

AGENCY COSTS AND CORPORATE PERFORMANCE :
ANALYSIS OF PUBLIC LISTED COMPANIES IN
BURSA MALAYSIA

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Abstract

The agency theory is one of the company's theories in a way that company is explained as a set of contractual explicit of implicit relationships between principal (shareholders) and agent (management). The role of second party is to perform certain tasks and authorized to make decisions on behalf of the first party. Meanwhile corporate performance is very crucial for market efficiency since it will influenced the decision made by the market players and internal investors of the Companies. This study examines the relationship of agency costs with corporate performance. Five variables of agency costs proxies are analysed: Debt Ratio, Firm's size, Growth, Expense and Efficiency. While the corporate performance is measured by Return on Assets (ROA) and Return on Equity (ROE) . ROA gives an idea as to how efficient management is at using its assets to generate earnings while ROE measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. Besides, this study examined whether there are any correlation between agency costs which is proxied by Debt Ratio, Firm's size, Growth, Expense and Efficiency Ratio; against Corporate Performance for the Top 50 and Bottom 50 Public Listed Companies in Bursa Malaysia. This study used secondary data which is the data from Public Listed Companies in Bursa Malaysia. From the total 814 population, the 100 sample was taken from different categories which is the Top 50 and the Bottom 50 companies covering over period of 5 years from 2008 to 2012. It is found that for a certain extent, the Agency costs play an important roles in relation to the Corporate Performance. The result gathered after analyzing the data acquired from Bursa Malaysia explained that only Firm's size, Expense and Efficiency Ratio has the relationship with the significant value of 0.000. Debt ratio and growth variables was not significant with Corporate Performance.

Keywords: corporate performance, market players, agency costs, corporation's profitability.

Abstrak

Teori agensi adalah salah satu teori syarikat dengan cara syarikat dijelaskan sebagai satu set kontrak yang jelas mengenai hubungan tersirat antara prinsipal (pemegang saham) dan ejen (pengurusan). Peranan pihak kedua adalah untuk melaksanakan tugas-tugas tertentu dan kuasa untuk membuat keputusan bagi pihak yang pertama. Manakala prestasi korporat adalah sangat penting untuk kecekapan pasaran kerana ia akan mempengaruhi keputusan yang dibuat oleh peserta-peserta pasaran dan pelabur dalaman Syarikat. Kajian ini mengkaji hubungan antara kos agensi dengan prestasi korporat. Lima pembolehubah proksi bagi kos agensi dianalisis: Nisbah Hutang, saiz firma, Pertumbuhan, Nisbah Perbelanjaan dan Kecekapan. Manakala prestasi korporat diukur dengan Pulangan atas Aset (ROA) dan Pulangan ke atas ekuiti (ROE). ROA memberi idea tentang bagaimana cekap pengurusan adalah dengan menggunakan aset untuk menjana pendapatan manakala ROE mengukur keuntungan syarikat dengan mendedahkan berapa banyak keuntungan syarikat dapat dijana menggunakan wang yang telah dilaburkan oleh pemegang-pemegang saham. Selain itu, kajian ini meneliti sama ada terdapat hubungan antara kos agensi yang diproksikan oleh Nisbah Hutang, firma saiz, Pertumbuhan, Nisbah Perbelanjaan dan Kecekapan; terhadap Prestasi Korporat untuk syarikat awam pada kedudukan 50 tertinggi dan 50 yang terbawah yang tersenarai di Bursa Malaysia. Kajian ini menggunakan data sekunder yang merupakan data dari Syarikat Awam tersenarai di Bursa Malaysia. Dari jumlah 814 populasi, 100 contoh telah dipilih dari kategori yang berbeza iaitu syarikat awam pada kedudukan 50 tertinggi dan 50 yang terbawah yang meliputi tempoh 5 tahun iaitu dari tahun 2008 hingga 2012. Ia didapati untuk tahap tertentu, Kos Agensi memainkan peranan penting berhubung dengan prestasi Korporat. Hasil kajian setelah menganalisis data yang yang diperolehi daripada Bursa Malaysia menjelaskan bahawa hanya firma saiz, Nisbah Perbelanjaan dan Kecekapan mempunyai hubungan dengan nilai signifikan 0.000. Nisbah hutang dan pembolehubah pertumbuhan tidak ketara dengan Prestasi Korporat.

Kata kunci: Prestasi Korporat, peserta pasaran, kos agensi, keuntungan perbadanan.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This study examines the relationship between Agency costs and Corporate Performance in Malaysia. Many empirical studies examining the relationship between ownership structure and company value in the Asia, Eastern Europe and USA, have on the whole produced inconclusive results (Claessens and Djankov, 1998; Himmelberg *et al.*, 1999; Morck et al., 2000; Nagar, 2000; Demsetz and Villalonga, 2001; Wiwattanakantang, 2001). One explanation offered is that ownership structure would not have any systematic impact on company value as long as managers maximise shareholders' values (Demsetz and Villalonga, 2001). However, normally the things that often overlooked is the pathways through which effects of corporate ownership are diffused throughout the corporate environment.

1.2 Background of the study

The relationship of ownership structure and company value needs to be examined in conjunction with key elements of a company's operating environment, such as socio-economic policies, governmental intervention, law and regulations that influence the company's performance. This study develops an integrated model that attempts to explain how company performance can be affected when different ownership types

utilise different modes of ownership structures and ownership concentration as governance and controlling mechanisms to safeguard their own interests. The result can be shown directly through financial performance reports and the market position in Bursa Malaysia (Top 50 and Bottom 50). This study will look beyond nominal ownership concentration by showing how ownership concentration's motivation reflected by the company's financial performance might differ among major ownership types in Malaysian companies.

The agency theory is one of the company's theories in a way that company is explained as a set of contractual explicit of implicit relationships between principal (shareholders) and agent (management). The role of second party is to perform certain tasks and authorized to make decisions on behalf of the first party. There are several key hypotheses in relation to this relationships (Kim and Nofsinger, 2007; Moldoveanu and Martin, 2001; La Porta et al. 2000; Hill and Jones, 1992; Eisenhardt, 1989):

- 1) A person characterized by awareness and diligence namely "the Management" that understand their interests, hence they seek to maximize their expected benefits which in turn, will determine their behaviours and decisions.
- 2) Usually the management would like to seeks for maximization of their benefits even if at the account of shareholders. At this point, to reduce the opportunities of interest conflict at the minimum level, some mechanisms are needed.
- 3) Despite having the recognition of interest conflict between both parties, there still have the recognition of common positive effects between them which is focusing on ensuring the success and continuation of the company.

In fact, the Agency Theory investigates the behaviours and economies of the function of both parties governed by 4 rules;

- 1) Analysis of economic within the Companies;
- 2) Analysis of behavioral of that manage the Companies;
- 3) Analysis of accounting for agency cost as an inevitable result of conflict between managements and shareholders;
- 4) Contract's legal analysis, that supposed to be done between all parties to solve problems.

(Chen and Fang, 2011)

While Jensen and Meckling (1976) has demonstrate, within the framework of management and shareholders' behaviours, the shareholders delegate the task to the managements to play the role of being representative to negotiate with all concerned parties on their behalf and manage the available company's financial resources to reaches positive outputs exceeding the opportunity cost in which those resources could be utilized and maximized the shareholders' wealth.

They explained that when management is represented by the company's only owner, there is no conflict of interests in such a case is achieved in its most acceptable form, where it will lead to the compatibility of interest between the shareholders and the managements. However, when the company's capital is fragmented over a number of shareholders, there is a need for reliance on outside managerial expertise out of shareholders, hence this will raise the concern of shareholders' interests, primarily

when the absence of the right for management to get cash flows achieved from its outstanding performance of the company's resources only of the agreed upon extent.

In regards to cash flow which explained the differences between management control rights and those of shareholders, the management may deviate from its functional behavior from the perspective of shareholders' wealth maximization through decision making to increase their own benefit and spoil the shareholders' interest, particularly pertaining their residual claims represented by net cash flows remaining from net liquidation, or from outcomes of performance, from one side; Subsequently it will increase their exposure level to business risks by reason there is a gap between the external cash flows agreed upon with management and the projected cash flows of the available resources, on the other hand, which means the existence of interests conflict relates to agency problem which can be enshrined by managerial opportunism practices by exploiting the rewards and incentives system, or fostering management goodwill by the freedom granted to choose among alternative accounting policies within the intelligent disclosure of performance framework that ensures employment stability and achieves direct and indirect benefits. This agency problem associated with the forego revenues on part of shareholders and the high expenditures by managers due to involvement in non-profitable investments by shareholders. (Jensen, 2008; Zhao-guo et al. 2007).

In addition, Ang et. Al (2000) said that the vigilance of the non-managing shareholders and other related third parties such as company's bankers may determine the monitoring

of managers' expenditures on perquisites and other personal consumption. The presence of the dominant shareholders may offset both weaknesses, if any, which is the insufficient of external market for shares and insufficient of specific operational knowledge for non-managing shareholders. Furthermore, the banks could be given special role in delegated monitoring on behalf of other shareholders in a situation of heavy reliance of the non-publicly traded firms on bank financing. As such, it seems that there is empirical issue on determination of agency cost size for these firms.

In this study we examine the underlying assumption that debt ratio changes, firm's size changes, growth changes, expense ratio changes, and efficiency ratio changes are independent. A good measure of the company's performance is Return on Assets (ROA) and Return on Equity (ROE).

1.3 Problem Statement

When compared to publicly traded firms, small business come closest to the type of firms depicted in the stylized theoretical model of agency costs developed by Jensen and Meckling (1976). At one extreme of ownership and management structures are firms whose managers own 100 percent of the firm. These firms, by their definition, have no agency costs. At the other extreme are firms whose managers are paid employees with no equity in the firm. In between are firms where the managers own some, but not all, of their firm's equity.

Armour, Hansmann, Kraakman, 2009 explained that corporate law performs 2 general functions as follows:

- 1) It establishes corporate form structure and its supported ancillary housekeeping rules;
- 2) It attempts to control interest conflicts among corporate constituencies, such as top managers and controlling shareholders namely as 'corporate insiders' and the minority shareholders or creditors namely as 'outsiders'.

These conflicts have the criterias of what economists refer to, so called the agency problem or principl-agent problem. For those not familiar with the economist's jargon, agency problems arised whenever the action taken by one party namely agent will influence the welfare of another party namely principal, whereby the problem occurs in motivating the agent to act according to the interest of principal rather than simply in the interest of the agent. Generally, the agency arised in a broad contexts range that goes beyond those that formally be classified as agency relationship.

Primarily, almost any contractual relationship is potentially subject to an agency problem in which the agent promises performance to the principal. The information about the relevant facts that the agent has is usually better than does the principal. Hence, the main difficulty is to assure the performance of the agent is precisely what was promised. Consequently, the agent has an incentive to act opportunistically, stint on his performance's quality, or diverting to himself some of what was promised to the

principal. This means that as a consequence, the value of the agent's performance to the principal will be dropped, either directly or because, the principal must bear monitoring cost to ensure the agent performance's quality. As a result, it can be concluded that the greater the tasks complexity undertaken by the agent, the wider discretion the agent must be given, thus higher agency costs are expected to incurred. (Ross, 1973)

Armour, Hansmann, Kraakman, 2009 also emphasized on the three generic agency problems arise in business organizations as follows:

- 1) It involves the company's owners conflict with their hired managers. In this situation, the owners are the principals and the manager act as agents. The problem occurs in assuring that the managers are responsive to the interest of the owners rather than pursuing their own personal interests.

- 2) It involves the conflict between the owners as the majority or controlling interest in the company, and the minority or non-controlling owners. In this case, the controlling owners act as the agents while the non controlling owners can be thought of as the principals, and the difficulties appears in assuring that the former are not expropriated by the latter. This problem happen whenever decisions affecting the class of owners as a whole can be controlled by some subset of the company's owner; proved that it is the most conspicuous in tensions between the minority and majority shareholders (Luca Enriques and

Paolo Volpin, 2007). As such, if minority shareholders enjoy veto rights in regards to particular decisions, it can give rise to this second agency problems. Similar problems can arise between junior and senior creditors in bankruptcy (when creditors are the effective owners of the company), and between preference and ordinary shareholders.

- 3) It involves the conflict between the company itself including specifically the owners and the other parties with whom the company contracts, such as the employees, creditors and customers. The problem lies in assuring that the company as agent does not behave opportunistically towards these various other principals such as by misleading consumers, expropriating creditors or exploiting workers.

In each of the foregoing problems, there are multiple principals, particularly in which they have different interests, or 'heterogeneous preferences' as economists said; will give the greater challenges of assuring agent's responsiveness. The ability to engage in collective action of the multiple principals will be inhibited as they are facing coordination costs. Hence, in turn, these will interact with the agency problems in two ways as per below:

- 1) The principals will be influenced to delegate most of their decision making to an agents when there is coordinating difficulties between principals. (Frank and Daniel, 1991)

- 2) The more obviously difficult to ensure the agent does the right thing in a situation of more difficult for principals to coordinate on a single set of goals for the agent. (Kanda, 1992 and Hansmann, 1996)

Therefore, the coordination costs between principals exacerbate agency problems.

As mentioned by Armour, Hansmann, Kraakman (2009), law can play important function in reducing agency costs. For example, the disclosure by agents can be enhanced by having rules and procedures or the principal can facilitate enforcement actions towards the dishonest or negligent agents.

In addition, in order to reduce agency costs, the foreign investors, who are typically minority shareholders have the incentive to push for divestment of unrelated businesses in business groups. In emerging economies, the business groups have traditionally featured unrelated diversification due to economic, cultural and political conditions in these countries (Ghemawat and Khanna, 1998). Generally, reducing agency costs is in the interests of all parties to a transaction, agents and principals alike.

While Sanford and Oliver (1983) in their study, to develop a method for analyzing the principal-agent problem which avoids the difficulties of the “first-order condition” approach. Their approach is focusing to solve the principal’s problem up into a costs and benefits computation of the different actions of the agents. For each action, they

consider the incentive scheme which minimizes the anticipated cost for getting the agent to choose that action.

Besides, a good corporate governance system have to be developed to provide effective protection for shareholders and creditors, hence, they can assure themselves of getting their investment return. Also, it should help to foster the conducive environment to the efficient and sustainable growth of the corporate sector.

This study therefore addresses the question whether the corporate governance viewed as agency costs (monitoring cost occurs) which is proxied by the debt ratio, firm size, growth, expense and efficiency are important in determining the Corporate Performance which can be measured by the Return on Assets (ROA) and Return on Equity (ROE); and whether the relationship is the same for the Top 50 and the Bottom 50 of the Companies listed in Bursa Malaysia.

1.4 Research Question

- 1) Is there any relationship between between the corporate performance by using Return on Assets (ROA) and Return on Equity (ROE); and the proxy of agency costs which is the debt ratio, firm's size, growth, expense and efficiency?

- 2) Is there any differences in relationship between the proxy of agency costs for the Top 50 Companies and the Bottom 50 Companies listed in Bursa Malaysia, and the corporate performance?

1.5 Research Objectives

1.5.1 General Objective

To determine the relationship between corporate performance and the agency costs among public listed companies in Malaysia.

1.5.2 Specific Objectives

Specifically the objectives of the research are as follows:

- 1) To examine the relationship between the corporate performance and the proxy of agency costs which is the debt ratio, firm's size, growth, expense and efficiency.
- 2) To examine the relationship between the proxy of agency costs for the Top 50 Companies and the Bottom 50 Companies listed in Bursa Malaysia, and the corporate performance.

1.6 Significance of the Study

The importance of the study comes from highlighting an important subject related to agency theory through demonstrating the agency costs concept in relation to some variables and the impact on corporate performance. The practical importance is to

improve some of financial policies and reduce agency cost by focusing on evidence presented about agency problem for guidance which having significant impact on and upgrade the financial performance in such a way that increase the companies's value in Malaysia financial market, primarily the Malaysian business environment is facing insufficient of such frameworks in addition to the emergence of managerial opportunism phenomenon.

Despite many studies conducted in regards to the agency costs in Malaysia, it is rarely appears of any research that differentiate the relationship between the agency costs and the corporate performance by categorization of the Top 50 and the Bottom 50 Companies listed in Bursa Malaysia. This study will reveal that such differences as to help investor or market players in making their investment decision, particularly during crisis that may have different impact on certain Companies in both categories. As time goes by, these listing also will be changed in accordance to their financial or corporate performance. Hence, future research will be having different result to be observed and analyzed.

1.7 Scope and Limitations of the Study

This study is basically examine on the relationship between the corporate performance and the proxy of agency costs of only 100 selected companies listed in Bursa Malaysia as at 31 March 2014. Due to differences in regulatory requirements, all financial and

unit trust companies were omitted from the study. Furthermore, the companies with incomplete data and the companies which fail to comply with any obligations under Practice Note such as Practice Note 4 (PN4) and Practice Note 17 (PN17) are also excluded from the study. Hence, 100 companies have been selected as sample which covering 5 years, from the time series of 2008 to 2012.

1.8 Organization of the Dissertation

According to Sekaran, 2005, the dissertation must be carefully organized, systematic, data-based, critical, objective, investigate the identified problem as to find the answer or solution. Hence, for this study, it has been organized accordingly.

For Chapter One, this study will discuss about Company's value or performance and how it is derived or related with company ownership or concentration through agency cost element such as debt ratio, firm size, growth, expense and efficiency ratio. This study specifically emphasizes corporate performance among the public listed companies of Bursa Malaysia and the five independent variables mentioned that attached to it. It also identifies the problem statements, research questions and research objectives, the significance of the study, and the scope and limitation of study. In Chapter Two, it presented the previous studies which related to the problem statement of this study, as well as it is needed to identify broad problem area and preliminary information gathering as to identify gaps between this study and previous study, which was done earlier on different sets of independent variable and framework. This study explained

the theories of agency costs and corporate/firms' performance, as well as the empirical evidence on the variables selected as proxies for agency costs.

In Chapter Three, it specified the methodology used in this study. Methodology is the process to collect information about the subjects in this study through systematic way. This study used secondary data which comprises of 100 selected companies listed in Bursa Malaysia as at 31 March 2014 for data collection. It also describes the research design, followed by data analysis. In Chapter Four, this study presented the analysis and finding on what have been discussed in Chapter Three. The Statistical Package for Social Science (SPSS) has been used to run the data, proceed with analysis such as descriptive analysis, univariate analysis and multivariate analysis.

In the final section (Chapter Five), this study provides the conclusion of the study and discussion on the implication, as well as some recommendations based on the result from Chapter Four (analysis and finding).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter present a basic areas of research on agency costs and corporate performance. It will briefly discuss on the basic concepts and definitions of the various proxy of agency costs and previous findings concerning the agency costs and the corporate performance.

2.1 Corporate Governance and Coporate Performance

Shleifer and Vishny (1997) described that corporate governance deals with the ways in which finance suppliers to corporations assure to get the return on their investment. Likewise Denis and McConnell (2003) defined that corporate governance is the set of mechanisms for both market based and institutional that influence the company's controller which is the decision maker pertaining the company's operation and decision making that maximize the company's value for its capital contributor (owners).

The governance mechanism can be classified as internal and external to the company in United States (US). Both, the companies' ownership structure and the board of directors are the internal mechanisms of the main interest. For external, the main mechanisms are the external market for corporate control such as the legal system and

the takeover market (Cremers and Nair, 2004). As the company's performance can be influenced by the corporate governance mechanisms, thus, effect agency cost of the company through the various proxies have been included. Among the corporate governance tested are the debt ratio, size of company, growth, expense and efficiency factors.

The board involvement in corporate affairs are significant to the influence of the board size and composition. The board size and composition may influence the impact of insiders and block ownership on company's performance, hence, it should be controlled. Both could act as either substitute or complement for the structure of ownership. Singh and Davidson III (2003) stated that both board size and composition may reflect its ability to be an efficient guide and they found that company performance is increased by smaller boards, consistently with Hermalin and Weisbach (2003), Jensen (1993), as well as Lipton and Lorsh (1992), It is also supported by Eisenberg et al. (1998) and Yermack (1996) which stated that smaller board will lead to increase in company performance.

In several other countries, the previous studies has also found that there is negative relationship between board size and company performance. Mak and Yuanto (2002) examine the relationship between both factors in Malaysia and Singapore and they found that the board size is negatively related to Tobin's Q. Similarly in Finland, there is evidence that shows the negative relationship between size of board and profitability, found by Eisenberg et al (1998), for a small and medium size companies. Besides, that size of board is inversely related to operating performance in UK companies (Carline et al., 2002).

As confirmed by numerous other studies, it has been further supported that small boards is more effective as compared to large boards (Lipton and Lorssch, 1992), (Gladstein, 1984), (Olson, 1982), (Shaw, 1981), (Jewel and Reitz, 1981); and (Jensen and Meckling, 1976). This is also consistent with Mishra et al's (2001) research on corporate governance of family companies in Norway which they found that size of board has negatively significant coefficient indicating that the higher q values is achieved by the smaller board size companies.

In contrast for Pearce and Zahra (1991) and Pfeffer (1973), who suggested that by securing a broader resource platform and network bulding with external environment in a way to increase in board size and diversity may yield the benefits, thus fostering identity of the corporate. Also, based on Adam and Mehran (2003) findings discovered that there is a positive and significant relationship the board size and company performance using Tobin's Q measurement. While in the case of mergers and acquisitions, there is no empirical evidence on the impact of the size of board on bid premiums (Brewer III et al., 2000).

Based on Fama and Jensen (1983), they explained that by monitoring services and lending experience , the outsiders of board could strengthen the value of the company. Outside directors are supposed to be protector of the shareholders' interests through monitoring activities. This is further supported by Hermalin and Weishbach (1991) and Coughlan and Schmidt (1985) that the argument pertaining the outside director are more critical disciplining device and effective monitors for managers. Furthermore, the

effectiveness of board and company's performance could improve by having outside directors, as agreed by previous empirical findings. (Cotter et al., 1997), (Brickley et al., 1994), (Rosenstein and Wyatt, 1990), (Weisbach, 1998), and (Coughlan and Schmidt, 1985).

This evidence further supported by McKnight and Mira (2003) in which they found that based on Tobin's Q measurement, there is a positive and significant relationship between the proportion of outsiders and company performance. Other empirical evidence in relation to composition of board towards company performance such as Lee et al.(1992), and Byrd and Hickman (1992) found that through the evaluation of strategic decisions by the outside directors may increase the companies' value. Probably, in boosting the company's value by outside directors, the role in the dismissal of inefficient and poorly performing management is also emphasized. (Weisbach, 1998).

However, there is in fact negative correlation between board independence and performance, found by the study of Klein et al (2004), Subrahmanyam et al (1997), and Agrawal and Knoeber (1996). This evidence is further supported by Weir and Laing (1999), and Yermack (1996) in which they found that the proportion of outside directors is negatively correlated with company's performance. While based on study by Haniffa and Hudaib (2006), Klein (1998) and Mehran (1995) discovered that the outsider proportion on the board of directors is not significant related with the performance based on Tobin's Q and ROA measurement.

2.2 The Theory of Agency Costs

Many difficulties associated with the insufficiency of the current theory of the firm which also can be viewed as specific cases of the agency relationships theory that leading to the growing of literature (Ross, 1973; Heckerman, 1975). Independently, this literature has been developed despite concerning on the similar problem as the approaches are highly complementary to each other.

The study of Jensen & Meckling (1976) stated a contract under which one or more persons, both the principals and the agents engage one another to perform some tasks or service on their behalf which involved delegation of some decision making authority to the agent, namely agency relationship. There is relevant reason to believe that the agent sometimes will not act in the best interests of the principal if both parties are utility maximizers in this relationship. To limit the divergences from the principal's interest, appropriate incentives for the agent has been established; as well as by incurring monitoring costs designated as to limit the agent's aberrant activities. Besides, in certain situation, there is a payment to the agent to expend resources (bonding costs) in order to guarantee that he will not act in a way that could harm the principal; or to ensure that the principal will be compensated if he do so. Nevertheless, generally, it is unlikely for the principal or agent at zero cost to ensure that the agent will make optimal decisions from the viewpoint of the principal.

In most of agency relationship, the principal and agent will have positive monitoring and bonding costs either financial or non financial; and there will be some divergence

between the decisions of the agent in which would maximize the principal's welfare. The dollar equivalent of the welfare reduction experienced by the principal by reason of this divergence is also considered as cost of the agency relationship; and Jensen and Meckling (1976) refer to this latter cost as the "residual loss".

They classify these agency costs into monitoring expenses by shareholders, bonding expenses by the agent and residual loss. This opinion supported by the studies of Watts and Zimmerman (1990); and Hill and Jones (1992) consider the agency costs by giving an example of the cost incurred for monitoring by the principal as well as manager's bonding expenses and the residual loss. They show that the differences in actions and interests from both principals and managers may lead to the costs appear and affect eventually towards the benefit of the principal, and in such a way on company value. There are other point of view from Harris and Glegg (2009) who believe that the restriction of shareholders right may resulting to the existence and increase of agency costs.

2.3 The empirical evidence of Agency Costs

Alford and Stangeland (2005) conducted a study that intend to explain impact of taxation imposed on income of the managers being a kind of political cost, on the relationship between agency costs and performance. They suggested that the importance of agency cost and company's efficiency is personal tax, as well as it has negative impact on the performance of manageria. Based on their findings, the comparison for

the results of hypothesis testing reached 2 different samples, which is belongs to 1995 covering 1761 companies and 2002 covering 1785 companies in the same country and sector respectively. It reveals that there is always negative impact of personal tax on the relationship of agency cost and performance.

Whilst Wang (2010) conducted a study to investigate the relationship between agency cost and cash flow, as well as to investigate on how such relationship could affect the company performance. Based on the findings, this study conducted on Taiwan publicly-listed companies were focusing on 3 main points which is there is significant effect between free cash flows on agent cost; the agency cost positively effect on company performance; and no significant effect pertaining the effect of agency cost on company performance.

The following will stated the review of the literature on the relationship between various corporate performance characteristics which includes return on equity and return on asset; and the proxies of agency cost, specifically debt ratio, firm size, growth, expense, and efficiency.

2.3.1 Debt ratio

Brander and Lewis (1986) conclusions indicated that the financial decisions of the companies are interlinked with their strategic options in relation to obtaining a particular

market share level. They conclude that the debt can be either positive or negative significantly related to the market power.

The use of debts can reduce the need for outside financing through the issuance of shares, thus, it will help diminish the manager-stockholder agency problem. In addition, the use of debts can reduce the agency problem of over-investment by committing the company to fixed interest payments (Jensen and Meckling, 1976).

Rehmann (2007) conclude that there is negative relationship between debt used by the firm and its profitability. Omar et al. (2007) conclude that the debt ratio of the Big-4 affiliated audit firms has significant positive relationship with Tobin's Q, while no significant relationship is recorded with ROA. The debt ratio has a significantly positive effect on board ownership with both Tobin's Q and ROA. The study by Crutchley and Jensen (1999) proved the hypothesis that financial leverage or debt ratio is negatively related to agency cost. Meanwhile, Doukas et al. (2001) proposed that the measurement of agency costs should be inversely related to the fraction of debt in the company's capital structure.

Hence, this study proposes the following hypothesis:

H_{a1}: Debt ratio is significantly related with the corporate performance

2.3.2 Firm's size

Doukas et al. (2001) has stated that agency conflicts are more prominent in larger companies where the number of managers and shareholders is greater. That means the firm size is positively related to the agency cost.

Ramasamy et al. (2005) in their paper said that profitability (represented by Return on Equity (ROE) and Return on Assets (ROA)) exhibit a positive relationship with firm size (the log of firm assets as proxy). Their conclusion indicated that large firms have all the options of small firms. Besides, the large firms enjoyed higher profit rates by having the access to capital markets and the capability of harnessing economies of scales from which small firms are excluded.

Moyer et al. (1989) used the market value of outstanding shares (or market capitalization) as a proxy for company size. They reasoned that the greater the market value of outstanding equity, the greater the aggregate potential gains to investors. Theoretically, companies with higher potential agency costs are expected to be monitored more closely.

Hence, this study proposes the following hypothesis:

H_{a2}: Firm size is significantly related with the corporate performance

2.3.3 Company growth

Based on Moyer et al. (1989), high growth companies require more monitoring than established and mature companies in view of their asset-base of the company changes quickly. In line with the rapid changes, it allow the manager to engage in risk shifting behavior due to availability of larger amounts of assets, hence, it involves agency costs. Therefore, a positive relationship is expected between compay growth and agency costs. The research results showed that company growth, proxied by the growth rate of assets, was positively and significantly related to agency costs in companies.

Hence, this study proposes the following hypothesis:

H_{a3}: Company growth is significantly related with the corporate performance

2.3.4 Expense

Expense ratio is defined as the ratio of operating expenses to annual sales. With reference to Ang et al. (2000), expense ratio is considered a direct measurement of agency costs because it measures how effectively the operating costs, including excessive perquisite consumption, and other direct agency costs controlled by management of the companies. Among the items considered as operating expenses are salaries, utilities, supplies, advertising, transportation, depreciation and insurance. Most of these items can be overstated in terms of the amount for the benefit of managers in view of these items are subject to discretion of the management. As such, high operating expenses raise the probability of misuse of funds by the management of the companies.

Therefore, the higher the expense ratio, the higher would be the agency costs in a company.

Hence, this study proposes the following hypothesis:

H_{a4}: The expense is significantly related with the corporate performance

2.3.5 Efficiency

Besides using the expense ratio, the studies by Florackis & Ozkan, (2004), Singh and Davidson III (2003), and Ang et al. (2000) used the asset utilization ratio (efficiency ratio) as proxy for agency costs. This efficiency ratio was defined as the ratio of annual sales to total assets in which it measure the effectiveness of the company's management deploys its assets.

Based on Brealey and Myers (2000), a higher efficiency ratio signals a more efficient management team in utilizing the company's assets to generate more sales. Particularly, this variable is a proxy for the loss in revenue attributable to non-efficient utilization of assets resulting from poor investment and management decisions (such as investing in non-productive assets and mismatch in asset funding), or from negative management behavior (such as exerting less effort to help in revenue generation). Overall, it can be concluded that lower asset utilization ratio indicates a high agency costs. In contrast, higher asset utilization will indicates lower agency costs.

Hence, this study proposes the following hypothesis:

H_{a5}: The efficiency is significantly related with the corporate performance

2.4 Chapter Summary

This study will integrate the results from previous studies and agency costs theory to develop and to test a model that links to the relationship between the proxies of agency costs to the corporate performance. Specifically, the study will examine: (1) the relationship between debt ratio, firm's size, growth, expense and efficiency towards public listed companies' performance; (2) the differences in relationship between the proxy of agency costs for the Top 50 Companies and the Bottom 50 Companies listed in Bursa Malaysia, and the corporate performance.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter discuss the research methodology which has been carried out in order to test the hypothesis of this study. This study employed quantitative research method whereby data were collected and analyzed using SPSS. This chapter primarily investigated the relationship between debt ratio, firm's size, growth, expense and efficiency and public listed companies' performance. The objective is to identify the relationship, the effect of the variables and the empirical research that has to be based on the research question.

3.1 Conceptual Framework

Based on the research hypothesis, theoretical framework has been constructed as follows:

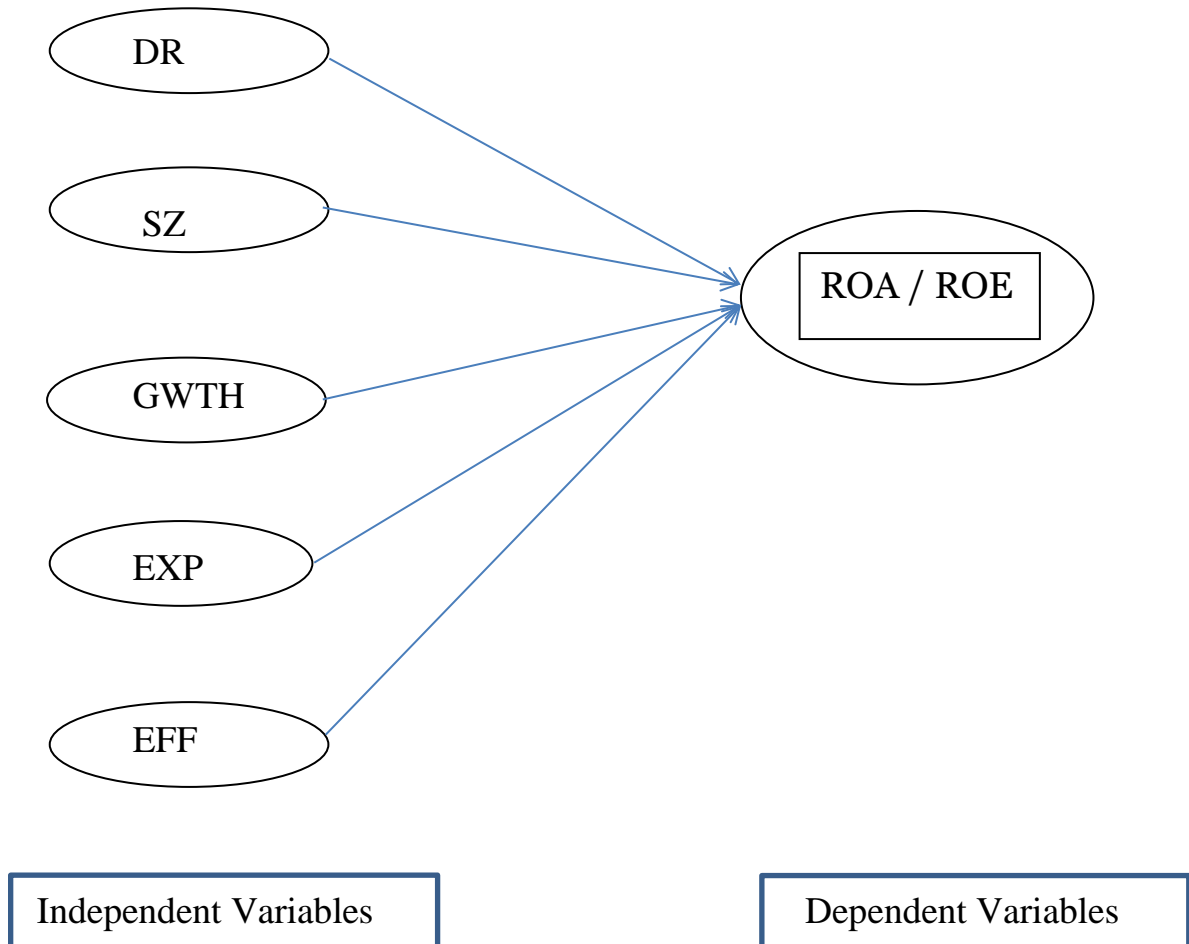


Figure 1 : Research model

Note: DR= Debt Ratio, SZ= Firm Size, GWTH= Growth, EXP= Expense ratio, EFF= Efficiency ratio, and ROA = Return on Asset, ROE = Return on Equity.

3.2 Hypotheses of Study

Based on the discussion on the literature review of studies in regards to the determining the relationship between agency costs and the determinants of corporate performance, the following hypotheses are developed for this study:

H_{a1}: Debt ratio is significantly related with the corporate performance

H_{a2}: Firm size is significantly related with the corporate performance

H_{a3}: Company growth is significantly related with the corporate performance

H_{a4}: The expense is significantly related with the corporate performance

H_{a5}: The efficiency is significantly related with the corporate performance

From the above hypothesis, this study used Return on Assets (ROA) and Return on Equity (ROE) representing the profitability measurement of the corporate performance.

Also, since there is no direct measurement of agency costs, we are using the proxies based on previous studies.

3.3 Research Design

The study adopted a quantitative research design by using secondary data. The data collected from Bursa Malaysia which covered the time series of 2008 to 2012. This is a correlation research because the objective of this study is to determine the relationship between debt ratio, firm's size, growth, expense and efficiency and corporate performance.

3.4 Data Collection : Population and Sampling

The population of this study are 814 Public Listed Companies in Bursa Malaysia as at 31 December 2012. There are 10 industries listed in Bursa Malaysia, namely Basic Materials, Consumer Goods, Consumer Services, Financials, Health Care, Industrials, Oil & Gas, Technology, Telecommunications, and Utilities. The systematic sampling was applied in the selection of the companies, which is the Top 50 and the Bottom 50 of the Bursa Malaysia's ranking. According to Sowell and Casey (1982) ten percent of a population is a number that can be managed in a study. Therefore, from 814 companies, listed in Bursa Malaysia, a total of 100 companies was selected (twelve percent – more are better). This is also based on Lim (1981) which have found that the ownership of shareholding and wealth among the 100 largest firms in the 1960s to be highly concentrated.

However, due to the differences in regulatory requirements and/or financial statement presentation, the omission is applied on all financial and unit trust companies, or in other words, the companies listed under finance sector/industry from this study. Furthermore, the study excluded the companies with incomplete data for the period of study (2008 – 2012); those companies that has been disposed off or taken over during the period of study; and those companies which fail to comply with any obligations under Practice Note such as Practice Note 4 (PN4) and Practice Note 17 (PN17).

As a result, on top of exclusion of the above-mentioned companies, the researcher selected the top 50 and the bottom 50 companies listed on the main board of Bursa Malaysia; across 5 years from 2008 to 2012 as sample.

3.5 Operational Definitions

3.5.1 Debt Ratio

The debt ratio is defined as the ratio of total debt to total assets, expressed in percentage, and can be interpreted as the proportion of a company's assets that are financed by debt. The higher this ratio, the more leveraged the company and the greater its financial risk.

3.5.2 Firm's size

To the present date firm size remains a poorly defined concept. Where the use of size is required by theory, empirical studies typically revert to some proxy or other, such as the number of employees, Total Assets, Sales or Market Capitalisation. Conversely,

the concept of firm size has also been used to proxy for numerous theoretical constructs ranging from risk to liquidity or even political costs (Ball and Foster, 1982).

In the accounting side, McLeay (1986) and McLeay and Fieldsend (1987) have examined the distribution of ratios formed with accounting variables that are summations of positive transactions (such as Sales Stocks, Creditors or Current Assets) asserting that they should exhibit a proportionate behavior. Empirical work by Trigueiros (1995) has extended this result, showing that lognormality is a widespread feature of accounting data. Not only summations of positive transactions, many other positive valued items have cross-section distributions that are lognormal.

In this study, the researcher used the natural log (\ln) of the market value of outstanding shares of a company's common stock at particular year-end.

3.5.3 Company Growth

Significant levels of cash flow and earnings compared to other companies are used to determine if a company falls into Growth companies or vice versa. Growth companies typically have something whether it is an innovative product or a service that draws in more consumers. The stock price of publicly-traded growth companies typically increases at a rapid pace. In this study, the researcher used compound annual growth rate in company total assets over a five-year period

3.5.4 Expense ratio

An expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Operating expenses are taken out of a fund's assets and lower the return to a fund's investors.

Depending on the type of fund, operating expenses vary widely. The largest component of operating expenses is the fee paid to a fund's investment manager/advisor. Other costs include recordkeeping, custodial services, taxes, legal expenses, marketing fee, accounting and auditing fees. A fund's trading activity, the buying and selling of portfolio securities, is not included in the calculation of the expense ratio.

3.5.5 Efficiency ratio

Ratios that are typically used to analyze how well a company uses its assets and liabilities internally. Efficiency Ratios can calculate the turnover of receivables, the repayment of liabilities, the quantity and usage of equity and the general use of inventory and machinery.

Some common ratios are accounts receivable turnover, fixed asset turnover, sales to inventory, sales to net working capital, accounts payable to sales and stock turnover ratio. These ratios are meaningful when compared to peers in the same industry and can identify business that are better managed relative to the others. Also, efficiency ratios

are important because an improvement in the ratios usually translate to improved profitability.

3.5.6 Corporate Performance

Management systems today do a good job of budgeting, financial and management reporting, and rudimentary business intelligence analysis that will connected real-world decisions and corporate actions. Corporate performance comprise of qualitative and quantitative achievements. In this study, the corporate performance represented by the Return on Asset (ROA) and Return on Equity (ROE).

3.6 Measurement of Variables/ Instruments

In this study, the data has been gathered and analyzed using various different statistical tools as follows:

We used the descriptive statistic to get the value of means and to test the differences of means of the variables under both categories, the top 50 and the bottom 50 of listed companies. On top of that, we used univariate analysis and the Pearson Correlation Matrix, as well as the regression model analysis to determine the coefficient correlation between dependent and independent variables (Favero et al. (2006); Gorriz and Fumas (2005); and Anderson and Reeb (2003)). The statistical analysis is to testify whether there is any significant relationship between the dependent and independent variables.

As such, we develop two specific models or equations to analyze the relationship between the agency costs and corporate performance.

A multiple regression model used to explain the profitability of the companies which is proxied by the Return on Asset (ROA) and Return on Equity (ROE). The hypothesized relationship between ROA/ROE and its determinants is as follows:

$$\text{ROA} = \alpha + \beta_1 \text{ DEBT RATIO} + \beta_2 \text{ SIZE} + \beta_3 \text{ GROWTH} + \beta_4 \text{ EXPENSE} + \beta_5 \text{ EFFICIENCY} + e$$

$$\text{ROE} = \alpha + \beta_1 \text{ DEBT RATIO} + \beta_2 \text{ SIZE} + \beta_3 \text{ GROWTH} + \beta_4 \text{ EXPENSE} + \beta_5 \text{ EFFICIENCY} + e$$

Where,

ROA :

Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated as: Net Income divided by Average Total Assets of the company.

ROE :

Return on Equity (ROE) measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. Calculated as: Net Income Available for Common Shareholders divided by the Average Total Common Equity of the company

DEBT RATIO :

Total Debt to Total Asset. Calculated as : Short term borrowings plus the long term borrowings and subsequently divided by total assets of the company.

SIZE :

The natural log (ln) of the market value of outstanding shares of a company's common stock at year-end 2012. The outstanding shares is calculated as the net of treasury shares where it is the combined number of primary common share equivalents of all classes outstanding in millions as of Balance Sheet date for multiple share companies. Excluded unearned shares in Employee Stock-Option Plan (ESOP) i.e shares that have not vested. Once they vest they are no longer held by the company and are included in Shares Outstanding. If no disclosure, assumption is that shares are vested.

GROWTH :

Compound annual growth rate in company total assets over a five-year period ending in 2012.

EXPENSE :

Five-year average, ending in 2012 of company operating expense divided by annual sales. The operating expenses (OPEX) includes selling & Administrative expenses (SG&A) and other operating expenses after cost of goods sold (COGS). If there is no breakdown between COGS and SG&A, it includes the entire amount which represents total OPEX. Expenses which are attributed to non operating business or one-time gains or losses are excluded in Operating Expenses.

EFFICIENCY :

Five-year average, ending in 2012 of company annual sales divided by total assets. Total operating revenues less various adjustments to Gross Sales. Adjustments: Returns, discounts, allowances, excise taxes, insurance charges, sales taxes, and value added taxes (VAT). Includes revenues from financial subsidiaries in industrial companies if the consolidation includes those subsidiaries throughout the report. Excludes inter-company revenue and revenues from discontinued operations. Includes subsidies from federal or local government in certain industries (i.e transportation or utilities).

3.6.1 Demographic Profile

As mentioned earlier, the population of this study are 814 Public Listed Companies in Bursa Malaysia as at 31 March 2014. It consists of 10 industries listed in Bursa Malaysia. Meanwhile the sample taken was the Top 50 and the Bottom 50 companies based on the Bursa Malaysia's ranking. All of these population and sample was categorized under 4 classes namely Industry, Sector, Sub Sector and Super sector.

3.6.1.1 Industry

There are 10 type of industries in Bursa Malaysia. The details as follows:

ICB_INDUSTRY_NAME	All	Top 50	Bottom 50
Basic Materials	71	2	4
Consumer Goods	168	12	11
Consumer Services	59	11	1
Financials	106	5	-
Health Care	19	3	-
Industrials	265	7	22
Oil & Gas	24	3	1
Technology	81	-	9
Telecommunications	11	3	2
Utilities	10	4	-
Grand Total	814	50	50

3.6.1.2 Sector

There are 37 type of Sector in Bursa Malaysia. The details as follows:

ICB_SECTOR_NAME	All	Top 50	Bottom 50
Automobiles & Parts	21	2	1
Banks	11	-	-
Beverages	9	3	-
Chemicals	27	2	3
Construction & Materials	97	3	9
Electricity	2	1	-
Electronic & Electrical Equipment	34	-	1
Financial Services	13	-	-
Fixed Line Telecommunications	4	1	1
Food & Drug Retailers	1	-	-
Food Producers	61	6	2
Forestry & Paper	13	-	1
Gas, Water & Multiutilities	8	3	-
General Industrials	31	1	1
General Retailers	21	4	1
Health Care Equipment & Services	14	3	-
Household Goods & Home Construction	35	-	5
Industrial Engineering	51	1	6
Industrial Metals & Mining	29	-	-
Industrial Transportation	23	2	1
Leisure Goods	7	-	-
Life Insurance	1	-	-
Media	8	-	-
Mining	2	-	-
Mobile Telecommunications	7	2	1
Nonlife Insurance	6	-	-
Oil & Gas Producers	4	2	-
Oil Equipment, Services & Distribution	20	1	1
Personal Goods	34	-	3
Pharmaceuticals & Biotechnology	5	-	-
Real Estate Investment & Services	69	5	-
Real Estate Investment Trusts	6	-	-
Software & Computer Services	61	-	5
Support Services	29	-	4
Technology Hardware & Equipment	20	-	4
Tobacco	1	1	-
Travel & Leisure	29	7	-
Grand Total	814	50	50

3.6.1.3 Sub Sector

There are 87 type of Sector in Bursa Malaysia. The details as follows:

ICB_SUBSECTOR_NAME	All	Top 50	Bottom 50
Airlines	2	1	-
Alternative Electricity	1	1	-
Aluminum	4	-	-
Apparel Retailers	3	-	-
Auto Parts	15	-	1
Automobiles	4	2	-
Banks	11	-	-
Biotechnology	1	-	-
Brewers	2	2	-
Broadcasting & Entertainment	1	-	-
Broadline Retailers	7	2	-
Building Materials & Fixtures	52	1	8
Business Support Services	12	-	-
Business Training Employment Agency	1	-	-
Clothing & Accessories	20	-	3
Coal	1	-	-
Commercial Vehicles & Trucks	9	1	1
Commodity Chemicals	7	-	1
Computer Hardware	4	-	2
Computer Services	32	-	3
Consumer Electronics	7	-	-
Consumer Finance	2	-	-
Containers & Packaging	26	-	1
Conventional Electricity	1	-	-
Delivery Services	3	-	-
Distillers & Vintners	1	-	-
Diversified Industrials	5	1	-
Diversified REITs	1	-	-
Durable Household Products	9	-	-
Electrical Components & Equipment	24	-	1
Electronic Equipment	10	-	-
Exploration & Production	3	1	-
Farming, Fishing & Plantations	37	4	1
Fixed Line Telecommunications	4	1	1
Food Products	24	2	1
Food Retailers & Wholesalers	1	-	-
Footwear	5	-	-

ICB_SUBSECTOR_NAME	All	Top 50	Bottom 50
Forestry	13	-	1
Full Line Insurance	2	-	-
Furnishings	22	-	5
Gambling	6	3	-
General Mining	1	-	-
Health Care Providers	5	1	-
Heavy Construction	45	2	1
Home Improvement Retailers	2	-	1
Hotels	9	2	-
Industrial & Office REITs	4	-	-
Industrial Machinery	42	-	5
Industrial Suppliers	9	-	2
Integrated Oil & Gas	1	1	-
Internet	3	-	1
Investment Services	8	-	-
Iron & Steel	24	-	-
Life Insurance	1	-	-
Marine Transportation	8	1	-
Media Agencies	3	-	-
Medical Equipment	1	-	-
Medical Supplies	8	2	-
Mobile Telecommunications	7	2	1
Mortgage Finance	1	-	-
Multiutilities	3	3	-
Nondurable Household Products	4	-	-
Nonferrous Metals	1	-	-
Oil Equipment & Services	20	1	1
Personal Products	9	-	-
Pharmaceuticals	4	-	-
Property & Casualty Insurance	3	-	-
Publishing	4	-	-
Real Estate Holding & Development	69	5	-
Reinsurance	1	-	-
Restaurants & Bars	6	1	-
Retail REITs	1	-	-
Semiconductors	7	-	2

ICB_SUBSECTOR_NAME	All	Top 50	Bottom 50
Soft Drinks	6	1	-
Software	26	-	1
Specialized Consumer Services	2	-	-
Specialty Chemicals	20	2	2
Specialty Finance	2	-	-
Specialty Retailers	7	2	-
Telecommunications Equipment	9	-	-
Tires	2	-	-
Tobacco	1	1	-
Transportation Services	9	1	-
Travel & Tourism	6	-	-
Trucking	3	-	1
Waste & Disposal Services	7	-	2
Water	5	-	-
Grand Total	814	50	50

3.6.1.4 Super Sector

There are 19 type of Sector in Bursa Malaysia. The details as follows:

ICB_SUPERSECTOR_NAME	All	Top 50	Bottom 50
Automobiles & Parts	21	2	1
Banks	11	-	-
Basic Resources	44	-	1
Chemicals	27	2	3
Construction & Materials	97	3	9
Financial Services	13	-	-
Food & Beverage	70	9	2
Health Care	19	3	-
Industrial Goods & Services	168	4	13
Insurance	7	-	-
Media	8	-	-
Oil & Gas	24	3	1
Personal & Household Goods	77	1	8
Real Estate	75	5	-
Retail	22	4	1
Technology	81	-	9
Telecommunications	11	3	2
Travel & Leisure	29	7	-
Utilities	10	4	-
Grand Total	814	50	50

3.6.2 Variables

Variables is a measurable characteristic that varies. It may change from group to group, person to person, or even within one person over time. The purpose of all research is to describe and explain variance in the world. Variance is simply the difference; that is, variation that occurs naturally in the world or change that we create as a result of a manipulation. A variable is either a result of some force or is itself the force that causes a change in another variable. In experiments, these are called dependent and independent variables respectively.

As mentioned earlier, in this study, the dependent variable is Corporate Performance which is measured by Return on Assets (ROA) and Return on Equity (ROE). Meanwhile the independent variables involved are Deb Ratio, Firm's Size, Company Growth, Expense Ratio and Efficiency Ratio.

3.6.2.1 Debt Ratio

According to Jensen and Meckling (1976), the use of debts can reduce the need for outside financing through the issuance of shares, thus, it will help diminish the manager-stockholder agency problem. In addition, the use of debts can reduce the agency problem of over-investment by committing the company to fixed interest payments.

3.6.2.2 Firm's Size

Doukas et al. (2001) has stated that agency conflicts are more prominent in larger companies where the number of managers and shareholders is greater. That means the firm size is positively related to the agency cost.

3.6.2.3 Company Growth

Based on Moyer et al. (1989), high growth companies require more monitoring than established and mature companies in view of their asset-base of the company changes quickly. In line with the rapid changes, it allow the manager to engage in risk shifting behavior due to availability of larger amounts of assets, hence, it involves agency costs.

3.6.2.4 Expense Ratio

With reference to Ang et al. (2000), expense ratio is considered a direct measurement of agency costs because it measures how effectively the operating costs, including excessive perquisite consumption, and other direct agency costs controlled by management of the companies.

3.6.2.5 Efficiency

Based on Brealey and Myers (2000), a higher efficiency ratio signals a more efficient management team in utilizing the company's assets to generate more sales.

3.7 Data Collection Procedure

This study used secondary data regarding the financial indicators for the period of 2008 to 2012. The data was taken from the annual reports of companies which can be extracted from the financial database of Bursa Malaysia, namely Datastream.

Several control variables used to represent companies characteristics such as firm size, which is the natural log of total asset ($\ln \text{asset}$) of the company and companies debt ratio as a firm leverage (Lev) by calculating total debt over total asset of the company. Other than that are company growth, expense and efficiency ratio.

This study also represent the profitability as a performance measurement by using accounting measures such as Return on Assets (ROA) and Return on Equity (ROE) .

Higher ROA shows the company uses its asset effectively in serving shareholders' economic interests. Meanwhile, ROE indicates the expectation of something in return from investor investment. In addition, it also measures the effectiveness of shareholder investment.. These performance measurement have been widely used as proxies for

company performance (Sraer and Thesmar, 2006; Favero et al., 2006; Haniffa and Hudaib, 2006; Anderson and Reeb, 2003; Rhoades et al., 2001; Daily and Dalton, 1998; McConnell and Servaes, 1990).

Both has been chosen as there is no consensus regarding the dependent variable options in measuring performance. We hope that the measurement selected can give beneficial information and benefits. However, no doubt on the use of alternative measurements that will help to check the robustness of the findings.

3.8 Technique of Data Analysis

The statistical testing is a step of statistical inference by using the data of study. The statistic result is called statistically significant if it has been anticipated as unlikely to have occurred by chance alone, based on pre-determined threshold probability, the significance level. These tests has been used in determining the outcomes of our study that can lead to a rejection of the null hypothesis for a pre-specified significance level which can help in making decision whether the results have enough information to cast doubt on conventional wisdom, given that it has been used to establish the null hypothesis.

In general, many studies used Pearson chi-square statistical test to determine whether their results are significant which means whether there is a relationship between two

categorical variables, and whether to accept or reject the proposed null hypothesis and alternate hypothesis. The null hypothesis states that there is no considerable dissimilarity between the expected and observed result. Chi-square is the sum of the squared difference between observed and the expected data, divided by the expected data in all possible categories.

Moayad and Tawfeeq (2013) in their study used the nonparametric statistical tests and Kendall correlation to measure the association between dependent and independent variables; and Kolmogorov-Smirnov test to determine the differences between both variables. Whilst Hazlindar, Fazilah and Afizar (2008) in their study used panel pooled regression model analysis in order to determine the coefficient correlation between dependent and independent variables; which is in line with study of Favero et al (2006), Gorriz and Fumas (2005); and Anderson and Reeb (2003).

For this study, we used the univariate analysis and multiple regression model to explain the relationship between the profitability of the companies which is proxied by the Return on Assets (ROA) and Return on Equity (ROE) with the debt ratio, firm's size, growth, expense and efficiency as proxy of agency costs.

3.8.1 Descriptive Statistic : Frequency Distributions

Descriptive statistics is the discipline of quantitatively describing the main features of a collection of information, or the quantitative description itself. Descriptive statistics are distinguished from inferential statistics (or inductive statistics), in that descriptive statistics aim to summarize a sample, rather than use the data to learn about the population that the sample of data is thought to represent. This generally means that descriptive statistics, unlike inferential statistics, are not developed on the basis of probability theory. Even when a data analysis draws its main conclusions using inferential statistics, descriptive statistics are generally also presented. This study has presented the frequency distribution of the sample in the following chapter.

3.8.2 Hypotheses Testing : Pearson Correlation Coefficient

The Pearson Correlation Coefficient is a useful statistical formula that measures the strength between variables and relationships. In the field of statistics, this formula is often referred to as the Pearson R test. When conducting a statistical test between two variables, the researcher has decided to conduct a Pearson Correlation Coefficient value to determine how strong that relationship is between those two variables.

3.9 Chapter Summary

In this chapter, research framework is identified to be the base for this study. Hypotheses of this study have been constructed in order to align with the research objective. Researcher also have identified the related research design, measurement of variable or instruments been used.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

All of the information needed are gathered and it has been analyzed by SPSS software. In this chapter, we use the descriptive statistic, Pearson correlation, Univariate analysis of variance and Multiple linear regression. This chapter presents the results on the determinants of relationship between corporate performance with debt ratio, firm size, growth, expense, efficiency, profit margin, and board rank. In this study the performance of the company is measured by Return on Assets (ROA) and Return on Equity (ROE). ROA gives an idea on how efficient management is at using its assets to generate earnings. ROE measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

4.1 Descriptive Analysis : 100 Public Listed Companies

Table 4.1 gives the descriptive analysis for the main variables used in this study. The table shows the average debt ratio proportion is 21.91 per cent. That means on average, the amount of debts of the sample companies is nearly to one-quarter of its total assets. While for growth, the average is 3.7 per cent with some companies having a 89.73 per cent and -54.90 per cent growth. The mean expense ratio for the five-year average,

ending 2012 recorded 70.74 per cent and the five-year average, ending 2012 efficiency ratio was 78.50 per cent.

For profit margin, the average is -37.52 per cent with some companies enjoying 210.44 per cent profit margin while some of the other companies bearing negative margin. The mean for board rank is 50 per cent while for ROA and ROE, it has recorded average of 2.67 per cent and 5.27 per cent respectively.

Finally, the mean size, which was proxied by the natural log (ln) of market capitalization, was 5.75. This shows that at the end of 2012, the average market capitalization of the companies in the sample was RM315,350,000. The average total sales for 2012 of the sample companies stood at RM3,723,413,771, showing that the average total sales for the companies was 11.80 times greater than the average market capitalization.

With reference to the finding from the study by Bala and Darrly (2005), it showed that there is positive relationship between profitability [based on Return on Equity (ROE) and Return on Assets (ROA)] and the firm size (which is proxied by the log of firm assets). They concluded that large firms have all the options of small firms, as well as harnessing economies of scales capability and capital markets access from which small firms are excluded, hence leading to higher profit rates.

Table 4.1 : Descriptive Statistics : 100 Public Listed Companies

	Debt ratio	Size	Growth	Expense	Efficiency	ROA	ROE
Mean	0.2192	5.7536	0.0374	0.7074	0.7850	0.0267	0.0527
Median	0.1962	5.4116	0.0380	0.2643	0.5958	0.0308	0.0711
Standard deviation	0.1727	3.4726	0.1535	2.0506	0.6196	0.1098	0.3059
Variance	0.0300	12.0590	0.0240	4.2050	0.3840	0.0120	0.0940
Skewness	0.8870	0.0580	1.2770	8.6670	1.5140	0.9080	1.2170
Kurtosis	0.7630	-1.8560	10.9190	81.2660	2.2530	3.5800	13.1250
Minimum	0.0000	0.6677	-0.5490	0.0266	0.0781	0.2223	-1.3034
Maximum	0.7865	10.9545	0.8973	20.0073	2.9263	0.5074	1.7595

4.2 Descriptive Analysis : Top 50 Public Listed Companies

Table 4.2 gives the descriptive analysis for the main variables for the Top 50 companies used in this study. The table shows the average debt ratio proportion is 22.70 per cent. That means on average, the amount of debts for the population of 50 companies is nearly to one-quarter of its total assets. While for growth, the average is 10.79 per cent with some companies having a 37.38 per cent and -12.88 per cent growth. The mean expense ratio for the five-year average, ending 2012 recorded 31.43 per cent and the five-year average, ending 2012 efficiency ratio was 79.09 per cent.

For ROA and ROE, it has recorded average of 9.94 per cent and 21.65 per cent respectively.

Finally, the mean size, which was proxied by the natural log (ln) of market capitalization, was 9.14. This shows that at the end of 2012, the average market capitalization of the companies in the sample was RM9,347,030,000. The average total sales for 2012 of the sample companies stood at RM7,393,916,214, showing that the average total sales for the companies was 11.80 times greater than the average market capitalization.

Table 4.2 : Descriptive Statistics : Top 50 Public Listed Companies

	Debt ratio	Size	Growth	Expense	Efficiency	ROA	ROE
Mean	0.2270	9.1428	0.1079	0.3143	0.7909	0.0994	0.2165
Median	0.2229	8.8327	0.1019	0.1573	0.4414	0.0638	0.1345
Standard deviation	0.1568	0.8306	0.0904	0.3140	0.7265	0.0927	0.2837
Variance	0.0250	0.6900	0.0080	0.0990	0.5280	0.0090	0.0810
Skewness	0.4090	0.6990	0.7040	1.1120	1.6010	2.4150	4.0140
Kurtosis	-	-0.6810	1.7680	-0.5060	2.0030	7.2130	18.5540
Minimum	0.0000	8.0428	-0.1288	0.0274	0.0781	0.0121	0.0309
Maximum	0.5898	10.9545	0.3738	0.9296	2.9263	0.5074	1.7595

4.3 Descriptive Analysis : Bottom 50 Public Listed Companies

Table 4.3 gives the descriptive analysis for the main variables for the Bottom 50 companies used in this study. The table shows the average debt ratio proportion is 21.13 per cent. That means on average, the amount of debts of the sample companies is nearly to one-quarter of its total assets. While for growth, the average is -3.3 per cent with some companies having a 89.73 per cent and -54.90 per cent growth. The mean expense ratio for the five-year average, ending 2012 recorded 110 per cent and the five-year average, ending 2012 efficiency ratio was 77.91 per cent. For ROA and ROE, it has recorded average of -4.61 per cent and -11.12 per cent respectively.

Finally, the mean size, which was proxied by the natural log (ln) of market capitalization, was 2.36. This shows that at the end of 2012, the average market capitalization of the companies in the sample was RM10,637,570. The average total sales for 2012 of the sample companies stood at RM52,911,328, showing that the average total sales for the companies was 4.97 times greater than the average market capitalization.

Table 4.3 : Descriptive Statistics : Bottom 50 Public Listed Companies

	Debt ratio	Size	Growth	Expense	Efficiency	ROA	ROE
Mean	0.2113	2.3644	-0.0331	1.1006	0.7791	-0.0461	-0.1112
Median	0.1746	2.5350	-0.0289	0.4896	0.6439	-0.0283	-0.0463
Standard deviation	0.1885	0.4809	0.1711	2.8429	0.4977	0.0706	0.2320
Variance	0.0360	0.2310	0.0290	8.0820	0.2480	0.0050	0.0540
Skewness	1.2100	-1.9140	2.7260	6.2810	1.0050	-0.7370	-2.6760
Kurtosis	1.4220	3.9070	19.0690	41.9930	0.6030	-0.0300	13.8540
Minimum	0.0000	0.6677	-0.5490	0.0266	0.1034	-0.2223	-1.3034
Maximum	0.7865	2.7804	0.8973	20.0073	2.1341	0.0761	0.4306

4.4 Correlation Analysis – Pearson Correlation Matrix : 100 PLC

The Pearson Correlation Matrix is shown in Table 4.4 which shows the relationship between the independent variable and dependent variable.

The dependent variables, ROA and ROE are considered significantly correlated with all variables, either at the 0.01 or 0.05 level, except for the debt ratio. However, the correlation benchmark for this study is at the level of 0.05. Therefore, the dependent

variables, Return on Assets (ROA) is significantly correlated with only one independent variable at alpha = 0.05 level which is company growth. While Return on Equity (ROE) is significantly correlated with three of the independent variables at alpha = 0.05 level. ROE is negatively correlated with Expense (-0.208), and positively correlated with company growth (0.201) and profit margin (0.238). Based on the benchmark of alpha = 0.05 level, the other independent variables were not significantly correlated with ROA & ROE.

Among the independent variables, the top 2 highest correlation was between Size and Board rank, as well as Expense and Profit margin. The degree of collinearity for the two variables was 0.981 and -0.976 respectively; and both are significant at alpha = 0.05 level. This means when Firm size moves or changes, Board rank will change accordingly by approximately 98.1 per cent; meanwhile when Expense moves or changes, Profit margin changes inversely by approximately 97.6 per cent.

Table 4.4 : Pearson Correlation Matrix : 100 PLC

	Debt ratio	Size	Growth	Expense	Efficiency	ROA	ROE
Debt ratio	1	0.047	0.047	-0.135	-0.181	-0.085	-0.106
Size	0.047	1	0.442 **	-0.218 *	0.017	0.675 **	0.576 **
Growth	0.047	0.442 **	1	-0.402 **	-0.082	0.214 *	0.201 *
Expense	-0.135	-0.218 *	-0.402 **	1	-0.113	-0.296 **	-0.208 *
Efficiency	-0.181	0.017	-0.082	-0.113	1	0.44 **	0.439 **
ROA	-0.085	0.675 **	0.214 *	-0.296 **	0.44 **	1	0.870 **
ROE	-0.106	0.576 **	0.201 *	-0.208 *	0.439 **	0.87 **	1

** Correlation is significant at the 0.01 level (2-tailed)

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

4.5 Correlation Analysis – Pearson Correlation Matrix : Top 50 PLC

The Pearson Correlation Matrix is shown in Table 4.5 which shows the relationship between the independent variable and dependent variable.

The dependent variables, ROA and ROE are considered significantly correlated with all variables, either at the 0.01 or 0.05 level, except for the debt ratio, firm size and expense. However, the correlation benchmark for this study is at the level of 0.05. Therefore, the dependent variables, Return on Assets (ROA) is significantly correlated with two of independent variable at alpha = 0.05 level which is company growth (0.373), and efficiency (0.708).

While Return on Equity (ROE) is significantly correlated with only one the independent variables at alpha = 0.05 level, which is efficiency (0.669). Based on the benchmark of alpha = 0.05 level, the other independent variables were not significantly correlated with ROA & ROE. The highest growth among the Independent and Dependent variables was between ROA and Efficiency. The degree of collinearity of both variables was 0.708, significant at alpha = 0.05. This means when efficiency moves or changes, ROA changes approximately by 70.8%.

Among the independent variables, the highest correlation was between Growth and Efficiency. The degree of collinearity for the two variables was -0.316, significant at alpha = 0.05 level. This means when growth moves or changes, efficiency will change inversely by approximately 31.6 per cent.

Table 4.5 : Pearson Correlation Matrix : Top 50 PLC

	Debt ratio	Size	Growth	Expense	Efficiency	ROA	ROE
Debt ratio	1	0.116	0.154	0.158	-0.158	0.200	0.045
Size	0.116	1	-0.250	0.210	0.007	0.025	0.130
Growth	0.154	0.250	1	-0.110	-0.316 *	0.373 **	0.313 *
Expense	0.158	0.210	-0.110	1	-0.158	0.182	0.069
Efficiency	0.158	0.007	-0.316 *	-0.158	1	0.708 **	0.669 **
ROA	0.200	0.025	-0.373 **	-0.182	0.708 **	1	0.899 **
ROE	0.045	0.130	-0.313 *	-0.069	0.669 **	0.899 **	1

** Correlation is significant at the 0.01 level (2-tailed)

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

4.6 Correlation Analysis – Pearson Correlation Matrix : Bottom 50 PLC

The Pearson Correlation Matrix is shown in Table 4.6 which shows the relationship between the independent variable and dependent variable.

The dependent variables, ROA and ROE are considered significantly correlated with all variables, either at the 0.01 or 0.05 level, except for the growth. However, the correlation benchmark for this study is at the level of 0.05. Therefore, the dependent variables, Return on Assets (ROA) is significantly correlated with only one independent variable at $\alpha = 0.05$ level which is firm size. While Return on Equity (ROE) is significantly correlated with two of the independent variables at $\alpha = 0.05$ level. ROE is negatively correlated with Debt ratio (-0.365), and positively correlated with firm size (0.646). Based on the benchmark of $\alpha = 0.05$ level, the other independent variables were not significantly correlated with ROA & ROE.

Among the independent variables, the highest correlation was between Growth and Expense. The degree of collinearity for the two variables was -0.402, significant at $\alpha = 0.05$ level. This means when Growth moves or changes, Expense will change inversely by approximately 40.2 per cent.

Table 4.6 : Pearson Correlation Matrix : Bottom 50 PLC

	Debt ratio	Size	Growth	Expense	Efficiency	ROA	ROE
Debt ratio	1	-0.140	-0.025	-0.182	-0.225	-0.112	-0.365 **
Size	-0.140	1	0.087	-0.348 *	0.129	0.456 **	0.646 **
Growth	-0.025	0.087	1	-0.402 **	0.049	-0.003	0.087
Expense	-0.182	-0.348 *	-0.402 **	1	-0.176	-0.354 *	-0.192
Efficiency	-0.225	0.129	0.049	-0.176	1	0.340 *	0.245
ROA	-0.112	0.456 **	-0.003	-0.354 *	0.340 *	1	0.676 **
ROE	-0.365 **	0.646 **	0.087	-0.192	0.245	0.676 **	1

** Correlation is significant at the 0.01 level (2-tailed)

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

4.7 Univariate Analysis of Variance : 100 PLC

Univariate analysis involves describing the distribution of a single variable, including its central tendency (including the mean, median, and mode) and dispersion (including the range and quantiles of the data-set, and measures of spread such as the variance and standard deviation). The shape of the distribution may also be described via indices such as skewness and kurtosis. Characteristics of a variable's distribution may also be depicted in graphical or tabular format, including histograms and stem-and-leaf display.

Table 4.7 summarizes the relationship between Return on Assets and company specific characteristic. In this study the performance of the company is measured by Return on Assets (ROA).

Table 4.7 (i) : Univariate analysis for relationship between ROA and company specific characteristics

Variables	ROA		
	Coefficient	t-statistic	Significant
Debt ratio	-0.054	-0.840	0.403
Size	0.021	9.065	0.000
Growth	0.153	2.173	0.032
Expense	-0.016	-3.067	0.003
Efficiency	0.078	4.854	0.000

Table 4.7 (i) provides the results of univariate analysis of ROA against the independent variables. From the analysis, it shows that the result of the relationship between firm size, growth, expense, efficiency, profit margin and board rank with Return on asset (ROA) are significant, which given t-significant value stand is < 0.05 . Hence, it can be inferred that hypothesis is supported which is explained that there is significant

relationship among firm size, growth, expense, efficiency, profit margin and board rank with Return on assets (ROA).

While Debt ratio show that t-significant value stand is > 0.05 , which is not significant. Therefore, there is no significant relationship among Debt ratio with Return on assets (ROA).

Table 4.3b summarizes the relationship between Return on Equity and company specific characteristic. In this study the performance of the company is measured by Return on Equity (ROE).

Table 4.7 (ii) : Univariate analysis for relationship between ROE and company specific characteristics

Variables	ROE		
	Coefficient	t-statistic	Significant
Debt ratio	-0.188	-1.059	0.292
Size	0.051	6.971	0.000
Growth	0.400	2.027	0.045
Expense	-0.031	-2.108	0.038
Efficiency	0.217	4.837	0.000

Table 4.7 (ii) provides the results of univariate analysis of ROE against the independent variables. From the analysis between firm size, growth, expense, efficiency, profit margin and board rank with Return on equity (ROE) shows that t-significant value stand is < 0.05 , which is significant. Hence, it can be inferred that hypothesis is supported which is explained that there is significant relationship among firm size, growth, expense, efficiency, profit margin and board rank with Return on equity (ROE).

While Debt ratio show that t-significant value stand is > 0.05 , which is not significant. Therefore, there is no significant relationship among Debt ratio with Return on equity (ROE).

4.8 Univariate Analysis of Variance : Top 50 PLC

Table 4.8 (i) summarizes the relationship between Return on Assets and company specific characteristic for the Top 50 Companies. In this study the performance of the company is measured by Return on Assets (ROA).

Table 4.8 (i) : Univariate analysis for relationship between ROA and company specific characteristics

Variables	ROA		
	Coefficient	t-statistic	Significant
Debt ratio	-0.338	-1.413	0.164
Size	0.222	0.172	0.864
Growth	-0.363	-2.783	0.008
Expense	-0.617	-1.283	0.206
Efficiency	5.553	6.955	0.000

Table 4.8 (i) provides the results of univariate analysis of ROA against the independent variables for yje Top 50 companies. From the analysis, it shows that the result of the relationship between growth, and efficiency with Return on asset (ROA) are significant, which given t-significant value stand is < 0.05 . Hence, it can be inferred that hypothesis is not rejected which is explained that there is significant relationship among firm growth, and efficiency with Return on assets (ROA).

While Debt ratio, firm size, and expense show that t-significant value stand is > 0.05 , which is not significant. Therefore, there is no significant relationship among Debt ratio, firm size and expense with Return on assets (ROA).

Table 4.8 (ii) summarizes the relationship between Return on Equity and company specific characteristic for the Top 50 companies. In this study the performance of the company is measured by Return on Equity (ROE).

Table 4.8 (ii) : Univariate analysis for relationship between ROE and company specific characteristics

Variables	ROE		
	Coefficient	t-statistic	Significant
Debt ratio	0.025	0.311	0.757
Size	0.381	0.909	0.368
Growth	-0.100	-2.279	0.027
Expense	-0.076	-0.480	0.634
Efficiency	1.713	6.237	0.000

Table 4.8 (ii) provides the results of univariate analysis of ROE against the independent variables for the Top 50 companies. From the analysis growth, and efficiency with Return on equity (ROE) shows that t-significant value stand is < 0.05 , which is significant. Hence, it can be inferred that hypothesis is not rejected which is explained that there is significant relationship among firm growth, and efficiency with Return on assets (ROE).

While Debt ratio, firm size, and expense show that t-significant value stand is > 0.05 , which is not significant. Therefore, there is no significant relationship among Debt ratio, firm size and expense with Return on assets (ROE).

4.9 Univariate Analysis of Variance : Bottom 50 PLC

Table 4.9 (i) summarizes the relationship between Return on Assets and company specific characteristic for the Bottom 50 companies. In this study the performance of the company is measured by Return on Assets (ROA).

Table 4.9 (i) : Univariate analysis for relationship between ROA and company specific characteristics

Variables	ROA		
	Coefficient	t-statistic	Significant
Debt ratio	-0.054	-0.840	0.403
Size	0.021	9.065	0.000
Growth	0.153	2.173	0.032
Expense	-0.016	-3.067	0.003
Efficiency	0.078	4.854	0.000

Table 4.9 (i) provides the results of univariate analysis of ROA against the independent variables for the Bottom 50 companies. From the analysis, it shows that the result of the relationship between firm size, growth, expense, and efficiency with Return on asset (ROA) are significant, which given t-significant value stand is < 0.05 . Hence, it can be inferred that hypothesis is not rejected which is explained that there is significant relationship among firm size, growth, expense, and efficiency with Return on assets (ROA).

While Debt ratio show that t-significant value stand is > 0.05 , which is not significant. Therefore, there is no significant relationship among Debt ratio with Return on assets (ROA).

Table 4.9 (ii) summarizes the relationship between Return on Equity and company specific characteristic. In this study the performance of the company is measured by Return on Equity (ROE).

Table 4.9 (ii) : Univariate analysis for relationship between ROE and company specific characteristics

Variables	ROE		
	Coefficient	t-statistic	Significant
Debt ratio	-0.188	-1.059	0.292
Size	0.051	6.971	0.000
Growth	0.400	2.027	0.045
Expense	-0.031	-2.108	0.038
Efficiency	0.217	4.837	0.000

Table 4.9 (ii) provides the results of univariate analysis of ROE against the independent variables for the Bottom 50 companies. From the analysis between firm size, growth, expense, and efficiency with Return on equity (ROE) shows that t-significant value stand is < 0.05 , which is significant. Hence, it can be inferred that hypothesis is supported which is explained that there is significant relationship among between firm size, growth, expense, and efficiency with Return on equity (ROE).

While Debt ratio show that t-significant value stand is > 0.05 , which is not significant. Therefore, there is no significant relationship among Debt ratio with Return on equity (ROE).

4.10 Linear Regression Analysis :

Hypotheses Testing : Pearson Correlation Coefficient – 100 PLC

In statistics, linear regression is an approach for modeling the relationship between a scalar dependent variable y and one or more explanatory variables denoted X . The case of one explanatory variable is called *simple linear regression*. For more than one explanatory variable, the process is called *multiple linear regression*

The Pearson Correlation Coefficient is a statistical formula that measures the strength between variables and relationships. When conducting a statistical test between two variables, a Pearson Correlation Coefficient value analysis also has been conducted in order to determine just how strong that relationship is between those two variables.

Table 4.10 summarizes the results of multiple regression analysis of ROA & ROE against the independent variables for 100 companies (Top 50 and Bottom 50) using the enter procedure method, where the regression equation was built up one variable at a time.

The results show that the independent variables in the model could explain 64.6 per cent of the variation in ROA with an F-value of 37.093 and a probability of 0.000. This means that collectively, the determining variables have a significant impact on ROA.

When each determining variable was examined individually while holding the remaining predictors constant, Firm Size, Expense and Efficiency are found to be statistically significant at alpha <0.05 level to explain the variation in ROA, while the other independent variables were not statistically significant in explaining the variation in ROA.

Meanwhile, the results also show that the independent variables in the model could explain 49.7 per cent of the variation in ROE with an F-value of 20.544 and a probability of 0.000. This means that collectively, the determining variables have a significant impact on ROE.

When each determining variable was examined individually while holding the remaining predictors constant, Firm Size and Efficiency were found to be statistically significant at alpha <0.05 level to explain the variation in ROE, while the other independent variables were not statistically significant in explaining the variation in ROE.

From Table 4.10, there are two measurement of performance which is Return on Assets (ROA) and Return on Equity (ROE). It show that for ROA, the R square resulted from the analysis represent by 0.664 which means that only 66.4 percent of variability of data regressed, explained the relationship between the independent and dependent variables. Meanwhile for ROE show that R square resulted from the analysis represent by 0.522 which means that 52.2 percent of the variation in the return on Equity (ROE) by the

variation in the independent variables. Nevertheless, the R square value does not have a critical value that enables a conclusion to be drawn. (Keller and Warrack, 2003)

Table 4.10 : Regression for relationship between corporate performance and company specific characteristics

Variables	ROA					ROE				
	Coefficient	Std. Error	t-statistic	Sig	Tolerance	Coefficient	Std. Error	t-statistic	Sig	Tolerance
Debt ratio	-0.039	0.039	-1.004	0.318	0.941	-0.117	0.130	-0.902	0.369	0.941
Size	0.022	0.002	10.308	0.000	0.799	0.051	0.007	7.239	0.000	0.799
Growth	-0.085	0.052	-1.651	0.102	0.689	-0.087	0.171	-0.507	0.613	0.689
Expense	-0.008	0.004	-2.349	0.021	0.796	-0.009	0.012	-0.786	0.434	0.796
Efficiency	0.069	0.011	6.264	0.000	0.925	0.201	0.037	5.481	0.000	0.925
R-squared	0.664					0.522				
Adjusted R-squared	0.646					0.497				
F-statistic	37.093					20.544				
Prob (F-statistic)	0.000					0.000				
Durbin-Watson stat	1.970					1.558				

4.10.1 Correlation testing between Debt Ratio and ROA/ROE

Table 4.10 depicts that the debt ratio for return on assets (ROA) and return on equity (ROE) show t- significant value stand at 0.318 and 0.369 respectively, which mean not significant. This reveals that there is no sufficient evidence to infer that there is a linear relationship between level of debt in the company and company performance. As such, hypothesis null is supported which explained there is no significant relationship between debt ratio and return on assets (ROA), as well as debt ratio and return on equity (ROE).

Nevertheless, it is interesting to observe that the coefficient is negative. This result in contrast with the study by Jensen (1999) and Doukas et. al which have proven that debt ratio is significantly related to agency costs in a company.

4.10.2 Correlation testing between Firm's Size and ROA/ROE

From the analysis between size and return on assets (ROA) in the table shows that t-significant value stand at 0.429, which is not significant. Table 4.10 shows that the coefficient for firm size ($t = 0.795$) which is not significant, and the coefficient is positive at 0.008. This means that holding other explanatory variables constant, for each additional increase in the firm size, no significant changes in return on assets (ROA), Hence, it can be inferred that hypothesis is rejected.

From the analysis between size and return on equity (ROE) in the table shows that t-significant value stand at 0.006, which is significant. Hence, it can be inferred that hypothesis is supported, which explained that there is significant relationship between size and return on equity (ROE). Table 4.10 shows that the coefficient for firm size ($t = 2.824$) and the coefficient is positive at 0.093. This means that holding other explanatory variables constant, for each additional increase in the firm size, the return on equity (ROE) increases on average by 0.093,. In other words, as the firm size increases will lead to the increases in the return on equity (ROE).

4.10.3 Correlation testing between Company growth and ROA/ROE

From the analysis between growth and return on assets (ROA) in the table shows that t-significant value stand at 0.102, which is not significant. Table 4.10 shows that the coefficient for company growth ($t = -1.651$) which is not significant, and the coefficient is negative at 0.085. It means that there is no significant difference in the return on assets (ROA). Hence, the hypothesis is rejected.

From the analysis between growth and return on equity (ROE) in the table shows that t-significant value stand at 0.613, which is not significant. Table 4.10 shows that the coefficient for company growth ($t = 0.171$) which is not significant, and the coefficient is negative at 0.087. This means that holding other explanatory variables constant, for each additional increase in the growth, no significant changes in return on equity (ROE), Hence, the hypothesis is rejected.

This result is in contrast to the study by Crutchley and Jensen (1999), company growth which was measured by sales growth, was found to be positively and significantly related with agency costs.

4.10.4 Correlation testing between Expense ratio and ROA/ROE

From the analysis between expense and return on assets (ROA) in the table shows that t-significant value stand at 0.021, which is significant. Table 4.10 shows that the coefficient for expense ($t = 2.349$) and the coefficient is negative at 0.008. Hence, the expense is significantly related with Return on Asset (ROA) which explained that hypothesis is supported. This means that holding other explanatory variables constant, each additional increase in expense will lead to increases in ROA on average by 2.349. In other words, as the expense increase, the ROA also increases.

From the analysis between expense and return on equity (ROE) in the table shows that t-significant value stand at 0.434, which is not significant. Table 4.10 shows that the coefficient for expense ($t = -0.786$) which is not significant, and the coefficient is negative at 0.009. This means that holding other explanatory variables constant, for each additional increase in the expense, no significant changes in return on equity (ROE), Hence, the hypothesis is rejected.

4.10.5 Correlation testing between Efficiency ratio and ROA/ROE

From the analysis, the efficiency for return on assets (ROA) and return on equity (ROE) in the table shows that t-significant value stand at 0.000, which is significant. Table 4.10 shows that for ROA, the coefficient for efficiency ($t = 6.264$), and the coefficient is positive at 0.069. This means that holding other explanatory variables constant, for each additional increase in the efficiency will lead to the increases in return on assets (ROA)

on average by 0.069, Meanwhile, for return on equity (ROE), the coefficient for efficiency ($t = 5.481$) and the coefficient is positive at 0.201. . This means that holding other explanatory variables constant, for each additional increase in the efficiency will lead to the increases in return on equity (ROE) on average by 0.201. Hence, the hypothesis is not rejected. In other words, as the efficiency increases, the return on assets (ROA) and return on equity (ROE) also increases.

The results on both Expense and Efficiency variables in this study are in line with the study by Ang et. Al. (2000), where expense and efficiency ratio were found significantly related to agency costs, despite positive nor negative coefficient.

4.11 Linear Regression Analysis

Hypotheses Testing : Pearson Correlation Coefficient – Top 50 PLC

Table 4.11 summarizes the results of multiple regression analysis of ROA & ROE against the independent variables for the Top 50 companies using the enter procedure method, where the regression equation was built up one variable at a time.

The results show that the independent variables in the model could explain 87 per cent of the variation in ROA with an F-value of 55.676 and a probability of 0.000. This means that collectively, the determining variables have a significant impact on ROA.

When each determining variable was examined individually while holding the remaining predictors constant, Debt ratio are found to be statistically significant at alpha <0.05 level to explain the variation in ROA, while the other independent variables were not statistically significant in explaining the variation in ROA.

Meanwhile, the results also show that the independent variables in the model could explain 43.5 per cent of the variation in ROE with an F-value of 8.544 and a probability of 0.000. This means that collectively, the determining variables have a significant impact on ROE.

When each determining variable was examined individually while holding the remaining predictors constant, Efficiency were found to be statistically significant at alpha <0.05 level to explain the variation in ROE, while the other independent variables were not statistically significant in explaining the variation in ROE.

From Table 4.11, there are two measurement of performance which is Return on Assets (ROA) and Return on Equity (ROE). It show that for ROA, the R square resulted from the analysis represent by 0.886 which means that only 88.6 percent of variability of data regressed, explained the relationship between the independent and dependent variables. Meanwhile for ROE show that R square resulted from the analysis represent by 0.493 which means that 49.3 percent of the variation in the return on Equity (ROE) by the variation in the independent variables.

Table 4.11 : Regression for relationship between corporate performance and company specific characteristics

Variables	ROA					ROE				
	Coefficient	Std. Error	t-statistic	Sig	Tolerance	Coefficient	Std. Error	t-statistic	Sig	Tolerance
Debt ratio	-0.113	0.032	-3.477	0.001	0.882	0.288	0.202	1.425	0.161	0.923
Size	-0.007	0.006	-1.194	0.239	0.876	0.029	0.039	0.734	0.467	0.887
Growth	-0.084	0.060	-1.416	0.164	0.788	-0.349	0.376	-0.927	0.359	0.803
Expense	-0.022	0.016	-1.403	0.168	0.899	-0.018	0.102	-0.180	0.858	0.900
Efficiency	0.011	0.009	1.201	0.236	0.496	0.256	0.045	5.644	0.000	0.855
R-squared	0.886					0.493				
Adjusted R-squared	0.870					0.435				
F-statistic	55.676					8.544				
Prob (F-statistic)	0.000					0.000				
Durbin-Watson stat	2.648					1.874				

4.11.1 Correlation testing between Debt Ratio and ROA/ROE

Table 4.11 depicts that the debt ratio for return on assets (ROA) and return on equity (ROE) show t- significant value stand at 0.001 and 0.161 respectively, which means it is statistically significant at alpha <0.05 to explain the variation in ROA. Conversely, it is not statistically significant with ROE which reveals that there is no sufficient evidence to infer that there is a linear relationship between level of debt in the company and company performance represented by ROE. As such, hypothesis null is supported for ROE which explained there is no significant relationship between debt ratio and return on equity (ROE) while the hypothesis null is rejected for ROA which conclude that the level of debt of company is significantly related to ROA. Nevertheless, it is interesting to observe that the coefficient is negative.

4.11.2 Correlation testing between Firm's Size and ROA/ROE

From the analysis between size and return on assets (ROA) in the table shows that t-significant value stand at 0.239, which is not significant. Table 4.11 shows that the coefficient for firm size ($t = 1.194$) and the coefficient is negative at 0.007. This means that holding other explanatory variables constant, for each additional increase in the firm size, no significant changes in return on assets (ROA). Hence, it can be inferred that hypothesis is rejected.

From the analysis between size and return on equity (ROE) in the table shows that t-significant value stand at 0.467, which is not significant. Table 4.11 shows that the coefficient for firm size ($t = 0.734$) and the coefficient is negative at 0.029. This means that holding other explanatory variables constant, for each additional increase in the firm size, no significant changes in return on assets (ROE). Hence, it can be inferred that hypothesis is rejected.

4.11.3 Correlation testing between Company growth and ROA/ROE

From the analysis between growth and return on assets (ROA) in the table shows that t-significant value stand at 0.164, which is not significant. Table 4.11 shows that the coefficient for company growth ($t = -1.416$) which is not significant, and the coefficient is negative at 0.084. It means that there is no significant difference in the return on assets (ROA). Hence, the hypothesis is rejected.

From the analysis between growth and return on equity (ROE) in the table shows that t-significant value stand at 0.359, which is not significant. Table 4.11 shows that the coefficient for company growth ($t = -0.927$) which is not significant, and the coefficient is negative at 0.349. This means that holding other explanatory variables constant, for each additional increase in the growth, no significant changes in return on equity (ROE), Hence, the hypothesis is rejected.

4.11.4 Correlation testing between Expense ratio and ROA/ROE

From the analysis between expense and return on assets (ROA) in the table shows that t-significant value stand at 0.168, which is not significant. Table 4.11 shows that the coefficient for expense ($t = -1.212$) which is not significant, and the coefficient is negative at 0.022. It means that there is no significant difference in the return on assets (ROA). Hence, the hypothesis is rejected.

From the analysis between expense and return on equity (ROE) in the table shows that t-significant value stand at 0.858, which is not significant. Table 4.11 shows that the coefficient for expense ($t = 0.102$) which is not significant, and the coefficient is negative at 0.018. This means that for each additional increase in the expense, no significant changes in return on equity (ROE), holding other explanatory variables constant. Hence, the hypothesis is rejected.

4.11.5 Correlation testing between Efficiency ratio and ROA/ROE

From the analysis between efficiency and return on assets (ROA) in the table shows that t-significant value stand at 0.236, which is not significant. Table 4.11 shows that the coefficient for company growth ($t = 1.201$) which is not significant, and the coefficient is positive at 0.011. It means that there is no significant difference in the return on assets (ROA). Hence, the hypothesis is rejected.

From the analysis between efficiency and return on equity (ROE) in the table shows that t-significant value stand at 0.000, which is significant. Hence, it can be inferred that hypothesis is supported, which explained that there is significant relationship between efficiency and return on equity (ROE). Table 4.11 shows that the coefficient for firm size ($t = 5.644$) and the coefficient is positive at 0.256. This means that holding other explanatory variables constant, for each additional increase in the firm size, the return on equity (ROE) increases on average by 0.256,. In other words, as the firm size increases will lead to the increases in the return on equity (ROE).

4.12 Linear Regression Analysis

Hypotheses Testing : Pearson Correlation Coefficient – Bottom 50 PLC

Table 4.12 summarizes the results of multiple regression analysis of ROA & ROE against the independent variables for the Bottom 50 Companies using the enter procedure method, where the regression equation was built up one variable at a time.

The results show that the independent variables in the model could explain 26.3 per cent of the variation in ROA with an F-value of 4.495 and a probability of 0.002. This means that collectively, the determining variables have a significant impact on ROA.

When each determining variable was examined individually while holding the remaining predictors constant, Firm size are found to be statistically significant at alpha <0.05 level to explain the variation in ROA, while the other independent variables were not statistically significant in explaining the variation in ROA.

Meanwhile, the results also show that the independent variables in the model could explain 45 per cent of the variation in ROE with an F-value of 9.013 and a probability of 0.000. This means that collectively, the determining variables have a significant impact on ROE.

When each determining variable was examined individually while holding the remaining predictors constant, Debt ratio & Firm Size were found to be statistically

significant at alpha <0.05 level to explain the variation in ROE, while the other independent variables were not statistically significant in explaining the variation in ROE.

From Table 4.12 , there are two measurement of performance which is Return on Assets (ROA) and Return on Equity (ROE). It show that for ROA, the R square resulted from the analysis represent by 0.338 which means that only 33.8 percent of variability of data regressed, explained the relationship between the independent and dependent variables. Meanwhile for ROE show that R square resulted from the analysis represent by 0.506 which means that 50.6 percent of the variation in the return on Equity (ROE) by the variation in the independent variables.

Table 4.12 : Regression for relationship between corporate performance and company specific characteristics

Variables	ROA					ROE				
	Coefficient	Std. Error	t-statistic	Sig	Tolerance	Coefficient	Std. Error	t-statistic	Sig	Tolerance
Debt ratio	-0.024	0.050	-0.473	0.639	0.843	-0.317	0.142	-2.233	0.031	0.843
Size	0.049	0.020	2.496	0.016	0.829	0.286	0.056	5.090	0.000	0.829
Growth	-0.063	0.056	-1.135	0.263	0.819	0.030	0.159	0.186	0.853	0.819
Expense	-0.007	0.004	-1.762	0.085	0.653	0.000	0.011	-0.037	0.971	0.653
Efficiency	0.034	0.018	1.878	0.067	0.898	0.051	0.052	0.969	0.338	0.898
R-squared	0.338					0.506				
Adjusted R-squared	0.263					0.450				
F-statistic	4.495					9.013				
Prob (F-statistic)	0.002					0.000				
Durbin-Watson stat	2.101					1.664				

4.12.1 Correlation testing between Debt Ratio and ROA/ROE

Table 4.12 depicts that the debt ratio for return on assets (ROA) and return on equity (ROE) show t- significant value stand at 0.639 and 0.031 respectively, which mean not significant. This reveals that there is no sufficient evidence to infer that there is a linear relationship between level of debt in the company and company performance represented by ROA. As such, hypothesis null is supported which explained there is no significant relationship between debt ratio and return on assets (ROA), as well as debt ratio and return on equity (ROE). Nevertheless, it is interesting to observe that the coefficient is negative.

4.12.2 Correlation testing between Firm's Size and ROA/ROE

From the analysis between size and Return on Asset (ROA) in the table shows that t- significant value stand at 0.016, which is significant. Hence, it can be inferred that hypothesis is supported, which explained that there is significant relationship between size and Return on Asset (ROA). Table 4.12 shows that the coefficient for firm size ($t = 2.496$) and the coefficient is positive at 0.049. This means that holding other explanatory variables constant, for each additional increase in the firm size, Return on Asset (ROA) increases on average by 0.049, In other words, as the firm size increases will lead to the increases in the Return on Asset (ROA).

From the analysis between size and Return on Equity (ROE) in the table shows that t-significant value stand at 0.000, which is significant. Hence, it can be inferred that hypothesis is supported, which explained that there is significant relationship between size and Return on Equity (ROE) Table 4.12 shows that the coefficient for firm size ($t = 5.090$) and the coefficient is positive at 0.286. This means that holding other explanatory variables constant, for each additional increase in the firm size, Return on Equity (ROE) increases on average by 0.286, In other words, as the firm size increases will lead to the increases in the Return on Equity (ROE). Hence, it can be inferred that hypothesis is not rejected.

4.12.3 Correlation testing between Company growth and ROA/ROE

From the analysis between Growth and return on assets (ROA) in the table shows that t-significant value stand at 0.263, which is not significant. Table 4.12 shows that the coefficient for Growth ($t = -1.135$) which is not significant, and the coefficient is negative at 0.063. It means that there is no significant difference in the return on assets (ROA). Hence, the hypothesis is rejected.

From the analysis between Growth and return on equity (ROE) in the table shows that t-significant value stand at 0.853, which is not significant. Table 4.12 shows that the coefficient for Growth ($t = 0.186$) which is not significant, and the coefficient is positive at 0.030. This means that for each additional increase in the Growth, no significant

changes in return on equity (ROE), holding other explanatory variables constant. Hence, the hypothesis is rejected.

4.12.4 Correlation testing between Expense ratio and ROA/ROE

From the analysis between Expense and return on assets (ROA) in the table shows that t-significant value stand at 0.085, which is not significant. Table 4.12 shows that the coefficient for Expense ($t = -1.762$) which is not significant, and the coefficient is positive at 0.007. It means that there is no significant difference in the return on assets (ROA). Hence, the hypothesis is rejected.

From the analysis between Expense and return on equity (ROE) in the table shows that t-significant value stand at 0.971, which is not significant. Table 4.12 shows that the coefficient for Expense ($t = -0.037$) which is not significant, and the coefficient is positive at 0.000. This means that holding other explanatory variables constant, for each additional increase in the Expense, no significant changes in return on equity (ROE). Hence, the hypothesis is rejected.

4.12.5 Correlation testing between Efficiency ratio and ROA/ROE

From the analysis between Efficiency and return on assets (ROA) in the table shows that t-significant value stand at 0.085, which is not significant. Table 4.12 shows that the coefficient for Efficiency ($t = -1.762$) which is not significant, and the coefficient is

positive at 0.007. It means that there is no significant difference in the return on assets (ROA). Hence, the hypothesis is rejected.

From the analysis between Efficiency and return on equity (ROE) in the table shows that t-significant value stand at 0.971, which is not significant. Table 4.12 shows that the coefficient for Efficiency ($t = -0.037$) which is not significant, and the coefficient is positive at 0.000. This means that holding other explanatory variables constant, for each additional increase in the Efficiency, no significant changes in return on equity (ROE). Hence, the hypothesis is rejected.

4.13 Chapter Summary

In this chapter, researcher use SPSS to process and tabulate the data. Based on this data, analysis of descriptive statistic, univariate analysis, pearson and correlation coefficient test have been used. These test can give us the result on hypotheses developed earlier.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter discusses the conclusion of the study that has been carried out and the implications of the results for the benefit of future study. This study is intended to determine the relationship between the five independent variables namely debt ratio, firm's size, company growth, expense ratio, efficiency ratio; and a dependent variable, corporate performance. This chapter also presented the implications and further recommendations for future research.

5.1 Findings & Discussions

By using 100 companies listed as Top 50 and Bottom 50 of the Bursa Malaysia in the year 2008 to 2012, seven determining variables were regressed against the ROA and ROE.

The Firm size, Growth, Expense, and Efficiency was found to have significant effect in explaining the performance of the company which is ROA and ROE. Based on ROA, the variable could explain 64.6 per cent of the variation in ROA with an F-value of 37.093 and a probability of 0.000. This means that collectively, the determining

variables have a significant impact on ROA. The other independent variables were found to have no significant effect in explaining the variation of ROA for the regressions.

Based on the result, it can be inferred that, when each determining variable was examined individually while holding the remaining predictors constant, Firm size, Growth, Expense, and Efficiency are found to be statistically significant at alpha <0.05 level to explain the variation in ROA, while the other independent variables were not statistically significant in explaining the variation in ROA.

Meanwhile, the Firm size, Growth, Expense, and Efficiency also were found to have a significant effect in explaining the variation of ROE. These variables could explain 49.7 per cent of the variation in ROE with an F-value of 20.544 and a probability of 0.000. This means that collectively, the determining variables have a significant impact on ROE. The other independent variables were found to have no significant effect in explaining the variation of ROE for the regressions.

Based on the result, it can be inferred that, when each determining variable was examined individually while holding the remaining predictors constant, Firm size, Growth, Expense, and Efficiency were found to be statistically significant at alpha <0.05 level to explain the variation in ROE, while the other independent variables were not statistically significant in explaining the variation in ROE.

From the Multiple linear regression analysis, the result shows that the coefficient for firm size ($t = 10.308$), Expense ($t = -2.349$) and Efficiency ($t = 6.464$), are significant. While the coefficient are 0.022, -0.008, and 0.069 respectively. This means that . holding other explanatory variables constant, for each additional increase in the firm size, expense, and Efficiency, the Return on Asset (ROA) increases on average by 0.022, decreases by -0.008, and increases by 0.069 respectively. In other words, as the firm size, Expense and Efficiency increases, the return on equity (ROA) also increases.

Meanwhile in regards to Return on Equity (ROE), the result also shows that the coefficient for firm size ($t = 7.239$), and Efficiency ($t = 5.481$), are significant. While the coefficient are positive at 0.051 and 0.201 respectively. This means that . holding other explanatory variables constant, for each additional increase in the firm size and Efficiency, the Return on Equity (ROE)) increases on average by 0.051 and 0.201 respectively. In other words, as the firm size and Efficiency increases, Return on Equity (ROE) also increases.

Besides, this research use the Pearson Correlation Matrix. From the result, the dependent variables, ROA and ROE are considered significantly correlated with all variables, either at the 0.01 or 0.05 level, except for the debt ratio. However, the correlation benchmark for this study is at the level of 0.05. Therefore, the dependent variables, Return on Assets (ROA) is significantly correlated with only one independent variable at $\alpha = 0.05$ level which is company growth. While Return on Equity (ROE) is significantly correlated with three of the independent variables at $\alpha = 0.05$ level. ROE is negatively correlated with Expense (-0.208), and positively correlated with

company growth (0.201) and profit margin (0.238). Based on the benchmark of alpha = 0.05 level, the other independent variables were not significantly correlated with ROA & ROE.

5.2 Summary of major findings

Among the independent variables, the top 2 highest correlation was between Size and Board rank, as well as Expense and Profit margin. The degree of collinearity for the two variables was 0.981 and -0.976 respectively; and both are significant at alpha = 0.05 level. This means when Firm size moves or changes, Board rank will change accordingly by approximately 98.1 per cent; meanwhile when Expense moves or changes, Profit margin changes inversely by approximately 97.6 per cent.

5.3 Implication of the Study

This study found the relationship between agency cost and corporate performance, where performance of the company is measured by Return on Assets (ROA) and Return on Equity (ROE). The agency theory in modern corporate finance suggests the presence of a conflict of interest between managers and shareholders in firms. Hence, this research has identified the important mechanism that is likely to mitigate these agency costs.

5.4 Theoretical & Practical of the Study

Several implications can be formulated based on the findings that have been obtained.

The implications are as follows:

Theory contribution

1. It is an additional empirical prove in explaining the relationship of the agency cost towards the corporate performance.
2. It provides some information for the future research and it can be such an indicator and reference for future research especially in Malaysian context.
3. Explaining the contribution factors towards corporate performance through the proxy of agent costs.

Practical contribution

1. It gives more understanding to the shareholder on how to handle and align with their management as well as to reduce agency cost and increase corporate performance.
2. It gives an opportunities to the organizations in Malaysia industry in improving their systems and policy in managing agency relationship issues.
3. Determination of the contribution factor through data analysis

5.5 Recommendation for future study

The research could be well developed and better interpreted in a different ways in consideration of the followings:

(1) A repeat of the study, which takes all listed companies in Bursa Malaysia and PN 17 companies in Malaysia as sample and examines the relationship between agency cost and corporate performance. There was no more “main board” and “second board” of companies in KLSE. Companies that triggered any of the criteria pursuant to Practice Note 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which came into effect on 3 August 2009. In view of this, there should be a comprehensive study on characteristics of all listed companies in Bursa Malaysia. The results might be different as compared to the current study as this study only focusing on the Top 50 and the Bottom 50 listed companies which is assuming the similar categorization as before, i.e Main Board & Second Board; therefore limited in its coverage.

(2) The direct measurements of company performance in this study are Return on Assets (ROA) and Return on Equity (ROE). For future research, take the Tobin Q as measured based on performance of the company. During the research as well as the analysis processes several other ideas turned up that could be of interest and worthwhile to investigate more thoroughly.

(3) For future research, it could be the same method of data collection such as relies on secondary data that obtained from published report in time series. In this study, it took time series data from the year of 2008 to 2012 as available are used for estimation. A repeat of research, proposed to take time series data from the year of 2013 onwards. These annually data were obtained from Bursa Malaysia, and other else.

5.6 Conclusion

The study can give us indicator on the affecting factors and can be used to predict the corporate performance among public listed companies in Malaysia.

The result gathered after analyzing the data acquired from Bursa Malaysia before explained that only Firm's size, Expense and Efficiency has the relationship with the significant value of 0.000. Debt ratio and growth variables was not significant with Corporate Performance.

In summary, by this result, it may help the organisation to re-form and re-design its management and monitoring system as to be able to maximize shareholder wealth and reduce the agency costs.

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