RELATIONSHIP BETWEEN CORPORATE GOVERNANCE MECHANISMS AND ITS INFLUENCES ON COMPANY PERFORMANCE

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LIST OF ABBREVIATIONS

CG	Corporate Governance
MCCG	Malaysian Code of Corporate Governance
SC	Security Commission
MSWG	Minority Shareholder Watch Group
OECD	Organization of Economic Cooperation and Development
CEO	Chief Executive Officer
ID	Number of Independent Directors
WD	Number of Women Directors
CSR	Corporate Social Responsibility
AC	Audit Committee
BS	Board Size
RDT	Resource Dependency Theory
Avg	Average
S.D	Standard Deviation
ROA	Return on Assets
TSR	Total Shareholder Return
P-value	Probability Value
No	Number
MLR	Multiple Linear Regression
DV	Dependent Variables
IV	Independent Variables

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Appendix A The Summary of Corporate Governance Practices

ABSTRACT

The purpose of this research is to determine the relationship between Corporate Governance mechanisms and its influences on company performance. The corporate governance mechanism chosen for this research are CEO duality, independent directors, women directors, corporate social responsibility, audit committee and board size to measure the relationship and how they contribute towards company performance. The measurements applied for this research were Return of Assets (ROA) and Total Shareholder Return (TSR). The companies chosen were based on the Top 100 Good Disclosure Companies in MSWG in the year 2017. The sample size was shortlisted and 50 public listed companies were chosen based on the ranking. The time frame chosen for this research were from the year 2013 to 2017 primarily due to the release of MCCG 2012. Panel data analysis and multiple linear regressions were applied for this research. The Panel data analysis includes Hausman test, Random Effect Model and Fixed Effect model. The multiple linear regression was also performed to analyze the relationship between Corporate Governance mechanisms and the good disclosure companies on a yearly basis. Based on the findings, it was found that by implementing the panel data analysis, the Audit Committee was the only mechanism that was positively significant with the company performance. As for the multiple linear regressions, there were significant value over the years for number of women director, corporate social responsibility, audit committee and board size, yet the overall results indicates a non-significant relationship between these mechanisms and the company performances. This research has provided an insight on the good disclosure companies that are listed in the MSWG and how corporate governance practices have been influencing the corporate performance.

CHAPTER 1

INTRODUCTION

1.1 Introduction

Malaysia aspires to be a developed nation by 2020 and been emphasizing the participation in the global markets by achieving wealth production. Corporation need to implement corporate governance policies as it is widely needed for the growth of the company as the corporate rules and regulations are practice to diminish undesirable business practice that is considered despicable. The objective of this research is to determine the relationship between Corporate Governance (CG) mechanisms and its influences on company performance. This chapter comprises of research background, problem statement, research objectives and questions followed by the significance of the study and chapter layout of the research.

1.2 Research Background

Securities Commission Malaysia (SC) have been emphasizing on the promotion and implementation of good corporate governance practices among the capital market participants. The Malaysian Code of Corporate Governance (MCCG) was introduced to control public listed companies especially on its practices of corporate governance. MCCG have also stepped up practices and principles to encourage organizations to achieve corporate governance excellence. Corporate governance is implemented to

ensure the firms takes into account the interest of a wide range of constituencies. The firms that adapt fairness and accountability are deemed to have strong impulsion to perform well in terms of greater transparency and fairness thereby, limiting the agents to mismanage the company activities and management which would eventually affect the firm's value (Joher et al., 2005).

Public listed companies that do not practice accountability and transparency may lead towards failure in maintaining the standard and development of the firm that would undermine the economic development of the country (Jensen, 2001). Shareholders also indicate that efficient corporate governance requires the following principles to be executed which are transparency, fairness, accountability and responsibilities for ensuring the long term health and prosperity of the company.

Bursa Malaysia's first attempt in codifying corporate governance best practice and principles were made on March 2000 by incorporating its listing rules that requires further clarification in the annual report. Bursa Malaysia also emphasizes the practice of shareholders rights stipulated under the Company Act and other legislation and company policies. When decisions are made as well, the board should take into account the legal and beneficial rights that exist in different classes of shares. The board must consider the interest of both stakeholders and shareholders to promote overall transparency and well-being of the corporation.

Bhagat and Bolton (2008), similarly indicated that good corporate governance practices would positively impact the firm performance. The board should emphasize fiduciary duties and oversight processes to protect shareholders rights whilst the extended debate on contentious issues are embraced and prepared. MCCG mainly recommends the corporate structure to promote availability and transparency of relevant accurate material information in a timely manner. The Code also emphasizes the significance of executing financial reporting and listed companies are encouraged to recognize and manage their own risk.

This research aims to highlight the relationship between Corporate Governance (CG) mechanisms and its influences on Company Performance as per the MCCG 2012 and 2017. This includes the mechanisms such as CEO duality, number of independent directors, number of women directors, board size, corporate social responsibility and audit committee. The measurements are conducted based on the return on asset (ROA) and total shareholder returns (TSR) to determine whether the implementation of the MCCG 2012 and 2017 will have an impact on the company financial performances.

1.3 Problem Statement

Stakeholders and shareholders are keen for good corporate governance practices in terms of control by the management and board of directors to enhance their interest and secure their investment. When corporate governance practices are absent in a company, the firm may endure legal, financial and reputational harm; hence good corporate governance would attract new investment from shareholders, retain talents, maintain share prices and raise competitive advantage of a company. According to Nabilah and Syazwani (2017), the interest in the practice of corporate governance had grown rapidly over the years however; there have been few corporate failures such as Enron, WorldCom, Perwaja Steel Sdn. Bhd, Transmile, Megan Media, Technology Resources Industries Berhad, Port Klang Free Zone and many more. The governance practices are highly neglected due to the lack of procedures and lack of consistent policies and guidelines.

According to Bhasin (2010), the corporate fraudulent act that occurred in the US had encouraged the corporation to implement a reforms corporate governance practices and financial reporting in the corporation and government linked company. The auditing standard setting bodies globally took this initiative to restore shareholder

confidences once again in the financial market. Moreover, corporate governance is given much attention only when there is occurrence of financial crisis. Even so, countries like Hong Kong, Singapore and Thailand that practices high accounting standard still were reported to have lack of transparency in the financial reporting's. Moreover, the Asian Financial Crisis had also negatively affected the corporate performance of many East Asian Economics and Malaysia was also a victim to a certain extent (Ismail et al., 2010).

The release of the MCCG on the year 2000 and the revised version released on 2007 had outlined the framework and structures for good corporate governance practices for companies in Malaysia. Followed by that, the version 2012 and the latest amended MCCG code in 2017 have outline an updated governance requirement that needs to be taken into consideration in an organization to promote transparent corporate governance reporting. The Bursa Malaysia reports indicate there are comparatively high levels of implementation among issuers with the current listing requirements from the corporate governance annual report disclosure. There has been an improvement in the MCCG principles 2013 when compared to 2012. Conversely, there are many companies for instance; SME Corporation is given choice whether to practice the governance principle as it is not a mandatory act to comply with the corporate governance codes and practices.

The research seeks to diminish the knowledge gap by examining the impact and correlation of corporate governance on the company performances in recent years among the good disclosure companies. There have been many public listed companies being reported of not complying with the MCCG code and governance practices. The companies in Malaysia only comply with minimal number of recommendations from Bursa Malaysia and are not in the best practices as required by the stakeholders. The OECD Principles were recommended yet not all public listed companies in Malaysia are capable of enhancing the financial return or improving the company performances. The corporate governance efficiency is

significant as investors will hesitate to invest in the firm that does not have a strong governance practices since the interest of investors would not be maximized. Therefore, good practice of corporate governance is likely to be highly govern company as it is well established and would positively retained profits and benefit the shareholders on their investment. The corporate governance challenges may significantly influence the interest of the stakeholders thus, the opinions of the shareholders are vital and further attentions are needed from the board of directors, investors and management team. The purpose of this study is to highlight on the corporate governance mechanisms and company performance of Top 100 companies with good disclosures as per the MSWG 2017 list. There are minimal studies and research performed on these companies even when these companies have been working towards good corporate governance practices. Hence, measuring and evaluating these companies should have been prioritize for better understanding on corporate governance mechanisms and company performances. However, there are less studies and journals to prove on how the corporate governance practices of these companies have impacted these good disclosure companies. Therefore, this study is to provide attention on the related issues and authorized body on corporate governance mechanism and its related parties on company performance.

For instance, CEO duality, independent directors, women directors, corporate social responsibility, audit committee and board size are the mechanisms that needed further attention. For that reason, it is significant as to investigate the relationship of these corporate governance mechanisms and the effects on the company performances to identify the current practices of the MCCG codes and principle practiced in Malaysia public listed companies.

Once the MCCG in 2012 were made public, Bursa Malaysia eventually released a report in exploring the disclosure of corporate governance in the annual reports of the public listed companies in Malaysia. Hence, this study is to determine the effect of practicing good corporate governance on the 50 public listed companies listed in the

MSWG 2017 for a period of five years to indicate whether the mechanisms have significantly improved the company performance from the adaptation of excellent corporate governance principles.

1.4 Research Objectives

The key objectives of this research:

The intention of this study is to determine the Corporate Governance mechanisms and its influences on the Company Performance by measuring the Return on Asset (ROA) and Total Shareholder Return (TSR). The MCCG, SC and Bursa Malaysia are being implemented in the public listed companies however, the application and depth of practices of corporate governance varies among the public listed companies. Therefore, the variables that will be used to measure the corporate governance mechanisms comprises of the CEO duality, independent directors, women directors, audit committee, corporate social responsibility and board size.

There is one major research objective and six specific research objectives on the variables as follow:

Examine the relationship between Corporate Governance mechanisms with company performance.

1) Determine the relationship between CEO duality with company performance.

2) Investigating the relationship between numbers of independent directors with company performance.

3) Investigate the relationship between numbers of women directors with company performance.

4) Determine the relationship between corporate social responsibilities with company performance.

5) Examine the relationship between audit committee with company performance.

6) Examine the relationship between board sizes with company performance.

1.5 Research Questions

There is one major research question and six specific research questions on the variables as follow:

Does a Corporate Governance mechanism influence the company performance?

1) Is there any significant relationship between CEO duality (CEO) with company performance?
2) Does number of independent directors (ID) have a significant relationship with the company performance?
3) Does number of women directors (WD) in the board have a significant relationship with the company performance?
4) Are there any significant relationships between corporate social responsibilities (CSR) with the company performance?
5) Does audit committee (AC) have a significant relationship with the company performance?
6) Is there any significant relationship between board sizes (BS) with the company performance?

1.6 Significance of Study

There are many studies that are discussed by scholars on corporate governance indicating ways to overcome the new challenges and in the long run promote an effective corporate governance structure in an organization. Thus, it is fundamental to investigate on the measures of how the emerging issues or mechanisms may perhaps

impact the existing corporations. The awareness of shareholders in corporate governance are significant to keep align with the international standard and to also protect themselves as per the MCCG codes and practices in Malaysia. The need to understand the existing framework of corporate governance had become a challenge to the shareholders and to determine the strength of Malaysia capital market is essential for all public listed companies.

The directors and shareholders are highly recommended to keep updating the practice of corporate governance to achieve an outstanding performance in corporate governance practices. The effect of corporate governance practice in relation to the CEO duality, independent directors, women directors, board size as well as the audit committee and corporate social responsibilities are evaluated to determine the enhancement of the company performance after the implementation of MCCG 2012 and MCCG 2017.

This study also examines the agency, stakeholder, stewardship and resource dependency theory in relation to the accountability of the shareholders and other stakeholders of the company in managing and operating in an economic environment through the implementation of good corporate governance practices and its contribution towards the company overall performances. This research would eventually diminish the knowledge gap between corporate governance and company performance thus enhancing company performance. The investigation of corporate governance among the public listed companies in Malaysia can increase the stock market and share value and eventually attracts more investors for the betterment of the firm financial stand.

1.7 Conclusion

In this chapter, a review on the corporate governance and the issues were highlighted. Followed by that, the problem statement, research background, research question and objectives, hypothesis summary and significance of the study was discussed. For further understanding on the research, the relationship between the theories and variables with corporate governance mechanism are discussed in the next chapter.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Corporate governance is the widely used term and it is an essential criterion for the corporation, and businesses in terms of failure and success. Even so, the corporate governance practices throughout the global vary in terms of laws, rules and regulations sets by the government of a country respectively. Chapter 2 is to analyze the relationship between corporate governance mechanism and the company performances. Firstly, this chapter would illustrate what is good disclosure companies, followed by, review on the corporate governance in Malaysia, the theoretical framework, literature review, hypothesis development, conceptual framework and conclusion.

2.2 Good Disclosure Companies

The good disclosure companies were derived from the list of Top 100 Malaysian public listed companies which are recognized by the MSWG-ASEAN Corporate Governance Recognition 2017. These companies were shortlisted from 900 companies that were evaluated and assessed in year 2017 by implementing the

ASEAN Corporate Governance Scorecard. The ASEAN Capital Markets Forum approved the revised scorecard earlier in the year 2017. The OECD principles of Corporate Governance were used and five areas of OECD Principles were covered as well. The average score from the assessment of MSWG Top 100 public listed companies has been proven to gradually increase from the year 2012 to 2016. Thus, this indicates the public listed companies have been enhancing their corporate governance practices and disclosures. The recognition and award presented by MSWG have proved on how consistent the public listed companies have been in committing to the Corporate Governances practices and improving the overall company performance.

2.3 Corporate Governance

Corporate governance can be defined in various forms such as the system on how the businesses are directed and control or the legal framework and supervision in managing a firm. Corporate governance is derived from a Latin word "gubernare" which indicates "to rule or to steer" for the word governance. Certain practitioners also stated corporate governance as the supervision on the relationship between the board of directors, managers and investors (Bhasin, 2010). The principle of corporate governance primarily is to provide fairness and accountability among the Malaysian companies to sustain and perform (Joher et al., 2005). The transparency of the corporation can also be observed by an outsider on the current status of the firm as corporate governance are deemed to contribute to the incentive to the board to act in the interest of shareholders and the effective monitoring of their action.

According to Kajananthan (2003), the economic development of industrial capitalism has been showing a significant relationship over the years, since corporate governance in developed market economies gradually has been built. Various practice of corporate governance practices and structures have been adapted to pursue new

opportunities' and in the long run solve the economic issues. The corporate governance consists of laws, regulations, management, community, public institutions, politics, professional associations and code of ethics. Nonetheless, governance is not only about the board processes and procedures as it is also involved in the relationship between shareholders and other stakeholders such as employees and community as well. According to Shleifer and Vishny (1997), corporate governance is viewed as a set of mechanisms which ensures the investors and the other potential provider of external capital to gain a fair and equal return on their investment.

According to the MCCG, corporate governance is the structure used to manage the businesses to enhance the accountability of the corporation by maximizing the long term shareholders wealth as well as taking into the account the other stakeholders'. It is also significant for corporate governance to improve the company performance overall by creating a business environment where trust and ethics could synergize and involved all the investors. Each stakeholder has a significant role in maintaining the corporate governance practices as per the rules and regulations set by the government as they add value to the firm and the investors contribute in various ways so the firm and business could prosper.

Apart from that, some scholar argues that the company and management obligation are primarily towards maximizing the wealth of the shareholders. Whereas, other researchers claimed the firm obligation also lies on stakeholders as much as shareholders in contributing towards the firm overall success. The primary objective of the public listed companies that practices corporate governance is to create and enhance the long-term value of the corporation.

In order to provide a guideline in implementing and practicing the corporate governance, the Malaysia Code of Corporate Governance was introduced and continuously been improving over the years. The amendments' are to ensure a strong

and sustainable corporate governance culture and the ability of the parties to commence principles and guidelines that could adapt to the changes. The code has been revised in 2007, 2012 and the latest version is 2017. Corporate governance could provide a mechanism in setting and implementing firm objectives as having a comprehensive corporate governance environment structure could eventually enhance the firms' value. Moreover, good governance would provide assurance to the investors that the firm can deal with crisis and challenges as per the codes and practices. Apart from that, an efficient market will be able to sustain the values and subsequently raise the shareholders value as well. Excellent corporate governance also will reduce the risk by investors and the cost of capital due to the trust the investors place on the company for its transparency and accountability. According to Young (2003), it is still belief of many shareholders that good corporate governance will bring better corporate performance.

Table 2.1: Comparison between MCCG 2012 and MCCG 2017

Principle	MCCG 2012	MCCG 2017
CEO Duality	Recommendation 3.4 indicates Chairman must be a non-executive member of the board and both the CEO and chairman must be held by two different persons	
Independent Directors	Chairman of board being non independent and the composition of board should be more independent directors	As for large companies, the board should comprise of majority independent directors. At least half of the board should comprises of independent directors

Women Directors	Recommends companies to establish a policy on boardroom diversity.	Recommended for large companies to have the board comprises of at least 30% of women directors.
Corporate Social Responsibility		
Audit Committee	Reviewing quarterly yearend financial statements, working closely with internal audit and external auditors	
Board Size		Recommended for at least 1/3 of the board should comprise of the independent director.

Source: Adapt from MCCG 2012 and MCCG 2017.

2.4 Theoretical Framework

A number of theoretical frameworks were introduced to analyze the corporate governance. This framework also indentifies the relationship between the independent variables which consist of (CEO duality, independent directors, women directors, audit committee, corporate social responsibility and board size) and the dependent variable is total shareholder return (TSR) and return on asset (ROA).

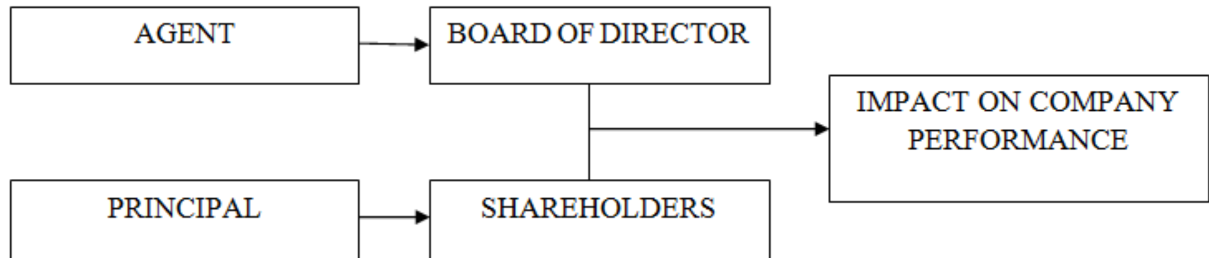
Table 2.2: Theories and Independent Variable Relationship

Independent Variable	**Related Theories**
CEO Duality	• Agency theory - The separation of control and ownership. • Board should have a separation between the CEO and the chairman to improve company performance. • Stewardship theory- Optimistic view of the human and managerial behavior.
Number of Independent Directors	• Agency theory-Board compositions should comprised with a majority of independent directors
Number of Women Directors	• Resource dependency theory- The external resources and its link to the survival and success of the firm. • Female director would indulge valuable and unique resources to the board as they bring more diverse networks. • Agency theory - Women director are able to provide innovative ideas and outlook on complex issues and are much capable in problem solving and strategic formulation.
Audit Committee	• Resource Dependency Theory- Financial reporting and statements outcomes are influenced by the payout preferences of the agents for capital management and labor which rely on resources
Corporate Social Responsibility	• Stakeholder Theory- Groups and individual affected by the activities, operations and goals of the firm or the members' behavioral pattern. - Corporate social responsibility activities and the issues that need to be accountable for social activities.

Board Size	• Resource Dependency Theory- Larger board bring greater opportunity to various links and access to innovative resources. • Agency Theory- Large board of director increases the agency problem due to weak communication.

2.4.1 Agency Theory

Figure 2.1: Diagram of Agency Theory



Source: Developed for the research

The agency theory is the combination of agent and principal who revolves around the agency problem and its solution and the history involves the human civilization in practicing business and reducing the agency problem to maximize their returns. The agency theory is developed from the field of economics and finance which provides a rational argument for the introduction of corporate governance mechanism as the concern of this theory is to act in the best interest of the shareholders. According to Fama and Jensen (1983), agency theory is argued to be the premise of inherent conflict between the owners and management. Moreover, they state sufficient monitoring or control mechanisms are needed to protect the shareholders and management from various conflicts of interest. Manager of the firm are working towards the firm financial performance but as to the value of the firm, the manager does not pursuit immense interest thus the initiatives such as appointment of non-

executive directors to the board and control management are implemented to address this issue.

In terms of board size in the corporation, agency theory leads to normative suggestions that a board should comprised with a majority of independent directors and practice separation between the CEO and chairman to enhance the shareholders value. This is because the board size and number of independent directors have a positive effect towards firm performance which eventually would lead to an increase in the investors' contribution and enhance the company performance as well. The shareholders are the ones who would appoint the board of directors to fulfill the requirements of MCCG codes and practices to manage the company funds and operation entrusted by the shareholders.

There are high possibilities that the individual in group has different level of risk and tolerance whereby the actions taken would differs accordingly. Purchasing shares would technically not allow the public to be involved in the day to day operations, yet they become the owners and investors of the company. By purchasing the shares as well, technically the public becomes its shareholders and owners by not indulging themselves in the day to day operations' of the company. Limited liability is to protect the shareholders as they would not be solely liable to bear all the debts in the course of insolvency and would only loss the amount of funds' they have invested in the company. Apart from that, corporation could obtain external funds from shareholders as when the company shares are available to be purchased; this would eventually provide a steady flow of funds in the market and to the company as well.

According to Allen and Gale (2001), the investigation of different corporate controls are compulsory so that stakeholder such as managers could act in the shareholders best interest since the managers in the firm could neglect the firm objectives in maximizing the shareholders wealth, and might be more focused on the self objectives and self interest ahead of the interest of the shareholders and owners.

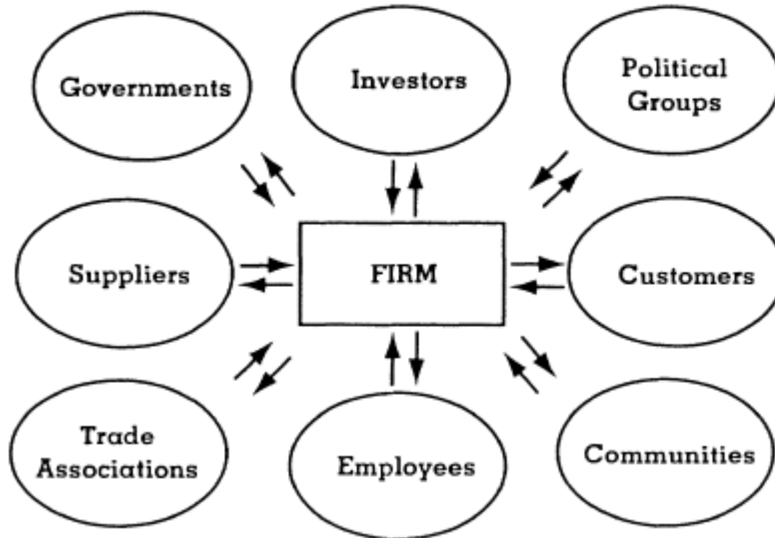
According to Schleifer and Vishny (1986), agency theory is the method of assurance by the suppliers of the corporation in receiving the return for their investment. Therefore, it is the managers' responsibility to enhance the profit to make sure they would also emphasize in long term goal and risky investment to gain profit and bonuses as long-term profit maximization of the company must be put ahead.

The owners and shareholders need to take charge of the action taken by the managers as they would not face losses financially. The agency problem at times may result in the principal avoiding the transaction with the agent. The issues in the agency theory could be a challenge as it is expensive for the principal to verify the action of the agent as it is difficult to evaluate what and how the managers are performing their duty. The attitude they have towards risk taking as the action taken based on the risk may differ in terms of individual preference and its engagement towards other stakeholders as well.

The corporate governance issue raised in the organization that lead towards the agency problem are also the conflict of interest between member of board and the agency problem that occur through a contract. The cost associated in evaluating a contract is high as the conflict could have also be rise among owners, managers, workers and consumers as well, and these shows there would not be comprehensive contracts governing the participants in the companies. Moreover, there is a positive agency theory which is the behavioral theory whereby both the shareholders and managers are aligned in to minimize the agency problem and cost (Panda & Leepsa, 2017). Apart from that, this theory is focused on the relationship among the agents' performance and motivation. Best practice of corporate governance could mitigate the agency problem by emphasizing efficient market control which encourages the managers to perform effectively by utilizing the resources to generate highest possible returns. This would in the long run benefits both the parties and the shareholders are protected as require by the MCCG codes and practices.

2.4.2 Stakeholder Theory

Figure 2.2 Diagram of Stakeholder Theory



Source: Barquero, J. (2017). The Stakeholder Theory of the Firm. Concepts, Evidence, Implications. *Corporate Governance Theory.*

The stakeholder theory indicates the accountability of the board which also includes not only the shareholders but those that are affected or can be affected by the firm objectives (Harrison et al., 2015). This theory has also been expanded to take into account the interest of stakeholders groups which comprises of social, ethical considerations and environment. The stakeholder may include large group of participants which comprises the shareholders, employees, suppliers, customers, creditors and communities involved in the firm operations' and performance. If the firm objective and achievement can be affected by the stakeholders, then the firm performance and decision in due course can also affect the overall well-being of the stakeholders. The decision made by the manager must be taken into account in order to maximize the overall wealth of the organization. The stakeholder theory emphasis the firms to be profitable and viable because the stakeholders and shareholders will be reluctant to take a stake in companies that are likely to lead to a market failure.

A successful firm is when the managers adopt and practices the best corporate governance strategies and policies that facilitate the maintenance of an appropriate balance between interest of various stakeholders. Furthermore, as per the theory, managers are bound to consider the impact of the decisions on the performance and market value of the firm. The stakeholder theory also supports the corporate social responsibility activities as the issues that need to be accountable for social activities must also be reflected in the firm annual report. Apart from that, many corporations have also prepared a separate CSR report to inform the society of their accountability towards the market.

Berman et al., (1999) the stakeholder involvement in corporate governance must rely on the culture of trust, community, and consensus, rather than individualistic opportunism. The effective corporate governance practice and mechanism implemented would build a good relationship between firms and both internal and external stakeholders in a broader environment. Emphasizing on customer services, communication and socializing would also improve the relationship and in the long run enhance the firm financial performance and eventually increase the investors' contribution towards the firm.

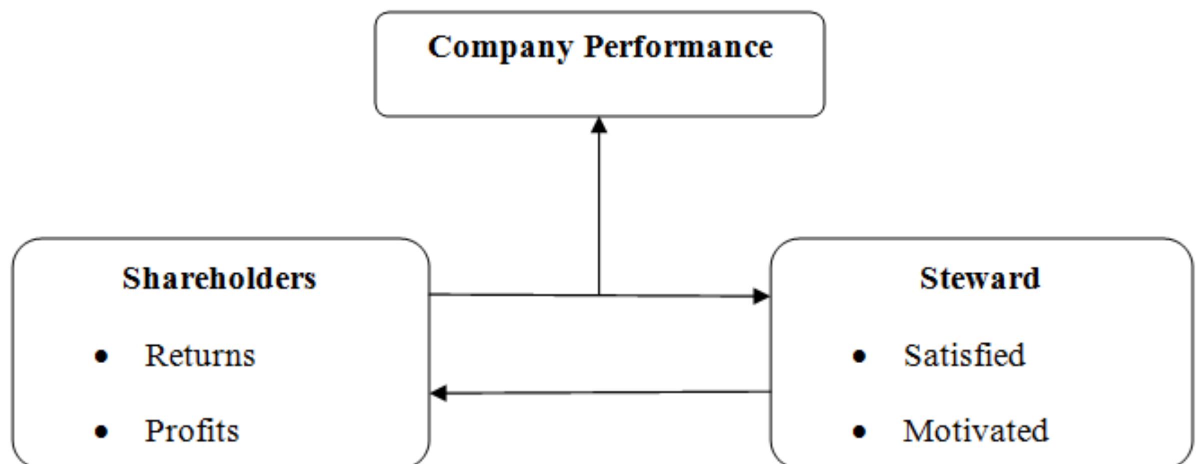
According to the Harrison and Wicks (2013), the theory also encourages on the measures that are implemented in order to enhance the firm performance based on the value created by the firm for their stakeholders. Moreover, corporate governance is also a way of measurement whereby it is mainly concerned on how efficient the different governance systems would encourage the long term investment and the commitment among the shareholders. Thus, corporate governance mechanism plays a significant role as the influence of the mechanism related to the stakeholder can affect the firm performance and its ability as well. The wide contribution towards the community and the responsibility pertaining to it has also been positively contributing to the firm performance whilst enhancing the value for shareholders. There are also arguments on examining the link between the board and the stakeholders'

performance would indicate a direct correlation with the financial performance of the firm.

Moreover, the effect of corporate managers' decisions on the stakeholders must maximize the wealth of the organization as the management would also lead to higher profitability, stability and growth thus affecting the firms' performance. Subsequently, good corporate governance would emphasis in creating a feeling of security that a firm would consider in the interest of the stakeholders. In summary, the stakeholder theory highlights the roles of the company towards the shareholders and all other stakeholders as it is widely focused on the conflict between the managers and stakeholders. This theory also enables fostering excellent relationship with a range of stakeholders and emphasis the corporate efficiency and eventually maximizing shareholders wealth.

2.4.3 Stewardship Theory

Figure 2.3 Diagram of Stewardship Theory



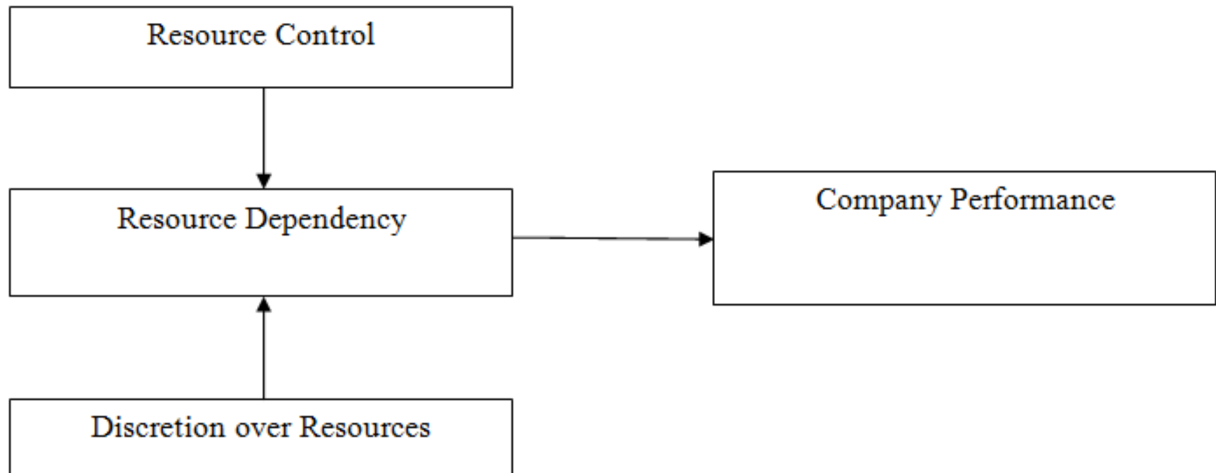
Source: Developed for Research

The stewardship theory presents a contrasting view from the agency theory as it argues the managers are naturally trustworthy and faithful and there will not be an agency cost (Donaldson 1990; Donaldson & Preston 1995). Therefore, the firms are linked to the majority of inside director and combined leadership structure as managers are claimed to work in their own interest to maximize the corporate profits and shareholders returns. The stewardship theory also indicates there are strong foundation of relationship between managers to strive to achieve the objective of the firms and resulting in satisfaction accorded to the shareholders and other participants as well. In other words, there are no misalignments existed as manager and directors believe in pursuing what are best for the organization and themselves.

The steward that are protected would maximize the shareholders wealth through improved firm performance which in the due course also maximize the steward utility as this will also satisfy most group that have interest in the organization. This theory support and favors the board that consists of specialize executive directors rather than majority non-executive directors as it is essential for the manager to guide the organization strategically (Judge & Talaulicar, 2017). The theory also suggests that managers are satisfied and they could achieve organizational success with the absence of corporate governance principles and mechanism as the managers will strive the firm to achieve long term profitability. In contrast, this term is not supported by most of the shareholders as they argued managers that are left unchecked would eventually utilize the firm resources for personal benefit and would not be trusted to act according to the corporate governance rules and regulation standards.

2.4.4 Resource Dependency Theory (RDT)

Figure 2.4 Diagram of Resource Dependency Theory



Source: Developed for the research

The assumptions made on the resource dependency theory (RDT) are that the dependence on critical and significant resources controls the actions of the firm. Meanwhile, according to the dependency situation, the organization actions and resolution can be clarified (Nienhuser, 2008). RDT is one of the influential theory in strategic management and organizational theory. RDT recognizes organizational behaviors that are affected by many external factors whereby managers could also act to reduce environmental uncertainty and dependency (Hillman et al., 2009). The external and internal agent that controls the resources will influence the behavior of the organizations that would lead to differences in the management decisions. The RDT are also used to measure and explain the differences of the organizational structures such as why and in what conditions does the mergers of the organization takes place.

Apart from that, RDT is the connection between organizations as a set of power relation based on the exchange resources that occurs. It could also be defined as organizations maximizing their power. In Malaysia, the government by the structure for an example is affected based on the reliance on the politicians or government resources. According to Hillman et al., (2000), in an organization, the RDT focuses on the board of directors and the resources they provide such as the information, knowledge and skills that access the key business players such as the buyer and suppliers through their linkage to the external environment.

The board was also able to access various resources at times to the exclusion of the competitors. According to Kiel and Nicholson (2003), the RDT perspective indicates the larger board size brings greater opportunity to various links thus, accessing to innovative resources. Moreover, this theory can be related to the financial reporting of an organization which is the Audit Committee since the financial statements are influenced by the payout preferences of the agents for capital management and labor which relies on resources. In general, the RDT indicates corporate governance can be a method to generate, acquire, and maintain resources which would lead to competitive advantage for the organization (Udayasankar & Das, 2007). Moreover, according to Pearce and Zahra (1992), the profit of an organization can also be maximized with the board initiating effective strategic advice to managers.

2.5 Literature Review

2.5.1 Dependent Variable- Return on Asset (ROA)

According to Rosikah, Prananingrum, Muthalib, Azis and Rohansyah (2018), Return on Asset (ROA) is used as a tool to measure the company capability in generating profits by utilizing the total owned assets of the company in the future as a company is deemed to be effective due to its high ROA. ROA also affects both the corporate

value and the rate of return on total asset after interest expense that would benefit the company. The higher the value of the ROA, the better the company would be in generating profit to relatively high value of assets in contrast to the low level of ROA. The returns of investment would also be greater as ROA indicates enhanced company performance (Heikal et al., 2014).

The higher the ROA of a company performance the more effective the organization would be. This could also be seen as a positive sign for investors to invest further in the company which would eventually increase the company stock in the future market. The improved company management on the stock and share price would result in a profit it generates through enhanced ROA (Rosikah et al, 2018). The identification of the rate of return is much needed to maintain the current performance that would be useful for the new investment. There are also several studies stating corporate governance has a negative or no significant relationship towards the company performance (Warrad, 2015). This might be due to the uses of ROA to measure the company performance are restricted in nature and eventually leads towards inconsistency. Apart from that, according to Ghozali (2006), ROA has positive and significant effect on the company's growth.

Therefore, the company performance is measured by investigating the corporate governance mechanisms and how it influences the ROA and the six independent variables.

2.5.2 Total Shareholder Return (TSR)

The total shareholder return (TSR) is broken down to dividends and capital gain whereby, share prices are reflected in computing the TSR. It is the returns of stocks the investor received during the investments holding period. Donaldson and David (1991), indicates it is also advisable to use the total shareholder return to evaluate the

company performance which is also known as the return on equity. This can be defined as the price and dividend paid to the shareholders and their generated returns after investing funds in the company. This comprises the dividend the firm declares to its investors and the capital gain the shareholders could obtain after selling their shares.

According to Lazonick and Mary (2000), the conflict of agency theory raised between the managers and shareholders however the need to take over could positively enhance the managers performance that will eventually lead to maximizing the shareholder value and enhancing the company performance. The sale and purchase of the company stock is highly influence by the past, present and future expectation of TSR performance (Bocardo & Weijermars, 2016). Good corporate governance should emphasis incentives in the management and board to achieve the objective that would benefit both the shareholders and the company as well. The managers in the company can raise the shareholder value by increasing the share value in the market, producing new product in the market and also by penetrating the existing market into larger market (Mihaela & Alexandru, 2016).

According to Dittmar and Smith (2007), a down fall on the company performance could be due to the low corporate governance level and the inability of the company to manage the cash flow. Therefore, company with good disclosure and transparency are able to generate higher return and accounting profitability. Consequently, a good corporate governance practice in a company would enhance the shareholder value and in the long run improved the company performance.

2.5.3 Independent Variable- CEO Duality

CEO duality occurs when the firm is having the similar individual serving and holding the position as the Chief Executive Officer (CEO) and as the Chair person in the company. It is when the titles are hold by the same individual in an organization. The power the individual possesses and the integrity and trust are vital in influencing the firm performance (Rashid, 2010). Duality will establish a unity in command which would lead to an effective decision in the board and firm. The MCCG 2012 suggested firms to reinforce independence whereby, the recommendation 3.4 indicates the position of the chairman and CEO must be held by two different individuals and the chairman must be a non-executive member of the board. This would promote accountability whereby the chairman must be aware in leading the board in the oversight of management meanwhile; CEO should concern more on the day-to-day management and businesses. The board and the CEO should initiate the descriptive for their respective roles and functions. The responsibilities and roles delegated should reflect the dynamic nature of the relationship necessary for the organization to adapt and practice (MCCG, 2012).

CEO duality indicates there would be better communication and stability in the firm between the management and board of directors. However, in contrast, firms with independent leadership structures tend to perform better than those with the duality structure (Rechner & Dalton, 1991). According to Rashid (2010), there are no single leadership structures that are universal whereby both the structures have cost and benefit which would result in contingent performance.

According to previous study by Rashid (2010), it was found that there is a negative and non-significant relationship between the CEO duality and firm performance under the measurement of ROA. The findings indicate that the non-CEO duality is beneficial to the economic performance in Bangladesh as it subsides the board ability to comply with the governance functions. Other studies indicate there are no

significant differences between the firm performance and the duality status in an organization (Baliga et al., 1997). Even though duality could lead to managerial abuse yet, it does not appear to lead to manifestation of the abuse in the firm overall.

According to Ugwoke, Onyeanu and Obodoekwe (2013), there is a positive relationship between non-CEO duality and firm performance whereby it is suggested that when separate individual holds the position of CEO and chairman in the board, the corporate governance and overall financial performance of the organization becomes positively affected. Therefore, it is highly recommended to practice different individual holding the position separately as the limitation would only be the size or structure of the ownership in the firm.

The agency theory in the other hand, suggest that the separation of the roles of CEO and chairman is a significant determinant to the board independence and effectiveness (Yasser et al., 2014). In contrast, under stewardship theory, organizations with the unified roles and responsibilities are deemed to be more efficient and have better coordination with higher ability to achieve the strategic challenges. Furthermore, this theory also suggests the stewardship role and the authority of executives can be exercised when the CEO and chairman position are held by the same individual (Rashid, 2011). According to Abdullah (2004), combined roles and leadership does not relate to the firm performance as the measurements through financial ratios cannot capture the leadership and board in enhancing the firm's value. Apart from that, stewardship theory indicates there are beneficial outcomes of shareholders return when both the position of CEO and chairman are held by one individual (Donaldson & Davis, 1991).

Apart from that, a single person holding two separate positions as the chairman and CEO would eventually improve the financial performance of the firm since the agency costs between the two are eliminated. However, the CEO duality were claimed to be harmful to the financial performance of the organization as the board is restricted from removing the underperform CEO which could also lead to agency cost in the long run (Amba, 2013).

2.5.4 Numbers of Independent Directors

An independent director refers to individual who holds the position of the director only without any other post in the firm and has no relations with its major shareholders which would influence their independent judgments. The independent directors are the ones trusted by the owners to safeguard their very interest and to represent them thus, also reducing the agency problem as well (Fuzi et al., 2015). According to MCCG code 2012, the board must comprise a major of independent directors whereas the chairman of the board is not an independent. Meanwhile, as per MCCG code 2017 at least half of the board should comprise of independent directors and for large companies, the board should comprise of majority independent directors. The board should undertake assessment on the independent directors annually.

The independent directors ensures the independence and the objective is to make certain there are fair judgment in the board which would reduce the risks of conflict of interest and undue the influences from a number of interested parties (MCCG, 2012). However, the board should undertake annual assessment to measure the independence of the directors as there are potential for the judgment to be influenced by the familiarity and close relationship among the members. Apart from assessing the independent directors' family background, relationships and economic status, the

board should ensure the independent directors can constantly convey independent and objective judgments to the board deliberations.

Independent directors can actively participate in the board discussion by contributing their independent views and ideologies. The independent directors must practice independence in the presence, performance and decision they make by steer clear of the influence by the insiders and management. The independent directors are appointed to monitor the executive directors and management performances. According to Johari, Salleh, Jaffar and Hassan (2008), the composition of the independent directors as per the MCCG is insufficient to monitor the directors and management. Moreover, they indicate most of the firms in Malaysia comprise of 30 percent independent directors on the board, yet it did not have a major effect on the earning management or firm performance. In Malaysia, most of the companies are practicing the one tier system, which includes the executive and non-executive directors.

According to Joher and Ali (2005), the percentage of independent non-executive director does not have a significant impact on the firm performance as there is only a partial relationship among the corporate performance and governance structure in Malaysia. A caution must be exercised prior to the appointment of independent directors into the board as the corporate board independent directors can possibly lead to a compromised control on the part of the board. Wallison (2006), indicates that firm comprises of independent directors have efficient governance and enhance corporate social performance rather than better financial performance. The representation of the independent directors in the firm should project a positive outcome in the financial performance. Apart from that, it is argued that the external director would not be aware on how the firm governs thereby; the independent directors are unable to issue commands and instructions due to the absence of formal authority and lack of information (Rashid, 2017). Moreover, Wang and Oliver (2009)

states the power on the duties of directors are also being neutralize even when the firm is complying with the standard number of independent directors.

2.5.5 Numbers of Women Directors

Women whom are well educated with high qualifications are under-represented in the corporate board in our country whereby it has been an effort to increase the number of women participations in the board since 2011 in Malaysia (Azmi & Barrett, 2016). The women participations in the workforce had grown over the years however, there is still lack of board gender diversity in the boardroom (Green & Homroy, 2015). MCCG 2012 recommends companies to establish a policy on boardroom diversity. According to the Department of Statistics Malaysia, only 4.8% out of the employed women are in the senior management position. The Malaysia corporate boards have minimal number of women participations in the organization, therefore to increase the number of participations it is recommended for large companies to have the board comprises of at least 30% of women directors (MCCG, 2017). Apart from that, it is also recommended to the board to disclose the company policies to appoint women on the board and enhance the women participation in measuring and meeting its targets and objective of a company.

There are numerous rationales on the need of recruiting women into the board which includes; women would increase diversity of opinion in the boardroom, women directors are deemed to bring strategic input to the board, women on board could also influence on the decision making and leadership styles of the organization and enhancing the company image with stakeholders groups by developing the women capabilities and their availability in the board as directors (Sener & Karaye, 2014). Apart from that, women directors also ensure improved behavior in the board and also would eventually produce female role model and mentors for the younger generations.

The agency and resource dependency theory indicates there are positive impacts from gender diversity in the board on the firm financial performance (Vob, 2015). The resource dependency theory shows that the female director would indulge valuable and unique resources to the board as they bring more diverse networks (Terjesen et al., 2015). Moreover, from the agency theory perspective, the women directors are able to provide innovative ideas and outlook on complex issues and are much capable in problem solving and strategic formulation (Francoeur et al., 2006).

Yusoff and Ramin (2013) opine that there is no significant relationship between women on corporate board in Malaysia and the firm performances. There are slight variations in the demographic background in the composition of the board in Malaysia in contrast from other countries. According to Terjesen, Couto and Francisco (2015), female directors send out positive signal to the public regarding an organization's board behavior and practices. Furthermore, the mixture of both male and female in the board would form a stronger board and lead to an improved company performance (Lee-Kuan et al., 2017). There is more positive firm performance with the increase in the gender diversity in the board. Moreover, for a company to provide a positive signal on the effectiveness of a company board, gender diversity should be considered as it would enhance the financial performance (Terjesen et al., 2015). However, few theoretical papers argued gender diversity in board would lead to higher maintenance and too much on board monitoring would ultimately reduce the shareholders value (Adam & Ferreira, 2008). Moreover, the interference in the decision making could lead to communication breakdown between directors and fellow managers. Therefore, the gender diversity, may negatively affect the board performance due to the high number of participation of the directors. According to Vob (2015), there are no significant relationships between gender diversity in the corporate board with firm performances.

2.5.6 Corporate Social Responsibility (CSR)

Corporate social responsibility is how companies are managed to promote an overall productive and positive impact on society. CSR is also to ensure companies conduct their business ethically. In the current market, there are high demands for companies to go beyond financial accountability to investors as CSR reporting arises from the initiative of accountability, which is a significant concept in corporate governance. Corporate social disclosure reporting is not only financial reporting but supplementary information which is required by the regulation as it determines whether the firm is incorporating ethical value, transparency, employee relationship and the compliance with legal requirement. The CSR reporting in Malaysia consist of four categories which are the environment, community, workplace and marketplace that impacts the business and company performance (Dahlsrud, 2006). Enhance management practices will improve firm performance leading to higher share prices and returns. This is due to the timely and accurate disclosure of information practiced by the firms (Solferino & Solferino, 2016). The Securities Commission (SC) views CSR as a natural progression of its ongoing work in relation to the expansion of a strong framework for excellent corporate governance as the stakeholders and shareholders interest are taken into account as well. This contribution would also preserve and protect the environment and social welfare of the communities in which the firm operates. Malaysia also introduce the need of public listed companies to implement the CSR activities as the CSR development are growing subsequently and the adoption of good CSR leadership and practices are frequently emphasized globally and Malaysia is now still in its infancy stage (Thomson & Zakaria, 2004).

Corporate social responsibility (CSR) reporting is information which is mandatory, and is seen as a key driver for engaging the wider community as it is significant to the shareholders in business activities as well (Zairi & Peters, 2002). The CSR also constitutes a pyramid which includes the economic responsibility to be profitable, the foundation upon which all others rest; legal responsibility to obey the law; ethical responsibility to do what is right, lastly to be just and fair (Carroll, 1991).

The CSR are performed through expert evaluation, content analysis of annual reports and other documents, and performance in controlling the socially responsible firm as this can differentiate its product in the market, reduce firms' exposure to risk and in the long run avoid fines imposed by the government and also provides organizations with better reputation, brand value, sales and customer loyalty. The stakeholder theory is vastly used to interpret the relationship between CSR and firm performance (Vlastelica et al., 2018). Stakeholder tends to evaluate the corporate activities in accordance to the corporate behavior in the company and society.

According to Ika, Dwiwinarno and Widagdo (2017), there is a positive impact in the governance of the company which performs social activities and which the details being disclosed in the annual report. Moreover, the involvement of audit committee effectiveness was also significant in the disclosure of CSR since the involvement would reflect on improved financial reporting and the availability of the resources.

The verifiable and quality information given by CSR would increase the products and services demands as well as the investors with vast knowledge on the firm tend to contribute extensively in the market which practices CSR disclosure. Hence, the agency theory propositions' are that the efficient corporate governance practice improve the boards' accountability to the investors and in the long run enhance the firms' performance as well (Ruangviset et al., 2014). Moreover, there are also possibility on the existence of agency cost due to the conflict of interest between the shareholder and managers. This is due to the parties having different interest and

asymmetric information thereby moral hazard and conflict of interest may increase in the community contributions.

The call for greater investors and the social impact of corporate scandal raised the concern for the firm to act responsible in integrating issues related to corporate social responsibility and decision implemented by the board as the effective governance practice would ensure board to act in the best interest of the investors. Therefore, Fontaine (2013) indicates the corporate decision making and its corporate reporting and social responsibility transparency can increase the contribution in the company performance positively. The establishment of CSR based on the corporate governance and Bursa Malaysia requirements are significant to integrate the investors concern towards the corporation. Conversely, previous study also indicates there was an insignificant relationship between the CSR and the firm performance and ROA whereby CSR favors the company in terms of reducing the costs only (Pan et al., 2014). According to Guadano and Pedroza, (2018), CSR does not perceive to have an effect on the shareholder value as a negative influence were observed from the employees. This is because the greater the managers expectations of the organizational cost or economic derived from CSR, the worse the relationship between objective barriers and CSR.

2.5.7 Audit Committee

Audit committee manages the financial reporting of the company to evade any irregularities occurred in the financial statements (Madawaki & Amran, 2013). The essential role of audit committee is to ensuring the independence and objectivity of external auditor and also monitoring the firm management and the integrity of company financial statement while reviewing the internal control system. Additionally, the duties of audit committee as per MCCG 2012 includes reviewing the quarterly year end financial statements, working closely with internal audit

function, discussing the scope of audit with external auditors on matters arising from interim and final audit, review the external auditors management letter and management response.

The Malaysian Securities Commission gave notice to all the listed companies as per the Bursa Malaysia requirement to form audit committee and eventually the companies largely established this act in the year 1998. The public listed companies in the Main Market and in the market of Kuala Lumpur Stock Exchange are required to have an audit committee. The audit quality has significant relationship with the audit committee as well (Soliman and Abdelsalam, 2013). Audit quality is determined by examining the quality system carried out by external and internal auditor to investigate if the company complies with the defined quality system processes and enhance the degree of confidence of the shareholders in the financial statements.

The agency theory states that, the audit committee and audit quality can minimize the agency cost that occurs between the principal and agent due to the dissimilarity in the goals and objective they would like to achieve (Miko & Kamardin, 2015). According to Crisan and Fulop (2014), the minimum recommended members in the audit committee is three members however, most corporate governance practice indicates a optimum number of member would be between three to six members as majority of them should be independent in order to achieve effective monitoring of mechanism of control and reducing the internal control risk. Moreover, the company size and workload the committee receives could be related to the number of audit committee members as well. Salloum, Azzi and Gebrayel (2014), claimed the increase number of audit committee would in the long run be more effective to the corporation. The risk of earnings management is also reduced which would ultimately lead to the improvement in the transparency of the firm.

It has also been argued that, it is not recommended to have audit committee completely independent from the management as the discussion held in the meeting would produce an objective result in this case. However, Geiger and Rama (2006) stated that, in order to increase the quality and performance of the audit committee in a firm, the size of the committee should be appropriate and sufficient which is between three to size members to perform the task given successfully. It is necessary to indulge the audit committee in the economy sectors and business operations as well. The larger the audit committee the better the extensive supports given to the board of directors by the external and internal auditors. Researchers also indicate the committee members would enhance the performance due to the availability of the members in order to carry out needed services (Miko & Kamardin, 2015). The financial reports are also managed effectively with the increase in the number of audit committee.

Similarly, the mere existence of the audit committee has a negative relationship with financial reporting quality and in contrast, the audit committee monitoring the competences and effectiveness provide a positive relationship with the financial reporting quality (Bajra & Cadez, 2017). There are several studies indicating the relationship between the value of auditors' fees and the existences of audit committee they acquire have a negative correlation. This is due to the decrease in the auditors remuneration since the audit committee mitigate the risks associated with the auditing activities (Brad et al, 2015). Moreover, based on the ROA analysis, previous studies also states the independent directors in the audit committee lead to a positive but insignificant relationship with the company performance (Bansal & Sharma, 2016).The audit committee has a significant role in acting independently and enhancing the firm performance to ensure the interest of investors are protected in relation to the financial reporting and internal control.

2.6 Control Variable

Control variable refer to variable or contributing factors that are fixed or eliminated to identify the relationship between the dependent and independent variable. It is significant as minimal variations in the experimental set-up could affect the outcome of the result being accumulated. This experimental research is an excellent way of determining relationships between variables that are valuable for comparison and descriptive studies.

2.6.1 Board Size

It is acknowledged that the board size and firm size are correlated and board size is related to firm performance (Kiel & Nicholson, 2003). The companies that are managed by the board of directors and the system of a company should discover the process of developing the members of board and the overall board structure. The board of directors plays a critical role in the corporate governance practice of a firm. The balance of executive and non-executive members should be considered in the formation of the board of director. As per the MCCG 2017, it has been recommended for at least 1/3 of the board should comprise of independent directors. According to Lipton and Lorsch (1992), the optimal size for a board should not be more than nine.

Gambo, Bello and Rimamshung (2018), indicates that the link between the number of board members and levels of conflict is positive. It has been indicated that the smaller boards are more efficient due to enhanced director-to-staff communication, as well as smaller firms are easier to manage. Lipton and Lorsch (1992) also indicate greater numbers will interfere with the group dynamics and hinder board performance. Therefore, for investors to have an enhanced honest and transparent board of directors it is essential to practice good corporate governance.

The large board of director would increase the agency problem that leads to weak communication. Thus, the large board size will move into a more symbolic role rather than performing its intended function as part of the member of the management (Muchemwa et al., 2016). A smaller firm has the capability of monitoring the member abilities and bringing forwards towards high earnings.

The board size is one of the most important determinants of effective governance practices. The decision making in the board are enhance as there are additional presence of expertise and skills in the board that prevents the corporate to fail. However, smaller boards efficiency in terms of corporate deliberations and decision making can be expected to enhance due to the decline in the agency cost and the free riders problem are hindered (Arosa, 2013). Larger boards are deemed to be difficult to maintain as the planning, work coordination, decision making and having regular meeting could be a trouble since the coordination and communication would be inefficient. Moreover, board cohesiveness could not be achieved easily due to diversity in terms of idea and disagreements would in the due course not provide a fruitful solution. As suggested by the agency theory, the theoretical framework of this study takes into account the importance of the board size in enhancing the corporate performance. Apart from that, the independent directors and company performance is positively related to the available resources such as the external independent directors that would contribute and supports the resource dependency theory (Rashid, 2011).

There are also scholars who argue that a larger board would eventually lead to a better firm performance as they tend to obtain vast information which would benefit the firm to achieve excellent performance (Dalton et al., 2005). CEO are claimed to be less likely to be manipulated with a larger board as compared to a smaller board. There are recent studies stating this approach does not apply to every firms and the industry as the specific variables may not be consistent. Countries with various backgrounds may vary in terms of the financial performance and the practice they implement based on the corporate governance standards in their country. In the other

hand, the perspectives of the investors are also significant as it would affect the decision made related to the authorized party.

According to Coleman and Biekpe (2008), the larger the board sizes the more positive the ROA results would be and the company performance. Encompassing more independent directors in the board could also monitor and disciplined the managers to ensure the company objectives are met and in line with the governance rules as well.

2.7 Hypothesis Development

2.7.1 Relationship between CEO duality and Company Performance

According to previous study by Rashid (2010), there is a negative and non-significant relationship between CEO duality and firm performance under the measurement of ROA. Moreover, there has been a negatively significant relationship between CEO duality and the board effectiveness. The director serving as the CEO and chairman would reduce both the effectiveness and monitoring of the board and company. Moreover, the separations of CEO and chairman position are found to reduce the friction between the managers and board members thus positively influencing the company performance (Coleman & Biekpe, 2008). Rashid (2011), also found that there is a significant negative relationship between CEO duality and ROA and firm performance under market-based performance measure. According to Abdullah (2004), the combine leadership does not influence the company performance as the ROA or financial ratios may not have captured the leadership structure and board in determining the company's value. Furthermore, Moscu (2013), found that CEO duality and corporate performance measured by ROA is positive but had insignificant relationship and therefore it is suggested to have a separation. Dogan, Elitas, Agca and Ogel (2013) states that having CEO duality would negatively affect both the accounting based and market-based indicators such as TSR and the company

performance. Consequently, the following hypothesis is formulated to test the arguments and measure the relationship between CEO duality and company performance.

H11A: CEO duality is positively significant with ROA
H11B: CEO duality is positively significant with TSR

2.7.2 Relationship between Numbers of Independent Directors and Company Performances

The number of independent directors and firm performance in the board receive similar attention as the studies shows an assortment of results. Muller (2014) indicates there is a significant relationship between number of independent directors and ROA as there are also potential impacts on corporate board characteristics' on company performances. According to Wang (2014), there have been insignificant negative associations between the number of outside directors and corporate performance in the board. This might be due to the small proportion of independent directors on the board. Moreover, there have been negative correlations between independent directors on board and ROA especially when the boards have a majority of independent directors and vice versa (Koerniadi & Rad, 2012). The independent directors on board are also free from influences and are able to monitor the board effectively by protecting the shareholders and increasing the ROA (Maude et al., 2018). Another study done by Ntim (2011) found that there is a significant and positive impact of independent directors with both TSR and ROA. Hence, the following hypothesis is formulated to test the arguments and measure the relationship between independent directors and company performance.

H12A: Number of Independent Directors is positively significant with company performance (ROA)
H12B: Number of Independent Directors is positively significant with company performance (TSR)

2.7.3 Relationship between Numbers of Women Directors and Company Performances

According to Julizaerma and Sori (2012), there is a positive association of ROA and gender diversity whereby the women directors in the board could enhance the financial performance of the company. Another study done by Yusoff and Ramin (2013), found that there is no relationship between composition of women in Malaysia corporate board and company performance measured by ROA. Apart from that, Mogbogu (2016) finds that there is a minimal difference between the female directors in the board and company performance as the ROA indicates a non-significant negative relationship from the studies of 500 firms from the technology sectors. Another study done by Vob (2015) indicates there is no evidence to prove that gender diversity and women on board enhance the company financial performance measured by ROA. Kemp and Viviers (2014), founds there is a significantly negative relationship between board diversity and TSR due to the director serving multiple board at the same time. Smith, Main and O'Reilly (2014), indicates there are no significant relationship between TSR, ROA and the extent of board room gender diversity however, this result would not undermine the level of gender diversity in the board room. Thus, the following hypothesis is formulated to test the arguments and measure the relationship between number of women directors in board and company performance.

H13A: Number of Women Directors is positively significant with company performance (ROA)
H13B: Number of Women Directors is positively significant with company performance (TSR)

2.7.4 Relationship between CSR and Company Performances

According to Ruangviset, Jiraporn and Kim (2014), there is a significant positive relationship between CSR and ROA and firm value which indicates that high performance company are engage with CSR activities. Pan, Sha, Zhang and Ke (2014), found that CSR has a significant relationship on ROA that helps to decrease cost and enhance the profitability of a company as the shareholder responsibility are also positive to company performance. Guadano and Pedroza (2018), indicates that CSR does not impact the shareholder value creation meanwhile there was a negative influence on stakeholder value as well. Moreover, Bisogno, Citro, Santis and Tommasetti (2017), found that the ROA is not significant to the corporate social performance as CSR derive a moderate impact to the company thus it is advisable to the firm to constantly seek to improve ways of measuring a firm that can transform social responsibility into profit. Kim, Park and Wier (2011), also finds that the company that invest in CSR activities unlikely produce less and are negatively associate in the earning management such as the ROA and market adjusted return. CSR does enhance the operational profitability but no changes on the market-based value such as the TSR, which supports the stakeholder theory that states CSR will influence the company performances (Chung et al., 2018). Thus, the following hypothesis is formulated to test the arguments and measure the relationship between CSR and company performance.

H14A: Corporate Social Responsibility is positively significant with company performance (ROA)
H14B: Corporate Social Responsibility is positively significant with company performance (TSR)

2.7.5 Relationship between Audit Committee and Company Performances

According to Zraiq and Fadzil (2018), the audit committee size is not significant yet, it is positively associated with ROA. Amer, Ragab and Shehata (2014), found that the audit committee size is unable to impact the company financial performances with a negative relationship with ROA since the number of audit committee is not significant in determining the company performance. Moreover, Dao, Hassabelnaby and Said (2014), found that audit committee is negatively associated with the market-based measure such as TSR. The number of audit committee members is found to be negatively impacting the company market performance (Aldamen et al., 2012). Alqatamin (2018), finds that there is a significantly positive relationship between the audit committee and company performance as larger audit committee are found to improve the company performance since there are additional resources to solve the company issues. Apart from that, there is an insignificant relationship between the audit committee size with ROA and this is probably due to the audit committee is not fundamental and similar in every country (Al-Matari et al., 2014). As a result, the following hypothesis is formulated to test the arguments and measure the relationship between audit committee and company performance.

H15A: Audit Committee is positively significant with company performance (ROA)
H15B: Audit Committee is positively significant with company performance (TSR)

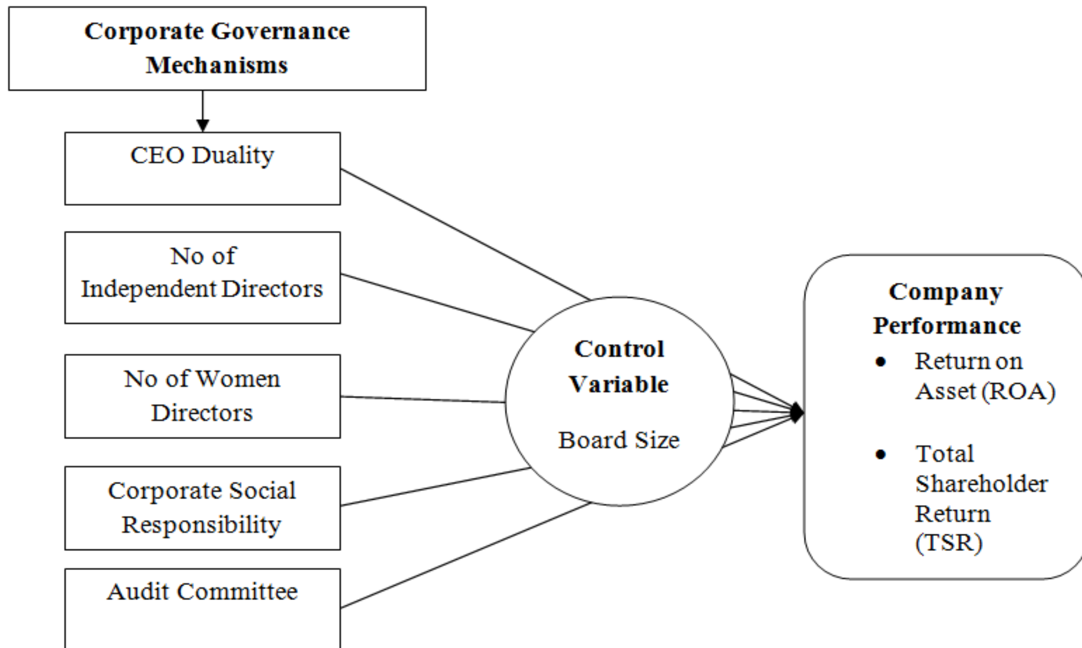
2.7.6 Relationship between Board Size and Company Performances

There is no significant relationship between board size and the firm performance measured by ROA and TSR (Wang et al., 2013). Moreover, there have been negative correlations between ROA and board size as larger boards are less consistent and it raises difficulty in board to make strategic decision and coordinate the board (Bonn et al., 2004). According to Maude, Gambo, Bello and Rimamshung (2018), states that smaller board size are more effective than larger board size and small board size that comprises relevant core competencies and entrepreneurial skill will enhance the ROA. The share price and the return on stocks do affect the board monitoring and size as there has been a significant positive result with TSR (Hillman et al., 2001). Moreover, effective corporate governance mechanism is found to be related to higher ROA and TSR, thus the correlation is found to be positively significant as well (Ntim et al., 2014). Coleman and Biekpe (2008), indicates board size are significant with ROA and has a positive impact on the company performance. Moreover, according to Hidayat and Utama (2016), it was found that board size is not significant with ROA and company performance. Thus, it is essential to examine the relationship between board size and company performance and the following hypothesis is formulated to test the arguments and measure the relationship between board size and company performances.

H16A: Board size is positively significant with company performance (ROA)
H16B: Board size is positively significant with company performance (TSR)

2.8 Conceptual Framework

Figure 2.5: Corporate Governance Mechanisms and Company Performance



Source: Developed for the research

The conceptual framework comprises of the independent variable which are CEO duality, independent directors, women directors, corporate social responsibility and audit committee. Meanwhile, the dependent variables are TSR and ROA with the control variable being the board size.

2.9 Conclusion

This chapter reviewed the literature in relation to the corporate governance mechanisms which are the CEO duality, independent directors, women directors, corporate social responsibility, audit committee and board size to evaluate the company performance by measuring the TSR and ROA. This chapter also reviews the theories that are relevant to the corporate governance standards and the literature reviews and conceptual framework were set to test the hypothesis of this study as well.

CHAPTER 3

METHODOLOGY

3.1 Introduction

This chapter describes the methodology involved in selecting the samples, collecting data and analyzing the data. This research is conducted in the sequence of research design, methods of data collection, design sample, instrument of research, constructs measurement, data processing and analyzing. It also includes methods used in order to examine the objectives of this study and the last section will be the conclusion of this chapter.

3.2 Research Design

Research design is the basic direction in conducting a research as it consists of numerical data collection and the explanation is based on the attributes of data sources. The purpose of this research is to investigate the level of compliance with corporate governance best practices and the company performance of the good disclosure public listed companies based on the ROA and TSR from the year 2013-2017. The historical trend of conducting a quantitative research comprises of designing the research, collecting data, measuring and analyzing the data. According to Williams (2007), quantitative research method is used when the information and

data collected can be quantified and a statistical analysis could be conducted to support the hypothesis hence, the quantitative research will be used in this research. Besides, it also indicates the relationship between independent variables and two dependent variables in the population (Lodico, Spaulding & Voegtle, 2010).

Three types of quantitative method could be utilized to conduct the studies which are descriptive, causal and experimental. For this research, the descriptive analysis would be used as it describes the state of an affair as it is in the present. This method is likely to describe the characteristics of the objects, people, or even environment and predicts the opinion and behavior accurately in a group (Salaria, 2012). As this research requires examining the corporate governance mechanism in the current state, the descriptive analysis is the most suitable method to use as it would provide an accurate decision making.

The data collected would be the quantitative data accumulated from the annual reports of good disclosure public listed companies that were shortlisted and the collection were performed using the Bursa Malaysia websites, Investors Relation and Bloomberg as well. The accumulation of the independent variables were completed using the annual reports meanwhile, Bloomberg were used to generate accurate and reliable dependent variable (ROA and TSR) results. This data are reliable and accountable as the corporate governance codes are widely practice by these companies. The period chosen for the accumulation of data for this companies were from the year 2013 to 2017. Data are chosen from this period due to the release of MCCG during the year 2012 whereby, the codes and practices of corporate governance used in this research are according to the MCCG 2012 with also the reference of MCCG 2017. A time series analysis will be conducted for 5 years which is from the year 2013 to 2017 to identify the relationship between the dependent and independent variables. Hence this survey is to analyze how the corporate governance mechanisms are influenced by the amendments of corporate governance practices throughout these 5 years among the public listed companies.

3.3 Data Collection Method

3.3.1 Secondary Data

Secondary data are data that have been collected by a third party for multiple factors other than the problem in hand (Zeithaml et al., 2002). The secondary sources varies in terms of data available from within or externally from the organization whilst some are available through case studies, online search engines, previous research and library records. External data such as journals, e- journals, magazines, articles, books and internet can be used to acquire the information. Secondary data are also inexpensive as it could be obtained with ease in contrast to the primary data.

The search engines such as Google, Websites, Internet and so on are widely recommended due to its effectiveness in obtaining wide range of information from various group of research that are specialist in sharing their knowledge relating to the topic.

Secondary data can help researchers to identify and developed an approach to a problem by formulating an appropriate research design. The data and information acquired from the secondary sources are also more reliable as they are published and recognized by qualified scholars and researchers'.

3.3.2 Annual Report and Bloomberg

The secondary data will be used for this research and the data are obtained widely from annual reports which were obtained from Bursa Malaysia website. Bloomberg website provides real- time financial data, news feed and price quotes for companies. The share prices and return on assets (ROA) are acquired from sources such as

Bloomberg and Bursa Malaysia. The data reflects the corporate governance practices as the resources are collected based on the MCCG 2012 and 2017 requirement and the codes of best practices.

The data required from the annual report is the board size as to the number of directors which should comprise of about 9 to 11 members. The CEO duality, whereby to identify whether the position held by the chairman and CEO is the similar individual. The number of women directors where else more than thirty percent of the board should comprise of women directors. The number of independent directors in the board was calculated as well. The audit committee is evaluated by accumulating the number of audit committee as stated in MCCG 2012 which should be around 3 to 4 members. The corporate social responsibility was measured based on the number of CSR activities held in the company.

Meanwhile from Bloomberg, the Return of Asset (ROA) and the share price to compute the Total Shareholder Return (TSR) were obtained. This is to evaluate the company performance for the year 2013-2017 for this research.

3.4 Sampling Design

3.4.1 Target Population

Sekaran and Bougie (2010), defines target population as the complete group of objects or elements with specific and explicit tangible characteristic as it is relevant to the research project. This research is to investigate the relationship of corporate governance mechanisms and its influences on company performance among the good disclosure public listed companies in Malaysia. There are 100 good disclosure public listed companies listed in the Minority Shareholder Watch Group (MSWG) Malaysia

as per the year 2017. Therefore, the targeted population chosen would only be the first 50 companies as per the ranking provided in the list. The complete list of the good disclosure public listed companies could be viewed from the MSWG website http://www.mswg.org.my/top-100-companies-by-ranking.

3.4.2 Sampling Element

In this research, only the first 50 companies with reliable and sufficient data were chosen as per the ranking from the total of 100 companies that are listed in MSWG 2017 as the good disclosure companies. This is due to the time constrain of this study and the top 50 companies with complete annual reports are chosen for accountable results. The sampling frame would be the 50 companies as mentioned that were shortlisted according to the ranking and the period of study are range from the year 2013-2017.

3.4.3 Sampling Techniques

The sampling techniques used in this research will be the non- probability sampling method whereby samples gathered and selected based on their accessibility or by the researcher purposive personal judgment (Showkat & Parveen, 2017). This method could represent the result acquire from the targeted population as we could generalize the result obtain. The convenience sampling techniques' were chosen whereby the samples were more accessible for the research as they are listed as the good disclosure companies. The data and samples are easy to recruit as it is also the easiest and least time consuming techniques. Apart from that, the ranked set samplings were chosen as this would possibly yield the representatives measurements. Apart from that, ranked set sampling is cost efficient because fewer sample needed for measurements. There are total of 50 companies as the chosen population therefore,

various sectors are included such as, insurance, retailing, communication and technological field and more to conduct this research.

3.4.4 Sample Size

A sample size provides an insight to the researcher on how to make judgments that are statistically correct and has sufficient power to detect accurate and precise results or effect (Malone et al., 2015). There should be a balance on the sample size chosen to provide the information needed from the population for the degree of accuracy required. The sample size based on the ranking is aimed to control the probability that the chosen companies are sufficient to provide top ranking information to be assessed and determine the corporate governance efficient in the companies. Thereby, the sample size of first 50 public listed companies are chosen from the 100 companies listed in MSWG 2017 based on the ranking. However, the subsequent companies were taken in the list for the companies with incomplete data collection such as absence of annual reports or data from Bloomberg. The research is covering 50 companies for the period of 5 years, from the year 2013-2017 which results in 250 observations.

Table 3.1: List of Top 100 Companies with Good Disclosure

List of Top 100 Companies with Good Disclosures (By Rank)

No.	PLC Name	No.	PLC Name	No.	PLC Name
1	TELEKOM MALAYSIA BERHAD	41	UMW OIL & GAS CORPORATION BERHAD	81	GD EXPRESS CARRIER BERHAD
2	BURSA MALAYSIA BERHAD	42	POS MALAYSIA BERHAD	82	SP SETIA BERHAD
3	CIMB GROUP HOLDINGS BERHAD	43	BUMI ARMADA BERHAD	83	QL RESOURCES BERHAD
4	MALAYAN BANKING BERHAD	44	GUINNESS ANCHOR BERHAD	84	STAR PUBLICATIONS (M) BERHAD
5	AXIATA GROUP BERHAD	45	KULIM (M) BERHAD	85	HARTALEGA HOLDINGS BERHAD
6	MALAYSIA AIRPORT HOLDINGS BERHAD	46	AMMB HOLDINGS BERHAD	86	LAFARGE MALAYSIA BERHAD
7	LPI CAPITAL BERHAD	47	TSH RESOURCES BERHAD	87	BATU KAWAN BERHAD
8	UMW HOLDINGS BERHAD	48	MMC CORPORATION BERHAD	88	MUDAJAYA GROUP BERHAD
9	PUBLIC BANK BERHAD	49	AIRASIA BERHAD	89	LBS BINA GROUP BERHAD
10	MEDIA PRIMA BERHAD	50	OSK HOLDINGS BERHAD	90	AMWAY (M) HOLDINGS BERHAD
11	ASTRO MALAYSIA HOLDINGS BERHAD	51	IHH HEALTHCARE BERHAD	91	FABER GROUP BERHAD
12	RHB CAPITAL BERHAD	52	KUALA LUMPUR KEPONG BERHAD	92	WESTPORTS HOLDINGS BERHAD
13	UM CORPORATION BERHAD	53	SUNWAY BERHAD	93	SARAWAK PLANTATION BERHAD
14	TENAGA NASIONAL BERHAD	54	GAS MALAYSIA BERHAD	94	ANALABS RESOURCES BERHAD
15	UEM SUNRISE BERHAD	55	MANULIFE HOLDINGS BERHAD	95	KOSSAN RUBBER INDUSTRIES BERHAD
16	MAXIS BERHAD	56	AFFIN HOLDINGS BERHAD	96	MEDIA CHINESE INTERNATIONAL LIMITED
17	DRB-HICOM BERHAD	57	FRASER & NEAVE HOLDINGS BERHAD	97	ZHULIAN CORPORATION BERHAD
18	UM LAND BERHAD	58	TOP GLOVE CORPORATION BERHAD	98	MATRIX CONCEPTS HOLDINGS BERHAD
19	BRITISH AMERICAN TOBACCO (M) BERHAD	59	HAP SENG CONSOLIDATED BERHAD	99	FAVELLE FAVCO BERHAD
20	ALLIANCE FINANCIAL GROUP BERHAD	60	HONG LEONG FINANCIAL GROUP BERHAD	100	MBM RESOURCES BERHAD
21	FELDA GLOBAL VENTURES HOLDINGS BERHAD	61	DAIBOCHI PLASTIC AND PACKAGING INDUSTRIES BERHAD		
22	UM PLANTATION BERHAD	62	PRESTARIANG BERHAD		
23	SIME DARBY BERHAD	63	ORIENTAL HOLDINGS BERHAD		
24	PETRONAS GAS BERHAD	64	TROPICANA CORPORATION BERHAD		
25	PETRONAS CHEMICALS GROUP BERHAD	65	MASTER-PACK GROUP BERHAD		
26	NESTLE (M) BERHAD	66	DIALOG GROUP BERHAD		
27	DIGI.COM BERHAD	67	SAPURAKENCANA PETROLEUM BERHAD		
28	KUMPULAN PERANGSANG SELANGOR BERHAD	68	GENTING PLANTATIONS BERHAD		
29	KPJ HEALTHCARE BERHAD	69	MAGNUM BERHAD		
30	GENTING MALAYSIA BERHAD	70	C. I. HOLDINGS BERHAD		
31	IOI CORPORATION BERHAD	71	IQ GROUP HOLDINGS BERHAD		
32	PETRONAS DAGANGAN BERHAD	72	CYPARK RESOURCES BERHAD		
33	MALAYSIAN RESOURCES CORPORATION BERHAD	73	GAMUDA BERHAD		
34	ALLIANZ MALAYSIA BERHAD	74	HONG LEONG BANK BERHAD		
35	GENTING BERHAD	75	CARLSBERG BREWERY (M) BERHAD		
36	MALAYSIA MARINE AND HEAVY ENGINEERING BERHAD	76	PLENITUDE BERHAD		
37	MSM MALAYSIA HOLDINGS BERHAD	77	ENGTEX GROUP BERHAD		
38	BIMB HOLDINGS BERHAD	78	ECS ICT BERHAD		
39	MISC BERHAD	79	SURIA CAPITAL HOLDINGS BERHAD		
40	MALAYSIA BUILDING SOCIETY BERHAD	80	FOCUS POINT HOLDINGS BERHAD		

Source: Minority Shareholders Watch Group. Top 100 Companies by Ranking.

3.5 Research Instrument

This research acquires its data from the year 2013 to 2017 from the financial statement and share price from the annual report obtain from the Bursa Malaysia, Investors Relation and Bloomberg as well. The Return on Asset (ROA) and Total Shareholder Value (TSR) are calculated and accumulated in the Microsoft Excel. The accumulated data were transferred and evaluated in the Statistical Package for Social Science (SPSS) Version 21 for the descriptive analysis and multiple linear regressions results. The data were also computed by using the E Views 8 software to run the panel data analysis and the Hausman test followed by performing the test on the fixed and random effect model.

3.6 Construct Measurement

This research was conducted with 2 dependent variables and 6 independent variables whereby there is only 1 dummy variable (CEO Duality) and 1 control variable (Board Size).

Table 3.2: Table of variables

Dependent Variables	**Formula**	**Adopted From**
Return of Equity (ROA)	$\frac{\text{Net Income}}{\text{Total Asset}}$	Heikal et al, (2014) Warrad (2015) and Rosikah et al., (2018)
Total Shareholder Return (TSR)	$\frac{SPn - SPn\text{-}1}{SPn}$	Bocardo and Weijermars (2016) Mihaela and Alexandru (2016)

Independent Variables	**Formula**	**Adopted From**
CEO Duality	0= No CEO Duality 1= CEO Duality	Rashid (2010) Ugwoke, Onyeanu and Obodoekwe (2013)
Independent Directors	Numbers of Independent Directors	Johari, Salleh, Jaffar and Hassan (2008) Ahmed Joher (2010) Muller (2014) Fuzi, Halim and Julizaerma (2015)
Women Directors	Numbers of Women Directors	Julizaerma and Sori (2012) Yusoff and Ramin (2013) Kemp and Viviers (2014)
Corporate Social Responsibility (CSR)	Numbers of CSR activities per year	Ruangviset, Jiraporn and Kim (2014) Majeed et al (2015) Ika et al, (2017)
Audit Committee	Numbers of Audit Committee Members	Geiger and Rama (2006) Amer, Ragab and Shehata (2014)

Control Variables	Formula	Adopted From
Board Size	Numbers of Directors in Board	Bonn et al., (2004) Dalton et al., (2005) Gambo, Bello and Rimamshung (2018)

3.7 Data Analysis

3.7.1 Descriptive Analysis

According to Sekaran (2003), descriptive statistics have been widely used in academic research on corporate governance to transform raw data into a more simplified form to interpret and present information to understand the factors in the circumstances. This research is also to identify maximum, minimum, mean and standard deviation for both the independent and dependent variable. The data collected can also be observed with the analysis as they report on the trend and patterns of the data and provides the comparison between the variables.

3.7.2 Panel Data Analysis

According to Pillai (2016), panel data refer to a data accumulated over multiple periods with observations from multiple condition and phenomena. Therefore, it has two dimensions which are the time series and cross-sectional series in which the behavior of the companies is observed over time. Panel data can be conducted to control variables that cannot be measured like the business practices among the companies and variables that vary in over time but not across entities. The cross-

sectional information in different variables representing the corporate governance mechanism where else the time series information of 5 years period were determined.

There are two types' of panel data analytic model used in this research which are the fixed effect model and random effect model (Azimi, 2016). The fixed effect model can be used to analyze the impact of variables that change over time. Meanwhile, the random effect model variation among the companies is assumed to be random and uncorrelated with the independent variable included in the model.

The Hausman test is vital as the result from this test would be used in determining whether to choose the random effect model or a fixed effect model. Random effect estimates will be used when the probability value (P-value) is more than 0.05 unless the Hausman test rejects the null hypothesis, the fixed effect model would be used.

General Equation for panel analysis:

$$yit = \beta 1xit1 + \beta 2xit2 + \ldots + \beta kxitk + \varepsilon it$$

Dependent variables panel analysis equation:

$$TSR_{it} = \beta_0 + \beta_1 CEOD_{it} + \beta_2 ID_{it} + \beta_3 WD_{it} + \beta_4 CSR_{it} + \beta_5 AC_{it} + \beta_6 BS_{it} + \varepsilon_{it}$$

$$ROA_{it} = \beta_0 + \beta_1 CEOD_{it} + \beta_2 ID_{it} + \beta_3 WD_{it} + \beta_4 CSR_{it} + \beta_5 AC_{it} + \beta_6 BS_{it} + \varepsilon_{it}$$

β = Beta

ε= A classical error term

i= Observation number in a cross-sectional data set

t= Observation number in a time-series data set

3.7.3 Inferential Analysis

3.7.3.1 Multiple Linear Regression Analysis

The multiple linear regression analysis models are to determine the relationship between the independent and dependent variables by fitting the linear equation with the data collected. It is to determine how a one unit change in the independent variable will subsequently change the dependent variable assuming all other independent variable remains constant. The adjusted R Square and R Square will be use to measure the portfolio against a given benchmark. The adjusted R Square is the modified version of R Square that has been adjusted according to the number of predictors in the model. Meanwhile, R Squared is the proportion of the variance in dependent variable that can be predicted from the independent variable. Therefore, the multiple linear regression models will be use to conduct this research by correlating the variables as per below:

$$ROA_N = \beta_0 + \beta_1 CEO_N + \beta_2 ID_N + \beta_3 WD_N + \beta_4 CSR_N + \beta_5 AC_N + \beta_6 BS_N$$

$$TSR_N = \beta_0 + \beta_1 CEO_N + \beta_2 ID_N + \beta_3 WD_N + \beta_4 CSR_N + \beta_5 AC_N + \beta_6 BS_N$$

ROA = Return on Asset
TSR= Total Shareholder Return

CEO= CEO Duality
ID= Number of Independent Director
WD= Number of Women Director
CSR= Number of CSR Activities
AC= Number of Audit Committee
BS= Board Size

3.8 Conclusion

This chapter has outlined the essential research methodologies which are the research design, data collection, sampling design, research instrument, construct measurement and data analysis. The methodology employed to accumulate the data and statistical techniques used to analyze the data to test the relationship between the corporate governance mechanism and its influences on the company performance among the public listed companies in Malaysia.

CHAPTER 4

RESEARCH RESULTS

4.1 Introduction

This chapter reveals the analysis and results on the research questions and objectives. The result accumulated from the primary and secondary data are presented and evaluated in the SPSS and E Views to determine the relationship between the variables. Followed by that, the descriptive analysis, panel data and multiple linear regression results will be presented in this chapter for precise understanding on the variables.

4.2 Descriptive Analysis

4.2.1 Statistics for Dependent Variables

Table 4.1 Descriptive Statistic for ROA and TSR

Descriptive Statistic						
		ROA			TSR	
Year	**Sample**	**Mean**	**S.D**	**Sample**	**Mean**	**S.D**
2013	50	.085	.112	50	.243	.342
2014	50	.076	.117	50	-.024	.231
2015	50	.069	.117	50	.030	.400
2016	50	.059	.105	50	.012	.203
2017	50	.049	.100	50	.141	.201
Average	**250**	**0.068**	**0.110**	**250**	**0.080**	**0.275**

S.D= Standard Deviation

Source: Developed for the research

The descriptive statistics displayed above are the computation of mean and standard deviation of ROA and TSR to measure the company performance for the year 2013 to 2017. The mean for ROA for the year 2013, 2014, 2015, 2016 and 2017 were 0.085, 0.076, 0.069, 0.059 and 0.049 respectively. Meanwhile, the standard deviation of ROA for the year 2013, 2014, 2015, 2016 and 2017 were 0.112, 0.117, 0.117, 0.105 and 0.100 respectively.

Followed by that, the mean for TSR for the year 2013, 2014, 2015, 2016 and 2017 were 0.243, -0.024, 0.030, 0.012 and 0.141 correspondingly. Next, would be the standard deviation for the TSR for the year 2013, 2014, 2015, 2016 and 2017 were 0.342, 0.231, 0.400, 0.203 and 0.201 respectively.

Table 4.2 Descriptive Statistics for CEO Duality

Dummy Variable			
CEO			
Year	**Sample**	**Yes (%)**	**No (%)**
2013	50	3 (4.1)	47 (64.4)
2014	50	3 (4.1)	47 (64.4)
2015	50	3 (4.1)	47 (64.4)
2016	50	3 (4.1)	47 (64.4)
2017	50	3 (4.1)	47 (64.4)
Average	**250**	**3 (4.1)**	**47 (64.4)**

In this research, the number and percentage of the companies that practice CEO duality and do not practice CEO duality are recorded. The CEO duality is the dummy variables whereby the number and percentage of good disclosure companies in Malaysia that practice non- CEO duality for the year 2013 to 2017 was all 47 and 64.4% respectively. Meanwhile the number and percentage of companies that practice CEO duality for the year 2013 to 2017 were all 3 and 4.1% respectively.

4.2.2 Statistics for Independent Variable

Table 4.3 Descriptive Statistics for ID, WD, BS, CSR and AC

		ID		WD		BS		CSR		AC	
Year	Sample	Mean	S.D	Mean	S.D	Mean	S.D	Mean	S.D	Mean	S.D
2013	50	4.660	1.260	1.180	0.873	8.900	**1.620**	28.240	**16.353**	3.760	0.822
2014	50	4.720	1.400	1.240	0.847	8.980	1.857	30.380	17.592	3.960	**1.049**
2015	50	4.680	**1.133**	1.480	**0.839**	9.00	1.629	30.600	16.438	3.920	**0.695**
2016	50	4.800	1.355	1.700	0.974	8.920	1.915	36.360	16.729	3.840	0.766
2017	50	4.900	**1.502**	1.920	**1.066**	8.760	**2.016**	40.020	**17.981**	3.860	0.926
Avg	**250**	**4.752**	**1.330**	**1.504**	**0.920**	**8.912**	**1.810**	**33.12**	**17.019**	**3.868**	**0.852**

ID= Number of Independent Director

WD= Number of Women Director

BS= Board Size

CSR= Corporate Social Responsibility Activities

AC=Audit Committee

The ID was the number of independent director in the company thus; the average number of ID for the period from 2013 to 2017 was 4.752. The lowest and highest standard deviation was 1.133 and 1.502 respectively. Followed by that, WD is the number of women director in the board and the average for the period of 2013 to 2017 were 1.504. The lowest and the highest standard deviation were 0.839 and 1.066 respectively. The average value for BS was 8.912 meanwhile the lowest and highest standard deviation were 1.620 and 2.016 respectively. The CSR stands for the number of CSR activities were performed during the year, thereby the average value was 33.12 and the lowest and highest standard deviation was 16.353 and 17.981 respectively. Apart from that, the AC is the computation of the number of audit committee in the board and the average value was 3.868 and the lowest and highest standard deviation was 0.695 and 1.049 respectively.

4.3 Panel Data Analysis

The panel data regressions were conducted to measure the relationship between the independent variables and the dependent variables. The panel data consist of two models which were random effect model and the fixed effect model. Therefore, both the model was conducted for this research as panel data analysis would provide the correlation between the independent and dependent variables.

4.3.1 Random effect model (TSR)

Table 4.4: Random effect model of TSR

Dependent Variable: TSR
Method: Panel EGLS (Cross-section random effects)
Date: 04/03/19 Time: 15:16
Sample: 2013 2017
Periods included: 5
Cross-sections included: 50
Total panel (balanced) observations: 250
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CEO_DUALITY	-0.020879	0.090637	-0.230356	0.8180
NO_OF_INDEPENDENT_DIRECT	0.007723	0.019163	0.402997	0.6873
NO_OF_WOMEN_DIRECTOR	0.007868	0.022739	0.346022	0.7296
BOARD_SIZE	-0.014955	0.014757	-1.013450	0.3119
CSR_ACTIVITIES	-0.000297	0.001166	-0.254370	0.7994
NO_OF_AUDIT_COMMITTEE	0.003900	0.024857	0.156901	0.8755
C	0.160923	0.124408	1.293506	0.1971

Effects Specification	S.D.	Rho
Cross-section random	0.053297	0.0304
Idiosyncratic random	0.301002	0.9696

Weighted Statistics			
R-squared	0.004983	Mean dependent var	0.074552
Adjusted R-squared	-0.019586	S.D. dependent var	0.296790
S.E. of regression	0.299682	Sum squared resid	21.82365
F-statistic	0.202813	Durbin-Watson stat	2.017673
Prob(F-statistic)	0.975693		

Unweighted Statistics			
R-squared	0.005028	Mean dependent var	0.080182
Sum squared resid	22.44922	Durbin-Watson stat	1.969259

As per the table 4.4, the equations for panel data were formed below:

TSR = 0.161 - 0.021 $CEOD$ + 0.008 ID + 0.008 WD-0.0003CSR + 0.004AC-0.015BS + 0.124ε

Based on the equation above, the ID, WD and AC were positively affecting the TSR. Meanwhile the CEO, BS and CSR were negatively related to the TSR.

The random effect analysis for TSR were run based on the five years data. The P-value for the variable CEO, ID,WD,BS,CSR and AC were 0.818, 0.687, 0.730, 0.312, 0.799 and 0.876 respectively and it does not have any significant impact on the TSR since the P-values for the variables were more than 0.10 and 0.50. Thus, there is 0.50% of variation in TSR. Followed by, the Adjusted R-squared was 0.0195 and the F- statistic was 0.203.

4.3.2 Hausman Test for TSR

Table 4.5 Hausman Test Result

Correlated Random Effects - Hausman Test
Equation: RANDOMTSR
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.873428	5	**0.7195**

The Hausman Test was performed to decide on which model is the most suitable model between the Random Effect Model and the Fixed Effect Model. Therefore, based on the Hausman test result above, the following hypothesis was formed:

Ho: Random Effect Model
H1: Fixed Effect Model

The Hausman test indicates the probability value was 0.720, which is more than 0.05. Therefore, reject H1. In conclusion, the most appropriate model was the Random Effect Model for TSR.

4.3.3 Fixed Effect Model (ROA)

Table 4.6: Fixed effect model of ROA

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	28.881426	(49,191)	0.0000
Cross-section Chi-square	523.819285	49	0.0000

Cross-section fixed effects test equation:
Dependent Variable: ROA
Method: Panel Least Squares
Date: 04/03/19 Time: 15:34
Sample: 2013 2017
Periods included: 5
Cross-sections included: 50
Total panel (unbalanced) observations: 246

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NO_OF_INDEPENDENT_DIRECT	-0.010594	0.006548	-1.617858	0.1070
NO_OF_WOMEN_DIRECTOR	0.012021	0.007688	1.563764	0.1192
BOARD_SIZE	-0.001964	0.005055	-0.388505	0.6980
CSR_ACTIVITIES	0.000354	0.000402	0.881500	0.3789
NO_OF_AUDIT_COMMITTEE	-0.018674	0.008502	-2.196535	**0.0290**
C	0.179043	0.042700	4.193018	0.0000

R-squared	0.060661	Mean dependent var	0.068621
Adjusted R-squared	0.041092	S.D. dependent var	0.110667
S.E. of regression	0.108370	Akaike info criterion	-1.582452
Sum squared resid	2.818548	Schwarz criterion	-1.496956
Log likelihood	200.6416	Hannan-Quinn criter.	-1.548027
F-statistic	3.099769	Durbin-Watson stat	0.619229
Prob(F-statistic)	0.009894		

As per the table 4.6, the equation was formed below:

$$ROA = 0.180 - 0.011\, ID + 0.012\, WD + 0.0003CSR - 0.019AC - 0.002BS + 0.043\varepsilon$$

Based on the equation above, the only WD and CSR are positively affecting the ROA. Meanwhile the ID, AC and BS were negatively related to the ROA. As per the table above, the dummy variable, CEO duality was drop from the equation due to the

high co linearity value the variable possesses. Therefore, the fixed effect model could not be run with the CEO duality as it is highly recommended to drop the variable.

The fixed effect analysis for ROA were run based on the five years data. The P-value for the variable ID, WD, BS, CSR and AC were 0.107, 0.119, 0.698, 0.379, and 0.029 respectively. Therefore, audit committee does have significant impact on the ROA since the P-values for the variables were less than 0.05. In contrast, the other variable does not have a significant impact on the ROA. Thus, there is 6% of variation in the ROA. Followed by, the Adjusted R-squared was 0.041 and the F- statistic was 3.100.

4.3.4 Hausman Test- ROA

Table 4.7: Hausman Test Result

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	13.188932	5	0.0217

The Hausman Test was performed to decide on which model is the most suitable model between the Random Effect Model and the Fixed Effect Model. Therefore, based on the Hausman test result above, the following hypothesis was formed:

Ho: Random Effect Model

H1: Fixed Effect Model

The Hausman test indicates the probability value was 0.022, which is lesser than 0.05. Therefore, reject H0. In conclusion, the most appropriate model was the Fixed Effect Model for ROA.

4.4 Multiple Linear Regression Analysis

Multiple linear regressions are conducted to attempt the relationship between the dependent variable (ROA and TSR) and each independent variable for each year from the year 2013 to 2017.

4.4.1 Year 2013

Table 4.8: Model Summary 2013

Model	**R**	**R Square**	**Adjusted R Square**
TSR	.431	.186	.072
ROA	.328	.108	-.017

Source: Developed for the research

The adjusted R Square for ROA is -0.017.The R Square is 0.108, shows that all 6 independent variables could explain that there was a 10.8% variation in the dependent variable.

The adjusted R Square for TSR is 0.072.The R Square is 0.186, shows that all 6 independent variables could explain that there was 18.6% variation in the dependent variable.

Table 4.9: Multiple Linear Correlation Result for ROA (2013)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	**Std Error**	**Beta**		
ROA 2013	(Constant)	.204	.108		1.897	.065
	CEO2013	-.034	.069	-.074	-.500	.620
	ID2013	.002	.014	.018	.109	.913
	WD2013	.016	.020	.128	.815	.420
	CSR2013	.001	.001	.211	1.421	.163
	AC2013	-.030	.021	-.220	-1.428	.161
	BS2013	-.008	.012	-.118	-.671	.506

** 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

ROA = 0.204 – 0.034CEO Duality + 0.002Independent Director + 0.016Women Director + 0.001Corporate Social Responsibility – 0.030Audit Committee – 0.008Board Size

There is a positive relationship between independent director, women director, corporate social responsibility and ROA. In contrast there is a negative relationship between CEO duality, audit committee and board size with the ROA for the year 2013. All six variables for the year 2013 are not statistically significant to explain the ROA, ceteris paribus, since the p-value is more than 0.1.

Table 4.10: Multiple Linear Correlation Result for TSR (2013)

Model		Unstandardized Coefficients		Standardized Coefficients	**t**	**Sig**
		B	**Std Error**	**Beta**		
TSR 2013	(Constant)	.329	.315		1.045	.302
	CEO2013	-.062	.201	-.044	-.308	.759
	ID2013	.063	.042	.233	1.506	.139
	WD2013	.017	.059	.044	.291	.773
	CSR2013	-.004	.003	-.184	-1.297	.201
	AC2013	.115	.061	.278	1.890	**.065***
	BS2013	-.081	.035	-.385	-2.289	**.027****

Source: Developed for the research

TSR = 0.329 – 0.062CEO Duality + 0.063Independent Director + 0.17Women Director - 0.004Corporate Social Responsibility + 0.115Audit Committee – 0.081Board Size

There is a positive relationship between independent director, women director, audit committee and TSR. In contrast, there is a negative relationship between CEO duality, corporate social responsibility and board size with the TSR for the year 2013. The test statistics shows that Audit committee is statistically significant at the level 0.1 while board size is statistically significant at the 0.05 level. Therefore, when there is an audit committee in the board and company, the TSR whereby the company performance will increase by 11.5%, ceteris paribus. Meanwhile, when there is

increase in the board size, the TSR will decrease by 8.1%, ceteris paribus. All other four variables for the year 2013 are not statistically significant to explain the TSR, ceteris paribus, since the p-value is more than 0.1.

4.4.2 Year 2014

Table 4.11: Model Summary (2014)

Model	R	R Square	Adjusted R Square
TSR	.197	.039	-.095
ROA	.455	.207	.097

Source: Developed for the research

The adjusted R Square for ROA is 0.097. The R Square is 0.207, shows that all 6 independent variables could explain there was a 20.7% variation in the dependent variable.

The adjusted R Square for TSR is -0.095. The R Square is 0.039, shows that all 6 independent variables could explain there was 3.9% variation in the dependent variable.

Table 4.12: Multiple Linear Correlation Result for ROA (2014)

Model		Unstandardized Coefficients		Standardized Coefficients	**t**	**Sig**
		B	**Std Error**	**Beta**		
ROA 2014	(Constant)	.200	.087		2.310	.026
	CEO2014	-.034	.068	-.069	-.490	.627
	ID2014	-.014	.014	-.174	-1.003	.322
	WD2014	.014	.021	.104	.686	.497
	CSR2014	.002	.001	.274	1.962	**.056***
	AC2014	-.032	.017	-.287	-1.894	**.065***
	BS2014	1.291E-005	.012	.000	.001	.999

Source: Developed for the research

ROA = 0.200 – 0.034CEO Duality – 0.014Independent Director + 0.014Women Director + 0.002Corporate Social Responsibility – 0.032Audit Committee + 1.291E-005Board Size

There is a positive relationship between women director, corporate social responsibility and board size and ROA. In contrast there is a negative relationship between CEO duality, independent director and audit committee with the ROA for the year 2014. The test statistics shows that audit committee and corporate social responsibility is statistically significant at the level 0.1. Therefore, when there is a corporate social responsibility activity in the company, the ROA which is the company performance will increase by 0.2%, ceteris paribus. Meanwhile, when there

is increase in the audit committee, the ROA will decrease by 3.2%, ceteris paribus. All other four variables for the year 2014 are not statistically significant to explain the ROA, ceteris paribus, since the p-value is more than 0.1.

Table 4.13: Multiple Linear Correlation Result for TSR (2014)

Model		Unstandardized Coefficients		Standardized Coefficients	**t**	**Sig**
		B	**Std Error**	**Beta**		
TSR 2014	(Constant)	.158	.188		.836	.408
	CEO2014	-.064	.149	-.066	-.427	.671
	ID2014	-.005	.031	-.028	-.146	.885
	WD2014	-.014	.045	-.052	-.311	.758
	CSR2014	.001	.002	.091	.595	.555
	AC2014	-.014	.037	-.066	-.394	.696
	BS2014	-.013	.026	-.106	-.503	.617

Source: Developed for the research

TSR = 0.158 – 0.064CEO Duality – 0.005Independent Director -0.014Women Director + 0.001Corporate Social Responsibility – 0.014Audit Committee – 0.013Board Size

There is a positive relationship between corporate social responsibility and TSR. In contrast there is a negative relationship between CEO duality, independent director, women director, and audit committee and board size with the TSR and company performance for the year 2014. Meanwhile, all six variables for the year 2014 are not statistically significant to explain the TSR, ceteris paribus, since the p-value is more than 0.1.

4.4.3 Year 2015

Table 4.14: Model Summary (2015)

Model	**R**	**R Square**	**Adjusted R Square**
TSR	.343	.118	-.005
ROA	.379	.144	.024

Source: Developed for the research

The adjusted R Square for ROA is 0.024. The R Square is 0.144, shows that all 6 independent variables could explain there was a 14.4% variation in the dependent variable.

The adjusted R Square for TSR is -0.005. The R Square is 0.118, shows that all 6 independent variables could explain there was 11.8% variation in the dependent variable.

Table 4.15: Multiple Linear Correlation Result for ROA (2015)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	**Std Error**	**Beta**		
ROA 2015	(Constant)	.230	.128		1.806	.078
	CEO2015	-.002	.075	-.004	-.029	.977
	ID2015	-.016	.017	-.152	-.912	.367
	WD2015	.037	.022	.263	1.682	.100
	CSR2015	8.600E-005	.001	.012	.084	.934
	AC2015	-.018	.026	-.107	-.702	.487
	BS2015	-.008	.012	-.115	-.674	.504

Source: Developed for the research

ROA = 0.230 – 0.002CEO Duality – 0.016Independent Director + 0.037Women Director + 8.600E-005Corporate Social Responsibility – 0.018Audit Committee – 0.008Board Size

There is a positive relationship between women director and corporate social responsibility and ROA 2015. In contrast, there is a negative relationship between CEO duality, independent director, audit committee and board size with the ROA and company performance for the year 2015. Meanwhile, all six variables for the year 2015 are not statistically significant to explain the TSR, ceteris paribus, since the p-value is more than 0.1.

Table 4.16: Multiple Linear Correlation Result for TSR (2015)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	**Std Error**	**Beta**		
TSR 2015	(Constant)	-.543	.441		-1.231	.225
	CEO2015	.206	.259	.124	.798	.429
	ID2015	-.013	.060	-.037	-.217	.829
	WD2015	.159	.076	.333	2.098	**.042****
	CSR2015	.000	.004	.019	.131	.896
	AC2015	.098	.089	.170	1.098	.278
	BS2015	-.001	.042	-.005	-.031	.975

Source: Developed for the research

TSR = -0.543 + 0.206CEO Duality - 0.013Independent Director + 0.159Women Director + 0.000Corporate Social Responsibility + 0.098Audit Committee – 0.001Board Size

There is a positive relationship between CEO duality, women director, corporate social responsibility and audit committee and TSR. In contrast, there is a negative relationship between independent director and board size with the TSR for the year 2015. The test statistics shows that women director is statistically significant at the level 0.05. Therefore, when there is women director in the board and company, the TSR which is the company performance will increase by 15.9%, ceteris paribus. All other five variables for the year 2015 are not statistically significant to explain the TSR, ceteris paribus, since the p-value is more than 0.1.

4.4.4 Year 2016

Table 4.17: Model Summary (2016)

Model	R	R Square	Adjusted R Square
TSR	.343	.118	-.005
ROA	.271	.074	-.056

Source: Developed for the research

The adjusted R Square for ROA is -0.056. The R Square is 0.074, shows that all 6 independent variables could explain there was a 7.4% variation in the dependent variable.

The adjusted R Square for TSR is -0.005. The R Square is 0.118, shows that all 6 independent variables could explain there was 11.8% variation in the dependent variable.

Table 4.18: Multiple Linear Correlation Result for ROA (2016)

Model		Unstandardized Coefficients		Standardized Coefficients	**t**	**Sig**
		B	**Std Error**	**Beta**		
ROA 2016	(Constant)	.184	.103		1.790	.081
	CEO2016	.010	.072	.023	.140	.889
	ID2016	.003	.016	.044	.208	.836

	WD2016	.014	.018	.127	.765	.449
	CSR2016	.001	.001	.093	.607	.547
	AC2016	-.018	.022	-.131	-.819	.417
	BS2016	-.013	.011	-.240	-1.181	.244

Source: Developed for the research

ROA = 0.184 +0.010CEO Duality + 0.003Independent Director + 0.014Women Director + 0.001Corporate Social Responsibility – 0.018Audit Committee – 0.013Board Size

The six variables for the year 2016 are not statistically significant to explain the ROA, ceteris paribus, since the p-value is more than 0.1.There is a positive relationship between CEO duality, independent director, women director and corporate social responsibility and ROA 2016. In contrast there is a negative relationship between audit committee and board size with the ROA and company performance for the year 2016.

Table 4.19: Multiple Linear Correlation Result for TSR (2016)

Model		Unstandardized Coefficients		Standardized Coefficients	**t**	**Sig**
		B	**Std Error**	**Beta**		
TSR 2016	(Constant)	.126	.194		.650	.519
	CEO2016	-.010	.135	-.011	-.071	.944
	ID2016	-.012	.031	-.081	-.397	.693

	WD2016	-.063	.034	-.304	-1.877	**.067***
	CSR2016	.002	.002	.133	.889	.379
	AC2016	-.026	.041	-.100	-.638	.527
	BS2016	.011	.021	.100	.507	.615

Source: Developed for the research

TSR = 0.126 –0.010CEO Duality -0.012Independent Director -0.063Women Director + 0.002Corporate Social Responsibility – 0.026Audit Committee + 0.011Board Size

There is a positive relationship between corporate social responsibility and board size and TSR. In contrast, there is a negative relationship between CEO duality, independent director, women director, audit committee with the TSR for the year 2016. The test statistics shows that women director is statistically significant at the level 0.1. Therefore, when there is women director in the board and company, the TSR which is the company performance will decrease by 6.3%, ceteris paribus. All other five variables for the year 2016 are not statistically significant to explain the TSR, ceteris paribus, since the p-value is more than 0.1.

4.4.5 Year 2017

Table 4.20: Model Summary (2017)

Model	**R**	**R Square**	**Adjusted R Square**
TSR	.152	.023	-.113
ROA	.188	.035	-.099

Source: Developed for the research

The adjusted R Square for ROA is -0.099. The R Square is 0.035, shows that all 6 independent variables could explain there was a 3.5% variation in the dependent variable.

The adjusted R Square for TSR is -0.113. The R Square is 0.023, shows that all 6 independent variables could explain there was 2.3% variation in the dependent variable.

Table 4.21: Multiple Linear Correlation Result for ROA (2017)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	**Std Error**	**Beta**		
ROA 2017	(Constant)	.111	.094		1.176	.246
	CEO2017	-.019	.069	-.045	-.269	.789
	ID2017	-.011	.016	-.173	-.735	.466
	WD2017	.004	.016	.044	.248	.805
	CSR2017	-.001	.001	-.127	-.805	.425
	AC2017	-.005	.018	-.051	-.299	.767
	BS2017	.004	.012	.085	.364	.718

Source: Developed for the research

ROA = 0.111– 0.019CEO Duality – 0.011Independent Director + 0.004Women Director – 0.001Corporate Social Responsibility – 0.005Audit Committee + 0.004Board Size

The six variables for the year 2017 are not statistically significant to explain the ROA, ceteris paribus, since the p-value is more than 0.1. There is a positive

relationship between women director and board size and ROA 2017. In contrast, there is a negative relationship between CEO duality, independent director and audit committee with the ROA and company performance for the year 2017.

Table 4.22: Multiple Linear Correlation Result for TSR (2017)

Model		Unstandardized Coefficients		Standardized Coefficients	**t**	**Sig**
		B	**Std Error**	**Beta**		
TSR 2017	(Constant)	.172	.191		.898	.374
	CEO2017	-.053	.140	-.063	-.379	.706
	ID2017	.005	.032	.040	.170	.866
	WD2017	.004	.034	.023	.130	.897
	CSR2017	-.001	.002	-.108	-.675	.503
	AC2017	-.021	.037	-.096	-.560	.578
	BS2017	.008	.024	.076	.321	.750

Source: Developed for the research

TSR = 0.172 – 0.053CEO Duality + 0.005Independent Director + 0.004Women Director - 0.001Corporate Social Responsibility – 0.021Audit Committee + 0.008Board Size

The six variables for the year 2017 are not statistically significant to explain the TSR, ceteris paribus, since the p-value is more than 0.1. There is a positive relationship between independent director, women director and board size and TSR 2017. In contrast, there is a negative relationship between CEO duality, corporate social responsibility and audit committee with the TSR and company performance for the year 2017.

CHAPTER 5

DISCUSSION AND CONCLUSION

5.1 Introduction

In this chapter, there are five sessions which comprises of the summary of test, hypothesis testing, discussion on findings, limitations of research, recommendations for future research and conclusion.

5.2 Summary Test

Descriptive analysis was used to describe the maximum, minimum, mean and standard deviation for the dependent and independent variables.

5.2.1 Descriptive Statistics of Dependent Variables

The ROA and TSR are the dependent variable used to conduct this study and the descriptive statistics evaluated indicates the mechanisms that influence the company performance. The mean for ROA during the 5- year observation period (2013- 2017) fluctuates from 8.5% from the year 2013 to 6.9% in the year 2015 and subsequently drop to 4.9% in 2017. There has been a steady decline from the year 2013 to 2017 in

the ROA among the public listed companies in Malaysia. Meanwhile, for the mean value of TSR, there has been a steady decline from the year 2013- 2016 and recovery in the year 2017. In 2013, the TSR was 24.3% and continuously decrease to 1.2% in the year 2016. However, there was an increase in 2017 by 14.1%.

5.2.2 Descriptive Statistics of Independent Variables

The descriptive statistics of CEO Duality indicates that the there have been a consistent result in the public listed companies as from the year 2013 to the year 2017. The CEO duality was practice by only 4.1% of the company from the year 2013-2017. Meanwhile, the companies that do not practice CEO duality are 64.4% from the year 2013 to 2017. This shows that, the implementation of the MCCG code 2012 was practice vastly by the public listed company by ensuring the position of the chairman and CEO are held by different individuals.

The analysis on the independent directors in the board shows that, there has been an increase in the number of independent directors in this study. As per MCCG 2012, at least majority of the board should comprise of independent directors and MCCG 2017 states that at least half of the board should comprise of independent directors. By this means, the increase in the mean from the year 2015 from 4.680 to 2017(4.900) shows there have been improvement in the companies and the board as per the MCCG codes and practices.

Followed by that, the number of women directors in the board is evaluated by the MCCG 2012 and MCCG 2017 and the studies indicates the board should recommend boardroom diversity and at least 30% of the women should comprise in the board for diverse perspectives and contribution. Therefore, there have been a consistent increase in the mean value from the year 2013 (1.180) to 2017 (1.920). This shows the code was significantly practice by the public listed companies from the year 2012.

Followed by that, the number of CSR activities has also been increased drastically from the year 2013 to 2017. The mean value in the year 2013 was 28.240 and the mean value continuously increases to 40.020 in the year 2017. The CSR practice was recommended for the public listed companies to ensure its long-term sustainability in the corporate world which would indirectly enhance the company financial performance. The number of activities clearly indicates the enhancement of social awareness among the public listed companies throughout the years.

Audit committee is to ensure the company financial statement complies with the financial reporting standards. There has been a slight fluctuation in the audit committee from the period of 2013 to 2017. The mean value in 2013 was 3.760 and raise to 3.960 in the year 2014. However, it declined to 3.840 in the year 2016 and increase again in the year 2017 at 3.860. The ideal size of the committee is between 3 to 4 members in the board as a standard size of audit committee would ensure improved audit quality in the company as well.

Next, would be the mean value for board size in the company that also shows a fluctuation in the descriptive analysis result. In the year 2013, the mean value was 8.900 which increase to 9.00 in the year 2015. However, it drops in the year 2017 to 8.760. The standard board size that should comprise in the company is within the range of 9 to 11 directors as to promote good financial performance.

5.3 Hypothesis Summary

5.3.1 Hypothesis Testing Summary of ROA and TSR (Panel Data)

Table 5.1: Hypothesis Testing Summary of Panel Data for ROA and TSR

	ROA(2013-2017) (5 Years)	**TSR(2013-2017) (5 Years)**
Constant	0.0000	0.1971
CEO Duality	-	0.8180
No of independent director	0.1070	0.6873
No of women Director	0.1192	0.7296
Board Size	0.6980	0.3119
Corporate social responsibility	0.3789	0.7994
Audit committee	**0.0290****	0.8755

Source: Developed for the research

5.3.2 The Summary of Hausman Specification Test

Table 5.2: The Summary of Hausman Specification Test

Model	**The Hausman Specification Test**
ROA	FEM
TSR	REM

Source: Developed for the research

FEM= Fixed Effect Model; REM= Random Effect Model

5.3.3 Hypothesis Testing Summary of ROA and TSR (MLR)

The multiple linear regressions were also evaluated besides the panel data analysis since the dummy variable CEO duality was unable to be included in the fixed effect model of panel data.

Table 5.3: The Summary of Hypothesis Tests of MLR for TSR

	TSR				
	2013	**2014**	**2015**	**2016**	**2017**
	Sig.	**Sig.**	**Sig.**	**Sig.**	**Sig.**
(Constant)	.302	.408	.225	.519	.374
CEO Duality	.759	.671	.429	.944	.706
No of independent director	.139	.885	.829	.693	.866
No of women Director	.773	.758	**.042****	**.067***	.897
Corporate social responsibility	.201	.555	.896	.379	.503
Audit committee	**.065***	.696	.278	.527	.578
Board Size	**.027****	.617	.975	.615	.750

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

Table 5.4: The Summary of Hypothesis Tests of MLR for ROA

	ROA				
	2013	**2014**	**2015**	**2016**	**2017**
	Sig.	**Sig.**	**Sig.**	**Sig.**	**Sig.**
(Constant)	.065	.026	.078	.081	.246
CEO Duality	.620	.627	.977	.889	.789
No of independent director	.913	.322	.367	.836	.466
No of women Director	.420	.497	.100	.449	.805
Corporate social responsibility	.163	**.056***	.934	.547	.425
Audit committee	.161	**.065***	.487	.417	.767
Board Size	.506	.999	.504	.244	.718

Source: Developed for the research

5.3.4 Hypothesis Summary Testing (Panel Data and MLR)

Table 5.5 Summary of Hypothesis Testing MLR and Panel data

Hypothesis	Results					Panel data
	2013	2014	2015	2016	2017	Overall 5 Years
H11A CEO Duality is positively significant	R	R	R	R	R	-

with company performance (ROA)						
H11B CEO Duality is positively significant with company performance (TSR)	R	R	R	R	R	**R**
H12A Number of Independent Directors is positively significant with company performance (ROA)	R	R	R	R	R	**R**
H12B Number of Independent Directors is positively significant with company performance (TSR)	R	R	R	R	R	**R**
H13A Number of Women Directors is positively significant with company performance (ROA)	R	R	R	R	R	**R**
H13B Number of Women Directors is positively significant with company performance (TSR)	R	R	**+A**	**-A**	R	**R**
H14A Corporate Social Responsibility is positively significant with company performance (ROA)	R	**+A**	R	R	R	**R**
H14B Corporate Social Responsibility is positively significant with company performance (TSR)	R	R	R	R	R	**R**
H15A Audit Committee is positively significant with company performance (ROA)	R	**-A**	R	R	R	**A**
H15B Audit Committee is positively	**+A**	R	R	R	R	**R**

significant with company performance (TSR)						
H16A Board size is positively significant with company performance (ROA)	R	R	R	R	R	**R**
H16B Board size is positively significant with company performance (TSR)	**-A**	R	R	R	R	**R**

A= Accept, R= Reject

Source: Developed for the research

5.3.4.1 Hypothesis 1

H11A : CEO Duality is positively significant with company performance (ROA)
H11B : CEO Duality is positively significant with company performance (TSR)

The CEO duality is insignificant towards ROA and TSR in MLR. The result from MLR shows there was insufficient evidence to support the H11A and H11B in CEO duality and insufficient evidence to reject the null hypothesis H01A and H01B. Thus, it can be concluded that CEO duality does not have a significant influence with ROA and TSR of the companies. The panel data also shows there is insufficient evidence to support H11A and H11B and insufficient evidence to reject the null hypothesis H01A and H01B. Thus, it can be concluded that CEO duality does not have a significant influence with TSR of the companies. These findings are in line with previous studies (Moscu, 2013; Dogan, Elitas, Agca &Ogel, 2013; Rashid, 2010). However as for the panel data, the dummy variable CEO duality variable were drop to conduct fixed effect model and the ROA result were not computed due to the due to the high co linearity between the variables.

5.3.4.2 Hypothesis 2

H12A : Number of Independent Directors is positively significant with company performance (ROA)
H12B : Number of Independent Directors is positively significant with company performance (TSR)

The number of independent directors is insignificant towards ROA and TSR in MLR. The result from MLR indicates there was insufficient evidence to support the H12A and H12B in independent directors and insufficient evidence to reject the null hypothesis H02A and H02B. Thus, it can be concluded that independent directors does not have a significant influence with ROA and TSR of the companies. The panel data also shows there is insufficient evidence to support H12A and H12B and insufficient evidence to reject the null hypothesis H02A and H02B. Thus, it can be concluded that independent directors does not have a significant influence with ROA and TSR of the companies. These findings are supported by previous studies (Yusoff & Ramin, 2013; Mogbogu, 2016; Smith, Main & O'Reilly, 2014).

5.3.4.3 Hypothesis 3

H13A : Number of Women Directors is positively significant with company performance (ROA)
H13B : Number of Women Directors is positively significant with company performance (TSR)

The number of women directors is insignificant towards ROA and TSR in the panel data. The result from panel data indicates there was insufficient evidence to support the H13A and H13B in women directors and insufficient evidence to reject the null hypothesis H03A and H03B. Thus, it can be concluded that number of women

directors does not have a significant influence with ROA and TSR of the companies. For MLR, it shows there was insufficient evidence to support H13A and insufficient evidence to reject the null hypothesis H03A as number of women directors is not significant towards ROA in MLR. However, there were significant influence in the TSR for the year 2015 and 2016, yet there was insufficient evidence to support the H13B in women directors and insufficient evidence to reject the null hypothesis H03B. Thus, it can be concluded that women directors does not have an overall significant influence with ROA and TSR of the companies. These findings are supported by previous studies (Wang et al., 2013); Koerniadi & Rad, 2012).

5.3.4.4 Hypothesis 4

H14A: Corporate Social Responsibility is positively significant with company performance (ROA)
H14B : Corporate Social Responsibility is positively significant with company performance (TSR)

The corporate social responsibility (CSR) is insignificant towards ROA and TSR in the panel data. The result from panel data indicates there was insufficient evidence to support the H14A and H14B in CSR and insufficient evidence to reject the null hypothesis H04A and H04B. Thus, it can be concluded that CSR does not have a significant influence with ROA and TSR of the companies. For MLR there was insufficient evidence to support H14B and insufficient evidence to reject the null hypothesis H04B as CSR are not significant towards TSR in MLR. However, there were significant influence in ROA for the year 2014, yet there is insufficient evidence to support the H14A and insufficient evidence to reject the null hypothesis H04B.Thus, it can be concluded that CSR does not have an overall significant influence with ROA and TSR of the companies. Similarly, these findings are in line

with previous studies (Guadano & Pedroza, 2018; Bisogno, Citro, Santis &Tommasetti, 2017; Kim, Park & Wier, 2011).

5.3.4.5 Hypothesis 5

H15A : Audit Committee is positively significant with company performance (ROA)
H15B : Audit Committee is positively significant with company performance (TSR)

The audit committee for MLR (2014) ROA and 2013 (TSR) indicates audit committee has significant influences. The result from MLR however, shows there was insufficient evidence to support the H15A and H15B in audit committee and insufficient evidence to reject the null hypothesis H05A and H05B. Thus, it can be concluded that audit committee does not have an overall significant influence with ROA and TSR of the companies. These findings are supported by (Aldamen et al., 2012; Zraiq & Fadzil, 2018; Amer, Ragab & Shehata, 2014).

As for the panel data, the audit committee is positively significant towards ROA and this indicates there is sufficient evidence to accept H15A and insufficient evidence to reject the H15B. Thus, it can be claimed that audit committee does have a significant influence with ROA of the companies. These finding are in line with previous studies (Alqatamin, 2018).

5.3.4.6 Hypothesis 6

$H1_{6A}$: Board size is positively significant with company performance (ROA)
$H1_{6B}$: Board size is positively significant with company performance (TSR)

The board size is insignificant towards ROA and TSR in the panel data. The result from panel data indicates there was insufficient evidence to support the $H1_{6A}$ and $H1_{6B}$ in board size and insufficient evidence to reject the null hypothesis $H0_{6A}$ and $H0_{6B}$. Thus, it can be concluded that board size does not have a significant influence with ROA and TSR of the companies. For MLR, it shows there was insufficient evidence to support $H1_{6A}$ and insufficient evidence to reject the null hypothesis $H0_{6A}$ as board size are not significant towards ROA in MLR. However, there were significant negative influence in the TSR for the year 2013, yet there was insufficient evidence to support the $H1_{6B}$ in board size and insufficient evidence to reject the null hypothesis $H0_{6B}$. Thus, it can be concluded that board size does not have an overall significant influence with ROA and TSR of the companies. These findings are consistent with previous studies (Zraiq & Fadzil, 2018; Amer, Ragab & Shehata, 2014; Wang et al.,2009; Maude, Gambo, Bello & Rimamshung, 2018; Hidayat and Utama (2016).

5.4 Discussion on Findings

The research findings indicates the results after analyzing the mechanism used such as CEO duality, independent directors, women directors, corporate social responsibility, audit committee and board size and the effect on the company performance (ROA and TSR).

The CEO duality does not affect the company performance and was not significant at 5% and 10% level. The result indicates that it is advisable to have a separate ownership between the chairman and CEO. The descriptive statistics indicates the companies that do not practice CEO duality are 64.4% from the year 2013 to 2017. The public listed companies initiated the MCCG 2012, whereby it is highly recommended to have separate ownership as according to the study of Rashid (2010), which indicates CEO duality has a negative and non-significant relationship with performance of the company. This is consistent with the study of Abdullah (2004), indicating CEO duality does not influence the company performance as the ROA or financial ratios may not have captured the leadership and board in determining the company's value. Similarly, the study of Dogan, Elitas, Agca and Ogel (2013) also claimed having CEO duality negatively affects both the accounting based and market-based indicators and the company performance. Apart from that, this study is also consistent with Moscu (2013), which states it is advisable to have separate leadership position since corporate performance measured by ROA is positive but not significant. It is also consistent with past studies of Rechner and Dalton, (1991) stating the independent leadership structure in a company would lead to a better performance as compared to the duality structure. Moreover, the studies according to Ugwoke, Onyeanu and Obodoekwe (2013), also states that there is a positive relationship between the company performance and non-CEO duality as separate individual holding the position would enhance the financial performance of the company. Hence, implementing a non-CEO duality structure is highly recommended to enhance the company performances.

Followed by that, as per the MCCG 2012, the majority of the board must consist of independent directors to reduce the conflict in the judgment made in the board. This is consistent with the study of Muller (2014), which stated there is statistically significant effect in between independent directors and ROA. However, in this study the numbers of independent directors are also not positively significant to the company performance which is the ROA and TSR. Therefore, this is consistent with

Ntim, (2011) that claimed there have not been significant and positive relationships between TSR and ROA. Moreover, this shows that the number of independent directors does not have significant effect on the company performance as according to the previous studies of Joher and Ali (2005). Moreover, it is also consistent with (Koerniadi & Rad, 2012), stating there have been negative correlation between the independent director and ROA as the number of independent directors in the board had increase. Similarly, Johari, Salleh, Jaffar and Hassan (2008), also indicates the composition of the independent directors on the board neither is insufficient in monitoring the overall management of the firm to enhance the financial performance nor affects the earning management of the company. Apart from that, Wang and Oliver (2009) indicate that the number of the independent directors can be measured and increase in the board, however the power of such directors might be neutralized. The findings are also consistent with Wallison (2006) which states that the independent directors in the board are mainly to enhance the corporate governance level in the company rather than enhancing the company performance. Thus, independent directors do not affect the company performances to a great extent.

Next, would be the women directors in board whereby the research finding indicates overall there are no positively significant relationship between number of women directors with the ROA and TSR. This is inconsistent with the study of Julizaerma and Sori (2012), as they found there are a positive association of ROA and gender diversity and women directors in the board. However, according to MLR year 2015 and 2016, the women directors are significant with the TSR. This is consistent with the MCCG 2012 practice that indicates diversity in the board would enhance the performance of the company due to the fresh ideas and perspectives the women directors contribute. There is also an indication from the descriptive analysis of this research that shows the number of women directors in the public listed companies in Malaysia have increased from the year 2013 to 2017. However, as according to the previous studies, the findings of ROA are consistent with Yusoff and Ramin (2013), which states, there are no significant relationship between women in the board and

the company performance in Malaysia. The study is also consistent with Vob (2015) that indicates there is insufficient evidence to prove that gender diversity and women on board would increase the company financial performance measured by ROA. Likewise, Smith, Main and O'Reilly (2014), also indicates there are no significant relationship between TSR, ROA with the board room gender diversity. According to Adams and Ferreira (2007), too much interference in the board could lead to breakdown in communication and would negatively affect the company performance. Hence, the number of women directors does not impact immensely on the company performances.

Followed by that, the corporate social responsibility activities have also increase as per the descriptive analysis results from the year 2013 to 2017. The Securities Commission views CSR and the reporting as an expansion of a strong framework and good corporate governance practice in the company. This is consistent with the study of Pan, Sha, Zhang and Ke (2014), that indicates CSR has a significant relationship on ROA that helps to decrease the cost and enhance the profitability. However, overall there is no significant relationship between the CSR activities and company performance in this study. This is consistent with the study of Guadano and Pedroza (2018) that stated CSR does not impact the shareholder value creation and there is a negative influence on stakeholder value. In the same way, CSR engagement in the company and the activities carried out requires time and are costly to be carried out thus many debt firms avoid indulging in CSR activities (Ruangviset et al., 2014).
Likewise, the study of Kim, Park and Wier (2011), also indicates company that invest in CSR activities are negatively associate in the earning management such as the ROA and market adjusted return. Nevertheless, there is a significant value of 5% level for ROA 2014. The findings are consistent with Fontaine (2013), which indicates that social responsibility transparency and corporate reporting can enhance the contribution towards the company performance. This would also enhance the shareholder participation in the company as effective governance and transparency are practice in the company. Therefore, as according to Carroll, (1991), the company

that practice CSR are recognized as being ethically responsible and obey the law by performing what is fair and right eventually enhancing the social responsibility but not the overall company performance.

Subsequently, from the research findings, it was observed that the audit committee has a positively significant relationship with the ROA and in contrast a non-significant relationship with the TSR. The descriptive analysis also indicates the increase in the number of audit committee in the board for the overall period from 2013 to 2017 as the Securities Commission in Malaysia emphasis the formation of audit committee to ensure the objectivity and independence of external auditor. This is consistent with the previous study of Salloum, Azzi and Gebrayel (2014) that claimed the increase in the number of audit committee would eventually lead to risk reduction in the earning management and would enhance the transparency of the firm. Similarly, Miko and Kamardin, (2015) indicates the performance of the company is enhance due to the availability of the members to effectively manage and carry out the task. Moreover, the previous study also shows effectiveness of audit committee would lead to better financial performance and improved the company performance (Alqatamin, 2018). Furthermore, the non-significant relationship with TSR is also consistent with the study of Dao, Hassabelnaby & Said (2014) that indicates audit committee is negatively associated with the market based measure such as TSR as the number of audit committee in a board does not enhance shareholder value and company performance. Hence, audit committee does influence the company performances to a certain extent.

Lastly, after testing the effects with the control variable board size, with the company performance (TSR and ROA), the research findings for the board size also indicate overall there is no positively significant relationship with the TSR and ROA at the level of 5%. The study is also consistent with Wang, Young and Chaplin (2009), indicating there is no significant relationship between board size and the firm performance measured by ROA and TSR. This is also consistent with Muchemwa,

Padia and Callaghan (2016), stating the board size is not significant to both ROA and company performance. Moreover, the agency and resource dependency theory are not positively supported by the relationship between board size and ROA. However, only for the year 2013, the TSR indicates a significant value in the MLR which is consistent with the previous study of Shaukat and Trojanowski (2018), which indicates board size is positively significant to the TSR. Similarly, previous studies indicates the share price and return on stocks do affect the board size as there has been a significant positive result with TSR and board governance (Hillman et al., 2010). Moreover, previous studies also indicate larger board size would lead to better performance due to the vast information and contribution in the board that would direct to an excellent performance (Dalton et al., 2005). In contrast, according to Lipton and Lorsch (1991), the larger number in the board size would interfere in the communication and hinder the board performance and eventually lead to the agency problem that is link to a weak communication. Similarly, Topak (2016) studies are also consistent with this study as it was found that board size is not significant with ROA and company performances. Moreover, smaller board is more effective due to the efficient communication held among the board members (Arosa, 2013). Apart from that, it has been proven the board could monitor the members effectively with better communication and coordination with small board size, Therefore, this shows the board size could be a significant yet not the ultimate in obtaining an enhance company performances.

5.5 Limitation of the Research

There are few limitations that occurred during the research and process of this study. First and foremost was the time constraint that we had which lead to the reduction in sample size of only 50 public listed companies in Malaysia which would possibly reduce the reliability and accountability of the data. Moreover, only ROA and TSR were used to measure the company performance among these 50 companies. The

design and method used for this research is limited and the time frame chosen was only from the period of 2013 to 2017. The variables and measurements implemented were also limited in determining the corporate governance practices overall in Malaysia. Apart from that, only public listed companies were chosen thereby, the private companies corporate governance performance could not be measured.

Lastly, as for the data collection, only secondary data were accumulated for this research whereby primary data were not collected for this research. The data accumulated from annual reports and Bloomberg could lead to absences of additional information on the mechanisms used in this research, and the data provided by the reports has possibility of not being accountable and fair.

5.6 Recommendation in Future Research

First of all, the research was shortlisted to only 50 public listed companies. Thus, the number of companies should be increasing as well as to expanding the research to private companies would derive a deeper perspective on the corporate governance practice among overall companies in Malaysia. Moreover, the time frame can also be longer as this could develop better observation on the changes made in the corporate governance codes and practices in Malaysia throughout the years.

The research could also be conducted based on both primary and secondary data as both the reports and individual perspective can be recorded for better understanding on the subject matter. The board and directors could also participate in the questionnaire given as to understand from the management perspectives whether the mechanisms implemented in this study does impact the company performance positively. Apart from that, various other measurement tools can be used to measure the company performance such as the Tobin's Q, return on equity (ROE), capital employed, earning per share and other measurement tools as well.

5.7 Conclusion

This research was constructed to identify the corporate governance mechanism and its influences on the company performance based on the Top 100 companies with good disclosures. There have been unlikely results in this study as the mechanisms are mostly found to be insignificant to the company performances. This is probably due to the inconsistency among the public listed companies in how and when they implement the corporate governance mechanisms. Ignorance among the regulators, shareholders and managers must be mitigated and balancing the interest of community, government, shareholders and management are essential. Moreover, it is significant to figure out what are the unknown circumstances, and ensure it does not hinder the corporate governance and company performance in the future. Apart from that, the corporate governance codes and practices for instance the MCCG codes and practices must be implemented infinitely to create awareness among the shareholders and other stakeholders to enhance their company performances.

Apart from that, a good corporate governance practice would improve the overall well being of the company by providing strategic planning and enhance the risk management as well. The firm would also be protected legally and the companies long term sustainability would be achieved. Investing in corporate governance practices and implementing it in the organization would also favor the company in terms of gaining trust and loyalty among the stakeholders and shareholders that would ease the operation and commitment among them. Corporate governance has also continuously proved to enhance the company performance and updating and practicing the codes would lead the company towards great success and growth in terms of investments and development.

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APPENDIX A

The Summary of the Corporate Governance Practices

Author	Title	Test/Variable	Sample	Results
Ahmed (2010*)*	Impact of Independent Directors and Remuneration Committee on Firm Performance? Evidence from Malaysian Capital Market	Indirect Com MKTCP R-Square	A sample of 100 firms most of which are drawn from CI component firms, serve as market barometer. Time period:1997-2001	Partial relation between corporate governance structure and corporate performance.
Rashid (2018)	Board independence and firm performance: Evidence from Bangladesh	Return on assets (ROA Tobin's Q	857 firms. Time period: 2006 -2011	Board independence and firm performance does not positively influence each other.
Fuzi (2016)	Board Independence and Firm Performance	Return on assets (ROA)	481 Public-Listed firms in Malaysia. Time period: 2007	The representation of independent directors on the board should show a positive relation to the firm's performance.
Johari (2008)	The Influence of Board Independence, Competency and Ownership on Earnings Management in Malaysia	Return on assets (ROA) Lev Ind	224 companies.	Board's independence, competency and ownership in monitoring the management.

Rashid (2010)	Ceo Duality and Firm Performance: Evidence from aDeveloping Country	Return on assets (ROA) Tobin's Q	825 firms. Time period:2000-2009	CEO duality influence the firm economic performance in Bangladesh and the moderating effects of board composition in the form of outside independent directors.
Ugwoke (2013)	Duality Role of Chief Executive Officer (CEO) in Corporate Governance and Performance of Quoted Companies in the Nigerian Stock Exchange: An Appraisal of the Perception of Managers and Accountants**.**	Return on equity (ROE) Anova Descriptive Statistics	Sample of 72 is selected.	The positive relationship between Non-CEO duality and corporate performance as found in this paper.
Ntim (2011)	The King Reports, Independent Non-Executive Directors and Firm Valuation on the Johannesburg Stock Exchange	*NEDs* *INEDs* Tobin's Q return on assets (*ROA*) (TSR)	402 firms from ten industries. Time period: 2007	There is an association between the presence of independent non-executive directors (*INEDs*) and firm valuation

Ntim (2014)	Board size, corporate regulations and firm valuation in an emerging market: a simultaneous equation approach	Tobin's Q TSR Return on assets (ROA)	Sample is based on all the 291 non-financial4 firms listed on the JSE Ltd. Time period: 2002-2011	Examine the association between board size and firm value in South Africa (SA).
Ntim (2015)	The Impact of Corporate Board Meetings on Corporate Performance in South Africa	Tobin's Q RSA TSR	Sample of 169 listed corporations from 2002 to 2007 in South Africa (SA). Time period: 2002-2007	Corporate board meetings on corporate performance.
Bonn (2004)	Effects of Board Structure on Firm Performance: A Comparison Between Japan and Australia	Return on assets (ROA) MB Ratio	The Japanese sample consists of 169 manufacturing firms from the Nikkei 300 Index.	Examine the effects of board structure on firm performance in Japanese and Australian firms.
Shaukat (2011)	Board governance and corporate performance	TSR Return on assets (ROA) Return on equity (ROE)	The sample is constructed as the intersection of BoardEx and Thomson ONE Banker databases for UK listed companies. Time period: 1998- 2008	Board monitoring capacity and firm performance for a large panel of UK listed companies.

Coleman (2014)	The Relationship Between Board Size, Board Composition, Ceo Duality and Firm Performance: Experience from Ghana	Tobin's Q Return on assets (ROA) Return on equity (ROE)	The study employs basically secondary data based on the financial statements of all the 16 listed non-financial firms on the Ghana Stock Exchange. Time period: 2000	There is a relationship between board size, board composition, and CEO duality and firm performance of listed non-financial institutions in Ghana.
Aldamen (2011)	Audit Committee Characteristics and Firm Performance during the Global Financial Crisis	Return on assets (*ROA*) *PERF*	The sample includes all firms listed on the S&P300, a total of 150 firms. Time period: 2008-2009	Governance makes a difference to firm performance during an adverse exogenous shock such as the 2008 GFC.
Vaia (2017)	Investigating the Relationship between the Social and Economic-financial Performance	Return on equity (ROE) Return on assets (ROA)	Illustrate good social performance, as the mean values clearly illustrate. Time period: 2010-2011	Investigated the relationship between traditional financial-economic performance and social performance.
Amer (2014)	Audit Committee Characteristics and Firm Performance: Evidence from Egyptian Listed Companies	Return on assets (ROA) Return on equity (ROE) Tobin's Q	The sample used in the study is based on the 50 most active Egyptian companies listed in the Egyptian stock market;	To advance an understanding of the relationship between the audit committee characteristics and the firm performance

			these companies are considered the best reflection for the Egyptian market. Time period: 2004-2012	represented by the ROA, ROE and Tobin's Q.
Zraiq (2018)	The Impact of Audit Committee Characteristics on Firm Performance: Evidence from Jordan	Return on assets (ROA) EPS	The data comprised of 228 firms industrial and services. Time period: 2015-2016	To test the relationship between the ownership structure and firm performance among Jordanian firms.
Abdullah (2015)	Board composition, CEO duality and performance among Malaysian listed companies	Return of equity ratio (ROE) Return on assets ratio (ROA)	369 companies were listed on the KLSE Main Board. Time period: 1994-1996	Investigate the internal cooperate governance structure among Malaysian listed companies prior to the 1997 financial crisis. Significant results
Ruangviset (2014)	How does Corporate Governance influence Corporate Social Responsibility**?**	CSR CG KLD	Intend to explore the relationship of CG on CSR. Time period: 2001-2004	This paper presents the evidence of statistically significant negative impact of CG on CSR.
Kemp (2014)	Investigating Board Diversity in South Africa	Net profit margin (NPM) Return on equity (ROE) Return on assets (ROA)	The sample covered 1 542 annual observations.	A combination of accounting-based and market-based performance measures was used to

			Time period: 2002-2012	empirically investigate the relationship.
Kim (2014)	Is Earnings Quality Associated with Corporate Social Responsibility?	CSR KLD	Information on corporate social performance from Kinder, Lyndenberg and Domini (KLD). Time period: 2006	Examine whether CSR firms behave differently in making accounting and operating decisions.
Guadano (2018)	Impact of Corporate Social Responsibility on Value Creation from a Stakeholder Perspective	CSR EMPL STATE	Sample only includes large and medium-sized enterprises and the results could be different for micro and small companies.	We consider that stakeholder theory provides a useful framework for assessing the impact of CSR practices on business value added for shareholders and other stakeholders.
Vob (2015)	The impact of gender diverse boards on firm financial performance in Norway	Tobin's Q Return of equity (ROE) Return of assets (ROA)	The sample will consist of the shareholder-elected directors of all non-financial Norwegian public limited companies listed on Oslo Stock. Exchange ORBIS database shows an output of 68 companies. Time period: 2006-2013	What is the effect of gender-diverse boards of directors on firm financial performance in Norway.

Yusof (2013)	Women On Corporate Boards: Malaysian Perspectives	Return on Asset (ROA)	Quantitative data was collected from the annual reports of the public listed companies on the main board of Kuala Lumpur Stock Exchange (KLSE). Time period: 2012	To determine the relationship between the women on corporate board and firm performance.
MOSCU (2013)	Does CEO Duality Really Affect Corporate Performance?	Return on assets (ROA) *R*eturn on equity (ROE)	62 listed companies.	Analyze the relationship that is established between CEO - Chairman of the Board of Directors duality and company's performance (ROA) or financial performance (ROE).
Alqatamin (2018)	Audit Committee Effectiveness and Company Performance: Evidence from Jordan	Return on assets (ROA) Return on equity (ROE)	243 companies listed. Time period: 2014-2016	Effect of audit committee characteristics on company performance among non-financial Jordanian companies over the period 2014-2016.
Dao (2015)	The Impact of Audit Committee and Shareholder Activism on the Association	ACCCON	690 firm-year observations for accrual-based models and 624 firm-year observations for	Accounting conservatism is influenced by the length of audit firm tenure, and

	between Audit-Firm Tenure and Accounting Conservatism		market-based models. Time period: 2002-2009	whether audit committee characteristics and shareholder activism have any impact on the association between accounting conservatism and audit firm tenure.
Yoon (2018)	The effects of corporate social responsibility on firm performance: A stakeholder approach	Return on Assets (ROA) Tobin's Q	A total of 59 restaurant companies were available for the sample. Overall, 335 observations for the restaurant firms were retained for the analysis. Time period: 2001-2012	To assess the effects of different CSR types on firm performance in the restaurant industry.
Smith (2014)	Appointments, Pay and Performance in UK boardrooms by Gender	Return on Assets (ROA) return on equity (ROE) Tobin's Q	350 companies listed on the London Stock Exchange (LSE). Time period: 2011	Addressed several issues that emerge in the ongoing debate regarding the scarcity of women in the board-room.
Pan (2014)	Relationship between Corporate Social Responsibility and Performance in the Mineral Industry: Evidence from Chinese Mineral	Return on assets (ROA) EPS	228 Chinese mineral listed firms.	The results show that CSR may have positive connections with firm profits.

	Firms		Time period: 2011-2013	
Dogan (2013)	The Impact of CEO Duality on Firm Performance: Evidence From Turkey	Return on assets (ROA) Return on equity (ROE)	204 listed firms on Istanbul Stock Exchange (ISE). Time period: 2009-2010	To measure the effect of CEO duality (CEO being also a member of board of directors) on company performance.
Mogbogu (2016)	Women on the Board of Directors and Their Impact on the Financial Performance of a Firm: An Empirical Investigation of Female Directors in the United States Technology Sector	ROAA ROAE	S&P 500 firms in the United States technology sector. Time period: 2016	The relationship between the gender diversity of the board and financial performance of the firm.
Madawaki (2013)	Audit Committees: How They Affect Financial Reporting in Nigerian Companies	FIRMSIZE LEVERAGE	Sample of 70 companies listed on the Nigerian Stock Exchange Time Period: 2003	Examine the relationship between audit committee formation and audit committee characteristics with financial reporting quality.
Sulaiman (2017)	Factors that Influence Corporate Governance Failures in Malaysia			Accountability refers to the responsibility of public servants towards the government

				expenditure.
Wang (2013)	The Influence of Board Structure on Firm Performance	Tobin's Q Return on assets (ROA)	Sample of 2,310 firm-year observations from RiskMetrics (formerly Investor Responsibility Research Center) and COPUSTAT. Time period: 1996-2006	The results provide an explanation for the internal tradeoff within the board
Rashid (2018)	Board independence and firm performance: Evidence from Bangladesh	Tobin's Q Return on assets (ROA)	281 listed companies on the Dhaka Stock Exchange. Time period: 2011	Board independence and firm performance influence each other in Bangladesh.
Fuzi (2016)	Board Independence and Firm Performance			Independent directors on the board should show a positive relation to the firm's performance.
Crisan (2014)	The role of the audit committee in corporate governance – case study for a sample of companies listed on BSE and the London Stock Exchange - FTSE 100		21 companies listed on Bucharest Stock Exchange (11 companies) and London Stock Exchange (10 companies). Time period: 2011	The role of the audit committee in corporate governance is essential.

Miko (2015)	Impact of Audit Committee and Audit Quality on Preventing Earnings Management in the Pre- and Post- Nigerian Corporate Governance Code 2011	Multiple regressions	Sample to compare the results of the pre- and post-code 2011 periods.	Audit quality will reduce manipulation of accounts through discretionary accruals in the pre- and postcode 2011
Julizaerma (2012)	Gender Diversity in the Boardroom and Firm Performance of Malaysian Public Listed Companies.	Return on assets (ROA)	Companies listed in both Main and ACE Market of Bursa Malaysia. Time period: 2008-2009.	Addressing the benefits of women involvement in the boardrooms.