THE INFLUENCE OF OWNERSHIP STRUCTURES AND BOARD CHARACTERISTICS TOWARDS FIRM PERFORMANCE: EVIDENCE FROM LISTED COMPANIES IN DUBAI.

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Thesis submitted to

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(International Accounting)

DECLARATION

I declare that the substance of this project paper has never been submitted for any degree or postgraduate program and qualifications.

I certify that all the support and assistance received in preparing this project paper and the entire source abstracted have been acknowledged in this stated project paper.

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ABSTRACT

Corporate governance has received much attention globally, especially after numerous accounting scandals and failures that involve large companies throughout the world. Numbers of previous studies have been conducted in examining the association of corporate governance with firm performance. This study examines the role of board of directors and ownership structures towards firm performance in Dubai. This study is being tested on 79 listed companies in Dubai for year 2014.

The results of this study show that independent directors and foreign ownership structure influence the firm performance as measured by ROA and ROE. In addition, the results show that firm size is positively significant to firm performance either ROA or ROE. However, there are no significant relationship between board size and firm performance. Similarly, GCC and Arab ownership structures, which are insignificant in this relationship.

KEY WORDS: Firm Size, Firm Composition, Ownership Structure, ROE, ROA.

ABSTRAK

Urustadbir syarikat telah mendapat perhatian di seluruh dunia terutamanya selepas kegagalan dan skandal perakaunan yang melibatkan banyak syarikat-syarikat besar di seluruh dunia. Banyak kajian telah dilakukan bagi menilai hubungan di antara urustadbir syarikat dan prestasi syarikat. Kajian ini memeriksa peranan pengarah-pengarah syarikat dan struktur pemilikan terhadap prestasi syarikat di Dubai. Kajian ini dilakukan terhadap 79 syarikat yang disenaraikan di Bursa Dubai bagi tahun 2014.

Hasil kajian menunjukkan, pengarah bebas dan pemilikan saham asing mempengaruhi prestasi syarikat apabila diukur menggunakan ROA dan ROE. Tambahan, saiz syarikat menunjukkan keputusan signifikan terhadap prestasi syarikat samada melalui ROA atau ROE. Walaubagaimanapun, tidak ada hubungan yang signifikan di antara saiz lembaga pengarah dengan prestasi syarikat. Begitu juga, struktur pemilikan bagi GCC dan Arab, yang mana hubungannya adalah tidak signifikan.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Due to the precarious and unpredictable business environment, the regulating and governing of both the internal and external factors that are affecting firms' performance become rather challenging (Bettis & Hitt, 1995; Kuratko & Morris, 2003). Parallel to globalization and the ever increasing firm growth, the need of business governance to enhance firm performance is recognized globally (Haniffa & Hudaib, 2006). These modifications attract investors who have already lost market trust to wisely make investment decision (Sunday, 2008). When a firm's corporate governance (CG) strategy pertaining to its performance is mediocre, its market and business are likely to fail (Chen, 2008). Latest financial crises have recalled their attention to business governance and it is acknowledged that companies possessing better corporate governance structures signs better performance (Chiang, 2005).

To attain financial supports from stakeholders, global businesses need to develop and evolve (Mak & Kusnadi, 2005). Before involving in a given business, investors need to be assured that the financial stability and security are secured and that the business is profitable in the long term (Mallin, 2007). However, if the firm is not in a favorable position, the investor too will not be interested. Likewise, if a business fails to attain the sufficient amount of capital needed for its business to prosper, the business will be negatively affected and as a result, the whole economy is general is also affected (Chen, Elder & Hsieh, 2007; Haniffa & Hudaib, 2006; Klapper & Love, 2004; Sunday, 2008).

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