"BOARD OF DIRECTORS CHARACTERISTICS AND FIRM FINANCIAL PERFORMANCE IN UAE"

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Master of Science (International Accounting)

 $\mathbf{B}\mathbf{y}$

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I certify that any assistance received in preparing this thesis and all sources used have been acknowledged and referenced in this thesis.

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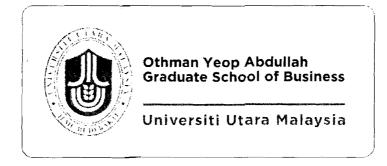
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Abstract

The purpose of this study is to empirically examine the impact of corporate governance mechanisms (board characteristics) namely; board size, board of director's independence and CEO duality on the firm financial performance (ROA). For the purpose of this study, 60 non-financial listed companies have been chosen; 33 from Abu Dhabi Securities Exchange and 27 from Dubai Financial Market, all in UAE market context. The conduct of testing is controlled by firm size. Multiple regressions analysis is utilized in this study in order to achieve the research objectives. The findings show that factors of board characteristics namely; board size, board of director's independence and CEO duality, have different relations with firm financial performance. First, the finding showed that board size has positive significant impact on the firm financial performance (ROA). Secondly, it showed that the board of director's independence has no significant impact on the firm financial performance (ROA). Moreover, the finding showed that there is negative significant impact of CEO duality on the firm financial performance (ROA). Last but not least, the firm size as control variable has positive significant impact on the firm financial performance (ROA). Therefore, this study can clearly integrate the relationship between corporate governance mechanisms and firm financial performance, and it can help UAE authorities market to improve and enhance the firm financial performance.

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CHAPTER ONE

INTRODUCTION

1.1 Background of Study

In the current global business environment, business organizations struggle to achieve high record of growth in order to attract investors to finance their future investment projects. Generally speaking, the investment decisions taken by investors to invest in a particular business are mainly influenced by the ability of the business to remain stable and to generate profits (Mallin, 2007). This justifies the inability of deteriorating businesses to raise funds for their projects. This situation can affect not only the specific business organizations, but also the overall economic performance. To ensure the safety and security of the business environment, governments throughout the world have been paying an increasing attention to the implementation of corporate governance mechanisms. According to the Organization for Economic Cooperation and Development (OECD), "good corporate governance is essential for the economic growth led by the private sector and for the promotion of the social welfare." In retrospect, since 1997, the Asian financial crisis has brought about a whole new meaning to corporate governance as evidenced from the crisis of confidence in the institutions and legislation that make up the governance of business and interactions between business and government.

In fact, many theorists have given an increasing attention to examining the link between corporate governance and the overall organizational performance. Due to its importance to the overall organizational performance, it is considered as one of the major factors that may influence the

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