15, OC15, BC15, LL15, INDC15, BS15

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
ROA	(Constant)	-.035	.031		-1.118	.265
	CEO15	.039	.017	.183	2.370	.019

	INDC15	.019	.015	.099	1.250	.213
	BC15	-.010	.008	-.120	-1.338	.183
	BS15	.008	.005	.176	1.810	.072
	OC15	.077	.040	.140	1.910	.058
	LL15	-.067	.045	-.113	-1.499	.136
	WOB15	.006	.008	.063	.786	.433

a. Dependent Variable: ROA15

Appendix B The Summary of Corporate Governance Study

Author	Title	Test/Variable	Sample	Results
Alimehmeti & Paletta (2012)	Ownership Concentration and Effects over Firm Performance: Evidences from Italy	DV: ROA IV: Ownership Concentration, Total Asset, Leverage Ratio Test: OLS Regression	Sample: 203 Firms in Italy Time Period: pre and post crisis (2006-2007 and 2008-2009)	Ownership concentration is positively related to firm value
Rahman, Ibrahim & Ahmad (2015)	How MCCG 2012 Impacted Board Independence and Firm Performance in Malaysia: A Proposed Analysis	DV: Financial Performance IV: Separate leadership, Independent non-Executive directors, Independent Chair Test: OLS Regression	Sample: Proposed 270 listed companies from all sectors of the economy Time Period: four years (2010-2013)	Proposes to investigate the impact of board independence (MCCG 2012) on firm financial performance in pre and post context of the code.
Lückerath-Rovers (2013)	Women on boards and firm performance	DV: Company Performance IV: Average proportion of female directors on the boards Test: Comparison of means	Sample: 99 listed companies in the Dutch Female Board Index Time Period: four years (2010-2013)	Only ROE is statistically significant and higher for companies with female directors compared to companies without female directors
Guest (2009)	The Impact of Board Size on Firm Performance: Evidence from the UK	DV: ROA IV: Board Size, Size and age of Company, Level	Sample: 2,746 UK listed firms Time Period: 1981-2002	Board size has a negative impact on firm performance, but could not conclude optimal

		of debt, R&D Test: OLS Regression		board size
Chiang & Lin (2011)	Examining Board Composition and Firm Performance	DV: ROA, ROE IV: CEO duality as dummy variable Test: OLS Regression	Sample: 676 companies listed in main market and 518 companies in the over-the-counter market in Taiwan Time Period: 2008	CEO duality has a negative effect on company performance
Rashid et.al. (2010)	Board Composition and Firm Performance: Evidence from Bangladesh	DV: ROA, ROE IV: Board Composition Control: Ownership Concentration, Board Size, CEO duality, Debt ratio, Firm size and firm age Test: OLS Regression	Sample: 90 non-financial firms listed on the Dhaka Stock Exchange (DSE) Time Period: 2005 to 2009	Outside independent directors of Bangladeshi firms does not improve company performance
Nicholson & Kiel (2007)	Can Directors Impact Performance? A Case Based Test of Three Theories of Corporate Governance.	DV: ROA, ROE IV: Percentage of board outsiders, percentage of independent directors, percentage of board insiders Test: OLS Regression	Sample: Seven cases of interviews	Agency theory, stewardship theory and resource dependence theory could not explain links between the board of directors and firm performance
Kimathi, Galo & Melissa (2015)	Effect of Leverage on Performance of Non-	DV: ROE	Sample: 611 listed firms in Nairobi	No significant differences in financial

	financial Firms Listed at the Nairobi Securities Exchange	IV: Debt Equity, Growth Opportunity, Firm Size, Liquidity Test: OLS Regression	Time Period: 2008 to 2013	performance between high growth levered firms and low growth levered firms
Innocent, Ikechukwu &Nnagbogu (2014)	The Effect of Financial Leverage on Financial Performance: Evidence of Quoted Pharmaceutical Companies in Nigeria.	DV: ROA IV: Debt ratio (DR); debt-equity ratio (DER) and interest coverage ratio (ICR) Test: Pearson correlation and regressions	Sample: 3 pharmaceutical company Time Period: 2001 – 2012	All the independent variables have no significant effect on financial performance
Pletzer et.al. (2015)	Does Gender Matter? Female Representation on Corporate Boards and Firm Financial Performance - A Meta-Analysis	DV: ROA, ROE, Tobin Q IV: Female representation on corporate board	Sample: 20 studies on 3097 companies published in peer-reviewed academic journals	A higher representation of females on corporate boards is neither related to a decrease, nor to an increase in firm financial performance
Gallucci, D'Amato & Santulli (2015)	Women on Board of Directors and Firm Perfomance: The Moderating Role of Female Ownership. Empirical Evidence from the Italian Wine Industry	DV: ROS IV: percentage of female members on boards Control: Company size, company age, governance structure, location and family power Test: Panel regression model	Sample: 380 Italian wine firms Time Period: 2008-2012	Female presence on boards does not significantly affect firm performance.

Pathirawasam & Wickremasinghe (2012)	Ownership Concentration and Financial Performance: The Case of Sri Lankan Listed Companies	DV: ROA IV: Ownership structure and financial performance, size, age, debt ratio, inventory level, quick ration, sales growth and capital turnover Test: OLS regression model	Sample: 102 companies listed on the CSE Time Period: 2008-2009	
Chen, Lin & Yi (2008)	Ceo Duality And Firm Performance: An Endogenous Issue	DV: Firm performance IV: CEO duality Control: Firm characteristics, ownership structure, CEO compensation, and agency costs	Sample: CEO duality, CEO career information, and compensation data Time Period: 1999-2003	Empirical results do not show a significant relationship between CEO duality and firm performance
Dekker (2013)	CEO duality and firm performance during the global financial crisis: Empirical evidence from US listed companies	DV: ROA, Tobin Q IV: CEO duality, board size, management shareholding, company size, debt, capital intensity Test: OLS regression model	Sample: 1843 companies listed at the S&P 500 Time Period: 2007-2011	CEO duality has no significant impact on corporate performance
Goyal & Park (2002)	Board leadership	DV: Market-adjusted	Sample: Executive	Sensitivity of CEO

	structure and CEO turnover.	stock returns and analysts' earnings forecast errors IV: CEO age, CEO tenure, Herfindahl – Hirschman index (HHI), stock return volatility, ownership variables Test: OLS regression	history report in the Standard & Poor's ExecuComp database Time Period: 1992-1996	turnover to firm performance is significantly lower when the CEO and chairman duties are vested in the same individual
Arcot & Bruno (2012)	Do standard corporate governance practices matter in family firms?	DV: ROA IV: Combined Code of Corporate Governance Test: Logit estimation	Sample: 1275 companies belonging to the FTSE 350 index Time Period: 1998-2004	Lesser governance standards in family firms are not associated with lower performance
Gehan & Abdelmoshen (2012)	The association between internal governance mechanism and corporate value: evidence from Bahrain.	DV: ROA, Tobin Q, EPS IV: CEO duality, board size, board composition Test: Pearson correlation, OLS regression	Sample: 135 firms listed on BSE Time Period: 2008-2010	Ownership structure variables have a statistically significant effect on corporate value
Rashid et.al. (2010)	Board Composition and Firm Performance: Evidence from Bangladesh.	DV: ROA, Tobin Q IV: Board Composition Control: Ownership structure, board size, CEO-duality, firm debt, firm size, firm age	Sample: 90 non-financial firms listed on the Dhaka Stock Exchange (DSE) Time Period: 2005-2009	Outside (independent) directors cannot add potential value to the firm's economic performance in Bangladesh

		and firm growth Test: OLS regression		
Lehn et al. (2004)	Determinants of the Size and Structure of Corporate Boards: 1935-2000	DV: board size and structure IV: Firm size and growth Opportunities Test: OLS regression	Sample: 81 publicly traded U.S. Firms Time Period: 1935-2000	Board size is directly related to firm size
Salim & Yadav (2012)	Capital Structure and Firm Performance: Evidence from Malaysian Listed Companies.	DV: ROA, ROE, Tobin Q, EPS IV: Long term debt, short term debt, total debt ratios and growth Control: Size Test: OLS regression	Sample: 237 Malaysian listed companies on the Bursa Malaysia Stock Exchange Time Period: 1995-2011	ROA, ROE and EPS have negative relationship with short term debt (STD) ,long term debt (LTD) and total debt (TD). Tobin s Q reports that there are significantly positive relationship between short term debt (STD) and long term debt (LTD).
Chang (2004)	The Impact of Corporate Governance Practices on Firms' Financial Performance: Evidence from Malaysian Companies	DV: ROE IV: size of firm, the gearing ratio (i.e. scale of borrowing), and the proportion of shares held by institutional investors Test: Panel data regression	Sample: Seventy-seven Malaysian listed companies, Time Period: 1996-1999	Borrowing had a negative effect on earnings, with a 1 per cent increase in borrowing having a 0.14 per cent decrease in the return on equity.

Adams & Ferreira, 2009	Women in the boardroom and their impact on governance and performance	DV: ROA, Tobin Q IV: firms have at least one woman on the board and firm-years without women on the board	Sample: 86,714 directorships (director firm-years) in 8,253 firm-years of data on 1,939 firms. Time Period: 1996-2003	Female directors have a significant impact on board inputs and firm outcomes. However, the average effect of gender diversity on firm performance is negative