THE IMPACT OF AUDIT COMMITTEE CHARACTERISTIC ON FIRM PERFORMANCE OF MALAYSIAN CONSUMER PRODUCTS AND SERVICES COMPANIES

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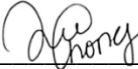DEPARTMENT OF FINANCE

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DECLARATION

We hereby declare that:

(1) This undergraduate FYP is the end result of our own work and that due acknowledgement has been given in the references to ALL sources of information be they printed, electronic, or personal.

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

(3) Equal contribution has been made by each group member in completing the FYP.

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AC	Audit Committee
AGSB	Audex Governance Sdn Bhd
BOD	Board of Directors
BPLM	Breusch and Pagan Lagrange Multiplier
BS	Board Size
CAC	Competency of Audit Committee
CICA	Canadian Institute of Chartered Accountants
EVA	Economic Value Added
FAC	Frequency of Audit Committee Meeting
FEM	Fixed Effects Model
FIAS	Focus Internal Audit Solutions
FS	Firm Size
GAC	Gender Diversity of Audit Committee
GLS	Generalized Least Square
ICDM	Institute of Corporate Directors Malaysia
JB	Jarque-Bera test
M&M	Modigliani-Miller theorem
MCCG	Malaysian Code on Corporate Governance
MIA	Malaysian Institute of Accountants
MMHB	Megan Media Holdings Berhad
NOPAT	Net Operating Profit After Taxes
PLCs	Public Listed Companies

POLS   Pooled Ordinary Least Square

R^2 R-squared

REM   Random Effects Model

ROA   Return on Assets

ROCE   Return on Capital Employed

ROE   Return on Equity

ROIC   Return on Invested Capital

SAC   Size of Audit Committee

SC   Securities Commission

TD   Total Debts

VIF   Variance Inflation Factor

WACC   Weighted Average Cost of Capital

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PREFACE

This research paper is required as part of the Bachelor of Finance (HONS) degree.
The Impacts of Audit Committee Characteristics on Firm Performance: Evidence
from Malaysia's Consumer Products and Services Sector is the title of this research
study.

Numerous academics have already examined the association between audit
committee characteristics and corporate performance. However, there are a few
researchers in Malaysia who do similar studies, most notably those on the impact
of the Malaysian Code of Corporate Governance's (MCCG) 2017 implementation.
As a result of this motive, this research was done to provide further evidence and
understanding to Malaysia's publicly traded companies regarding the impact of the
MCCG 2017 implementation. This research has the potential to make a significant
impact on policymakers, corporate executives, investors, and future researchers.
Additionally, this research provided a summary of Malaysia's audit committee and
company performance package. Additionally, it included the research purpose,
factors and their influence, data analysis, significant empirical findings, and
recommendations for future research.

ABSTRACT

The purpose of this study is to analyze the impact of audit committee characteristics on firm performance. Due to some data omission, 163 out of 187 consumer products and services companies listed in Bursa Malaysia were sampled and the sampling period was from 2015 to 2019. In this study, size of audit committee, competency of audit committee, frequency of audit committee meeting, and gender diversity of audit committee are applied as independent variables while board size, firm size, and total debts are applied as control variables to investigate their effects on firm performance. Since there are different measures of the dependent variable, which is firm performance, this study is divided into two models, Model 1 for Return on Assets and Model 2 for Economic Value Added.

The result of this study shows that size of audit committee, board size, firm size, and total debts have insignificant impact on firm performance in both Model 1 and Model 2. Whereas the competency of audit committee and gender diversity of the audit committee have a significant effect on firm performance in Model 1, while in Model 2 the effect is insignificant. The frequency of audit committee meetings shows an insignificant result in Model 1 and a significant result in Model 2. This study contributes to companies, regulators and policy makers, shareholders and investors, and academicians and future researchers as an informative study on the influences of audit committee characteristics on firm performance

CHAPTER 1: INTRODUCTION

1.1 Background of study

Enron, the well-known scandal of corporate governance has demonstrated the significance of a sound corporate governance system in affecting both firm's performance and the development of a country's overall economic growth (Amer, 2016). These severe issues result from the poor corporate governance practice that has been being discussed for the past decades, which led some companies to collapse eventually, for instance, WorldCom, Adelphia, and Enron (Amer, 2016). The mechanism of corporate governance is constituted by three major types including internal mechanism, external mechanism, and independent audit (Davoren, 2021).

Audit Committee (AC), one of the key players in corporate governance, which represented in the company's monitoring systems to guarantee that the objective of maximising shareholder wealth is protected in terms of financial oversight and control (Mallin, 2007). In a general view, the audit committee plays a crucial role to supervise the process of financial reporting, as well as oversight of the accounting and audit financial reporting process, which are intimately related to the success of the company (Sarbanes-Oxley Act 2002, Section 2). In addition, the audit committee addressed the potential conflict of interest among managers and external auditors that occurred from the disagreement related to the application of accounting standards (Safari Gerayli, Rezaei Pitenoei & Abdollahi, 2021). The audit committee was established not just to oversee the company's financial activities, but also to create a connection between the board of directors and the internal and external auditors (Vanasco, 2015). Hence, the audit committee must be capable of having a fair and justice view to protect that the organization is free from any fraud. The audit committee serve as a statutory requirement for all public listed companies consequently.

Cadbury Committee has been appointed as the financial component of corporate governance in the UK, which the audit committees are responsible for offering suggestions on the appointment of an external auditor, audit fees, and any other relevant matters such as resignation or dismissal. Reviewing annual financial statements, discussing the nature and scope of the audit with the external auditor, monitoring the company's internal control and taking action to investigate significant issues from the internal management of the company and reviewing the internal audit programme as usual. Apart from that, it is compulsory for the appointment of an audit committee, consisting of non-executive directors based on the Cadbury Committee corporate governance framework to guarantee the independence of the financial report (Vanasco, 2015).

In the wake of the World Com scandal, the USA found exaggerated earnings which were caused by the AC's failure to effectively oversee the firm's balance sheet entries, as a result, the firm goes bankrupt after being discovered in fraud (Weiss, 2005). This accounting crisis has raised the awareness of firms in ensuring precise financial reports, which contributes to a serious impact on the firm performance. In the meantime, Canada refused to adopt the audit committee prior to the collapse of Atlantic Acceptance Corporation in the late 1960s. The members of audit committees must be composed of a minimum of three directors, with the majority being external directors, according to S.182(1) of the 1970 Canadian Business Corporation Act, to ensure the firm's independence in the financial statement and thus the enhance firm's reputation. Prior to the financial statements being released to the BOD, the audit members are accountable for verifying them and giving approval. According to the Canadian Institute of Chartered Accountants (CICA) in 1988, The audit committee is responsible for reviewing the interim and annual financial statements before they are released to the public.

An overview of the audit committee in Asian countries, for example, China, is beneficial in research investigation since this research topic is to study Malaysia in examining the correlation between audit committee features and business

performance. In the late 1970s, China has not emphasized the formulation of the audit committee in the organization as the person in charge of the job scope of the audit committee was the internal auditing department. However, due to the economic restructuring and the policies of openness to the outside world, China was then forced to adopt the audit committee in the organization in 1979. It was caused by the reporting function of internal auditing departments that jeopardized the independence of auditors and also undermined the goal of internal auditing.

The inability of corporate governance will result in the company's financial reporting underperforming. There were some cases of the failure of corporate governance happened in Malaysia. One of the cases which is Megan Media Holdings Berhad (MMHB). MMHB showed irregularities in accounting and misstated the financial position of the company (*The Edge Market*, 2009). The corporate governance of MMHB started failure when the company's two subsidiaries which are MJC Pte Ltd and Memory Tech, these two subsidiaries defaulted to make the payment (RM 47 million) to their bondholders. Due to the failure, MMHB's financial position had been misstated, and the deposit (RM 211 million) for 13 production lines was faked. Therefore, the fictitious trading caused the account receivables to total is RM 334.3 million. Most importantly, payments to creditors are actually paid to other parties for the purpose of transferring cash out of Memory Technology. MMHB reported an unaudited loss of RM1.3 billion in the financial year ending April 2007, posted a net profit of RM60 million the previous year. (Omar, Koya, Sanusi & Shafie, 2014).

Another company that also fails in corporate governance in Malaysia is Transmile Group Berhad. Transmile submitted an unaudited results announcement to Bursa Malaysia showing revenue (RM 989.19 million) for the fiscal year ended 31 December 2006 and revenue (RM 338.47 million) for the fourth quarter of the year. However, it was a misleading statement. The particular reason for the circumstance was that the revenues (RM 333.36 million) of one of the wholly-owned subsidiaries which are Transmile Air Service Sdn Bhd (TAS), included in the above revenues figure were untrue. Revenue of TAS was inflated by including the fraudulent sales transactions among TAS and 20 purported clients. The inflated revenue has

attracted the investor in the market to buy the shares of Transmile. Therefore, the external auditor of the company, Deloitte, mentioned that the sales transaction about the 20 customers was lack of economic reasons and support documentation on 8 February 2007 (Zainul, 2020).

In March 2000, the Malaysia Code on Corporate Governance (MCCG) was introduced by the Securities Commission (SC). MCCG is defined as a milestone in the reform of corporate governance in Malaysia. After introduced the MCCG, the Malaysian corporate sector has made significant progress in standard of corporate governance standards. When significant progress has been made, the Securities Commission (SC) started to review the MCCG to further strengthen the practices of corporate governance. The main purposes of the revised MCCG in 2007 were to strengthen the Board of Directors (BOD) and Audit Committee (AC) and to ensure that the BOD and AC perform their duties effectively. The revised Code required the AC to have no less than three members. The important thing is the member of the audit committee should be non-executive directors. Besides, all of the members in AC must possess the ability to read, analyse and explain the statement of financial. Additionally, the frequency of AC meetings among the AC and external auditors was increased in the revised Code. The ongoing engagement among the AC chairman, the company's senior management and external auditors is emphasised by the revised Code. The revised Code required all the companies need to have the function of internal audit and the head of internal audit needs to directly report to the AC to maintain the independence of the internal audit function (Securities Commission Malaysia, 2007).

Therefore, the MCCG 2012 was concentrated on strengthening the formation of the BOD and confirming the role of directors as active and accountable fiduciaries. The directors on the board have the responsibility of being effective managers and guardians of the company. They do not just need to set strategic direction and oversee business operations, but also ensure that the company comply with legal and ethical values. The MCCG 2007 was replaced by the MCCG 2012, the Code in 2012 outlines the principles of the board and specific recommendations for structures and operations that companies could acquire to make a better corporate

governance practices for the company. As with all corporate governance guidelines, the 2012 MCCG promotes the adoption of standards that go beyond regulatory minimums. Company compliance with MCCG 2012 is voluntary. However, public listed companies are required to report their compliance with MCCG 2012 in their annual reports. In MCCG 2012 also encouraged companies to develop corporate disclosure policies that reflect good disclosure principles. Principle 5 in MCCG 2012 which is maintaining the integrity of financial reporting (Securities Commission Malaysia, 2012).

The new MCCG was released in April 2017. Based on figure 1.1, there are 6 highlighted features of the MCCG 2017. The first feature of the new MCCG is positioned as MCCG. The second feature is adopted the Comprehend, Apply and Report approach (CARE). This kind of approach will encourage public listed companies (PLCs) to make more consideration when adopting and reporting on their corporate governance practices. The third feature is to place the intended results up-front to provide the user with a line of sight. Another feature of the new MCCG is practising being guided to help implement and better disclose. Therefore, the new MCCG acquired a different method to identify practices and expectations of reporting for the PLCs. These practices not only need the BOD to comprise a majority of independent directors but also promoted gender diversity in BOD which is at least have 30 % of women directors in the BOD. Furthermore, the "Step Up" practice is also a new feature for the MCCG. This practice can encourage companies to achieve a better corporate governance. For example, a policy that limit the term of office of independent directors to 9 years, have to disclose the detail remuneration of every member in senior management (name basis) and so on (Securities Commission Malaysia, 2017).

Figure 1.1

Key features of the MCCG focusing on driving internalisation of good corporate

governance.

Positioned as the Malaysian Code on Corporate Governance

Adopt the Comprehend, Apply and Report approach (CARE)

Intended outcomes are placed up- front to provide users with line of sight

Practices are supported by Guideline to aid implementation and better disclosure

Differentiated approach identifying practices and reporting expectations for Large Companies

Step Up practices to encourge companies to achieve CG excellence

The question of whether audit committees are performing their duties effectively
has been the subject of many investigations recently. This is due to the prevalence
of financial reporting errors and irregularities. Besides, Malaysia faces challenges
in developing reliable and transparent corporate financial reporting. The particular
reason for the circumstance is the companies' degree of family ownership is high,
so the minority shareholder is passive. The BODs and audit committees are not
effectively oversight mechanisms and enforcement systems are generally
insufficient. It will bring a negative impact on the performance of a company
(Ismail & Abd Rahman, 2011).

The permanently ceased operation of Silver Bird Group Berhad (today known as
High-5 Conglomerate Berhad) in the consumer products and services sector has
exposed the risk and vulnerability of the functions in the audit committee, resulting
in the company's liquidation and delisted from Bursa Malaysia in 2014 (*The Edge
Market*, 2020). This was provoked by the submission of fraudulent revenue reports
to Bursa Malaysia, which was bounded by the audit committees' breach of duty. It
can be further illustrated in its shareholders' negligence as external and internal
auditors, Crowe Horwath, Audex Governance Sdn Bhd (AGSB) and Focus Internal
Audit Solutions (FIAS), respectively, for failing to detect financial irregularities
caused by the creation of fictitious transactions and fraud accounting records.
According to the Malaysian Institute of Accountants (MIA), the 'Fraud Prevention
Measures', actions taken is to mitigate against the fraudulent activities triggered

from the internal control mechanism of the audit committee, are mandatory for all public-listed companies in Malaysia to comply with it (Sori, 2021). The Silver Group, in the meantime, has failed to comply with this guideline, resulting in more than 50% drop in its share price and the loss of RM81.3 million in market capitalization, with investor reaction contributing to the company's collapse in June 2016 (*The Malaysian Reserve*, 2017). As a result, the major doubt highlighted by the audit committee's characteristic to alter the company's performance has been discussed for decades.

1.2 Problem Statement

The purpose of this study is to determine the impact of size of audit committee, competency of audit committee members, the frequency of audit committee meeting, and gender diversity of audit committee on the firm performance of Malaysian publicly traded companies (consumer products and services). With the audit committee, a firm performance will be more transparent to the public, such as estimating whether a given business or market is overvalued or undervalued. Aside from that, it is also helpful in identifying a company's competitive advantage, capturing its actual economic profit, evaluating a company's profitability compared to its total assets, and so on. Without an audit committee, corporations may fabricate a performance report to present to the public to defraud the people; if this frequently occurs in Malaysia, it erodes investor confidence and makes it more difficult for businesses to raise capital through the stock market (Agrawal, 2005).

Investors have lost faith in the capital markets, and the effectiveness of existing corporate governance practices regarding transparency and accountability has been eroded as a result of global financial scandals. The financial collapse of major corporate institutions, such as South East Asia, Enron, Satyam, WorldCom, Nigeria and Nigeria, are well-known financial scandals. As a result, investor confidence in financial reports presented by company management could no longer be maintained due to their perceived misleading nature. It is crucial to regain investor trust in the market as well as to attract foreign investment flows for more stable and long-term

transactions by establishing more responsible corporate governance practices, such as audit committees. (Bergstresser & Philippon, 2006). The audit committee contributes to increased financial statement integrity and decreases audit risk, ensuring the reported figures' accuracy (Contessotto & Moroney, 2013).

Although firms have followed regulatory requirements to make corporate governance changes to avoid sanctions, however not all audit committees have proved effective at improving firm performance (Beasley, 1996). Several financial scandals have also occurred recently involving companies Wirecard in Germany,

Luckin in China, and Hin Leong in Singapore. Malaysia has also experienced financial scandals that have caused shamed and ridiculed the country. The Transmile accounting scandal in early 2007 resulted in enormous losses for investors, and MEMS Technology Berhad was convicted of furnishing Bursa Malaysia with false information about their financial position for the 12 months ended 31 July 2007. In other words, the effectiveness of the audit committee is determined by the committee's characteristics rather than merely its presence.

The audit committee's size was considered one of the essential factors in this study about the effect of audit committee characteristics on firm performance in Malaysian consumer products and services listed company. The larger audit committees will accommodate more members with different expertise than the smaller audit committees. These members with diverse expertise bring additional knowledge, vision, opinions, and investment advice to provide closer oversight of financial reporting (De Oliveira Gondrige, Clemente & Espejo, 2012). On the other side, there is also the possibility that it may result in various opinions due to a large number of audit committee members. Therefore, the longer it takes to reach a consensus reduces the efficiency of decision-making. Additionally, an excessive number of members can cause some to become idle and useless, unable to use their knowledge and skills effectively and efficiently (Dharmadasa, Gamage & Herath, 2014).

Moreover, audit committee members must have financial expertise so that they can identify potential accounting issues in financial reports and resolve them more quickly. Due to the complex group structures of some listed companies, financial literacy can enable an ability to comprehend both the financial and non-financial aspects of a company. In the event of a dispute between management and the external auditor, the members of the audit committee who are without financial expertise may not be able to mediate the dispute correctly since they may not understand the external auditor's judgment. Consequently, in their oversight role, the audit committee's financial expertise is of vital importance.

The frequency of audit committee meetings is considered to be another critical factor that can influence a firm's performance. Increasing audit committee meeting and performing their duties as required to provide investors with timely and accurate information would reduce proxy conflicts, information asymmetry, and financial fraud among firms (Al-Mamun, Yasser, Rahman, Wickramasinghe & Nathan, 2014). However, the audit committee meetings held more frequently can result in increased costs, ultimately affecting the performance of the firm (Saleh, Iskandar & Rahmat, 2007).

Aside from examining the general characteristics of audit committee members, this study also investigates whether gender diversity has an impact on a firm performance since few differences exist in the approach that men and women take to a given situation and their moral attitudes and behaviors. Women may be more inclined to approach and resolve ethical dilemmas from a caring and compassionate perspective. In contrast, men are considered justice, rules, and full force in dealing with these issues (Gilligan, 1982). In light of the above argument, the presence of women on the audit committee may impact the firm's performance due to their differing ethical standards and monitoring styles.

1.3 Research Question

i.   Does audit committee size affect firm performance in Malaysia?

ii. Does competency of audit committee affect firm performance in Malaysia?

iii. Does audit committee meeting frequency affect firm performance in Malaysia?

iv. Does gender diversity in audit committee affect firm performance in Malaysia?

1.4 Research Objective

i.   To examine if audit committee size affects firm performance in Malaysia.

ii. To examine if competency of audit committee affects firm performance in Malaysia.

iii. To examine if audit committee meeting frequency affects firm performance in Malaysia.

iv. To examine if gender diversity in audit committee affects firm performance in Malaysia.

1.5 Hypothesis Development

i. H_{1a} = There is no relationship between audit committee size and firm performance.

ii. H_{1b} = There is a relationship between audit committee size and firm performance.

iii. H_{2a} = There is no relationship between competency of audit committee and firm performance.

iv. H_{2b} = There is a relationship between competency of audit committee and firm performance.

v. H_{3a} = There is no relationship between frequency of audit committee
      meeting and firm performance.

vi. H_{3b} = There is a relationship between frequency of audit committee meeting
      and firm performance.

vii. H_{4a} = There is no relationship between gender diversity of audit committee
      and firm performance.

viii. H_{4b} = There is a relationship between gender diversity of audit committee
      and firm performance.

1.6 Significant of study

The audit committee's effectiveness aided in re-establishing Malaysian investors'
confidence in the stock market, and it aided stakeholders and investors by
independently supervising the yearly corporate reporting process. As a result, this
study investigates the relationship between audit committee characteristics and firm
performance. As a result, this study contributes to the body of knowledge by
emphasising the importance of audit committee characteristics in a firm's
performance. The majority of prior research in Malaysia examined the audit
committee's effect on business performance, but they examined only one metric at
a time. While there is nothing wrong with it, it is preferable to employ many
dependent variables in order to ensure that the results in this report are objective,
distinctive, correct, and consistent. As a result, in order to provide full
recommendations on Malaysian firm performance, this report will include two
metrics: accounting performance and economic performance for publicly traded
companies in Malaysia. In summary, this study will utilize two metrics to determine
the dependent variable: Return on Assets (ROA) and Economic Value Added
(EVA). This enhanced report will result in increased advantage and contribution.

Even the few earlier studies that examined the impact of audit committee
characteristics on firm performance had inconsistent results. As a consequence of
prior research, it is obvious that there is no clear direction for the effect of audit

committee characteristics on corporate performance. There is a knowledge gap, as past research has produced inconsistent findings and inconclusive results. Additionally, this work offers a fresh perspective on an independent variable, namely the gender diversity of the audit committee in connection to business performance, which has gotten scant consideration in prior Malaysian research. Numerous studies on the audit committee's characteristics, processes, and duties have been undertaken throughout the world. Numerous studies examined audit committee characteristics like as size, competency, independence, and frequency of meetings, but gender diversity was rarely considered. As a result, this paper will fill a gap in the literature on the relationship between audit committee gender diversity and company performance in Malaysian publicly traded corporations. As a result, the audit committee is required to prioritise improving the audit committee's gender diversity. As a result, the number of women serving on audit committees has increased in recent years, as the audit committee is a corporate governance mechanism that aims to offer a more thorough and transparent report in order to help investors better understand a company's financial condition. A female audit committee may be more focused on ensuring the company's information is clean and transparent. Thirdly, whereas other studies in the diversity area may focus on board diversity, this report will focus on audit committee diversity, which will result in more macro and objective outcomes.

Additionally, the majority of the literature has described the effect in terms of two to four years, which does not provide a relevant explanation. However, researching publicly traded companies over a longer time period and broadening the scope of the research will aid in providing a more detailed explanation, which may result in more accurate findings. Due to the fact that few studies have been conducted in Malaysia on publicly traded firms, this research will help to provide a more detailed explanation, which may result in more accurate conclusions. Apart from that, the data in this study are up to date. If the data for this study is extended through 2019, the conclusions will be more accurate in representing the current global situation. Where testing was conducted between 2015 and 2019. It is anticipated that effective audit committee characteristics will have a positive effect on the firm's performance.

The outcomes of this study will shed light on the factors that contribute to the performance of Malaysian publicly traded companies. This report will assess the impact of various determinants, transparency, and trustworthiness on the performance of Malaysian listed companies and will make recommendations to Malaysian policymakers on how to develop policies that are more appropriate, effective, and well-managed to avoid negative consequences. The purpose of this study is to ascertain the effect of audit committee characteristics on the performance of publicly-traded companies in Malaysia in order to promote smooth and sustainable economic growth. It does so by utilising independent variables and decomposing company performance as a dependent variable. Numerous studies have demonstrated the usefulness of audit committee characteristics as a monitoring method. Managers aim to inflate corporate earnings in order to increase their incentive compensation (Wiwanya and Aim, 2008). This study contributes to the investigation of the effect of audit committee characteristics on firm performance by focusing on Malaysian public-listed firms (PLCs), as audit committee members are excellent monitors and are obligated to oversee financial reporting. This is to ensure that the public can trust the information provided by audit committees. The objective is to avert corporate scandals, ensure public benefit, and strengthen audit committee authority, most importantly to ensure public benefit, as the country will degrade if the government or business ignores it.

1.7 Conclusion

In the conclusion of chapter one of this research report, investigating the firm performance been affect by the characteristics of the audit committee is the main object. Explain the topic's issue and the factors' relationship. Introduce the research question and the study objective. This study's relevance is to distinguish itself from others.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

In Chapter 2, a five-part literature review was conducted to obtain an insight into the impact of audit committee characteristics on the performance of Malaysia consumer products companies. This chapter investigates empirical studies in depth by referring to relevant past studies conducted by various researchers to determine the correlation between two variables. The relevant theoretical model, hypothesis development, control variable, and theoretical framework are all supported in this chapter.

The Agency theory, Resource Dependence theory, and Gender theory are the relevant theoretical models that will be discussed in this chapter. These theories are significant in explaining the factors that influenced the firm performance, along with past researchers' findings knowledge. This part provides a baseline for developing hypotheses in the subpart of this chapter, and the implementation of the methodology in Chapter 3. Followed by the empirical review, which consists of relevant past studies undertaken by previous researchers in order to determine the relationship between their variables and assess the significance of their findings. Next, coming up with the hypothesis development, which provides a comprehensive result from the prior literature review in order to come to a prediction for the given hypothesis. Apart from the chosen variables, this chapter mentioned the control variables, which are the additional variables that could affect the company's performance.

In addition, the research proposal framework clearly indicated the independent variables and dependent variables, which were measured in terms of accounting perspective, and macroeconomic condition, to emphasize how audit committees would influence firm performance in this study. Lastly, the conclusion summarizes the entire chapter by referring to previous studies and hypothesis formulation,

which contributes to the next chapter in this research and sums up the influence of
audit committees' characteristics in influencing firm performance.

2.1 Relevant Theories

2.1.1 Agency Theory

Agency theory was created by Jensen and Meckling (1976) and has been
widely used in corporate governance and information disclosure (Ahmed
Haji, 2015). They argued that the contention of interests might impair acts
of good faith by the agents. For example, improper investment decisions and
the use of assets by managers may have adverse effects on shareholders (Ika
& Ghazali, 2012). This argument was first explained by Adam Smith (1776),
he argued that people who manage money by proxy are not as vigilant and
caring as they are about their own money and are instead more likely to
engage in negligent, wasteful behaviour. From an agency theory perspective,
audit committees provide benefits to shareholders by conducting oversight,
reviewing, and providing quality information (Ika & Ghazali, 2012).
According to Beasley et al (2009)., as part of corporate governance, audit
committees ensure the accuracy of disclosures and reduce informational
asymmetries, thereby improving the firm performance (Rahman, Meah &
Chaudhory, 2019).

The agency theory argued that larger groups have a greater capacity to
improve overall supervisory capabilities as different individuals have
different ideas and skills to contribute to the organisation (Cornett, McNutt
& Tehranian, 2009). As mentioned by Abbott, Parker and Peters (2004), this
illustrates the fact that the audit committee's ability to fulfil its oversight and

monitoring functions depends directly on the size of the audit committee. Audit committee with larger memberships increase the likelihood of detecting and resolving potential issues associated with the reporting procedure since they are more likely to possess the diversity and power of expertise and experience to improve control and oversight functions (Bedard, Chtourou & Courteau, 2004). In that context, the audit committee size appears to be a determinant of the firm's management governance practices. (Klein, 2002).

2.1.2 Resource Dependence Theory

By 1978, Gerald R. Salancik and Jeffrey Pfeffer brought widespread awareness to the concept of the "Resource Dependence Perspective" (Nienhüser, 2008). The resource dependence theory involves the directors' ability to bring to the firm any advantageous or disadvantageous resources (Wernerfelt, 1984). According to this theory, directors are the primary resource of the firm (Pfeffer & Salancik, 1978). They proceed to point out that firms may expect directors to bring to the firm four main types of resources at the time of board appointment, which are advice, legitimacy, external communication channels, and priority of external support. They argue that the directors' resources can be a determinant of the firm performance and can mitigate the consequences of the firm's exposure to anomalies outside the organisation. While Pfeffer (1972) demonstrates that it can increase corporate stability, Williamson (1984) shows that it can control turnover charges. And as a result, it can improve the firm's viability (Singh, House & Tucker, 1986). According to resource dependency theory, the audit committee primarily provides the firm with key expertise and knowledge. It assures the quality of financial reporting, which focuses on supporting the firm to achieve a competitive advantage.

From resource dependence theory perspective, the performance of the company can be significantly impacted by the audit committee's

competencies (Puat Nelson & Devi, 2013). Board oversight and provision of social and manpower resources are used to measure the extent to which the directors are able to contribute to the company's strategy (Hillman & Dalziel, 2003). As such, directors play an integral role in providing advisory resources to the company and may eventually impact the overall performance of the company. A resourceful director may derive from having long experience as a director or having served as an expert in various fields to create a rich source of human and capital resources (de Villiers, Naiker & van Staden, 2011). In addition to the underlying capacity and resources, the meeting frequency of the audit committee can also affect the firm performance from a resource dependence theory perspective. As mentioned in Ju Ahmad, Rashid and Gow (2017), attending regularly scheduled board meetings affords these competent directors the opportunity to benefit corporate management by applying their expertise to make better business decisions, which ultimately enhances firm performance and shareholder value.

2.1.3 Gender Theory

Gender theory argued that women play an important role in driving economic success (Waring & Steinem, 1988). As Carter et al. (2010) mentioned, money and power may be more attractive to men, who tend to enter competitive environments, while social interactions may be more attractive to women, who tend to follow the rules and perform tasks effectively. According to gender theory, the rise of conservatism is due to women's natural tendency to avoid danger and to be less assertive in order to prevent disputes and lawsuits that could jeopardise their managerial positions (Francis et al., 2014). In addition, groups in gender-diverse work environments may lack communication and hold different opinions, which tends to significantly increase the effectiveness of decision making (Ittonen, Miettinen & Vähämaa, 2010). Wood, Polek and Aiken (1985) argued that

while men are capable of providing more ideas in the workplace, often the best quality ideas are proposed by women.

Based on gender theory, this study will examine how gender diversity in audit committees influences company performance. In terms of gender theory, having gender-balanced boards and audit committees can positively affect firm performance (Usman et al., 2018). Due to their conservative nature, women in audit committees are likely to make conservative decisions. This can lead to improvements in the integrity of the financial statements, as the audit committee is responsible for ensuring the financial statements are prepared accurately and in accordance with GAAP. In other words, the conservative nature of women on audit committees can eventually contribute to better financial reporting (Januarsi & Hartanto, 2015). Based on gender theory, which suggests that gender diversity can lead to more dissenting opinions and that women can provide higher quality ideas and arguments for decision making, this study expects that the effectiveness of corporate decision making can be positively affected by a higher proportion of women in the audit committee. In their study, Bravo and Reguera-Alvarado (2018) concluded that the participation of women on audit committees improves firm disclosures. As a result, this study will lay down this theory and explore how the participation of women on audit committees fundamentally affects firm performance.

2.2 Empirical Review

The audit committee characteristics are one of the corporate governance system's instruments. It advantages management responsibility and shareholder accountability by assuring that the present of manager is accurate and justice idea of the company to avoid irregularities (Oroud, 2019). The study attempted to understand the characteristics of audit committees and their impact on firm performance.

2.2.1 Independent Variables

2.2.1.1 Size of Audit Committee and Firm Performance

From various studies (e.g., Zabojnikova, 2016; Afza & Nazir, 2014), the audit committee's size is considered to be a characteristic of the audit committee. Since they have concluded that audit committees will be more effective as they grow in size. According to the Malaysian Code on Corporate Governance (2007), the size of audit committee would be determined by the firm's circumstances and requirements, although it must consist of at least three members.

In the research done by Zabojnikova (2016), he has found that firm performance is significantly affected by the size of audit committee. The study sampled 72 British non-financial enterprises listed on the London Stock Exchange over a five-year period, from 2011 to 2015. The study determined that the size of the audit committee positively correlates with firm performance due to the fact that a small audit committee lacks the range of skills and information that a large one possesses, making them ineffective. The researcher also mentioned that the result was not in favor of the agency theory, according to which the audit committee consists of many members will produce less satisfactory results. Instead, it supports the resource dependence theory, which indicates that an audit committee with a large membership can achieve better results. There is also a shred of evidence that a strong audit committee's size and firm performance are correlated in a positive way in Pakistan studies by Afza and Nazir (2014) by taking the sample of 124 firms selected from the KSE-100 index, and it has consisted upon eight years from the period of 2004 to 2011. In accordance with these findings, an expansion of the audit committee size provided a firm with more opportunities to access expert and specialized resources to deal with

the firm's issues and problems, as indicated by the resource dependency
theory.

Other than that, Ashari and Krismiaji (2020), whose findings are also
applicable to the case of audit committee size and firm performance. This
study was used the year 2016, and 2017 data from manufacturing companies
listed on the Indonesian Stock Exchange (IDX), and 662 publicly listed
firms were sampled. The findings show that the size of audit committee is
associated with the performance of the firm. In spite of this, the study found
that a bigger audit committee does not automatically mean a greater
successful one since environment and culture can significantly affect the
outcome. For example, in developed countries with many human resources,
the number of members needed for the audit committee can vary based on
the work rate and the regulations. In their analysis, the data indicated that
most companies have only six audit committee members, which showed that
audit committees are generally small. Nevertheless, their study still supports
the existence of a relationship and demonstrates that smaller audit
committees are more effective at carrying out their responsibilities.
Moreover, Samoei and Rono (2016) also claimed that the audit committee's
size has a significant negative impact towards firm performance. The
research was examined firms that were listed on the Nairobi Securities
Exchange from 2006 to 2011. The researcher concluded that as the audit
committee grows in size, the firm performance may be impacted by the
problem of free-riding, in which the tendency of some members to follow
the ideas of others without asking for their own opinions.

Numerous scholars have also explored the relationship between the size of
audit committees and firm performance in recently published studies (e.g.,
Puwanenthiren, 2020; Bawazir, Khayati, & AbdulMajeed, 2021). Based on
the research conducted by Puwanenthiren (2020), a mixed outcome between
the size of the audit committee and firm performance occurs when
regression analysis is used. The study examined a sample of 100 firms that
were listed on Sri Lanka's Colombo Stock Exchange (CSE) between 2014

and 2018. The audit committees of the firms chosen for investigation by the researcher had an average of two members, with 60% of the members being independent directors. This is also consistent with the Sri Lankan corporate

governance code, which requires that the audit committee must consist of at least three directors, at least two of whom must be independent (CA, 2017). The audit committee's size was found to have a considerable and favorable effect on ROA as an accounting performance measure. The findings suggested that the audit committee engages firms with more board members, diverse knowledge, and skills to improve monitoring, supporting the resource dependence theory. However, using Tobin's Q as a market-based performance indicator, the size of the audit committee was found to be insignificant. This indicated that Sri Lankan companies have fewer long-term loans in their capital structure.

In addition, Bawazir, Khayati, and AbdulMajeed (2021) studied the association between audit committee size and firm performance by data from 53 non-financial companies listed on the Muscat Securities Market for a period between 2007 and 2017. Based on the findings, there is a negative connection between the size of the audit committee and firm performance with ROA measure, implying that increasing the audit committee size would lead to a decline in ROA. Similarly, the audit committee's size has a negative but insufficient influence on ROE. The negative effect of the size of audit committee on ROA and its negligible effect on ROE imply that Omani firms form audit committees solely to comply with regulatory obligations and no other objectives.

Various research (e.g., Zabojnikova, 2016; Puwanenthiren, 2020; Bawazir, Khayati & AbdulMajeed, 2021) have produced different outcomes. Although various theoretical and academic theories support these findings, they remain ambiguous. Thus, it is expected that the audit committee size and firm performance will have a positive relationship in this study.

2.2.1.2 Competency of Audit Committee and Firm Performance

Moreover, to execute the committee's designate and assure the quality of the profit and financial statements, members should have the expertise,

experience, and seriousness. As a result, the Malaysian Code on Corporate Governance (2007) provides for the appointment of at least one should be equipped with a financial expert to the audit committee. There are numerous studies (e.g., Wakaba, 2014; Amer, 2016) claimed that the committee performance will be directly related to the audit committee members' expertise or experience is directly related to the committee performance. The audit committee members' accounting and financial competence have a favorable influence on financial reporting accuracy and surplus quality.

Wakaba (2014) discovered a positive correlation between the audit committee's competence and firm performance. This study focused on 60 publicly traded businesses that had been active throughout the study period, spanned from 2008 to 2013. The possible reasons are that involving competent audit members will strengthen quality monitoring and reduce financial misreporting. Consequently, companies should prioritize having qualified audit committee members. Moreover, a sample of 56 Egyptian enterprises across a nine-year period from 2004 to 2012 was used in the research studied by Amer (2016). Then, they evaluated the relationship between audit committee competency and its effect on firm performance. The findings indicated that the competency of audit committee is positively impacts firm performance in the Egyptian market. This explanation states that the audit committee members who with a financial expertise are more likely to identify significant misstatements and bring improvement to financial performance overall.

Empirical evidence is also available through the studies from Chaudhry, Roomi and Aftab (2020) and Kasthury and Anandasayanan (2021).

Chaudhry et al. (2020) conducted a quantitative research on 50 non-financial firms in Pakistan to examine the influence of audit committee competency on ROA and ROE during the year 2016. The findings of this study indicated that the audit committee's competence had a beneficial effect on firm performance. The recent findings are strongly supported by

"agency theory" and "human capital theory" in which audit committee members provide efficient duties that help firms decrease agency issues and expenses while improving firm performance. Also, Kasthury and Anandasayanan (2021) assert that the audit committee's competency has a small favorable effect on corporate performance. According to the research, 80.8% of audit committee members have financial competence. The firm performance will improve as well as the more audit committee members with a financial expertise. Therefore, if an audit team is comprised of highly skilled, experienced professionals, firm performance will increase.

In a Malaysia study, Norziaton and Hafizah (2019) found that firm performance is substantially has a relationship with audit committee competence. The sample included 14 firms that have been suspended by Bursa Malaysia under PN17. A total of 126 annual reports published between 2009 and 2017 of the selected firms were compiled and assessed. The researcher focused on financially distressed firms, and the study discovered that audit committees of financially distressed firms lack financial expertise and are thus unable to oversee the company's operations and financial reporting effectively. This also implies that having financial literacy on the audit committee can enhance the firm performance since a competency audit committee can better comprehend and monitor the firm's financial performance, resulting in improved financial reporting. In addition, audit committee members with financial competence may aid in the prevention of accounting misstatements, as well as the reduction of financial crises and corporate scandals.

On the other hand, few researchers (e.g., Glover-Akpey & Azembila, 2016; Al-Mamun, Yasser, Rahman, Wickramasinghe & Nathan, 2014; Mohammed, Flayyih, Mohammed & Abbood, 2019; Hasan, Molla & Khan, 2019) have examined the relationship between the competency of audit committee and firm performance to be negative. Glover-Akpey and Azembila (2016) was reviewed 36 listed firms in the year 2015 in Ghana and found a negative relationship between the competency of audit committee and firm performance. There is the same result have found by Al-Mamun et al. (2014); 32 Sarawak-listed companies listed in Bursa Malaysia between 2008 and 2010 were included in the study. Mohamad et al. (2019) revealed that there is a significantly negative relationship between the competency of audit committee and firm performance among Iraqi listed companies and found that it is inconsistent with agency theory. As well, the competency of audit committee and ROA have a significant negative relationship whereas an insignificant and negative relationship with ROE (Hasan et al., 2019). This study is based on all 31 pharmaceutical and chemical firms registered on the Dhaka Stock Exchange (DSE) in the pharmaceutical and chemical industry, and it spans three years, from 2015/16 to 2017/18. Despite the fact that a member receives a certificate, this does not imply that they have been thoroughly evaluated for their actual competence, such as their ability to solve financial and accounting problems.

Summarizing the above studies (e.g., Wakaba, 2014; Amer, 2016; Chaudhry, Roomi & Aftab, 2020), this study expects that there is a positive relationship between the competency of audit committee and firm performance. That is, the financial competency of audit committee members can enhance firm performance.

2.2.1.3 Frequency Meeting and Firm Performance

The purpose of the meeting is to discuss and solve the problems facing the company. Therefore, the more frequent the meetings, the more problems can

be solved. In Malaysia, there is no statutory requirement for a minimum number of audit committee meetings per year. However, the Malaysian Code on Corporate Governance (2007) recommends no fewer than four.

The major findings of Orjinta and Evelyn (2018) study indicated that meeting frequency is positively correlated with firm performance for selected non-financial firms listed on the Nigerian Stock Exchange. The sample was based on 50 listed companies from 2007 to 2016. A

A supplementary study found that holding regular audit committee meeting helps various corporate governance procedures to function more effectively. This might be a result of the prompt discovery of financial statement frauds and disclosure of the actual financial situation to the board of directors. Also, Kyereboah-Coleman (2007) validated the link between audit committee frequency and business performance. It appears that 103 firms from Ghana, South Africa, Nigeria, and Kenya from 1997 to 2001 had a positive effect on Tobin's Q. Perhaps this is because audit committees are believed to act in the best interests of shareholders and the general public. Therefore, the audit committee also reaffirms its commitment to transparent governance principles and promoting shareholder value by meeting frequently.

In the same line, Kasthury and Anandasayanan (2021) said that audit committee meeting have a substantial impact on firm performance. The study's population consisted of a total of 14 firms listed in the material industry for a seven-year period from 2012 to 2019. Further, firms in the material sector hold an average of four audit meeting with a maximum of nine meeting for a minimum of four meeting. The study discovered that increasing the frequency of audit committee meeting increases firm performance. Based on this major finding, it is reasonable to conclude that a high meeting frequency allows agency conflicts to be avoided, lending credence to agency theory.

Several past studies (e.g., Ong, 2013; Al-Mamun et al., 2014; Al-Matari, Al-Swidi and Fadzil, 2014; Boshnak, 2021) found no strong relationship between frequent audit committee meeting and firm performance. The study was conducted by Ong (2013), and it was focused on 70 Malaysian companies in 2011. In truth, as meeting increase, the capacity to identify anomalies in financial reports does not necessarily increase. The result, which is not statistically significant, may be attributed to the higher number of expenditures incurred as a consequence of the increased number of the meeting held. It is also possible the time interval between presenting relevant information to audit committee members and the scheduled audit committee meeting may be too short. Thus, the resulting audit committee members do not have enough time to thoroughly examine the information and hence are unable to ask the appropriate questions during the meeting to uncover any inconsistencies.

Al-Matari, Al-Swidi and Fadzil (2014) also demonstrated that audit committee meeting have a negative but not statistically significant association with a firm performance by Tobin's Q. According to the researcher, one probable explanation that audit committee meeting and Tobin's Q are insignificant is that the more frequent the meeting, the more superior the firm performance will be. In other words, the board's numerous yearly meetings imply that it serves an operational rather than a supervisory function. However, the duty of the board is to oversee management, not the business. The 210 Saudi Stock Exchange-listed companies from 2017 to 2019 were examined by Boshnak (2021). The audit committee meet six times each year on average, with a range of one to 19 meeting. The finding gives no support for agency theory since the frequency of audit committee meeting is negatively related to all three firm performance metrics, which are ROA, ROE, and Tobin's Q. The result suggests that frequent meeting do not increase firm performance since the quality of the meeting should be prioritized above the frequency of meeting.

Besides, the relationship between the frequency meeting and firm performance in two different countries was studied, and different results were found for the two countries (Gunes & Atilgan, 2016). Statistics are derived from a sample of Turkish and UK bank annual reports, as well as information from the Banks Association of Turkey, Datamonitor, and the FAME databases for the year from 2006 to 2010. The average number of audit committee meeting in ten UK sample banks ranges from two to six, and they have a negative relationship with ROA and ROE. However, for Turkey sample banks, the average number of meeting was close to seven to 12 and was positively associated with ROA and ROE. The negative correlation for UK sample banks might indicate that an additional audit committee meeting is required.

Despite the fact that audit committee meeting is crucial in company governance. However, according to the aforementioned studies (e.g., Ong, 2013; Al-Mamun et al., 2014; Al-Matari et al., 2014; Boshnak, 2021), the frequency meeting do not significantly increase the firm performance. A negative link between meeting frequency and business performance is thus predicted in this investigation.

2.2.1.4 Gender Diversity and Firm Performance

Only a few studies (e.g., Alqatamin, 2018; Shrader, Blackburn & Iles, 1997; Kilic & Kuzey, 2016)   have looked at gender problems, with the bulk focusing on size of audit committee, competency, and frequency of audit committee. However, there is a growing body of study on the topic of gender diversification on audit committees and firm performance. There is evidence that gender has an effect on a firm's decisions and that women have different perspectives and information requirements than men (Alqatamin, 2018).

The considerably positive coefficient of audit committee gender diversity, audit committee with more female members performs better than one

without or with few female members, according to Alqatamin (2018). This study supports the idea that gender diversity is one of the factors that affect performance. This result proposes a relationship between gender diversity and firm performance, which aligns with the researcher's expectations. Shrader et al. (1997) analysed the case of approximately 200 Fortune 500 firms in 1992 to determine the relationship between women on boards and the performance of those firms. The correlations between the percentage of women directors and financial performance indicators are most supportive of the idea. Large companies with high percentages of female executives appear to have elevated ROS, ROA, ROI, and ROE. The finding is in line with the resource-based competitive advantage idea. Along the same line, the study analyzed the relationship between gender diversity and firm performance in a high-growth country like Turkey (Kilic & Kuzey, 2016). The analysis relied on data from the entities listed in the BIST from 2008 to 2012, and the result found that gender diversity had a significant favorable effect on firm financial performance as assessed by the ROE and ROA. From the standpoint of theory, the findings are compatible with the resource dependence and agency theories. Ultimately, women on the board have the ability to boost firm performance by providing diverse views and viewpoints in the board meeting, sending good signals to the firm's stakeholders, establishing a favorable corporate image, and retaining a competitive edge.

Besides that, various latest studies (e.g., Omotoye, Adeyemo, Omotoye, Okeme and Leigh, 2021; Tahir, Ullah, Ahmad, Syed and Qadir, 2021; Lindeborg & Vogeli, 2021) have concluded that gender diversity is effective in improving firm performance. Omotoye et al. (2021) concluded a favorably significant effect of gender diversity on Tobin's Q using panel data acquired from 12 Nigerian Stock Exchange-listed banks from 2013 to 2017. Moreover, the outcomes lend credence to the notion that greater diversity on the audit committee equates to improved market performance. In a nutshell, the proportion of women on the committee should be raised in order to improve performance. As Tahir et al. (2021) concluded, there is a significant effect of female participation on the audit committee on ROA by

examined 60 non-financial firms listed on the Pakistan Stock Exchange for the period of 2013 to 2019. The results indicate that an increase of 1% in the proportion of women on the audit committee will increase ROA by around 5%. These findings align with the agency theory in which women in top management have received fresh insights into the complexities that help enhance the strategy development process. In addition to suggesting that gender diversity may improve firm performance, the study also states that women have different characteristics from men, particularly in terms of mentality, relationships, and expertise. In other words, a gender-diverse audit committee has access to more varied resources, enhances the firm's external human relations ties, and fosters a broader range of viewpoints.

As well, the purpose of the study of Lindeborg and Vogeli (2021) was to investigate whether gender diversity impacts financial performance for firms listed on Nasdaq Stockholm as measured by ROA, ROE, and Tobin's Q. The results of the study found that the proportion of women on the board had a positive impact on firm performance. Building on the research on corporate governance, the finding of the study may be the effect of a gender-diverse board of directors improving corporate performance through women contributing a broader perspective, higher attendance than men, and more director roles.

On the other hand, through analysis of company data from the S&P SmallCap 600, Thiruvadi and Huang (2011) are able to show that gender diversity in audit committees significantly impacts firm performance. The results suggest that gender diversity enhances the audit committee's external governance function, resulting in lower firm performance. The study also found that having a female director on the audit committee makes it more challenging to control earnings by raising negative discretionary accruals. This conclusion is in line with gender theory and previous research, which suggests that women are more conservative and impartial than males when it comes to making ethical judgments.

Gender diversity has an influence on firm performance since genders have distinct beliefs, characteristics, and backgrounds. Therefore, this study will have an investigation on whether audit committee gender diversity has an impact on firm performance and is expected to be a positive impact.

2.2.2 Control Variables

There are several factors that would be concerned to control it in this research, in addition to the audit committee characteristics that might impact firm performance. Even though these characteristics may have little to do with corporate governance, this may contribute to improved firm performance. Board Size, Firm size, and Debt are used in this research to control other potentially relevant effects beyond audit committee characteristics.

2.2.2.1 Board Size and Firm Performance

As measured with different effectiveness measures, Kalsie and Shrivastav (2016) found that board size positively impacted firm performance. A sample representing NSE CNX 200 Index firms across 16 industries was used for five years from 2008 to 2012, covering 145 non-financial listed companies. The study discovered strong evidence that board size is an essential corporate governance tool that has a favorable influence on business performance. The observations, in particular, corroborate the Agency Theory, which holds that a bigger board size improves firm performance by allowing for more excellent supervision by a broader group of individuals. Whereas the resource dependence theory suggests that a more giant board of directors delivers a varied range of expertise and competence in many disciplines, enhancing the firm's potential to generate external linkages and offer more monitoring capability. Researchers Agyemang Badu and Appiah (2017) determined the effect of the board size

on firm performance by analyzing 137 listed companies in Ghana and Nigeria. A statistically significant and positive relationship has been found between board size and performance among firms. It holds true across diverse econometric models that account for different types of endogeneity. Findings indicate that a larger board of directors enhances monitoring and thus uplifts firm performance.

The research of Makik, Wan, Ahmad, Naseem and Rehman (2014) revealed that in low-developed countries like Pakistan, having a larger board can improve the performance of the firm. The analysis is done on 14 commercial banks in Pakistan from 2008 to 2012. The statistical findings further support the study, claiming that a larger board size increases firm success. Although managing a large board of directors in a corporation is challenging since it takes longer to make decisions, which results in hidden expenses to the firm. At the same time, in a nation like Pakistan, having a large board of directors may be highly advantageous to the firm performance. Evidence is also provided in this study; the state-owned banks with smaller board sizes perform worse than those with larger boards. As for state-owned banks, private banks are resourceful since they have a larger board, and they encourage transparency, innovation, and accountability to improve firm performance.

A Malaysian study found that board size had a negative relationship with Tobin's Q of a sample of 81 firms listed on the main board of the Kuala Lumpur Stock Exchange (KLSE) in the property industry from 1999 to 2005 (Shakir, 2008). According to the researchers, this conclusion is due to the fact that a board with too many directors or a large board is unlikely to function effectively. Companies may find it costly to maintain boards with a large number of directors. Furthermore, with a significant number of board members, planning, coordinating work, making decisions, and conducting frequent meeting might be challenging.

Nevertheless, some researchers have opposing views on the link between board size and firm performance. Guest (2009) investigated the influence of board size on company performance for a large sample of 2,746 UK-listed firms over the period 1981 to 2002. According to the study, board size has a significant negative influence on firm performance, as assessed by Tobin's Q. One possible explanation for the negative relationship between board size and firm performance presented by the researcher is that larger firms with larger board sizes will take a longer time to achieve goals because the process of aligning the views of individual directors is slower and less efficient than with smaller size. Although the study indicates that board size has a detrimental influence on firm performance, particularly for large businesses, this does not necessarily suggest that regulations restricting large boards enhance business performance. In the latest study, a sample of 372 US S&P 500 companies from 2013 to 2017 shows a negative correlation between the size of the board and firm performance (Yan, Hui & Xin 2021). Based on the agency problem concept, this implies that a smaller board can have greater decision-making efficiency to a certain level, which is beneficial to the business performance.

2.2.2.2 Firm Size and Firm Performance

Taking into account the logarithm of total sales size, Short and Keasey (1999) described a way in which the size of a firm can influence the performance of the firm. Sample companies were selected from all UK companies listed on the Official List of the London Stock Exchange from 1988 to 1992. The firm size can have an impact on its success in at least two ways. First, there is the possibility of a financial hit, in which larger companies may find it simpler to produce money internally and obtain funds from other sources. The company may devote more resources to productive ventures with fewer financial constraints. Second, the economies of scale that come with size enable the firm to erect entry barriers, which positively impacts the firm's performance. The study by Aziz and Abbas (2019) found a positive and

significant association between the size of the firm and the performance of firms in 14 sectors, covering 360 companies between 2006 and 2014. Larger firms have higher returns than smaller firms, more robust management, excellent investment diversification options, and economies of scale.

The data in Pervan and Visic (2012) study included firms that were operating in the Croatian manufacturing industry for nine years period (2002-2010). The study found that firm size has a beneficial impact on ROA and ROE. There are numerous probable justifications for the impact of firm size on firm performance, including larger firms having greater market power, allowing them to sell at higher prices and generate more profit. Likewise, larger firms have more negotiating leverage with suppliers and might benefit from cheaper costs. Also, larger firms are expected to be better able to cope with drastic changes, which larger companies encounter market uncertainty with lower risk. Finally, a firm with a larger size has an edge in the R&D process because they benefit from economies of scale in their R&D activities and have a superior ability to exploit research results. These various explanations are ultimately congruent with the results that firm size has a positive relationship with firm performance.

In addition, several studies (e.g., Silviana and Widoatmodjo, 2020; Dogan, 2013; Babalola, 2013) also found a similar result in which the firm size has positive significance to firm performance. There are 48 firms from the manufacturing sector on Indonesia Stock Exchange (IDX) from 2014 to 2018 were used in the study conducted by Silviana and Widoatmodjo (2020). According to the findings of the study, larger firms have a more reliable source of cash, and it is simpler to obtain funding than smaller ones. They utilize consistent capital to manufacture on a large scale and to expand into new markets. Finally, it reveals that the larger the company, the greater its performance. Dogan (2013) utilized data from 200 firms that were active on the Istanbul Stock Exchange (ISE) between 2008 and 2011. As a result, as the firm size grows, the firms listed in ISE have a better performance. This could be based on the argument that large enterprises are more efficient than

small ones due to scale economies. Aside from that, Babalola (2013) studied the relationship between firm size and the firm performance of manufacturing businesses listed on the Nigerian Stock Exchange between 2000 and 2009. It was also discovered that a company's size has a beneficial impact on Nigerian Manufacturing companies listed on the Nigerian Stock Exchange. In a similar vein to the preceding study, the authors argue that larger firms have stronger negotiating leverage over suppliers, distributors, and customers. They are also seen to have a more solid and established business that generates more revenue.

However, the results provided by Kouser, Bano, Azeem and Ul Hassan (2012) show that firm size has a less significant and negative impact on the firm performance of non-financial companies listed on the Karachi stock exchange. The study is based on a sample of 70 non-financial companies listed on the Karachi Stock Exchange of Pakistan, collected for ten years (2001-2010).

The size of a firm is also a significant factor in its performance. Therefore, this study will utilize firm size as a control variable to evaluate the influence of audit committee characteristics on firm performance.

2.2.2.3 Total Debts and Firm Performance

The debt also has a significant impact on the agency's cost, as measured by general and administrative expenditures. Since a result, the negative effect of debt on company performance is confirmed and justified, as debt is found to increase firms' agency costs.

The study by Pandey and Sahu (2019) quantifies that debt significantly affects the performance of the manufacturing firms traded in the BSE 200 Index from 2009 to 2016. Debt is thought to cause over-restricted investment in businesses, which leads to poor financial performance. Apart

from that, creditors who use loans as a disciplinary weapon infirm may place excessive limitations on firms to prevent them from transferring profits to shareholders or impose restrictive terms on loans by raising interest rates or requiring sufficient collateral. As a result, these constraints will cause the firm to focus primarily on paying off debt rather than increasing profits, negatively impacting its performance. According to the regression results, as the number of long-term debts increases, the firm's profitability decreases. Long-term debt had a strong correlation with profitability.

Along the same line, Aziz and Abbas (2019) discovered a negative link between performance and long-term debt in their study. The findings also support the pecking order theory, which states that firms should employ internally generated cash rather than taking a loan, which is expensive and lowers company performance. Firm performance has been harmed as a result of their usage of debt, which has raised interest costs and lowered income. Li, Y. (2020) used panel data derived from listed automotive companies from 2011 to 2019 to investigate the effects of debt financing on firm performance. Results indicate that the firm performance measured by ROE, ROA, Tobin's Q, ROCE, and ROIC all negatively correlate with debt financing. According to the agency theory, the negative relationship between debt and firm performance shows that debt's monitoring role is insignificant. On the other hand, debt financing exacerbates disputes between shareholders and creditors, lowering firm performance.

In addition, the latest study has evaluated the impact of debt financing on company financial performance as assessed by ROE and ROA of listed consumer products firms in Nigeria for a period of 13 years from 2006 to 2018 (Yusuf & Mbatuegwu, 2021). Furthermore, the results show that short-term debt has a negative and negligible influence on ROE, but long-term debt has a positive and substantial effect on ROE. The more debt a firm has among Nigeria's listed firms, the poorer the firm performance. The results demonstrate that debt financing negatively impacts firm performance in line with pecking order theory and trade-off theory. In light of the findings, there

appears to be a need for firms to be prudent regarding overleveraging and finance businesses only if their profitability is maximized since overleveraging may increase credit risk. Moreover, the principles of agency theory recommend that financial managers minimize debt and choose alternative financing options to maximize shareholders' wealth.

A similar study by Kurfi, Yadudu and Sabo (2021) investigated the effect of debt on the performance of banks in Nigeria and sample of 14 Deposit Money Banks over a period of nine years (2010-2018) was used in the study. The results of the study are that long-term debt was found to have a significant positive effect on ROE. In contrast, it had no significant impact on ROA of firm performance for Nigerian listed deposit money banks. According to the study, firms should leverage more debt than stock to finance viable investment opportunities to the degree that it improves firm performance.

From the above findings, it can be concluded that the debt financing proxy long-term debt has a significant effect on ROE and an insignificant effect on ROA, which are the proxies of firm performance. The study's findings are consistent with the revised M&M theory of 1963, which states that a firm's value is maximized when its capital structure includes more debt than equity. The incorporation of debt into the capital structure reduces the average cost of capital while enhancing profitability. Shareholders and potential investors are only motivated if they are confident that their money will be maximized.

2.3 Hypotheses Development

The Audit Committee (AC) is a corporate governance instrument that can influence the company's financial reporting quality and business performance. The essential

qualities of the AC were its size, competency, frequency of meetings, and gender diversity.

2.3.1 Size of Audit Committee and Firm Performance

According to previous research**, the association between AC size and business performance is projected to be beneficial**. It is because most of the past studies such as Zabojnikova (2016), Afza & Nazir (2014) and Pratheepkanth (2020) found out that the firm performance will influence by the size of AC. However, Kipkoech (2016) and Bawazir et al (2021) claimed that there was a negative relationship between size of AC and the firm performance of the company.

H_{1a} = *There is no relationship between audit committee size and firm performance.*
H_{1b} = *There is a relationship between audit committee size and firm performance.*

2.3.2 Competency of Audit Committee and Firm Performance

Following that, it is anticipated that **the association among audit committee competency and corporate performance would be beneficial**. The particular reason for circumstance is the result from several past studies, regardless of whether Malaysia or other countries have shown the relationship between the competency of AC and company performance is a positive relationship. On the other hand, the researchers such as Glover-Akpey and Azembila (2016) and Al-Mamun (2014) discovered that the relationship between the competency of audit committee and firm performance to be negative.

H_{2a} = *There is no relationship between competency of audit committee and firm performance.*

H_{2b} = *There is a relationship between competency of audit committee and firm performance.*

2.3.3 Frequency of Audit Committee Meeting and Firm Performance

Moreover, many of relevant past studies found out **there is negative relationship between the frequency of audit committee meeting and firm performance of the company**. Al- Matari et al (2014), Gunas & Atilgan (2016) and Boshnak (2021) found out that the frequency of AC is not related to the firm performance of the company. However, few previous studies discovered the opposite result.

H_{3a} = *There is a relationship between frequency of audit committee meeting and firm performance.*

H_{3b} = *There is no relationship between frequency of audit committee meeting and firm performance.*

2.3.4 Gender Diversity of Audit Committee and Firm Performance

Lastly, **it is expected the relationship between the gender diversity of audit committee and company's firm performance is positive** even some of past studies disagreed the result. Many of studies (e.g., Shrader et al., 1997; Kilic & Kuzey, 2016; Alqatamin, 2018) have found the same result that gender diversity on boards is positively correlated with company firm

performance and suggested that gender diversity is one of the factors that can impact the company's firm performance.

H_{4a} = *There is no relationship between gender diversity of audit committee and firm performance.*

H_{4b} = *There is a relationship between gender diversity of audit committee and firm performance.*

2.4 Proposed research framework

Figure 2.1

Proposed Research Framework

Independent variable	Dependent variable
Size of audit committee	**Firm performance of the Malaysian consumer product and services listed companies**
Competency of audit committee	
Frequency of audit committee	Measurement: Return on Assets (ROA), Economic Value Added (EVA)
Gender diversity of audit committee	

Control variable	
Board size	Firm size
Total Debts	
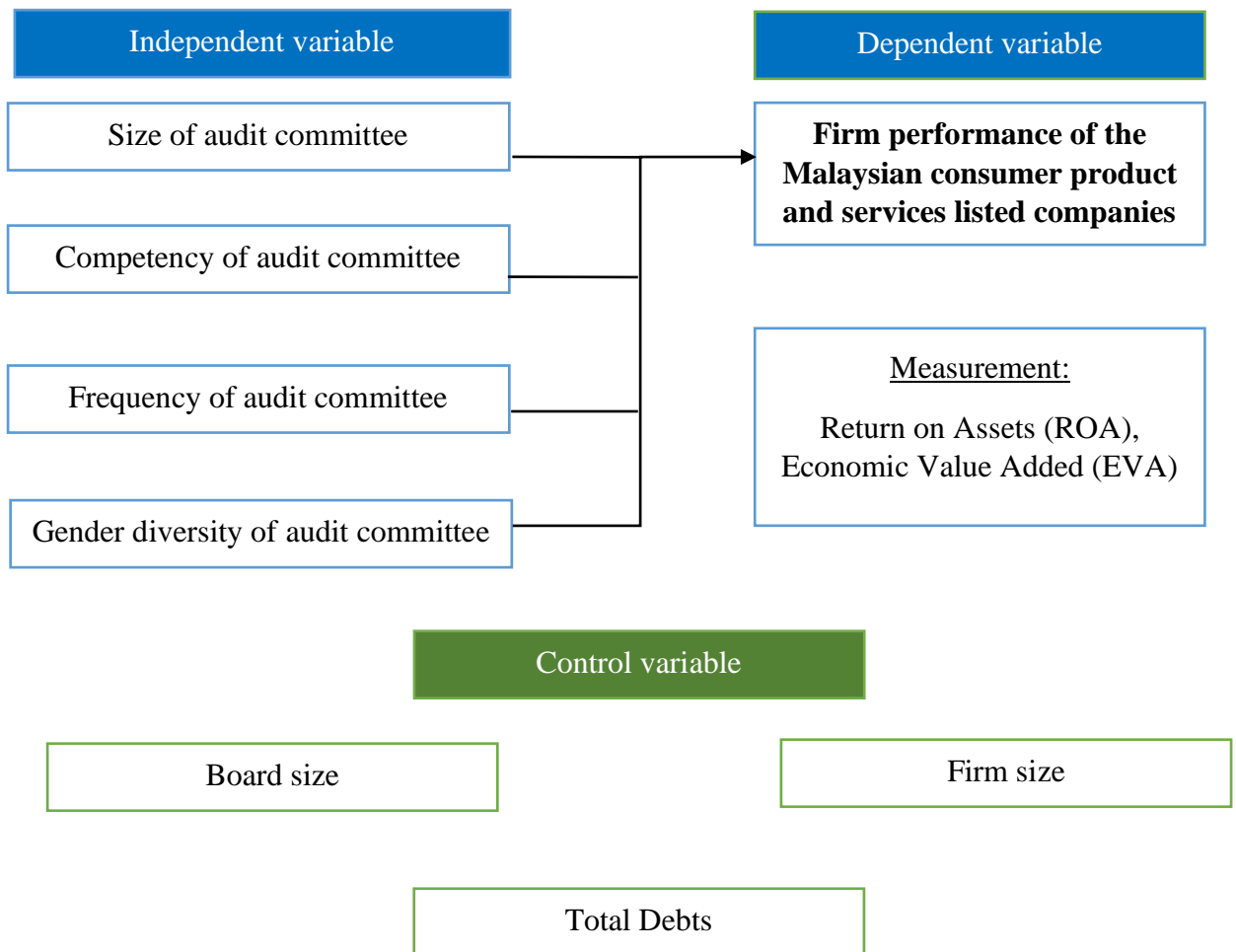
This study uses four independent variables, including Size of audit committee, Competency of audit committee, Frequency of audit committee, and Gender diversity of audit committee.

All the independent variables that stated at above affect the result of the dependent variable, which is the Firm performance of the Malaysian listed companies. There are two measurements used to measure the dependent variable: Return on Assets (ROA) and Economic Value Added (EVA).

2.5 Conclusion

In a conclusion of chapter two, there were three relevant theories that can explain the relationship between the characteristics of the audit committee and company firm performance. The theories respectively agency theory, resource independence theory, and gender theory. Therefore, based on the past studies, it is expected that the size of AC, competency of AC, frequency of AC meeting, and gender diversity of AC is significantly correlated to the company firm performance. Nevertheless, some of the studies demonstrated the opposite result, so it is needed to test the four hypotheses to discover the relationship between the characteristics of AC and the firm performance of the listed companies (consumer products & services sector) in Malaysia. Lastly, the proposed research framework are independent variables, dependent variables, and control variables. The independent variable is the characteristics of the AC that impact the company's firm performance. The dependent variable is the company firm performance, such as ROA and EVA. In addition, the control variables such as board size, firm size, and total debts may also affect the company's firm performance.

CHAPTER 3: METHODOLOGY

3.0 Introduction

Chapter 3 made a sample selection to acquire a better understanding of the impact of audit committee characteristics on the performance of Malaysian publicly traded firms. This chapter delves further into the measures of each variable, referencing pertinent prior research undertaken by various researchers to ascertain the link between independent and dependent variables. This chapter discusses the rationale for selecting this sample, the measurement of each variable, the methods used to run the results, and diagnostic checking.

The panel data approach, the Breusch and Pagan Lagrangian Multiplier (LM), and the Hausman test are the pertinent methods addressed in this chapter. These methodologies are critical in describing the elements that influenced firm performance, as well as the prior knowledge of previous scholars. This section will serve as a baseline for formulating hypotheses in the chapter's subpart and implementing the methods described in Chapter 2. Following that, diagnostic checking is performed, including Multicollinearity and Autocorrelation, which were formerly used by researchers to ascertain the link between their variables and to identify the importance of their findings. Apart from the selected variables, this chapter discussed the measurement of control variables, which are extra variables that could affect a firm's performance.

3.1 Sample Design

In this research, the main research objective is to investigate the relationship between the selected determinants and the firm performance of Malaysian listed companies with the period of 2015 to 2019. During this study, the consumer products and services sector will serve as the target sector. A total of 163 consumer

products and services firms are listed in Bursa Malaysia. The consumer products
and services sector include few sub-sectors such as agricultural products,
automotive, consumer services, food, and beverages, etc. (Bursa Malaysia, n.d.).

The reason that selects consumer products and services sector is its plays an
important role in Malaysia, and this sector accounted for a portion of economic
growth. According to Malaysia Economic Performance Fourth Quarter 2019, the
services sector drove the economy to grow by 6.1%, increasing 0.2% from the
previous quarter. A better rise in the agriculture sector was observed in livestock
and other agriculture, which recorded 7.6 percent and 5.2 percent respectively
(Malaysia economic Performance fourth Quarter 2019, 2020). At the same time,
investors are interested in the firms in this sector (e.g., Nestle; F&N). At the end of
December 2019, consumer goods and services accounted for 23,553,000 shares of
the leading market's trading volume. Consumer stocks were also driving the market,
with Dutch Lady increasing 72 cents to RM48.72 and F&N climbing 26 cents to
RM34.46 (Bernama, 2019).

Additionally, Silver Bird Group Berhad was a company listed on the Main Board
of Bursa Malaysia in the consumer products and services sector before the scandals
happened. There were charges filed against two former directors of Silver Bird
Group Berhad for making 15 false statements to Securities Malaysia in 2010 and
2011. Moreover, a number of false documents were used to deceive Maybank
officers when they applied for bank acceptance services, leading to RM67,435,143
being deposited into various bank accounts of the three companies (Nazlina, 2019).
The three companies were Asian Food Link Sdn Bhd, Violet Bonanza Sdn Bhd, and
Standson Marketing Sdn Bhd. Therefore, it is necessary to investigate the impact
of audit committee characteristics on firm performance among consumer products
and services sectors in order to implement improvements to increase the economy's
stability, enhance firm performance, and strengthening investor confidence in firms
in Malaysia.

Lastly, the data period will focus on 2015 to 2019 due to the data will be more
closely with the new era and can more objectively point out some view is more

suitable for now rather than the old fashion concept. Furthermore, the Securities Commission Malaysia (SCM) released the new Malaysian Code on Corporate Governance (MCCG) in 2017. Before the year 2017, Malaysia companies were in voluntary compliance with the MCCG 2012. MCCG 2012 focuses on strengthening the BOD's formation and ensuring the directors are active and responsible act in their roles. Then, the new MCCG 2017 introduced six major features in the Code of 2017. For example, the MCCG 2017 promoted the participation of women in the BODs. MCCG 2017 encouraged women directors to be at least have 30% in the BOD. Therefore, the "Step Up" practices were also newly introduced in the MCCG 2017. In order to ensure that the independent directors remain independent, the policy included in the "Step Up" practices is policy that limits the term of office of independent directors to 9 years. Additionally, the MCCG 2017 also concentrated on strengthening the competency of the directors. For instance, the Securities Commission (SC) established the Institute of Corporate Directors Malaysia (ICDM) to increase the directors' expertise and efficacy. The new policy or recommendation that was added in the MCCG 2017 may be affected the selected determinants and the firm performance of Malaysian listed companies. This study that chooses year 2015 to year 2019 as the data period may investigate the difference of the company firm performance between before and after of the introduced MCCG 2017.

3.2 Measurement of Variables

The variables used in this study were related to previous studies. They were classified as dependent, independent and control variables, in which dependent

variables are Return on Assets (ROA) and Economic Value Added (EVA) while independent variables are Size of Audit Committee (SAC), Competency of Audit Committee (CAC), Frequency of Audit Committee Meeting (FAC), and Gender Diversity of Audit Committee (GAC). Other than that, the control variable will be the Board Size, Firm Size, and Total Debts.

3.2.1 Dependent Variables

According to Praptiningsih (2009), Return on Assets (ROA) is measured by dividing profits before taxes by the total assets of the firm, which is one of the most commonly accepted method to measure firm performance. By measuring the effectiveness of management to manage assets profitably, it provides a good indication of the effectiveness of management in adding value to the company (Sufian & Habibullah, 2010).

$$ROA = \frac{Profit\ before\ tax}{Total\ Assets}$$

According to previous studies, Economic Value Added (EVA) provides an indication of the financial performance, which is determined by taking its net operating profit after taxes (NOPAT) and subtracting its weighted average cost of capital (WACC) multiplied by the amount of invested capital (Al-Mamun et al., 2014), a formula proposed by Stewart (1991). EVA is also known as economic profit because it seeks to measure and capture the underlying economic earnings of a firm. By using this metric, an investment's return can be evaluated.

$$EVA = NOPAT - (Invested\ Capital \times WACC)$$

3.2.2 Independent Variables

A percentage derived from number of audit committee divided by number of directors is used to calculate the audit committee size in this study. According to past studies, audit committee size depends on how many members it has (Zraiq & Fadzil, 2018). Hsu and Petchsakulwong (2010) stated that audit committee size is generally considered an essential component of the audit committee. However, to ensure a more accurate

understanding of audit committee size compared with the board, this study employs percentages instead of the conventional audit committee count.

$$SAC = \frac{Total\ number\ of\ AC\ members}{Total\ number\ of\ directors} \times 100\%$$

The financial and accounting skills of the audit committee make up the role of being a competent audit committee. According to the study of Ashari and Krismiaji (2020), the overall competence of the audit committee members can be gauged by the proportion of members who have financial and accounting skills. In the study of Arismajayanti and Jati (2017), the educational background and financial and accounting-related work experience were considered in determining the competence of the audit committee. Hence, audit committee competency is measured by its percentage of members with financial and accounting expertise in this study.

$$CAC = \frac{Number\ of\ AC\ members\ with\ accounting\ or\ financial\ expertise}{Total\ number\ of\ AC\ members} \times 100\%$$

The audit committee meeting rate was analysed as part of this study based on the number of times they met during the fiscal year. Xie, Davidson and DaDalt (2003) suggested that how many audit committee meetings were held per year could be used to measure the audit committee meeting frequency. Considerations have been made regarding the number of meetings of audit committee as a measure of audit committee activity as a whole (Xie, Davidson & DaDalt, 2003).

$$FAC = Number\ of\ AC\ meeting\ during\ the\ fiscal\ year$$

To estimate the gender diversity of the audit committee for this study, following the study of Green and Homroy (2018), dummy variables were

computed with a value of 1 indicating that at least one woman is on the committee and 0 indicating that there is no woman on the committee.

$$D_{GAC} = 1 \; if \; there \; is \; at \; least \; one \; female \; member \; in \; AC, 0 \; otherwise$$

3.2.3 Control Variables

Based on the logarithm of the number of board members, the size of the board is determined. According to Yermack (1996), the logarithm of number of board members was shown not to exhibit a linear relation between firm performance and board size. Also, skewness of the variable board sizes was accounted for by scaling the board sizes logarithmically (Xie & Fukumoto, 2013).

$$BS = Logarithm \; of \; the \; number \; of \; directors \; on \; the \; board$$

Firm size has been frequently used as a control variable in previous studies and may drive or shrink firm performance through decision making, team efficiency factors (Zona, Zattoni & Minichilli, 2013). For this study, the logarithm of the total assets determined firm size. This measurement is supported by many literatures (e.g., Aziz & Abbas, 2019; Babalola, 2013; Embong, Mohd-Saleh & Hassan, 2012).

$$FS = Logarithm \; of \; total \; assets$$

Total debts is an important indicator of how a firm's structure and performance are linked. As a control variable, total debts has been measured in previous studies by dividing the book value of total debt by the book value of total assets (Khémiri & Noubbigh, 2019).

$$TD = \frac{Book \; value \; of \; Total \; Debts}{Book \; value \; of \; Total \; Assets}$$

The following panel data models have been constructed to investigate how company performance is related to audit committee characteristics:

$$ROA_{it} = \beta_0 + \beta_1 SAC_{it} + \beta_2 CAC_{it} + \beta_3 FAC_{it} + \beta_4 D_{GACit} + \varepsilon_{it} \quad \dots (1)$$

$$EVA_{it} = \beta_0 + \beta_1 SAC_{it} + \beta_2 CAC_{it} + \beta_3 FAC_{it} + \beta_4 D_{GACit} + \varepsilon_{it} \quad \dots (2)$$

Table 3.1

Summary of measurement of variables

Dependent Variables	Acronym	Measurement
Return on Assets	ROA	Profit before taxes / total assets.
Economic Value Added	EVA	NOPAT - (Invested Capital * WACC)
Independent Variables	**Acronym**	**Measurement**
Size of Audit Committee	SAC	The percentage of the audit committee on the board of directors
Competency of Audit Committee	CAC	The percentage of audit committee members that have an accounting or financial background and expertise.
Frequency of Audit Committee Meeting	FAC	The frequency with which the audit committee meets during the fiscal year.
Gender Diversity of Audit Committee	GAC	Dummy variable = 1 if audit committee have female members and Dummy variable = 0 otherwise.
Control Variables	**Acronym**	**Measurement**
Board Size	BS	Logarithm of the number of directors
Firm Size	FS	Logarithm of total assets

Total Debts	TD	The ratio of the book value of total debts to book value of total assets

3.3 Method use to run the test

3.3.1 Panel data

The panel data methodology utilized in this study contributes to investigating the above-mentioned relationship, supported by the data collection from 2015 to 2019 in strengthening the reliability of this research. Panel data is a two-dimensional statistic that refers to the pooling of observations from both time-series and cross-sectional data with the relevant statistic gathered from the same group of individuals or businesses over a period of time (Amer, 2016).

Panel data analysis outperforms in terms of its greater variability among time-series data and cross-sectional data, resulting in richer and more accurate information for the researcher in their estimated models (Din et al., 2017). As a result, less collinearity along with a high degree of freedom could be generated, and higher efficiency for the independent variables (Baltagi, 2001). Dynamic of adjustment could be delivered in a timely manner from the detected error, as well as it takes into consideration of the heterogeneity in the models, which the cross-sectional and time-series distribution cannot perform (Din et al., 2017). In short, panel data allows researchers to easily identify the major econometric problems discovered from the studies given with large sample size.

Panel data regression model consists of three major types, which are Pooled
Ordinary Least Square (POLS), Fixed Effects Model (FEM) and Random
Effects Model (REM) (Frees, 2004).

3.3.1.1 Pooled Ordinary Least Square (POLS)

The Pooled OLS has proven to be the most powerful tool whenever a model
contains both dummy and continuous variables, however, it only applies
when satisfy all the assumptions (Hutcheson & Sofroniou, 1999). The main
estimator for OLS regression model is the Best Linear Unbiased Estimator
(BLUE), which is the possible unbiased estimators with minimum sampling
variance.

Even though OLS estimator is easy to be implemented, however, the model
does not take heterogeneity of observation into the account over the periods,
causing the estimated parameter to violate the Assumption five (there is no
homoscedasticity and autocorrelation) and leads to the overall model
becomes biased, inefficient and inconsistent.

Hence, Generalized Least Square (GLS) was introduced when the OLS
estimator is not BLUE. Amer (2016) mentioned that GLS regression is more
appropriate in the present study as it allow to adjust the omitted variables
bias and the autocorrelation and heteroscedasticity problem in the model.
Researchers can use this technique to investigate at differences between
cross-sectional units and variations within individual data over time.

3.3.1.2 Fixed Effect Model (FEM)

Fixed Effect Model (FEM) is employed whenever there are different
features among the observations, while there is correlation found in error
term and the independent variables, which stated that $\text{cov} (\varepsilon, X) \neq 0$. In the

scenario where time invariant, different intercepts as well as constant slope is hold, FEM could be adopted in examining the individual's characteristic. In addition, FEM is appropriate only when the researchers intend to apply the results to the specific studies without generalizations (Tufanaru et al., 2015). Similarly, Bansal & Sharma (2016) supported that FEM is preferrable when the sample was not picked at random from a large population. Furthermore, FEM takes heterogeneity into account as the variance is solely due to the mean of a distribution of effects, which those are falls within the study expectations. Hence, there is no heterogeneity issues arise in the FEM.

Assumptions should be made when FEM is chosen is that it assuming that there is small number of studies and the studies could have shared the common effect concurrently. Any error discovered from the FEM could be minimized once the sample size is reached, as a result, an increased in sample size could significantly results to a smaller error or even zero error detected in the study, as according to Borenstein et al. (2009).

In short, the two major conditions must be satisfied before FEM is applied, which the first is the whole studies analysis must be functionally equivalent, and second, the objective must be able to generate a common effect size for the specified population rather than other populations (Borenstein et al., 2009).

However, there are some limitations for the FEM. When there are too many dummy variables exist in the model, it leads to a decrease in the degree of freedom due to the bulk collected data and therefore some important data could be omitted. The model has a multicollinearity problem due to the large number of independent variables included in it.

3.3.1.3 Random Effect Model (REM)

When an individual unit's intercept is gathered at random from a bigger group with a fixed average value, the Random Effect Model (REM) is preferred. The REM is suitable in the scenario in the case where each cross-sectional unit's random intercept is mutually independent with the regressors, which it must fulfil the cor $(\varepsilon, X) = 0$; cor $(\mu, X) = 0$ in order to get the unbiased result.

According to Tufanaru et al. (2015), REM is suggested in order to derive a conclusion that is beyond their actual studies when its sample size is sufficiently large, allows them to support the generalization outcomes of the said study. On the other hand, REM violates the common effect size assumptions of the FEM, as it believes that unlikely all the studies would be functionally identical as each observation in the sample leads to different results within a different period of time (Borenstein et al., 2009). As a result, REM is preferrable than FEM whenever the common effect size is violated. In addition, the unknown parameters (independent variables) could be reduced, allowing the study to avoid the multicollinearity problem. Furthermore, when there is significant statistical heterogeneity among effect sizes and the normal distribution is satisfied between various underlying true effects in each study, REM is the best alternative. According to Borenstein et al. (2009), the width of the confidence interval, variance and standard error under random effect model would be wider, proven that REM is more balanced and reliable as compared to FEM.

3.3.1.4 Poolability test

The constrained model and the unconstrained model are compared, with the constrained model consisting of constant parameters, while the unconstrained model consists of multiple parameters across the companies. Furthermore, the restricted model indicates homogeneous apply in the study

as the result is consistent across the model, whereas the unrestricted model refers to the heterogeneity problems which resulting in different values in the study (Robert, 2009).

The hypothesis would be formed as below:

H_0: There is a common intercept (Pooled OLS is preferable)

H_1: There is no common intercept (FEM is preferable)

Decision rule: Reject H_0 if p value < α, otherwise do not reject H_0.

Conclusion indicates that FEM is preferrable in the study, if the H_0 is rejected. In other ways, it shows there is heterogeneity problem in the study as there have different intercepts throughout the entire system.

3.3.1.5 Breusch and Pagan Lagrange Multiplier (BPLM)

To decide whether Pooled OLS or REM is preferrable in this study, Breusch and Pagan Lagrange Multiplier Test (BPLM) is introduced to investigate is there any random effects exist in the hypothesis testing, which is applied to evaluate the heteroscedasticity in a linear regression model (Mohammed, A., 2018).

The hypothesis would be formed as below:

H_0: There is no random effect (Pooled OLS is preferrable)

H_1: There is random effect (REM is preferrable)

Decision rule: Reject H_0 if p value < α, otherwise do not reject H_0.

If the p-value of LM test = 0.0000 < α, indicates that the model is not significant. As a result, reject H_0 as random effect was discovered in the model. Thus, the BPLM test concluded that the REM is preferrable in this study.

3.3.1.6 Hausman test

By studying the relationship between the multiple parameters and the
individual random effects in this study, the Hausman test is conducted to
assess whether FEM or REM is appropriate for the study (Amer, 2016).

The hypothesis would be formed as below:

H_0: REM is consistent and efficient (REM is preferrable)

H_1: REM is inconsistent and inefficient (FEM is preferrable)

Decision rule: Reject H_0 if p value $< \alpha$, otherwise do not reject H_0.

If there is no correlation found from the test, REM is preferrable in the study.
However, if there is correlation found, then FEM is suggested in this study.
Similarly, if the insignificant relationship was discovered from the Hausman
test, it indicates that the REM assumptions were not violated, and therefore
REM is preferrable (Amer, 2016).

3.4 Diagnostic Checking

3.4.1 Normality test

Normality testing is a common first step in data analysis. Many statistical
methods assume normalcy. This assumption may require a different
statistical instrument or technique. This part will define normalcy and
discuss the many normality tests available. This part will also discuss the
benefits of testing for normality and some guidelines for when and how to
perform a normality test. The normal distribution, often known as the
Gaussian distribution or the bell-shaped curve, is a statistical distribution. In
statistics, the normal distribution is characterised by the mean and standard
deviation. The normalcy test tests a hypothesis. The null hypothesis (Ho)

states that the data is normal. The alternative hypothesis (Ha) is that the data
is abnormal. The p-value will determine whether or not then reject the null
(Normality Test – iSixSigma, 2018).

A normality test validates the distribution. Which is a normality test can help
decide if the data is normal or not. Second, it guides. This way, met the
statistical tool's underlying premise and can proceed with the research. Third,
simple. Often, a histogram or probability plot can be used to visually assess
the data's normality. A bell-shaped, symmetrical picture on a histogram may
be sufficient as a rough approximation. For example, if the probability plot
is straight and the confidence intervals are inside the confidence intervals,
can assume the data is normal (Normality Test – iSixSigma, 2018).

Many statistical methods require data to be approximately normal. The
normalcy test will tell if the data fulfils that criterion. The null is that the
data is normal. The data may not follow a normal distribution. The higher
the sample size, the better the representation of the data dispersion. A tiny
sample size may lead to erroneous conclusions about data normalcy. This
may lead to incorrect usage of a statistical instrument (Normality Test –
iSixSigma, 2018).

3.4.1.1 Jarque-Bera test

Jarque-Bera is a variant of the Lagrange multiplier test. Numerous statistical
tests, such as the t test or the F test, presuppose normality; the Jarque-Bera
test is frequently used to assess normality prior to performing one of these
tests. When n is large, other normality tests are unreliable. The skewness
and kurtosis of data are compared to a normal distribution using this test.
Time Series, Regression Errors, or Vector Data are all possible types of data.
Kurtosis indicates the amount of data in the tails and the distribution's
"peak." No knowledge of the mean or standard deviation of the data is
required to execute the test (Stephanie, 2016a).

Jarque Bera (J-B) was used to establish data normalcy. If the probability of the J-B test was more than 0.05, it was assumed that the data were normal (Gujarati, Porter, 2003). All continuous variables in the study were subjected to normal distribution testing. If the Jarque-Bera test statistical value is low and the significant value (probability) for those variables is less than 5%, the variable is not close to its normal distribution. As a result, the natural logarithm of these variables was taken into account.

3.4.2 Multicollinearity

Multicollinearity occurs when two or more predictor variables are highly correlated. That is, one predictor variable can predict another. This duplicates data and skews regression model findings. A person's height and weight, age and automobile sales price, or years of education and annual income are all examples of associated predictor variables. Calculate correlation coefficients for all pairs of predictor variables. Perfect multicollinearity occurs when r is exactly +1 or -1. If r is near to or exactly -1 or +1, one of the variables should be eliminated (Stephanie, 2015).

Multicollinearity, or interdependency among the independent variables, is an issue that can arise in a multiple regression study. This indicates that one of the independent variables is substantially associated with the other. It will have negative consequences for the estimated coefficients. As a result, determining whether or not a collection of data has multicollinearity is critical (Mansfield & Helms, 1982). Multicollinearity can be detected using a few different ways. This study looked at the pairwise connection between two independent variables. The correlation matrix table, which contains the connection among any two independent variables, will be constructed. If none of the pairwise correlations are sufficiently strong (>0.8), it is determined that no major multicollinearity problem exists.

3.4.2.1 Variance Inflation Factor (VIF)

A VIF finds multicollinearity in regression. Multicollinearity occurs when independent variables in a model have a high degree of correlation. The VIF estimates the inflated variance of a regression coefficient due to model multicollinearity. They are commonly computed using software in regression analysis. The output includes a VIF column. A VIF is calculated by regressing a predictor against all other predictors in the model. The R-squared values can then be used in the VIF formula (Stephanie, 2015b). Variance inflation factors start at 1. It tells how much the variance (i.e. standard error squared) is exaggerated for each coefficient. For example, a VIF of 1.9 indicates that the variance of a coefficient is 90% higher than expected without multicollinearity – without association with other predictors (Stephanie, 2015b).

The VIF and Tolerance value tests were used to test for multicollinearity. The VIF revealed how much collinearity with other regressors inflated the variance of a coefficient estimate. Worries are raised when VIFs exceed 10. (Landau & Everitt, 2004). If none of the variables had VIF values greater than 10, indicating no substantial multicollinearity. Also, (KAJOLA et al., 2019) used Tolerance value together with VIF to test for multicollinearity among variables. A variable with a Tolerance of less than 0.1 showed strong multicollinearity with others. Also, no variable has a tolerance value of 0.1. So, the model has no problems or high multicollinearity. So a regression is valid.

3.4.2.2 Pairwise Correlation

The correlations reveal relationships between traits that can be investigated further. Concerned about important links between programme aspects, the panel focused on correlation coefficients greater than or equal to 0.3. Pairwise correlations reveal these potential links. Adjustments for potential

confounding variables must be done when associations are observed that are deemed worthy of further study. This report's scope does not include such changes (Lorden et al., 2011).

The Pearson correlation matrix between each pair of independent variables of the sample companies shows multicollinearity. The study model is effective in explaining and determining the influence on the dependent variable. The study uses the Collinearity Diagnostics test to validate the previous result (Elagha et al., 2021).

3.4.3 Autocorrelation

The phrase "autocorrelation" refers to the relationship between error terms. In time series data, autocorrelation is sometimes referred to as serial correlation. When the error term for one period is connected with the error term for another period, there is an autocorrelation problem (Stephanie, 2016). To establish whether or not there is autocorrelation in this study, the Breusch-Godfrey Serial Correlation Lagrange Multiplier test is performed. The null hypothesis assumes that there is no autocorrelation, whereas the hypothesis is accepted states that autocorrelation exists.

The most common type of autocorrelation is first-order serial correlation. When a positive error from one period carries over to the next, this is referred to as a positive serial correlation. It occurs when a negative error in one period is carried over to the following period as a negative error. Two time periods later, an error influences data. This is possible with seasonal data. Second-order orders do occur, albeit infrequently (Stephanie, 2016).

3.4.3.1 Durbin Watson Test

The Durbin Watson Test quantifies autocorrelation in regression residuals, which is frequently referred to as serial correlation. Autocorrelation is a statistic that indicates the similarity of two-time series. It can cause standard errors to be underestimated and predictors to appear important when they are not. The Durbin Watson test verifies the existence of the AR (1) process. The following are the Durbin Watson test hypotheses: H0 H1 autocorrelation of the first order This indicates that there is a first-order (Stephanie, 2016b).

They have a normally distributed distribution with a mean of 0. Errors are persistent. The Durbin Watson test statistic, which has a range of 0 to 4, does not exhibit autocorrelation. 0-2 autocorrelation is positive (common in time series data). negative autocorrelation coefficients 2–4 (less common in time series data). In general, scores on test statistics of 1.5 to 2.5 are considered typical. Outside of this range, values may be cause for worry. Field (2009) cautions that results of less than 1 or greater than 3 are cause for concern. The Durbin Watson exam is uncommon and some believe it is out of date. It necessitates the use of tables, which are typically found in older literature.

CHAPTER 4: DATA ANALYSIS

4.0 Introduction

This section discusses the Eview software's empirical results. These tests include descriptive analysis, Panel data analysis (Pooled Ordinary Least Squares, Fixed Effect Models, and Random Effect Models). To determine whether the model is appropriate for analysis, the poolability test, the Breusch, and Pagan Lagrange multiplier, and the Hausman test are used. This study used normality (Jarque-Bera), multicollinearity (Variance Inflation Factor, Pairwise Correlation), and autocorrelation (Durbin Watson test) to perform diagnostic checking. Each test result acquired from Eview 12 will be interpreted and explained separately.

4.1 Descriptive Statistic

Two dependent variables, four independent variables, and three control variables are tabulated in Table 4.1. From 2015 to 2019, it is based on a 163 sample sizes from consumer products and services companies' sectors that are publicly traded on the Malaysian stock exchange, Bursa Malaysia. And hence, a comparison to prior results will be made to interpret each key variable in the following section.

Table 4.1

Descriptive Analysis of All Variables from 2015 to 2019

Variables	Obs	Mean	Median	Standard Deviation	Minimum	Maximum
ROA (%)	815	4.3578	3.5940	10.0876	-60.1680	73.0660
EVA (%)	815	-37.0892	3.5940	357.2093	-5048.4360	1081.8030
SAC (%)	815	0.4742	0.4444	0.1261	0.1250	1.0000
CAC (%)	815	0.6207	0.6667	0.2448	0.2000	1.0000
FAC	815	5.0206	5.0000	1.0957	1.0000	13.0000
GAC	815	0.3310	0.0000	0.4706	0.0000	1.0000
LOGBS	815	0.8546	0.8451	0.1137	0.4771	1.2304
FS	815	8.2805	8.1463	0.7285	-0.0731	10.3305
TD	815	15.8778	8.1463	13.9621	0.0000	65.4930

Notes: ROA (%) = Return on Assets Percentage; EVA (%) = Economic Value-Added Percentage; SAC (%) = Size of Audit Committee Percentage; CAC (%) = Competency of Audit Committee Percentage; FAC = Frequency of Audit Committee Meeting; GAC = Gender Diversity of Audit Committee; LOGBS = Logarithm Board Size; FS = Firm Size; TD = Total Debts

4.1.1 Return on Assets

The ROA has an average value of 4.3578% with a standard deviation of 10.0876% resulting from this study. The maximum ROA in this research has reached 73.066% while the minimum ROA plunge to a negative value of 60.168%, indicating that there is a wide range of dispersion in ROA for all the consumer products and services companies sampled in this study.

Similarly, the same experiment done by Amer (2016), a 7% of mean value and 10% of standard deviation was reported throughout the period of 2004 to 2012. A similar range of maximum ROA and minimum ROA was observed from the study of Amer (2016), which covered from +41% to – 55%. Based on the 235 non-financial public limited companies listed on the NSE 500 over a ten-year observation period, Bansal & Sharma (2016) reported a higher average value of 9% and a lower standard deviation of 7% than the current study (2004 to 2013). In contrast, a previous study conducted by Orjinta and Evelyn (2018), a comparably of highest 33% of the mean value for ROA among studies with the 21.031% of standard deviation. Also, the maximum and minimum ROA range covers only the positive value, which can be illustrated by the fact that the sampled firm provides a positive ROA over the periods.

4.1.2 Economic Value Added

The EVA has an approximately negative value of 37% in this study, with its maximum and minimum EVA covering from 1081.803% to -5048.436%. When EVA is less than zero, it indicates that the shareholder wealth is detrimental due to the cost of capital being greater than the return on invested capital. Unlike prior studies done by Al-Mamun et al., (2014), the reported mean value shows 3% only, which shows a large dispersion from the current research. Its corresponding maximum and minimum EVA ranges from 35% to – 89%, reflecting a broad variation of this value as compared to the current. The wide range of EVA mean value can be explained by the differences in sample size from the research of Al-Mamun et al., (2014) that consists of only 75 publicly traded firms in the Bursa Malaysia between 2008 and 2010. A 357.21% of standard deviation in EVA was reported in this study, a significantly higher than the previous study by Al-Mamun et al., (2014), which recorded a 15% of standard deviation only for the 3 consecutive years starting from 2008.

4.1.3 Size of Audit Committee

This study reported an average 47.42% of audit committee members included in the board of director. The comparable higher average audit committee size of 93%, with its 0% and 100% of members included in the audit committee, as reported by Amer (2016). Besides, the average audit committee size from the study of Akinleye & Aduwo (2019) was recorded to have 5.8 members inside the audit committee, with 6 and 4 members as the maximum and minimum members, respectively. On average, there are 4 members included in the audit committee, an upper limit of 8 members and a lower limit of 3 members as reported in the study of Zábojníková (2016) based on 72 firms publicly traded on the London Stock Exchange during the same time period as the prior research.

4.1.4 Competency of Audit Committee

On average, in this study, the audit committee had 62.07% of members with accounting or financial experience., with its minimum of 20% and maximum of 100% that fully competence in influencing the firm performance. In a prior study by Ashari and Krismiaji (2020), a slightly increase of 9% average value in financial expertise was recorded, with the same minimum and maximum value with the current study. Unlike the study conducted by Zábojnková (2016), which found an average value of 41.67%, implies only 41.67% of members own the financial ability in affecting the firm performance, by measuring UK-listed blue-chip companies.

4.1.5 Frequency of Audit Committee Meeting

On average, the audit committee held 5.0205 meetings in each fiscal year. In the study, the minimum frequency of audit committee meetings is 1 while the maximum is 13. This result is smaller than the average of 6.033 reported by Boshnak (2021) for the 210 listed Saudi Stock Exchange firms from 2017 to 2019. Conversely, this result is relatively high compared to Kyereboah-Coleman (2008) and Al-Matari, Al-Swidi and Fadzil (2014), which report average of 4.71 and 4.74 meetings respectively. On the other hand, this result is relatively comparable to the average of 4.89 audit committee meetings for public companies in 2011, as reported by Ong (2013) for 70 firms in Malaysia. Not only that, but this result is also close to the average of Al-Mamun et al. (2014), which explored 32 Bursa Malaysia listed companies in Sarawak, representing 5.07 meetings per year.

4.1.6 Gender Diversity of Audit Committee

The research applied a dummy variable in the gender diversity of audit committee, with a value of 1 indicating that at least one woman is on the committee and 0 indicating that there is no woman on the committee. The result shows a mean value of 0.331, demonstrating that the average probability of having at least one woman in the audit committee in this sample would be 0.331. This result is smaller than the mean values of 0.397 and 0.38 reported by Chijoke-Mgbame, Boateng and Mgbame (2020) and Florencea and Susanto (2019), respectively. On the other hand, the result is slightly bigger in comparison to the average of 0.3172 reported in Susanto (2016).

4.1.7 Board Size

Board size was transformed logarithmically in this study to display a convex relationship and to account for skewness of variable. From the results, the mean value of 0.8546 is below the average of 2.166 of 2,299 listed A-share companies in Shanghai and Shenzhen examined by Akbar et al. (2021) for the period 2007-2016.

4.1.8 Firm Size

Therefore, in study, the size of enterprises was calculated using the linear combinations of their total assets, as in earlier studies. According to the results, the mean value of firm size shows 8.2805. This value is significantly below the 14.4193 and 19.2673 reported in Aziz and Abbas (2019) and Babalola (2013), respectively. Nevertheless, this result is marginally above the 6.209 reported in another paper that tested 208 companies listed in Bursa Malaysia between 2004 and 2006 (Embong, Mohd-Saleh & Hassan, 2012). This finding is similar to the mean values reported by Niresh and Thirunavukkarasu (2014) and John and Adebayo (2013), which are 8.97 and 8.1799, correspondingly.

4.1.9 Total Debts

The total debt ratio is the book value of total debts divided by the book value of total assets. The results show an average of 15.8778 and standard deviation of 13.9821. This finding is significantly larger than that reported by Pandey and Sahu (2019), Li (2020), and Yusuf and Mbatuegwu (2021) with mean values of 0.2272, 0.537, and 1.5611, respectively. This proves that on average, the liabilities of the firm in this sample are much bigger than the assets.

4.2 Diagnostic Checking

4.2.1 Normality Test (Jarque-Bera)

Table 4.2

Result of Normality test

	Jarque-Bera Statistic	Decision
Model 1	2270.922***	not normally distributed
Model 2	185907.6***	not normally distributed

Notes: *Significant at 10%, **Significant at 5%, ***Significant at 1%

To assess the regularity of the lagged distribution, the Jarque-Bera test (JB test) is performed. Table 4.2 shows the JB test result for each model; both models use data from the years 2015 to 2019. As a result of the findings, it is concluded that Models 1 and 2 are significant at 1. As a result, the null hypotheses in Models 1 and 2 are rejected. As a result, there is enough data to show that the error components in Models 1 and 2 are not uniformly distributed. Gujarati and Porter (2009), on the other hand, formulated the Central Limit Theorem, concluding that when a sample size of 100 is used, the error terms can be considered to be uniformly distributed. The total number of observations in Models 1 and 2 is 815, indicating that the error terms are uniformly distributed despite failing the Jarque-Bera test.

4.2.2 Multicollinearity

Table 4.3

Pair-wise Correlation of All Variables in Model 1

	ROA	SAC	CAC	FAC	GAC	BS	FS	TD
ROA	1.0000							
SAC	-0.0941	1.0000						
CAC	0.1384	-0.0822	1.0000					
FAC	-0.1581	-0.0309	-0.0343	1.0000				
GAC	0.0801	0.0781	-0.0011	0.0331	1.0000			
BS	0.1664	-0.7403	0.0166	0.0502	0.0280	1.0000		
FS	0.1569	-0.1887	0.1050	0.1298	0.0568	0.2345	1.0000	
TD	-0.1562	-0.0476	-0.0724	0.2333	-0.0009	0.0212	0.1568	1.0000

Notes: ROA= Return on Assets, SAC= Size of audit committee, CAC= Competency of audit committee, FAC= Frequency of audit committee meeting, GAC= Gender diversity of audit committee, FS= Firm size, TD= Total Debts

Table 4.4

Pair-wise Correlation of All Variables in Model 2

	EVA	SAC	CAC	FAC	GAC	BS	FS	T-D
EVA	1.0000							
SAC	0.0216	1.0000						
CAC	0.0525	-0.0822	1.0000					
FAC	-0.1196	-0.0309	-0.0343	1.0000				
GAC	-0.0273	0.0781	-0.0011	0.0331	1.0000			
BS	-0.0863	-0.7403	0.0166	0.0502	0.0280	1.0000		
FS	-0.1521	-0.1887	0.1050	0.1298	0.0568	0.2345	1.0000	
TD	-0.0283	-0.0476	-0.0724	0.2333	-0.0009	0.0212	0.1568	1.0000

Notes: EVA= Economic Value Added, SAC= Size of audit committee, CAC= Competency of audit committee, FAC= Frequency of audit committee meeting, GAC= Gender diversity of audit committee, FS= Firm size, TD= Total Debts

As indicated in Table 4.3, the largest positive correlation exists in Model 1 between BS and FS, while the weakest positive correlation is found among CAC and BS, with values of +0.2345 and +0.0166, respectively. On the other hand, the negative correlation between SAC and BS is the highest, while the negative correlation between GAC and TD is the lowest, at -0.7403 and -0.0009, respectively.

BS and FS also have the largest positive correlation in Model 2, whereas CAC and BS have the lowest, with +0.2345 and +0.0166, respectively. In comparison, SAC and BS have the strongest negative correlation, while GAC and TD have the lowest, with values of -0.7403 and -0.0009, respectively.

Table 4.5

Variance Inflation Factor of Each Variable in Model 1

Variable	VIF	1 / VIF	Conclusion
BS	2.31	0.432084	slightly correlated
SAC	2.29	0.435807	slightly correlated
FS	1.11	0.899231	slightly correlated
TOTAL DEBTS	1.09	0.919534	slightly correlated
FAC	1.07	0.934314	slightly correlated
CAC	1.03	0.968771	slightly correlated
GAC	1.03	0.973899	slightly correlated
Mean VIF	1.42		

Table 4.6

Variance Inflation Factor of Each Variable in Model 2

Variable	VIF	1 / VIF	Conclusion
BS	2.31	0.432084	slightly correlated
SAC	2.29	0.435807	slightly correlated
FS	1.11	0.899231	slightly correlated
TOTAL DEBTS	1.09	0.919534	slightly correlated
FAC	1.07	0.934314	slightly correlated
CAC	1.03	0.968771	slightly correlated
GAC	1.03	0.973899	slightly correlated
Mean VIF	1.42		

As can be observed from the VIF values of independent variables in Models 1 and 2, which are presented in Tables 4.5 and 4.6, CAC and GAC has the lowest VIF value of 1.03 in each model. In both Models 1 and 2, BS has the highest VIF value of 2.31.

Table 4.7

Summarized Results of Multicollinearity of 2 Models

	Correlation		VIF
	Minimum	Maximum	Maximum
Model 1	-0.7403	+0.2345	2.31
Model 2	-0.7403	+0.2345	2.31

The minimal correlation between variables in Models 1 and 2 is -0.7403, which is smaller than the benchmark value of -0.8000, as reported in Table 4.7. On the other hand, the maximum correlation coefficients for the

variables in these models are +0.2345, which is less than the benchmark value of +0.8000. Thus, it can be established that no multicollinearity occurs in either of the two models; however, to further validate the findings, the VIF for each variable in both models was determined. Only the maximum VIF values for each variable in the models are tabulated in the table; this is because it has been determined that a VIF value greater than 10.0000 indicates a major multicollinearity problem. As a result, it can be stated that neither of the two models exhibits multicollinearity, as their highest VIF values of 2.31 do not exceed 10.0000.

4.2.3 Autocorrelation

Table 4.8

Result of Autocorrelation test

	Durbin-Watson Statistic	**Decision**
Model 1	1.786672	No autocorrelation
Model 2	2.305681	No autocorrelation

The Durbin-Watson statistics for the two models are 1.786672 and 2.305681, respectively, as shown in Table 4.8. Because they are between 1.5 and 2.5, the null hypotheses are not rejected (Haery et al., 2013), as there is insufficient evidence to demonstrate that these models exhibit autocorrelation.

4.3 Panel Regression Analysis

4.3.1 Poolability Hypothesis Testing

Table 4.9

Poolability Test

No. of Firms: 163	Model 1	Model 2
No. of Observation: 815	**Return on Asset (ROA)**	**Economic Valued Added (EVA)**
Hypothesis	H_0: There is a common intercept (Pooled OLS is preferable) H_1: There is no common intercept (FEM is preferable)	
Decision Rule	Reject H_0 if p value $< \alpha$, otherwise do not reject H_0.	
P-value	0.0000***	0.0000***
Result	FEM is preferable	FEM is preferable

Notes: *Significant at 10%, **Significant at 5%, ***Significant at 1%

The P-values for Models 1 and 2 are 0.0000, respectively, depending on the
outcomes in Table 4.9. This indicates that it is important at the 1% level. As
a consequence, this study provides sufficient evidence to conclude that the
Pooled OLS model is flawed and should be replaced with a FEM. This study
will employ BPLM testing to determine if the REM or the Pooled OLS
Model should be used.

4.3.2 Breusch and Pagan Lagrange Multiple Test

Table 4.10

Breusch and Pagan Lagrange Multiple Test (BPLM)

No. of Firms: 163	Model 1	Model 2
No. of Observation: 815	**Return on Asset (ROA)**	**Economic Valued Added (EVA)**
Hypothesis	H_0: There is no random effect (Pooled OLS is preferrable) H_1: There is random effect (REM is preferrable)	
Decision Rule	Reject H_0 if p value $< \alpha$, otherwise do not reject H_0.	
P-value	0.0000***	0.0000***
Result	REM is preferrable	REM is preferrable

Notes: *Significant at 10%, **Significant at 5%, ***Significant at 1%

Breusch-Pagan Lagrange Multiple (BPLM) testing was used to determine if this study should be implemented in Pooled OLS or REM. The null hypothesis will be rejected referred to Table 4.13 since the P-value (0.0000) for both Models 1 and 2 is less than the substantial threshold of 1% As a consequence, the p-value of the BPLM test = 0.0000 indicates that both models are significant and that there is sufficient evidence to suggest that the REM is better suited for this research than the Pooled OLS Model.

4.3.3 Hausman Test

Table 4.11

Hausman Test

No. of Firms: 163	Model 1	Model 2
No. of Observation: 815	Return on Asset (ROA)	Economic Valued Added (EVA)
Hypothesis	H_0: REM is consistent and efficient (REM is preferrable) H_1: REM is inconsistent and inefficient (FEM is preferrable)	
Decision Rule	Reject H_0 if p value $< \alpha$, otherwise do not reject H_0.	
P-value	0.0001***	0.0024***
Result	FEM is preferrable	FEM is preferrable

Notes: *Significant at 10%, **Significant at 5%, ***Significant at 1%

A Hausman analysis was used to assess if FEM or REM would be preferred. Model 1 has a P-value of 0.0001 and Model 2 has a P-value of 0.0024, according to the results in the table. Both models are significant at the 1% of significance level, the null hypothesis should be rejected since the P-value is less than the 1% probability value. As a consequence, when compared to REM, FEM is more suited to use in this investigation.

4.4 Regression Analysis

4.4.1 R-squared

Table 4.12

R-squared

Number of Firms: 163	R-squared	Adjusted R-squared
Number of Observation: 815		
Model 1	0.758278	0.694943
Return on Assets		
(ROA)		
Model 2	0.615576	0.514851
Economic Value Added		
(EVA)		

R- squared (R^2) or the coefficient of determination is used to demonstrate the portion of the variance of dependent variables explicate by the independent variables. In other words, the R2 is used to assess the strength of the link between variables of the study. R2 is scored on a scale of 0 to 100 percent. When the R^2 is closer to 100%, means the model is more fit to the observations. Based on the table, the R^2 of Model 1 is 0.758278. This means the variance of return on assets (ROA) is explained by the size of the audit committee (SAC), competency of the audit committee (CAC), frequency of audit committee (FAC), gender diversity of audit committee (GAC), board size (BS), firm size (FS) and total debts (TD) at 75.83%. Therefore, the R^2 of Model 2 is 0.615576. This means the variance of economic value added (EVA) explained by SAC, CAC, FAC, GAC, BS, FS, and TD is at 61.56%.

Adjusted R-square is the adjusted version of R^2. The difference between R^2 and adjusted R^2 is the adjusted R^2 will measure whether or not the added variables are contributed to the model. Therefore, the adjusted R^2 will be lower than the R^2. Based on the table, Model 1 adjusted R^2 is 0.694943 which means there are 69.49% of the variance of return on assets (ROA) explained by the size of the audit committee (SAC), competency of the audit committee (CAC), frequency of audit committee (FAC), gender diversity of audit committee (GAC), board size (BS), firm size (FS) and total debts (TD). Hence, Model 2 adjusted R^2 is 0.514851 which means there is 51.49% of the variance of economic value (EVA) explained by SAC, CAC, FAC, GAC, BS, FS, and TD.

4.4.2 F-statistic

Table 4.13

F- statistic

Model	Hypothesis	Decision Rule	P-value	Decision
Model 1	$H_0: \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = \beta_7 = 0$	Reject H_0 if the P-value < significant level	0.0000***	Reject H_0
Return on Assets (ROA)	$H_1:$ *At least one of the* $\beta_i \neq$ 0 *where* $i = 1,2,3,4,5,6,7$	(0.10/0.05/0.01), otherwise do not reject H_0.		
Model 2	$H_0: \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = \beta_7 = 0$	Reject H_0 if the P-value < significant level	0.0000***	Reject H_0
Economic Value Added (EVA)	$H_1:$ *At least one of the* $\beta_i \neq$ 0 *where* $i = 1,2,3,4,5,6,7$	(0.10/0.05/0.01), otherwise do not reject H_0.		

Notes:

(1) B_1= Size of audit committee (SAC), β_2=Competency of audit committee (CAC), β_3=Frequency of audit committee meeting (FAC), β_4= Gender diversity of audit committee (GAC), β_5= Board Size (BS), β_6=Firm Size (FS), β_7=Total Debts (TD)

(2) ***Significant level at 1%, **Significant level at 5%, *Significant level at 10%

F- Statistic is to measure the variables in the model are accordingly significant or insignificant. The result obtained by the Table 4.13 shows that no matter in which model, the P-value is smaller than the level of significance. As a result, the null hypothesis is rejected based on the decision criteria, which rejects H0 if the P-value is less than the important threshold (0.10/005/0.01). For Model 1, rejecting the null hypothesis means at least one of. the independent variables which are SAC, CAC, FAC, GAC, BS, FS and TD is significant to influence the dependent variable (ROA). Same as Model 1, Model 2 also at least one of the uncontrollable factors are SAC, CAC, FAC, GAC, BS, FS, and TD is significant to influence the dependent variable (EVA).

4.4.3 T-statistics

T- statistic is adapted to measure the relationship between dependent variables and independent variables whether is significant or insignificant.

Return on Asset (ROA)- Model 1

Table 4.14

T-statistic for Model 1

Independent Variables	Hypothesis	Decision Rule	P-value	Decision	Conclusion

Size of audit committee (SAC)	$H_{1a}: \beta_1 = 0$	Reject H_0 if the P-value < significant level (0.10/0.05/0.01), otherwise do not reject H_0.	0.8908	Do not reject H_{1a}	There is no relationship between audit committee size and firm performance.
	$H_{1b}: \beta_1 \neq 0$				
Competency of audit committee (CAC)	$H_{2a}: \beta_2 = 0$	Reject H_0 if the P-value < significant level (0.10/0.05/0.01), otherwise do not reject H_0.	0.0518**	Reject H_{2a}	There is a relationship between competency of audit committee and firm performance.
	$H_{2b}: \beta_2 \neq 0$				
Frequency of audit committee meeting (FAC)	$H_{3a}: \beta_3 = 0$	Reject H_0 if the P-value < significant level (0.10/0.05/0.01), otherwise do not reject H_0.	0.4271	Do not reject H_{3a}	There is no relationship between frequency of audit committee meeting and firm performance.
	$H_{3b}: \beta_3 \neq 0$				
Gender diversity of	$H_{4a}: \beta_4 = 0$	Reject H_0 if the P-value < significant level	0.0558*		There is a relationship between

audit		(0.10/0.05/0.01),	Reject	gender
committee	$H_{4b}: \beta_4$	otherwise do not	H₄ₐ	diversity of
(GAC)	$\neq 0$	reject H₀.		audit
				committee
				and firm
				performance.

Notes:

(1) ***Significant level at 1%, **Significant level at 5%, *Significant level at 10%

Table 4.14 shows that the independent variables, the competency of the audit committee (CAC), and gender diversity of the audit committee (GAC) have a important link with the dependent variable, return on assets (ROA). On the contrary, the uncontrollable factors, the size of the audit committee (SAC), and frequency of audit committee meetings (FAC) have no significant relationship with ROA.

Economic Valued Added (EVA)- Model 2

Table 4.15

T-statistic for Model 2

Independent Variables	Hypothesis	Decision Rule	P-value	Decision	Conclusion
		Reject H₀ if the P-value <			There is no relationship
Size of audit	$H_{1a}: \beta_1$	significant level	0.5862	Do not	between audit
committee	$= 0$	(0.10/0.05/0.01),		reject	committee
(SAC)		otherwise do not		H₁ₐ	size and firm
	$H_{1b}: \beta_1$	reject H₀.			performance.
	$\neq 0$				

Competency of audit committee (CAC)	$H_{2a}: \beta_2 = 0$ $H_{2b}: \beta_2 \neq 0$	Reject H_0 if the P-value < significant level (0.10/0.05/0.01), otherwise do not reject H_0.	0.7317	Do not reject H_{2a}	There is no relationship between competency of audit committee and firm performance.
Frequency of audit committee meeting (FAC)	$H_{3a}: \beta_3 = 0$ $H_{3b}: \beta_3 \neq 0$	Reject H_0 if the P-value < significant level (0.10/0.05/0.01), otherwise do not reject H_0.	0.0488**	Reject H_{3a}	There is a relationship between frequency of audit committee meeting and firm performance.
Gender diversity of audit committee (GAC)	$H_{4a}: \beta_4 = 0$ $H_{4b}: \beta_4 \neq 0$	Reject H_0 if the P-value < significant level (0.10/0.05/0.01), otherwise do not reject H_0.	0.5560	Do Not reject H_{4a}	There is no relationship between gender diversity of audit committee and firm performance.

Notes:

*(1) *Significant level at 10%, **Significant level at 5%, ***Significant level at 1%*

Table 4.15 shows that the independent variable, frequency of audit committee meeting (FAC) has a significant relationship with the dependent variable, economic value added (EVA). On the contrary, the independent variable, the size (number) of the audit committee (SAC), competency of the audit committee (CAC), and gender diversity of the audit committee (GAC) have no significant relationship with EVA.

Table 4.16

T-statistic for Model 1 & Model 2

Independent Variables	Model 1	Model 2
	Return on Assets (ROA)	Economic Value Added (EVA)
Size of audit committee (SAC)	0.592496	-186.1597
	(4.314752)	*(341.7719)*
Competency of audit committee (CAC)	-4.183527**	52.01688
	(2.147591)	*(151.6432)*
Frequency of audit committee meeting (FAC)	-0.210809	37.86015**
	(0.265304)	*(19.18273)*
Gender diversity of audit committee (GAC)	-2.001999*	23.22456
	(1.044651)	*(39.42139)*
Control Variables		
Board Size (BS)	-0.988723	-42.36715

	(5.146136)	*(297.1516)*
Firm size (FS)	0.026581	-1.393362
	(0.473029)	*(8.610449)*
Total Debts (TD)	-0.059272	-1.966177
	(0.046719)	*(2.477908)*
R-squared	0.758278	0.615576
Adjusted R-squared	0.694943	0.514851
Breusch- Pagan Lagrange	101.7595	127598.5
	(10.08759)	*(357.2093)*
Durbin- Watson Statistic	1.786672	2.305681

Notes:

(1) *Significant level at 10%, **Significant level at 5%, ***Significant level at 1%

4.4.3.1 Size of audit committee (SAC)

For Model 1, the relationship between the size of AC and firm performance (ROA) is positive and insignificant. The SAC coefficient is 0.592496. That indicates that doubling the length of the audit committee by 1% boosts the return on an asset by 59.25 %. However, the insignificant relationship indicates that the size of the audit committee will not impact the firm performance of the company (ROA). For Model 2, there is a negative and insignificant relationship between the size of the audit committee and return on assets. The coefficient of SAC is -186.1597. Thus, the higher of SAC, the lower of ROA. But the

insignificant result implies there is no relationship between SAC and EVA in Model 2.

4.4.3.2 Competency of audit committee (CAC)

For Model 1, the relationship between the competency of the audit committee and the firm performance (ROA) is negatively significant at 5% of the significant level. The coefficient is -4.183527 and indicated that when the CAC increased, the EVA will be a drop by 418.35%. On other hand, there is an insignificant relationship between the CAC and EVA. The coefficient of CAC is 52.01688 and it is a positive relationship. Even so, the insignificant result shows that the competency of the audit committee will not impact on the performance (EVA) of the firm.

4.4.3.3 Frequency of audit committee meeting (FAC)

The result of the table shows that there is no relationship between the frequency of audit committee meetings and firm performance (ROA) in Model 1. This means the less or more of the meeting will not improve or impair the firm performance of the company. However, the table also shows that in the Model 2, there is a significant relationship between the frequency of audit committee meetings and firm performance (EVA) at 5% of the significant level. The coefficient of the FAC in Model 2 is 37.86015. It is a positive relationship so if the frequency of audit committee meetings increased by 1%, the firm performance (EVA) will improve by 3786.02%, ceteris paribus.

4.4.3.4 Gender diversity of audit committee (GAC)

The audit committee's gender diversity and the return on assets (ROA) is a positive and significant relationship at the 10% of significant level. In Model 1, the coefficient is -2.001999. For instance, the gender diversity of the audit committee is increased by 1%, the ROA will be a drop by 200.20%. For Model 2, the relationship between GAC and economic value added (EVA) is positive and insignificant. The coefficient of GAC is 23.22456. The higher of GAC, the better of EVA. Nevertheless, the insignificant result can define as the gender diversity of the audit committee will not impact the EVA.

4.4.3.5 Board Size (BS)

According to the table, there is a negatively insignificant relationship between board size and firm performance (ROA and EVA) in Model 1 and Model 2. The coefficient of BS in Model 1 is -0.988723 and Model 2 is -42.36715. The negative coefficient can explain the higher of board size, the lower of performance of firms (ROA and EVA). However, since the result shown in the table is insignificant, it can conclude the firm performance of the company will not affect by the size of the board.

4.4.3.6 Firm size (FS)

The firm size and the firm performance have no significant correlation in both models. It means the firm performance will not change no matter the firm size is large or small. For Model 1, the coefficient of FS is 0.026581. The firm performance will increase by 2.66% when the firm size increases by 1%. For Model 2, the coefficient of FS is -1.393362. The firm performance will decrease by 139.34% during the company size increases at 1%. However, these two statements cannot apply in

both models because the result show there is no relationship between FS
and firm performance (ROA and EVA).

4.4.3.7 Total Debts (TD)

The results obtained from the table show that the firm performance is
not correlated with the total debts in each model. The coefficient of
Model 1 and Model 2 is -0.059272 and -1.966177 approximately. The
result can demonstrate the bigger of total debts, the lower of firm
performance (ROA and EVA). Despite that, the insignificant result
exhibits the total debts will not influence the firm performance at all.

4.5 Conclusion

In conclusion, the purpose of this chapter was to explore the relationship between
the performance of firms and its independence variables (Size of Audit Committee,
Competency of Audit Committee, Frequency of Audit Committee Meeting and
Gender Diversity of Audit Committee) and control variables (Board Size, Firm Size
and Debt). This study has a total of 815 sample sizes from 163 consumer products
and services listed companies in Malaysia during the period of 2015 to 2019.
According to the test statistic result for Model 1 (ROA), the Competency of Audit
Committee and Gender Diversity of Audit Committee has a significant influence
on the firm performance. Furthermore, none of the independent variables was
related to the firm's performance in Model 2 (EVA), except for the Frequency of
Audit Committee Meeting. The summary of the study, major findings, implications
of the study, limitations of the study, and recommendations for future research will
be described in the next chapter of this study.

CHAPTER 5: DISCUSSION, CONCLUSION AND IMPLICATIONS

5.0 Introduction

This concluding chapter summarises all of the research's findings, which are divided into six areas. To begin, it refers to (i) a recap of the previous chapter's empirical findings and (ii) discussions of important discoveries. (iii) The study's implications and (iv) limitations will be discussed. Additionally, a (v) recommendation for future research is made, and the chapter concludes with a (vi) general conclusion.

5.1 Summary

Table 5.1

Diagnostic Checking

Diagnostic Checking	Model 1	Model 2
Normality Test (Jarque-Bera)	The error terms have a uniformly distribution.	The error terms have a uniformly distribution.
Multicollinearity (Variance Inflation Factor)	No multicollinearity problem exists in the model.	No multicollinearity problem exists in the model.
Multicollinearity (Pairwise Correlation)	No multicollinearity problem exists in the model.	No multicollinearity problem exists in the model.

Autocorrelation (Durbin Watson test)	No autocorrelation	No autocorrelation

The diagnostic checking process is summarised in Table 5.1. To conduct a normality test, we must assume that the model error term is not uniformly distribution. The table above indicates that the error terms for Model 1 and Model 2 are regularly distributed. Additionally, the table above indicates that Model 1 and Model 2 do not exhibit multicollinearity or autocorrelation concerns. For all of these results, the model is still acceptable because the correlation is low and the model does not incorporate other flaws.

5.2 Major Findings

In this finding, there are four uncontrollable factors which are the size of the audit committee (SAC), competency of the audit committee (CAC), frequency of audit committee meetings (FAC), and gender diversity of audit committee (GAC) to study the relationship with the business performance of Malaysia traded companies that in the customer goods and services field. Firm performance is the return on assets (ROA), and economic value added (EVA). Additionally, this finding also identifies the link among the control variables (board size, firm size, and total debts) and corporate performance. The major findings of this finding are presented in the following section.

5.2.1 Size of audit committee and firm performance

According to the result of this finding, the size of the audit committee is insignificantly correlated with the firm performance in Model 1 and Model 2. This means the size of the audit committee will not have any effect on the

firm performance of the companies. Based on the finding of Ashari and Krismiaji (2020), although the finding found out the size of the audit committee and firm performance of 662 Indonesia listed companies is correlated. But the finding also stated that if the size of the audit committee is large, it does not mean the firm performance will be better since the culture and environment will become the reason that affects the firm performance.

The insignificant result between the size of the audit committee and firm performance is not consistent with the theory of agency. Bedard, Chtourou, and Courteau (2004) stated that the larger size of the audit committee has a better chance to find and resolve the possible issues that are linked to the procedure of reporting. If the more member of the audit committee, the more knowledge and experience from each audit committee member, and it can improve control and supervise functions.

Hence, several studies have inconsistent results compared with the result of these findings. Zabojnikova (2016) examined that the size of the audit committee will positively impact the firm performance. It means the larger the size of the audit committee, the better of firm performance. It is because the small size of the audit committee representing the diversity of skills and knowledge is not good enough compared with the large size of the audit committee, which will impact the firm performance.

Therefore, the finding of Afza and Nazir (2014) also have inconsistent results. The finding found that there is a positive and significant relationship between the size of the audit committee and firm performance in Pakistan. The finding concluded that increasing the size of the audit committee provides the companies with more expected and specialized resources to cope with the companies' issues and concerns.

5.2.2 Competency of audit committee and firm performance

The result obtained from regression analysis in Model 1 is the competency
of the audit committee is negatively correlated with the firm performance of
Malaysia listed companies (consumer products and services sector). For
Model 2, there is a positive and insignificant relationship between the
competency of the audit committee and firm performance.

For the result of Model 1, it was consistent with several findings. For
example, the finding of Glover- Akpey and Azembila (2016) have been
obtained a negative relationship between the competency of the audit
committee and the firm performance of 36 listed companies in Ghana. Other
than that, Al- Mamun (2014) and Mohamad et al. (2019) also found that the
firm performance of the companies is negatively correlated with the
competency of the audit committee. Therefore, the findings of Mohamad et
al. stated that the negative relationship is caused by the inconsistency with
agency theory. The negative relationship means that when the competency
of the audit committee increases, the firm performance will be drop.

However, there are few studies (e.g., Wakaba, 2014; Amer, 2016; Norziaton
& Hafizah, 2019) that have different results with the result on the
relationship between the competency of the audit committee and firm
performance. These few findings found that the competency of the audit
committee is positively correlated to the firm performance. This means the
higher of CAC, the higher of firm performance. Wakaba (2014) stated that
the reason for the positive relationship between the competency of the audit
committee and firm performance is that the members of the audit
committee's competency can be improving the quality of the monitoring
and the lesser the misreporting the financial information. Therefore, Amer
(2016) mentioned that the audit committees that have financial knowledge
could be more easily find out the misstatements of the financial report and
improve it.

For Model 2, the result of the positively insignificant relationship between CAC and firm performance is consistent with the study of Kastbury and Anandasayanan (2021). The negligible relationship shows that the competency of the audit committee will not affect the firm performance. Nevertheless, there are also has a differ results on some of the findings. One of the findings, Chaudhry, Roomi, and Aftab (2020) examined the relationship between CAC and firm performance and found that SAC was positively impacting firm performance. This result is inconsistent with the result of Model 2. From the perspective of the resource dependence theory, Nelson and Devi (2013) mentioned that the firm performance will be impacted by the competency of the audit committee.

5.2.3 Frequency of audit committee meeting and firm performance

From the result of this finding, there is no relationship between the frequency of audit committee meetings and firm performance in Model 1. Hence, in Model 2, the result shows that the frequency of audit committee meetings is positively correlated with firm performance.

The insignificant relationship between the frequency of audit committee and firm performance in Model 1 obtained from this finding has the same result as several past studies such as Ong (2013) and Al- Matari et al. (2014). Ong (2013) concludes that as the number of meetings increases, the capacity to recognize the financial reports' anomalies will not certainly increase. The finding of Al-Matari et al. (2014) also found the same result, which is that the increase of frequency of the audit committee will not improve the firm performance at all. However, the finding of Kyereboah- Coleman (2007) found a positively correlated relationship between FAC and firm performance.

For Model 2, the periodicity of audit committees and corporate performance have a favorable and significant link. This implies that the audit committee's meeting periodicity will be increased.; the firm performance will be improved. Several past studies have consistent results (e.g., Orjinta & Evelyn, 2018; Kashhury & Anandasaynan, 2021). For the result of Orjinta and Evelyn (2018), the finding concludes that the audit committee meetings will let the companies have better corporate governance because the audit committee meeting can be discovery and disclosure the actual financial situation of the companies.

Therefore, Kashhury and Anandasaynan (2021) stated that increasing the frequency of audit committee meetings will avoid conflicts of the agency. The result in Model 2 is reliable to the Resource Dependence Theory. Ju Ahamad et al. (2017) stated that the frequency of board meetings lets capable directors have the opportunity to enhance the management of firms by applying their skills to have a good business decisions, so improving the performance of firms and the shareholder value.

5.2.4 Gender Diversity of audit committee and Firm Performance

According to Table 4.16, gender diversity in audit committees significantly influences firm performance, which positively correlates with Model 1. It is in line with what was expected in this study and is similar to the findings of some scholars (e.g., Alwatamin, 2018; Shrader, Blackburn & Iles, 1997; Kilic & Kuzey, 2016). Shrader et al. (1997) analyzed the sample of approximately 200 Fortune 500 companies for the period 1992 to determine the link between the presence of women on audit committees and firm performance. Similarly, Kilic and Kuzey (2016) analyze the association between gender diversity and firm performance in a large consumer country like Turkey.

While Shrader et al. (1997) and Kilic & Kuzey (2016) both proved that the findings are compatible with resource dependence and agency theory. As a result of their studies, based on the agency theory, gender diversity is regarded as one of the most critical mechanisms of corporate governance. An audit committee that includes a gender-diverse membership provides better control because gender diversity allows the audit committee to have a broader range of views and opinions, which helps reduce agency-related problems and improve firm performance.

Additionally, the results of this study are in accordance with gender theory, which suggests that having at least one female director on the audit committee can benefit the performance of the firm. (Usman, Zhang, Farooq, Makki & Dong, 2018). Carter (2010) pointed out that Money and power may be more attractive to men, who tend to enter a competitive environment, while social interactions may be more attractive to women, who tend to follow the rules and perform tasks effectively. In addition, gender diversity can lead to more diverse opinions, and women can provide better quality ideas and arguments for decision-making (Bravo and Reguera-Alvarado, 2018). Therefore, it can be concluded that women's participation in the audit committee can improve the quality of disclosures provided by the company in line with the purpose of the audit committee and enhance the performance of the firm.

In contrast, the findings of this study, as shown in Table 4.16, suggest that gender diversity has no effect on business performance in Model 2. This study result is supported by Thiruvadi and Huang (2011), which women are more conservative than men when it comes to making conclusions. However, gender theory suggests that conservative decisions by women on audit committees can enhance the quality of financial reporting's quality and provide greater assurance that financial statements are presented fairly and in accordance with principles. In other words, the conservative nature of the

female members of the audit committee can successfully improve the quality of financial reporting's quality (Januarsi & Hartanto, 2015).

The result of Model 2 was also inconsistent with various studies (e.g., Omotoye, Adeyemo, Omotoye, Okeme & Leigh, 2021; Tahir, Ullah, Ahmad, Syed & Qadir, 2021; Lindeborg and Vogeli, 2021). These studies all suggest that gender diversity is effective in improving firm performance. Tahir et al. (2021), by examining 60 non-financial firms listed on the Pakistan Stock Exchange between 2013 and 2019, stated that women have different characteristics from men in terms of mindset, relationships, and professionalism. In other words, this finding is aligned with resource dependency theory, which suggests that a gender-diverse audit committee has greater access to more diverse resources, enhances the firm's interpersonal connections, and promotes the formation of a broader perspective.

5.2.5 Control Variable and Firm Performance

There is a negative relationship between board size and firm performance in both Models 1 and 2. These results are consistent with various research (e.g., Shakir, 2008; Guest, 2009; Yan, Hui & Xin, 2021). In fact, there are several factors that can cause a negative relationship in that the presence of too many directors can make it impossible for the board to work effectively, meaning a company with a larger board size takes longer to achieve its goals. Due to the substantial number of board members, the slow planning and coordination process, making decisions to reach consensus, and frequent meetings can become a challenge. Moreover, firms are required a huge funds to maintain a large board.

Conversely, several scholars (e.g., Agyemang Badu & Appiah, 2017; Makik, Wan, Ahmad, Naseem & Rehman, 2015) have demonstrated that larger board sizes have a favorable effect on the performance of their firms. Kalsie

and Shrivastav (2016) use a sample representing NSE CNX 200 index companies covering 145 non-financial listed companies to confirm the agency theory, which suggests that a larger board size can lead to better performance through a broader group of individuals monitoring to improve firm performance. On the other hand, Resource Dependency Theory suggests that a more giant board can provide expertise and competence across numerous disciplines, generate external linkages for the firm, and provide more oversight.

Moreover, several researchers (e.g., Silviana & Widoatmodjo, 2020; Dogan, 2013; Babalola, 2013) have proposed that business size and the result are favourably correlated. Nevertheless, both models suggest negative relationships between firm size and performance in this report. Those studies indicate that large companies tend to have greater market power, enabling them to sell at higher prices and earn greater profits. In the same way, a firm size, which is big, have more bargaining leverage with suppliers, which may mean a lower cost of production. Also, larger firms should be better suited to cope with sudden changes because of the uncertainty of the market and the lower risk. In addition, the larger firm have a competitive advantage in R&D since they are able to leverage the results of R&D and, as a result, they can employ economies of scale.

Last but not least, debt is also inversely correlated with firm performance. In accordance with Aziz and Abbas (2019), which state that firms should use internally generated cash instead of taking out loans since loans are costly and reduce firm performance. Due to its use of debt, the firm faces higher interest costs and lower revenues. Not only that, but this study also supports the agency theory, which argues that debt financing increases disputes between shareholders and creditors and substantially reduces firm performance.

5.3 Implication of Study

5.3.1 Companies

Through analysis of the findings, this study serves as a metric for consumer goods and service companies to refer to in order to make progress in firm performance. By having a clear idea of the potential factors that affect firm performance, companies are able to target their efforts to increase firm performance in the most effective way. For instance, the findings of this study indicate that the audit committee meeting frequency affects the performance of a firm positively, while gender diversity of audit committee affects the performance negatively. Hence, the profitability of firms is improved when meetings are conducted more frequently by the audit committee. Conversely, when there are women on the audit committee, firm performance is negatively affected. It has been found that previous study (e.g., Orjinta & Evelyn, 2018; Kasthury & Anandasayanan, 2021) revealed a positive correlation between company performance and the frequency of meetings. As part of complementary study, regular audit committee meetings were positively associated with improved corporate governance structure. This could be in light of the higher frequency of meetings leading to timely detection of cases of financial statement fraud by directors. Besides, audit committee members may be motivated to promote shareholder value through meetings due to the professionalism of the audit committee may have a bearing on the interests of shareholders and the general public. Moreover, previous studies such as Susanto (2016) have shown that female audit committee members affect firm performance negatively relative to men. Based on Fariha, Hossain and Ghosh (2021), women directors have a lower rate of activity on boards due to their families, which may explain why they have been less successful in generating profits. Accordingly, the companies could delve into these factors and implement corresponding strategies to boost their effectiveness.

5.3.2 Regulators and Policy Makers

The results of this paper have considerable implications for regulators and policymakers, who are tasked with designing and implementing corporate governance and accounting structures and standards to protect shareholders' rights. From this study, regulatory authorities and policy makers may take a number of additive factors into consideration when developing regulations to produce a more rigorous and multifaceted policy. The findings of this study indicate that audit committee meeting frequency is associated with firm performance among Malaysian public listed companies. Also, the positive relationship between them evidences that a firm's performance increases with an increase in audit committee meetings. Therefore, the policy makers may refer to this literature as the basis for policy formulation. It is important to promote the best practices for Malaysian listed companies through modified policies. In addition, the inverse correlation between audit committee members' gender diversity and performance results, which is a dimension that showed significant results in this study, can likewise be taken into account. Considering the attributes of audit committees is a crucial aspect that contributes to a sound governance system. Hence, it is recommended to include the audit committee as an important element in MCCG, as audit committee plays a key role in monitoring financial reporting, reducing financial reporting fraud and reducing information asymmetry. This shows the value of audit committees in providing the opportunity to take firm performance to the next level. More so, it can provide significant meaning to the country and make economic progress.

5.3.3 Shareholders and Investors

In general, the interests of shareholders are directly and closely related to the capacity of management to execute the company's strategy. Which is,

the higher the return that shareholders can get on their investment, the more satisfied they will be. Yet, the existence of agency problems plagues the shareholders of many companies. Management as an agent of shareholders is supposed to maximize the interests of shareholders, with the exception that there are inevitable contentions of interests between them. Consequently, this literature allows shareholders to gain insight into the determinants of firm performance. The present literature provides important implications for shareholders to measure the company's performance in terms of audit committee characteristics. As demonstrated in the results, audit committee meeting frequency significantly influences firm performance, presumably because through regular meetings audit committees are well positioned to review financial reports and to maximize shareholders' interests. On the other hand, this literature can be used as a guideline for potential investors to manage their investments among Malaysian listed companies. By reporting the variables that are shown to be associated with firm performance, investors can have clear instructions in selecting and managing their investments based on reviewing the relevant factors in the company's annual report.

5.3.4 Academician and Future Researchers

The results of the study can help academia by giving useful knowledge to the academic community and future researchers. This study employs more than one dependent variables and also covers a variety of independent variables, which provides much meaningful information for future studies. Further, there is a lack of literature examining corporate governance in the consumer and service sector of Malaysian listed companies, and there is particularly little literature that studies the gender diversity of audit committees. As a result, this literature can serve as a guidance for future research to obtain information and to contribute to the progress of the field of study.

5.4 Limitations of Study

This study has a number of limitations and challenges, including the discarding of some data and emphasizing only the consumer products and services sector.

First and foremost, incomplete and inconsistency of data has constrained the efficiency of running statistics through E-views due to missing data in some companies during the data collection process. As a result, in this research, it was better to apply balanced panel data rather than unbalanced data since it provides superior accuracy, reducing the likelihood of heterogeneity. There are only 163 companies left out of the 186 companies that were used in this study, and those 23 companies were filtered out due to a lack of data over time, such as missing data in return on assets, audit committee size, total debts, and so on. Furthermore, due of the broad skewness of data in the board size, a logarithm takes place to transform the data into a normalized data set.

Instead of looking at all of the industries that are listed on Bursa Malaysia, this study emphasizes solely on consumer products and services sector. As a result, the findings of this study may not be applicable for determining the impact of audit committee characteristic on firm performance in other industries such as construction, energy, agriculture, financial services, and so on. Since each industry has its own set of procedures, laws, and regulations, measurement in evaluating the relationship among audit committee characteristics and firm performance. As a consequence, this paper is not appropriate for users who wish to understand the impact of audit committee characteristics on firm performance across all industries. Otherwise, information bias will be suffered in this paper as it does not consider all sectors.

Aside from that, this paper's trustworthiness has been constrained by the inability to observe useful sources. This is because all previous studies that are available from online sources were not focused on the current research area, in fact, the majority of journal studies from an international perspective, whereas this paper

emphasizes solely the Malaysian consumer products and services industry. Hence, there were difficulties in accessing the related journals to support this study. As a result, the shortage of articles to support this study has jeopardized the paper's result when compared to previous papers. It may also be hard to persuade people to trust the accuracy of this paper.

5.5 Recommendation

There are several recommendations that can be implemented for future study based on the restrictions discussed above, which have hampered the development of this paper.

To address the paper's relatively small sample size compared to the initial sample size, it was suggested that unbalanced data be applied in future studies, as a larger sample size makes the paper more accurate, easier to identify outliers, and has a smaller margin of error, all of which increase the paper's reliability. Although the unbalanced data consists of a lot of problems, for example, missing data information and heterogeneity problem, however, it can be resolved by adopting unbalanced panel data in the study. With a larger sample size, it offers a clear-cut difference between two intervals and acts as powerful evidence to conclude the correlation between independent and dependent variables. Besides, dealing with the heterogeneity problems can be controlled by using a random-effects model.

Since this study focuses only the consumer products and services companies, therefore, it was suggested that future studies broaden the sectors to include all sectors, rather than investigate one specific industry only, in order to generate a more persuasive outcome for the researchers. A study across all industries offers a more clear and precise comparison to a study that focuses solely on one research area. In addition, a longer time horizon for the study provides more accuracy in examining the correlation among characteristics of audit committee and firm performance. A broad research area could provide more credibility and compelling results to the future user.

Last but not least, the issue of lack of supported journals and articles could be resolved by expanding the field of research beyond Malaysia. As most of the previous studies investigated the effect of audit committee characteristics on firm performance out of Malaysia, when the research area was expanded to include other countries, it allows the supporting journals and articles to serve as references for the paper. Other than that, another suggestion that can be applied is to change the current research area to the topic that has plenty of supported online journals that can be used for reference.

5.6 Conclusion

Thus, the report presents the study's grand conclusion. This research aims declare that the intend to investigate the impact of audit committee characteristics on firm performance using a quantitative approach. To begin, this study established that the Fixed Effect Model (FEM) is more suited for implying in this study than the Random Effect Model (REM).

Only three audit committee characteristics have an effect on firm performance. For Model 1, these are the audit committee's competency (CAC) and its gender diversity (GAC). Model 2 is concerned with the frequency of audit committee meetings (FAC).

Finally, Mallin (2007) notes that the Audit Committee is a critical role in corporate governance since it represents the company's monitoring mechanisms and ensures that the purpose of maximising shareholder value is preserved in terms of financial scrutiny and management. According to this research, the size of the audit committee is less significant than its quality and diversity; thus, be a believer in quality over quantity to ensure that shareholders and investors receive a guarantee and that financial scandals are avoided.

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Zubair–Corresponding, A. K. I. Audit Committees Characteristics and Financial Performance of Listed Deposit Money Banks in Nigeria.

APPENDICES

**Appendix I: List of 163 Malaysian Consumer products and services
Public-listed Companies**

1.   Three-A Resources BHD

2.   7-Eleven Malaysia Holdings Bhd (SEM MK)

3.   Advance Synergy Berhad

4.   AEON Company (M) Berhad

5.   Air Asia X Bhd

6.   Ajinomoto (Malaysia) Berhad

7.   Amway (Malaysia) Holdings Berhad

8.   Apollo Food Holdings Berhad

9.   Asia File Corporartion Bhd

10.   Atlan Holdings Bhd

11.   Avillion Berhad

12.   Axteria Group Berhad

13.   Bahvest Resources Berhad

14.   Berjaya Food Bhd

15.   Berjaya Land Berhad

16.   Berjaya Sports Toto Berhad

17.   Bermaz Auto Bhd

18.   Beshom Holdings Berhad

19.   Bioalpha Holdings Berhad

20.   Bonia Corporation Berhad

21.   Brahim's Holdings Berhad

22.   British American Tobacco Malaysia

23.   C.I. Holdings Berhad

24.   CAB Cakaran Corporation Berhad

25.   Caely Holdings Bhd

26.   CAM Resources Berhad

27.   Capital A Bhd

28.   Carlsberg Brewery Malaysia Berhad

29.   CCK Consolidated Holdings Berhad

30.   Cheetah Holdings Berhad

31.   China Ouhua Winery Holdings Limited

32.   Classic Scenic Berhad

33.   CNH Holdings Berhad/Citra Nusa Holdings Bhd

34.   Cocoaland Holdings Bhd

35.   CWG Holdings Berhad

36.   Cycle & Carriage Bintang Berhad

37.   DKSH Holdings Malaysia Berhad

38.   DRB-Hicom Berhad

39.   Dutch Lady Milk Industries Berhad

40.   EastLand Equity Bhd

41.   Emico Holdings Berhad

42.   Eng Kah Corporation Berhad

43.   Esthetics International Group Berhad

44.   Euro Holdings Bhd

45.   Eurospan Holdings Berhad

46.   FCW Holdings Berhad

47.   Fiamma Holdings Berhad

48.   Focus Dynamics Technologies Bhd

49.   Focus Point Holdings Bhd

50.   Formosa Prosonic Industries Berhad

51.   Fraser and Neave Limited

52.   G3 Global Berhad

53.   Genting Berhad

54.   Genting Malaysia Berhad

55.   Grand Central Enterprises Berhad

56.   Green Ocean Corporation Bhd

57.   Greenyield Berhad

58.   Guan Chong Bhd

59.   Harrisons Holdings (Malaysia) Berhad

60.   HB Global Limited

61.   Heineken Malaysia Berhad

62.   Homeritz Corporation Bhd

63.   Hong Leong Industries Berhad

64.   Hup Seng Industries Bhd

65.   Hwa Tai Industries Berhad

66.   IQ Group Holdings Berhad

67.   Jadi Imaging Technologies Sdn. Bhd

68.   Jaycorp Berhad

69.   Jerasia Capital Berhad

70.   Johore Tin Berhad/ Able Global Bhd

71.   Kanger International Berhad

72.   Karex Industries Sdn. Bhd.

73. Kawan Food Berhad

74. Khind Holdings Berhad

75. Kim Teck Cheong Consolidated Bhd

76. Konsortium Transnasional Bhd

77. Lagenda Properties Bhd

78. Landmarks Berhad

79. Latitude Tree Holdings Berhad

80. Lay Hong Berhad

81. Lee Swee Kiat Group Bhd

82. Lii Hen Industries BHD (LHI MK)

83. LTKM BHD (LTKM MK)

84. Mag Holdings Bhd (MAGH MK)

85. Magni-Tech Industries Bhd (MTI MK)

86. Magnum Bhd (MAG MK)

87. Malayan Flour Mills Bhd (MFL MK)

88. Marco Holdings BHD (MARC MK)

89. MBM Resources BHD (MBM MK)

90. MESB BHD (MESB MK)

91. Milux Corp BHD (MILUX MK)

92. Minda Global Bhd (MIGB MK)

93. MSM Malaysia Holdings Bhd (MSM MK)

94. Mulpha International Bhd (MIT MK)

95. Mynews Holdings Bhd (MNHB MK)

96. Nestle Malaysia Bhd (NESZ MK)

97. New Hoong Fatt Holdings Bhd (NHF MK)

98.   Ni Hsin Group Bhd (NHR MK)

99.   Niche Capital Emas Holdings BHD (NCHB MK)

100.   NTPM Holdings Bhd (NTPM MK)

101.   OCB Bhd (OCM MK)

102.   Oceancash Pacific Bhd (OCP MK)

103.   Olympia Industries Bhd (OLYM MK

104.   Only World Group Holdings Bhd (OWG MK)

105.   Oriental Food Industries Holdings BHD (OFIH MK)

106.   Oriental Holdings BHD (ORH MK)

107.   Oversea Enterprise Bhd (OVSE MK)

108.   Padini Holdings Bhd (PAD MK)

109.   Pan Malaysia Holdings Bhd (PGKH MK)

110.   Panasonic Manufacturing Malaysia BHD (PMM MK)

111.   Paos Holdings BHD (PAOS MK)

112.   Paragon Union BHD (PU MK)

113.   Parkson Holdings Bhd (PKS MK)

114.   PCCS Group BHD (PCCS MK)

115.   Pelikan International Corp Bhd (PELI MK)

116.   Pensonic Holdings BHD (PSN MK)

117.   Perak Transit Bhd (PERAK MK)

118.   Permaju Industries Bhd (PERM MK)

119.   Peterlabs Holdings Bhd (PLAB MK)

120.   Petronas Dagangan Bhd (PETD MK)

121.   Poh Huat Resources Holdings BHD (PHR MK)

122.   Poh Kong Holdings Bhd (PKH MK)

123.   PPB Group Bhd (PEP MK)

124.   PRG Holdings BHD (PRG MK)

125.   Prolexus BHD (PROL MK)

126.   PWF Corp Bhd (PW MK)

127.   QL Resources Bhd (QLG MK)

128.   RGB International Bhd (RGB MK)

129.   Rhone Ma Holdings Bhd (RMH MK)

130.   Salutica Bhd (SALUT MK)

131.   Sanbumi Holdings Berhad/ Iconic Worldwide BHD

132.   Sand Nisko Capital Bhd (SAND MK)

133.   Saudee Group Bhd (SAUD MK)

134.   SCC Holdings Bhd (SCHB MK)

135.   SEG International BHD (SYS MK)

136.   Sern Kou Resource Bhd (SKOU MK)

137.   Shangri-La Hotels Malaysia Bhd (SHMB MK)

138.   SHH Resources Holdings BHD (SHH MK)

139.   Signature International Bhd (SIGN MK)

140.   Sime Darby Bhd (SIME MK)

141.   Sinaran Advance Group Bhd (SAG MK)

142.   Sinmah Capital BHD (SINM MK)

143.   Solid Automotive Bhd (SOLID MK)

144.   Spritzer BHD (SPZ MK)

145.   Sunzen Biotech Bhd (SUNZ MK)

146.   SWS Capital Bhd (SWS MK)

147.   SYF Resources Bhd (SYF MK)

148.   TAFI Industries Bhd (TAFI MK)

149.   Tan Chong Motor Holdings Bhd (TCM MK)

150.   Teck Guan Perdana BHD (TGN MK)

151.   Tek Seng Holdings Bhd (TEKS MK)

152.   Teo Guan Lee Corp BHD (TGL MK)

153.   Teo Seng Capital Bhd (TSCB MK)

154.   Tomei Consolidated Bhd (TOME MK)

155.   TPC Plus Bhd (TPC MK)

156.   UMW Holdings Bhd (UMWH MK)

157.   UPA Corp Bhd (UPA MK)

158.   Wang-Zheng Bhd (WANG MK)

159.   Warisan TC Holdings Bhd (WTCH MK)

160.   Xidelang Holdings Ltd (XIDE MK)

161.   XL Holdings BHD (XLH MK)

162.   Yoong Onn Corp BHD (YOCB MK)

163.   Zhulian Corp Bhd (ZHCB MK)

Appendix II: List of Company's Annual Reports

1.   Three-A Resources BHD. (2015 - 2019). *Annual Report.*

2.   7-Eleven Malaysia Holdings Bhd (SEM MK). (2015 - 2019). *Annual Report*.

3.   Advance Synergy Berhad. (2015 - 2019). *Annual Report*.

4.   AEON Company (M) Berhad. (2015 - 2019). *Annual Report*.

5.   Air Asia X Bhd. (2015 - 2019). *Annual Report*.

6.   Ajinomoto (Malaysia) Berhad. (2015 - 2019). *Annual Report*.

7.   Amway (Malaysia) Holdings Berhad. (2015 - 2019). *Annual Report*.

8.   Apollo Food Holdings Berhad. (2015 - 2019). *Annual Report*.

9.   Asia File Corporartion Bhd. (2015 - 2019). *Annual Report*.

10.   Atlan Holdings Bhd. (2015 - 2019). *Annual Report*.

11.   Avillion Berhad. (2015 - 2019). *Annual Report*.

12.   Axteria Group Berhad. (2015 - 2019). *Annual Report*.

13.   Bahvest Resources Berhad. (2015 - 2019). *Annual Report*.

14.   Berjaya Food Bhd. (2015 - 2019). *Annual Report*.

15.   Berjaya Land Berhad. (2015 - 2019). *Annual Report*.

16.   Berjaya Sports Toto Berhad. (2015 - 2019). *Annual Report*.

17.   Bermaz Auto Bhd. (2015 - 2019). *Annual Report*.

18.   Beshom Holdings Berhad. (2015 - 2019). *Annual Report*.

19.   Bioalpha Holdings Berhad. (2015 - 2019). *Annual Report*.

20.   Bonia Corporation Berhad. (2015 - 2019). *Annual Report*.

21.   Brahim's Holdings Berhad. (2015 - 2019). *Annual Report*.

22.   British American Tobacco Malaysia. (2015 - 2019). *Annual Report*.

23.   C.I. Holdings Berhad. (2015 - 2019). *Annual Report*.

24.   CAB Cakaran Corporation Berhad. (2015 - 2019). *Annual Report*.

25.   Caely Holdings Bhd. (2015 - 2019). *Annual Report*.

26.   CAM Resources Berhad. (2015 - 2019). *Annual Report*.

27.   Capital A Bhd. (2015 - 2019). *Annual Report*.

28.   Carlsberg Brewery Malaysia Berhad. (2015 - 2019). *Annual Report*.

29.   CCK Consolidated Holdings Berhad. (2015 - 2019). *Annual Report*.

30.   Cheetah Holdings Berhad. (2015 - 2019). *Annual Report*.

31.   China Ouhua Winery Holdings Limited. (2015 - 2019). *Annual Report*.

32.   Classic Scenic Berhad. (2015 - 2019). *Annual Report*.

33.   CNH Holdings Berhad/Citra Nusa Holdings Bhd . (2015 - 2019). *Annual Report*.

34.   Cocoaland Holdings Bhd. (2015 - 2019). *Annual Report*.

35.   CWG Holdings Berhad. (2015 - 2019). *Annual Report*.

36.   Cycle & Carriage Bintang Berhad. (2015 - 2019). *Annual Report*.

37.   DKSH Holdings Malaysia Berhad. (2015 - 2019). *Annual Report*.

38.   DRB-Hicom Berhad . (2015 - 2019). *Annual Report*.

39.   Dutch Lady Milk Industries Berhad. (2015 - 2019). *Annual Report*.

40.   EastLand Equity Bhd. (2015 - 2019). *Annual Report*.

41.   Emico Holdings Berhad. (2015 - 2019). *Annual Report*.

42.   Eng Kah Corporation Berhad. (2015 - 2019). *Annual Report*.

43.   Esthetics International Group Berhad . (2015 - 2019). *Annual Report*.

44.   Euro Holdings Bhd. (2015 - 2019). *Annual Report*.

45.   Eurospan Holdings Berhad. (2015 - 2019). *Annual Report*.

46.   FCW Holdings Berhad. (2015 - 2019). *Annual Report*.

47.   Fiamma Holdings Berhad. (2015 - 2019). *Annual Report*.

48. Focus Dynamics Technologies Bhd. (2015 - 2019). *Annual Report*.

49. Focus Point Holdings Bhd . (2015 - 2019). *Annual Report*.

50. Formosa Prosonic Industries Berhad. (2015 - 2019). *Annual Report*.

51. Fraser and Neave Limited. (2015 - 2019). *Annual Report*.

52. G3 Global Berhad . (2015 - 2019). *Annual Report*.

53. Genting Berhad. (2015 - 2019). *Annual Report*.

54. Genting Malaysia Berhad. (2015 - 2019). *Annual Report*.

55. Grand Central Enterprises Berhad. (2015 - 2019). *Annual Report*.

56. Green Ocean Corporation Bhd. (2015 - 2019). *Annual Report*.

57. Greenyield Berhad. (2015 - 2019). *Annual Report*.

58. Guan Chong Bhd. (2015 - 2019). *Annual Report*.

59. Harrisons Holdings (Malaysia) Berhad. (2015 - 2019). *Annual Report*.

60. HB Global Limited. (2015 - 2019). *Annual Report*.

61. Heineken Malaysia Berhad. (2015 - 2019). *Annual Report*.

62. Homeritz Corporation Bhd. (2015 - 2019). *Annual Report*.

63. Hong Leong Industries Berhad. (2015 - 2019). *Annual Report*.

64. Hup Seng Industries Bhd. (2015 - 2019). *Annual Report*.

65. Hwa Tai Industries Berhad . (2015 - 2019). *Annual Report*.

66. IQ Group Holdings Berhad. (2015 - 2019). *Annual Report*.

67. Jadi Imaging Technologies Sdn. Bhd. (2015 - 2019). *Annual Report*.

68. Jaycorp Berhad. (2015 - 2019). *Annual Report*.

69. Jerasia Capital Berhad. (2015 - 2019). *Annual Report*.

70. Johore Tin Berhad/ Able Global Bhd. (2015 - 2019). *Annual Report*.

71. Kanger International Berhad. (2015 - 2019). *Annual Report*.

72. Karex Industries Sdn. Bhd.. (2015 - 2019). *Annual Report*.

73.   Kawan Food Berhad. (2015 - 2019). *Annual Report*.

74.   Khind Holdings Berhad. (2015 - 2019). *Annual Report*.

75.   Kim Teck Cheong Consolidated Bhd . (2015 - 2019). *Annual Report*.

76.   Konsortium Transnasional Bhd. (2015 - 2019). *Annual Report*.

77.   Lagenda Properties Bhd. (2015 - 2019). *Annual Report*.

78.   Landmarks Berhad. (2015 - 2019). *Annual Report*.

79.   Latitude Tree Holdings Berhad . (2015 - 2019). *Annual Report*.

80.   Lay Hong Berhad. (2015 - 2019). *Annual Report*.

81.   Lee Swee Kiat Group Bhd. (2015 - 2019). *Annual Report*.

82.   Lii Hen Industries BHD (LHI MK). (2015 - 2019). *Annual Report*.

83.   LTKM BHD (LTKM MK). (2015 - 2019). *Annual Report*.

84.   Mag Holdings Bhd (MAGH MK). (2015 - 2019). *Annual Report*.

85.   Magni-Tech Industries Bhd (MTI MK). (2015 - 2019). *Annual Report*.

86.   Magnum Bhd (MAG MK). (2015 - 2019). *Annual Report*.

87.   Malayan Flour Mills Bhd (MFL MK). (2015 - 2019). *Annual Report*.

88.   Marco Holdings BHD (MARC MK). (2015 - 2019). *Annual Report*.

89.   MBM Resources BHD (MBM MK). (2015 - 2019). *Annual Report*.

90.   MESB BHD (MESB MK). (2015 - 2019). *Annual Report*.

91.   Milux Corp BHD (MILUX MK). (2015 - 2019). *Annual Report*.

92.   Minda Global Bhd (MIGB MK). (2015 - 2019). *Annual Report*.

93.   MSM Malaysia Holdings Bhd (MSM MK). (2015 - 2019). *Annual Report*.

94.   Mulpha International Bhd (MIT MK). (2015 - 2019). *Annual Report*.

95.   Mynews Holdings Bhd (MNHB MK). (2015 - 2019). *Annual Report*.

96.   Nestle Malaysia Bhd (NESZ MK). (2015 - 2019). *Annual Report*.

97.   New Hoong Fatt Holdings Bhd (NHF MK). (2015 - 2019). *Annual Report*.

98.   Ni Hsin Group Bhd (NHR MK). (2015 - 2019). *Annual Report*.

99.   Niche Capital Emas Holdings BHD (NCHB MK) . (2015 - 2019). *Annual

        Report*.

100.   NTPM Holdings Bhd (NTPM MK). (2015 - 2019). *Annual Report*.

101.   OCB Bhd (OCM MK). (2015 - 2019). *Annual Report*.

102.   Oceancash Pacific Bhd (OCP MK). (2015 - 2019). *Annual Report*.

103.   Olympia Industries Bhd (OLYM MK. (2015 - 2019). *Annual Report*.

104.   Only World Group Holdings Bhd (OWG MK). (2015 - 2019). *Annual

        Report*.

105.   Oriental Food Industries Holdings BHD (OFIH MK). (2015 - 2019). *Annual

        Report*.

106.   Oriental Holdings BHD (ORH MK). (2015 - 2019). *Annual Report*.

107.   Oversea Enterprise Bhd (OVSE MK). (2015 - 2019). *Annual Report*.

108.   Padini Holdings Bhd (PAD MK). (2015 - 2019). Annual Re*port*.

109.   Pan Malaysia Holdings Bhd (PGKH MK) . (2015 - 2019). *Annual Report*.

110.   Panasonic Manufacturing Malaysia BHD (PMM MK)   . (2015 - 2019).

        Annual Report.

111.   Paos Holdings BHD (PAOS MK). (2015 - 2019). *Annual Report*.

112.   Paragon Union BHD (PU MK) . (2015 - 2019). *Annual Report*.

113.   Parkson Holdings Bhd (PKS MK) . (2015 - 2019). *Annual Report*.

114.   PCCS Group BHD (PCCS MK). (2015 - 2019). *Annual Report*.

115.   Pelikan International Corp Bhd (PELI MK). (2015 - 2019). *Annual Report*.

116.   Pensonic Holdings BHD (PSN MK). (2015 - 2019). *Annual Report*.

117.   Perak Transit Bhd (PERAK MK). (2015 - 2019). *Annual Report*.

118.   Permaju Industries Bhd (PERM MK) . (2015 - 2019). *Annual Report*.

119.   Peterlabs Holdings Bhd (PLAB MK). (2015 - 2019). *Annual Report*.

120.   Petronas Dagangan Bhd (PETD MK). (2015 - 2019). *Annual Report*.

121.   Poh Huat Resources Holdings BHD (PHR MK). (2015 - 2019). *Annual Report*.

122.   Poh Kong Holdings Bhd (PKH MK) . (2015 - 2019). *Annual Report*.

123.   PPB Group Bhd (PEP MK). (2015 - 2019). *Annual Report*.

124.   PRG Holdings BHD (PRG MK). (2015 - 2019). *Annual Report*.

125.   Prolexus BHD (PROL MK). (2015 - 2019). *Annual Report*.

126.   PWF Corp Bhd (PW MK) . (2015 - 2019). *Annual Report*.

127.   QL Resources Bhd (QLG MK). (2015 - 2019). *Annual Report*.

128.   RGB International Bhd (RGB MK). (2015 - 2019). *Annual Report*.

129.   Rhone Ma Holdings Bhd (RMH MK). (2015 - 2019). *Annual Report*.

130.   Salutica Bhd (SALUT MK) . (2015 - 2019). *Annual Report*.

131.   Sanbumi Holdings Berhad/ Iconic Worldwide BHD. (2015 - 2019). *Annual Report*.

132.   Sand Nisko Capital Bhd (SAND MK). (2015 - 2019). *Annual Report*.

133.   Saudee Group Bhd (SAUD MK). (2015 - 2019). *Annual Report*.

134.   SCC Holdings Bhd (SCHB MK). (2015 - 2019). *Annual Report*.

135.   SEG International BHD (SYS MK). (2015 - 2019). *Annual Report*.

136.   Sern Kou Resource Bhd (SKOU MK). (2015 - 2019). *Annual Report*.

137.   Shangri-La Hotels Malaysia Bhd (SHMB MK). (2015 - 2019). *Annual Report*.

138.   SHH Resources Holdings BHD (SHH MK). (2015 - 2019). *Annual Report*.

139.   Signature International Bhd (SIGN MK). (2015 - 2019). *Annual Report*.

140.   Sime Darby Bhd (SIME MK). (2015 - 2019). *Annual Report*.

141.   Sinaran Advance Group Bhd (SAG MK). (2015 - 2019). *Annual Report*.

142.   Sinmah Capital BHD (SINM MK). (2015 - 2019). *Annual Report*.

143.   Solid Automotive Bhd (SOLID MK). (2015 - 2019). *Annual Report*.

144.   Spritzer BHD (SPZ MK) . (2015 - 2019). *Annual Report*.

145.   Sunzen Biotech Bhd (SUNZ MK). (2015 - 2019). *Annual Report*.

146.   SWS Capital Bhd (SWS MK). (2015 - 2019). *Annual Report*.

147.   SYF Resources Bhd (SYF MK). (2015 - 2019). *Annual Report*.

148.   TAFI Industries Bhd (TAFI MK). (2015 - 2019). *Annual Report*.

149.   Tan Chong Motor Holdings Bhd (TCM MK). (2015 - 2019). *Annual Report*.

150.   Teck Guan Perdana BHD (TGN MK). (2015 - 2019). *Annual Report*.

151.   Tek Seng Holdings Bhd (TEKS MK). (2015 - 2019). *Annual Report*.

152.   Teo Guan Lee Corp BHD (TGL MK). (2015 - 2019). *Annual Report*.

153.   Teo Seng Capital Bhd (TSCB MK). (2015 - 2019). *Annual Report*.

154.   Tomei Consolidated Bhd (TOME MK). (2015 - 2019). *Annual Report*.

155.   TPC Plus Bhd (TPC MK). (2015 - 2019). *Annual Report*.

156.   UMW Holdings Bhd (UMWH MK) . (2015 - 2019). *Annual Report*.

157.   UPA Corp Bhd (UPA MK). (2015 - 2019). *Annual Report*.

158.   Wang-Zheng Bhd (WANG MK). (2015 - 2019). *Annual Report*.

159.   Warisan TC Holdings Bhd (WTCH MK) . (2015 - 2019). *Annual Report*.

160.   Xidelang Holdings Ltd (XIDE MK) . (2015 - 2019). *Annual Report*.

161.   XL Holdings BHD (XLH MK) . (2015 - 2019). *Annual Report*.

162.   Yoong Onn Corp BHD (YOCB MK) . (2015 - 2019). *Annual Report*.

163.   Zhulian Corp Bhd (ZHCB MK). (2015 – 2019). *Annual Report*.