WOMEN DIRECTORS AND AUDIT FEES: EMPIRICAL EVIDENCE FROM MALAYSIA

By

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ABSTRACT

This study investigates board diversity and its effects on audit fee in case of Malaysia. The main aim of this study is to examine whether bumiputera women on board, numbers of women on board, women on board's independent and women on board's expertise are influence the audit fee in the non-financial listed companies of Malaysia. Data for the 250 companies for the year 2014 were collected. The reported results of correlation analysis show that all the variables are correlated in the given time period. Furthermore, data set pass the entire preliminary test such as outliers, linearity, normality, multicollinearity, heteroscedasticity for regression analysis namely Ordinary Least Square (OLS). The results of OLS shows that the no relationship between bumiputera women on board, numbers of women on board, women on board's independent and women on board's expertise and audit fee. The results are not surprising since only 11 percent total women and 5.1 percent bumiputera women are on board in the listed non-financial companies in Malaysia. Although there is little improvement in the number of women on board in listed non-financial companies but there is still need to increase the numbers till 30 percent. The findings of this study are very important for the Malaysian companies to improve the performance.

Keywords: gender diversity, non-financial companies, women on board, audit fee, Malaysia.

ABSTRAK

Kajian ini mengkaji kepelbagaian dalam keahlian lembaga pengarah dan kesannya ke atas yuran audit dalam kes Malaysia. Tujuan utama kajian ini adalah untuk mengkaji sama ada ahli lembaga wanita bumiputera, bilangan ahli lembaga wanita, kebebasan ahli lembaga wanita dan kepakaran ahli lembaga wanita mempengaruhi yuran audit dalam syarikat-syarikat bukan kewangan yang disenaraikan di Malaysia. Data bagi 250 syarikat bagi tahun 2014 telah dikumpulkan Keputusan yang dilaporkan analisis korelasi menunjukkan bahawa semua pembolehubah sentiasa bergandingan dalam tempoh masa yang diberikan. Tambahan pula, set data lulus keseluruhan ujian awal seperti unsur luaran, kelinearan, normal, multikolinearan, heterscedasticity untuk analisis regrasi, iaitu Kuasa Dua Terkecil Biasa. Keputusan OLS menunjukkan bahawa tiada hubungan antara ahli lembaga wanita bumiputera, bilangan ahli lembaga wanita, kebebasan ahli lembaga wanita dan kepakaran ahli lembaga wanita dan yuran audit. Keputusan ini tidak menghairankan kerana hanya 11 peratus jumlah wanita dan 5.1 peratus wanita bumiputera adalah ahli lembaga dalam syarikat bukan kewangan yang disenaraikan di Malaysia. Walaupun terdapat sedikit peningkatan dalam bilangan ahli lembaga wanita dalam syarikat bukan kewangan yang disenaraikan, tetapi ia masih perlu ditingkatkan sehingga mencapai nombor 30 peratus. Hasil kajian ini adalah amat penting bagi syarikat-syarikat Malaysia untuk meningkatkan prestasi mereka.

KataKunci: Kepelbagaian jantina, syarikat bukan kewangan, ahli lembaga wanita, yuran audit, Malaysia.

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RPG 7	Recommended Practice Guide
CEO	Chief executive officers
CG	Corporate Governance
MCCG	Malaysian Code on Corporate Governance
ACE	American council on Exercise
ROIC	Return on Invested capital
NASDAQ	National Association of Securities Dealers Automated Quotations
SOX	Sarbanes Oxley
CFO	Chief Financial Officer
SEC	Securities and Exchange Commission
ROA	Return on Assets
OLS	Ordinary Least Squares
TA	Total Assets
REC	Receivable
LEV	Leverage
LIQ	Liquidity
BIND	Board Independence
SE	Segment
SPPSS	Statistical Package for the Social Science
IND1	Consumer
IND2	Industrial and Consumer Products
IND3	Construction
IND4	Trading and Services Industry
IND5	Properties and Plantation, REITS and IPC Industry

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CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Enron and WorldCom Incorporation, failures demonstrated a necessity for high and translucent financial reporting in capital markets. (Mansouri, Pirayesh, & Salehi, 2009; Watts & Zimmerman, 1990). High quality of financial reporting refers to transparent and unbiased financial reporting that guide the investors in right direction but it has lost its worth and is supposed to be associated with earning management or financial reporting. External auditors are being hired by the companies in order to add credibility to financial statements so that they can provide the outside investors assurance a reliable financial information provided by the company. In-addition, Mansouri has also stated that the more the quality of report regarding accounting information is provided; the more receivers is assumed to make appropriate decisions (Mansouri et al., 2009). Since audited financial information is considered as an important aspect for investment decision making therefore auditing is thought to have an influence on capital markets. Accordingly, a high quality audit is desirable for financial reporting. Section 172 of the Companies Act 1965, declared that auditing is required by most of the countries including the US, the UK, Singapore and Malaysia mandated auditing.

Scholars have developed such model for audit fee that can examine possible reasons that may influence audit pricing (Simunic, 1980). Literature has supported the notion that a high quality audit is observed to be accompanied with brand name auditors or

professional auditors (Craswell, Francis, & Taylor, 1995). However, as audit quality is unobservable therefore the studies on audit quality have been emphasized, and in many studies audit fee in often used as a proxy of audit quality (Sullivan, 2000). The basis charging professional assurance services was provided by earlier mentioned guide that acts as a standard in order to establish a reasonable level of salary and commensurate. This guided level of remuneration and commensurate is approved by the professional assurance services on of the related provision. As the Guide (RPG 7) is been accepted as the best price in Malaysia, therefore it is been recommended in the use of performance and charging of professional accounts in public practice.

The main cause of failure of boards in 2007 financial crisis was to direct and control their organizations to function properly in accordance to their shareholders' interests until present in corporate governance. In order to improve the efficiency of board practices, the policy deliberations have considered whether gender diversity in boards can perform more effectively the fundamental roles of providing oversight and direction by asking challenging questions. At the top level of organizations, some opinions given to increase the gender diversity were related to the public accountability, social justice, full participation, and compliance with international contracts (Kilgore, Radich, & Harrison, 2011).

Currently, an emerging issue within corporate governance practice and research is board diversity. From the last few decades women representation among academicians and research bodies has become an emerging issue (Burke & Mattis, 2013). However, men

are dominated at the most of the privileged levels of management. The battle for gender equality rages on for almost a century. Since, biasness towards male gender is still prevalent therefore women managers are still struggling in the East. Carter et al., (2010) tried to relate board diversity with organizational performance the results of which indicated that the gender and ethnic diversity in board of director can leads towards better corporate governance which in return will lead an organization to more profitable business.

In some countries the rules for board of composition has already been set. For example gender quota in the board of publicly listed firms in Norway has already been set in order to improve equal opportunities. In the world implementing this regulation Norway was the first country since 2006 and the government of Norway decided women members to be minimum 40 percent of the board members (Smith, Smith, & Verner, 2006) Alike to the Scandinavian countries, Spain, Iceland and France also approved the rule to require a quota for the number of female board member (Adams & Ferreira, 2009). In Asia, gender share also has been introduced. Malaysia has enforced a share of 30 percent quota for women on board in the organizations by 2016 (Herdhayinta, 2014).

In order to bring positive factors within an organization the presence of women on board was considered as one of the most attractive characteristics of board. Companies who had women on it board members can expect considerably higher returns and enhanced overall financial performance due to a number of reasons which includes, gender diversity at the board level, as women solve problems faster and more efficiently as

compared to men (Dobbin & Jung 2007). Now a days the role of women on the board positions is getting higher attention (Daily, Certo, & Dalton, 2000; Terjesen, Sealy, & Singh, 2009). At the board level gender diversity brings forward different perspectives to the table and improves communication (Dobbin & Jung, 2011). Women are flexible and deal well with problems that may help in managing the risk and audit control (Rosener, 1997). Women on board are helpful in increasing the performance of firms and internal control as suggested by (Stephenson, 2004).

Women on board demand for high quality of oversight as it is found that women independent directors are more concerned for the shareholder's right (Carter, Souza, Simkins, & Simpson, 2007). Furthermore a study by Srinidhi et al., (2011) indicated that gender-diverse boards (audit committees) put more emphasis on improving the earning quality and information environment. Therefore, it has been considered that boards that have diversity in terms of its members are more likely to achieve better outcomes by engaging specialist auditor to exert higher effort. Previous studies shows that females are more likely risk averse as compared to males (Bernasek & Shwiff, 2001; Jianakoplos & Bernasek, 1998; Powell & Ansic, 1997). Firms with female representation on board are likely to force board in order to purchase advanced feature audits than firms having males on board dominance.

Abdullah, Nor, and Ku (2012) argued that experience of women on board increases it becomes more effective in discharging their responsibilities. Selection of auditors is the core concern of board of executives (Sarbanes-Oxley Act of 2002) thus women on board

with more experience can appoint more suitable and economic auditing firm for auditing. Historically it was true that women did not have the education or corporate experience needed to sit on boards, but this is no longer the case(Farrell & Hersch, 2005). A study by Burke (1993) suggests that women are striving to develop the essential knowledge, track records, and abilities to qualify for board membership.

Recently a research was conducted on Canadian firms the results of which suggested that the existence of highly qualified and experienced women on broad of an organization results in enhanced board practices that is related to the setting and oversight of strategic aims, compliance with legislation, shareholders accountability, and monitoring of financial performance and position(Brown, 2002) In a related study in France, (Krishnan & Parsons, 2008) found that companies that had more women in top management had more stable share price. Moreover, (Gul, Srinidhi, & Tsui, 2008) found that in firms with at least one female director, there was a significantly higher audit fee compared to firms without. The findings suggests that boards with female director are more likely to demand more detailed audit, most especially in situations of higher information asymmetry.

In order to achieve high quality audit, it is expected that audit committees may demand for more audit effort in accordance to demand side argumentation which may leads towards greater audit fees. Whereas, supply-side argumentations can be involve in an effective audit committee that is bound to strengthen the internal controls of the firm. The external auditor may lessen the level of assessment of control risk and number of

auditing hours due to audit committee's monitoring activities. Therefore, the supply-side story suggests low level of audit fees (Ittonen, Miettinen, & Vähämaa, 2010. It is expected that the present study will be consistent with the supply-side perspective, as female on board will decrease the audit fees by affecting the audit risk, for example, by improving the communication, by enhancing the efficiency of internal monitoring and the honesty of the financial reporting process. If female representation reduces the integral risk of misstatements, gender diversity on audit committees may be negatively associated with audit fees. Hence, the aim of the present study is to examine the role of gender diversity on corporate board in relation to external auditing. In particular, how female board representation affects the fees paid to the external auditors.

The purpose of this study is to provide with a significant contribution and information on corporate governance and more specifically the focus is given on both aspects namely the governance mechanism and the board of directors. It is expected that the finding of the current study may provide a better deep insight into the importance of board diversity in firm performance and board independence. In-addition, it also expected that the findings may provide informative vision for firms' in-terms of Malaysian perspective, Asian perspective and overall implication on how boards of directors of firm are required to structure so that they can prosperous, grow and excel in competitive business environments.

From the knowledge perspective, this study hopes to contribute to the increasing academics knowledge in this area by providing additional evidence on corporate

governance quality. Basically, board of directors expect that the successful director in managing companies may add value to the firms and make sure that the companies are good in business. Adding women as board members may lead companies to have better decision making in order to develop the company. In addition, this study could contribute to the adding of new knowledge in an area where there are very few studies on women in Malaysian companies.

Furthermore, this study could give support to the next Code on Corporate Governance which is going to formulate on 8th Jun 2016 in Malaysia to fill the boardroom with women as one of the policies as announced by the Prime Minister.

1.2 Problem Statement

Reliable and true financial information and high quality audit are of significant importance for the investors, shareholders and creditors of the firm and thus effect the capital market as investors only invest in markets where their interest are protected. Kilgore, Radich and Harrison (2011) argued that, the quality of audit report affects capital market operations, since audited financial statements are supposed to give true and fair information of the company affairs which then guides investor's decision in the market. Moreover the fall of high profile giant companies in the west (e.g. Enron and WorldCom) raised significant criticism on the auditing profession. This is mainly due to the fact that auditors were implicated in many of the cases.

Simunic & Stein shed light on the importance of audit fees in their studies. It is claimed that audit fees to be a reflection of an economic cost inside an organization as audit fee is associated with the inherent factors of auditing such as size, complexity and risk. Moreover, literature also gives a greater emphasis to the impact of corporate sovereignty mechanism on audit fees. Therefore recent studies have diverted their attention towards these aspects and their involvement towards the audit fees. These empirical studies and their findings are considered as a motivating factor to increase the responsibility in the supervision of board and audit committee especially on financial reporting process. However , some current studies emphasized on proposing a new approach on audit fees and corporate sovereignty. According to this proposed approach, to reduce the cost of external audit fees there is a need to update control mechanism whereas reducing the need to external audit along with the board independence and managing director duality. Therefore it is predictable that an important relationship exists between board characteristics and audit fee.

There is a possibility that after getting disconnected from ownership from management the managers will approves to those decisions only in which their own interests are hidden and they will accept such judgments that are contrary to stockholders' benefits. Therefore, the conflict of interest that has been carried out as agency problem originates from variance in Stakeholder utility functions. According to the theory of conflict of interest between managers and the owners, it is assumed that Managers of business units are encouraged enough to manipulate earning so that they can make the most for their own benefits.

In the recent years the value of auditing has raised due to an increase in the demand for audit services and getting the audited facilities are getting more and more expensive day by day, causing a burden on the financial health of the firms.

Table 1 shows that audit fee the years 1993 to 2008 was face many variations, and these variations are more towards the increasing trends as can be seen follows.

Table 1:
Average audit fees paid by Malaysian listed companies

Authors/(Year)	Period of study (sample size)	Audit fees (RM)
Che Ahmad *et al.* (2006a)	1993 to 1995 (1149 companies)	140,870*
Che Ahmad *et al.* (2006b)	2002 (819 companies)	194,960
Yatim *et al.* (2006)	2003 (736 companies)	197,975
Abdul Wahab *et al.* (2009)	1999 to 2003 (390 companies)	282,200
Johl *et al.* (2009)	2005 (559 companies)	240,956
Rusmin *et al.* (2009)	2007 (105 companies)	185,480**
Yaacob and Che-Ahmad (2012)	2004 to 2008 (2210 companies)	212,532

* This amount is derived from sum of average audit fees for big and non-big firms, divided by two to get the average fees.

** The actual amount is USD54,553 (USD1= RM3.40).
Source: Malek. M., and Saidin, S. (2015)

Table I shows that the amount of audit fees paid by the companies is more than RM140,000 per financial year. There is an increment of audit fees in studies conducted between 1993 to 1996, 1997 and 1998. The increments between the 1997 and 1999

period are probably because of the Asian financial crisis, which put companies in a high risk position. Abdul Wahab et a1. (2009) is the only study that shows audit fees of almost RM300,000 paid by the companies. With the exception of fees paid between 1993 and 1995 (Che Ahmad, Houghton & Mohamad Yusof, 2006a), all studies conducted after that period reveal increment in audit fees. The increment could be due to clients' business growth and complexity.

In this regards, the issue of women on board has received widespread attention in recent years. Some evidence proved that companies that have women representatives on top management level perform better than those without women. Improving gender equality is increasingly being recognized across the world since gender equality on board has a positive impact on performance of companies (McKinsey, 2007). Therefore many countries are developing new policy which corporate companies must achieve certain percentage women as board director in order to promote gender equality.

Studies in developed countries like the US, Norway and Australia have found women directors playing a key role in the board. They influence firm performance positively (See for example, Nguyen & Faff, 2007; Smith, Smith & Verner, 2006; Erhardt, Werber & Shereder, 2003), as well as check earnings management (Krishman & Parsons, 2008; Gul, Srinidhi & Tsui, 2007). However, in Malaysia the case appears to be different as women director are not playing any significant role in the running of the organizations (Abdullah & Ku Ismail, 2012). This is evident in the percentage of women occupying directorship positions in boards, which is relatively small when compared with their

counterparts in other developed countries. In a survey conducted by the Malaysian Ministry of Women Family and Community Development in 2007, the results revealed that barely 5% of the 50 listed firms sampled had women as board members. Also Ahmed-Zaluki (2012) in a survey of 228 Malaysian companies found the female representation on the board to be about 8%. Furthermore, Amran et al. 2014 in a sample of 386 companies found the total number of board seats occupied by women to be about 8.34%. All these figures highlight the low recognition of women in key management positions in Malaysia, despite the increasing number in the workforce.

In regions like Asia men are more preferred for positions of power as compared to women which seldom become inheritors of family-owned businesses. Women are very uncommon in positions such as CEOs in Asia. From the Asian perspective; it is generally viewed as if men and women are to be compared, both having same level of knowledge, qualifications, training and skills for any managerial position men will be given more preference on women. In terms of labor force men use to have double the chance of getting employment as compared to women and will be earning higher salaries and having more chances for promotions owing to the deep-rooted perceptional issues. These perceptions are also reflected in the behaviors of men in companies. Not only men but women themselves are barrier towards their progression as their own old-fashioned predisposition is a hindrance towards women's. The lack of women in high positions does present a lost opportunity to organizations.

McKinsey (2007) demonstrated that companies whose boards consists of both men and women not only make improved judgements, but they are more providing the organization with better financial results. When a board includes a variety of perspectives and personalities, there is more likely to be uncertainty in impractical and poor ideas are. Identifying the benefits of having more women within an organization, European countries are providing women more chances of employment in companies. Board variety contributes towards generating shareholder value since "corporate diversity promotes better understanding of the market place; moreover heterogeneity leads towards the assessment of more substitutes and more careful examination of the consequences of these alternatives. Finally variety in terms of members on board promotes more effective global.

The above discussion which highlights low women participating on boards in Malaysian companies provides a strong motivation to extend the examination on women director in the boardroom. Since the existing study of empirical analysis are more focused on developed countries with very few studies conducted on developing countries, this present study observes the role of gender diversity on corporate board in relation to external auditing. In particular, we attempt to assess whether and how female board representation affects the fees paid to the external auditors.

1.3 Research Question

Purpose of this study attempts to answers the following research questions. Based on the background and rationale of this study, there are four research questions that will be discussed.

1- What is relationship between bumiputera women on board and audit fee?

2- What is relationship between number of women on board and audit fee?

3- What is relationship between women on board's independence and audit fee?

4- What is relationship between women on board's experience and audit fee?

1.4 Research Objective

Using the number of women on board divided as a percentage of total number of board member as proxy of gender diversity, this study will aimed to find the impact of gender diversity, women on board's education, experience and their percentage to total board size on audit fee charged by the auditors. This objective is important because the result of this study will contribute as new evidence from Malaysia companies for the influence of board diversity on audit fees what will be influence of audit fee paid by the firm. This study particular aims to examine the association between.

1- To investigate the association between Bumiputera women on board and audit fee.

2- To examine the relationship between number of women representation on board and audit fee.

3- To examine the association between Women on board's independence and audit fees.

4- To examine the association between Women on board experience and audit fee.

1.5 Significance of the Study

Although there is a considerable number of studies that had investigated the influence of board characteristics on audit fee yet much of the factors are unsolved. Discussion on the association of board characteristics and audit fee is an ongoing debate. Studies related to gender diversity on board by (Gul et al., 2008 & Ittonen et al., 2010) are the motivators of this study who have find the relationship between female audit committee and board representation and audit fees. These studies have not considered the impact of women's ethnicity, experience and accounting knowledge to find their impact on audit fee.

In addition, it is important that this study to be conducted on top 300 by market capitalization in Malaysian listed companies because there are very few research has been undertaken in the past in women as directors. It also found that there is scant literature on this critical issue on women directors related to Malaysian companies. The findings of this study would lend justification to improve the women representation on board, thus strengthening corporate governance of firms. This study could provide a useful guidance and as a benchmark for corporate managers in term of helping them in making decision specifically in appointing women as board members. It will also motivate the establishment of affirmative action policies in the context of developing countries.

1.5.1 Theoretical contribution

This study will contribute to the literature by providing on the association between female board director, their percentage on board, experience and knowledge (e.g., Beasley 1996; Carcello et al. 2002; Bedard and Johnstone 2004). More specifically, it extends the literature on the connection between board characteristics and audit fee. It highlights fact that prior studies on the linkage between board characteristics and audit fee could have benefited by explicitly considering the role of female directors. Further, this study will add to the audit fee literature by showing that female directors constitute an additional determinant of audit effort and audit fees. From the knowledge perspective, this study hopes to contribute to the increasing academics knowledge in this area by providing additional evidence on corporate governance quality. Basically, board of directors expect that the successful director in managing companies may add value to the firms and make sure that the companies are good in business. Adding women as board members may lead companies to have better decision making in order to develop the company. In addition, this study could contribute to the adding of new knowledge in an area where there are very few studies on women in Malaysian companies. This study will provide practical proof based on secondary data the presence of female directors on corporate boards is related with a demand and supply side of Audit fees.

1.5.2 Practical implementation

Nowdays women are playing a significant part in extremely talented labor and their number is growing every day. The significance of enhancing equality in gender in the corporate boards of organizations is progressively recognized over the world. Despite

low percentage of women on corporate boards, yet they are still able to drag the attention of a number of researchers. This study had a great significance for the country like Malaysia where women constitute up to 48.6% of total population (Statistics Department, 2010). According to Malaysian statistics, less than half of the people are working and about 4.8% out of the total population employed are women in the high-ranking management position as well as little of them have been selected in the Malaysian corporate boards. In order to increase the participation of women in organizations of corporate board the government has now publicized in Corporate Governance Blueprint 2011, that in the coming five years the corporate sector should have at least 30% women representation.

For example, in regions like Asia, usually the dominance of family ownership, government interventions, weak legal systems and implementation, and low level of minority rights protection (Claessens, Djankov, Fan, & Lang, 2002). Therefore, the importance and value of various governance structures, including board diversity and board independence, should be separately inspected in each jurisdiction, and the influential factors to be examined (Kang, Cheng, & Gray, 2007).

1.6 Scope and Limitations of the Study

The scope and limitations of the current research revolves around women representation on board in relevance with the board diversity in Audit fee, bumiputera women, independence, awareness and practice in Malaysian listed firms. The present study mainly put emphasis on Malaysian listed companies in the main board of Bursa Malaysia in 2014. The selection of the companies was based on market capitalization

from top 300 companies exclusive of financial companies. Data for the study was extracted from Bursa Malaysia a website where they provide its users with an annual report for every company in Malaysia. From the total 300 companies there were only 261 companies selected due to the fact that the rest of the companies are financial companies and some of the companies do not have annual report for the year 2014 in the Bursa Malaysia website during the period of the study.

1.7 Organization of the Study

The present study constitutes of five sections. The organization of the work is as follows: chapter one includes the introduction of the study, problem statement, followed by the objectives and question of the research, significance, scope and limitations of the present study. The second chapter delivers with the information on previous literature that is associated with the determining factors of audit fees. The third chapter laid emphasis on the methodology of the present research, which begins with theoretical foundation and data collection. Chapter four explains the results of the current research study. Chapter five discusses the results and it will provide conclusion and future directions.

1.8 Summary of the chapter

The introductory chapter of study will give an overview of components that are involved. It covers important features like background, problem statement, questions, objectives, scope and significance of study and lastly the organization of chapters. Reading this chapter will provide its reader with an general picture of what the present study is about.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

The existing evidence on the relationship between gender diversity and audit fee is scarce, despite many empirical studies documenting the merits and downsides of audit fee in the agency relationship. Further, those studies that examined women board directors and audit fee were mostly conducted in different regulatory business environments. To understand and to assess the role of women board directors on audit fee, the effectiveness of those mechanisms is reviewed based on other aspects of corporate performance that commonly exist in the literature. This review starts with the corporate governance and the relevant studies regarding the relationship between corporate governance and audit fee. Next, findings from previous studies are classified according to the factors examined in this research namely, women participation, women expertise, women independence and women ethnicity. Also agency theory that explain the relationship between gender diversity and audit fee is discussed. Finally, a summary of the chapter contents is provided.

2.2 Corporate Governance

There are two systems in implementing the Board structure of a company, namely, the Anglo-Saxon system and the Continental European system. Carati and Rad (2000) use different terms to explain the two corporate governance systems, namely, a market-based system for the one-tier Board system and a group-based system for the

Continental European system. Franks and Mayer (2001) use other terms, and call it an 'outsider system' for the Anglo-Saxon system and an 'insider system' for the Continental European system.

Outsider system is a one-tier Board system. This system has a single Board of Directors. They manage and also control the company. It consists of two types of directors: insider and outsider (independent) directors. Insider and outsider Boards are also called executive and non-executive Boards (Weir & Laing, 2001). An executive Board member is a senior executive and full-time employee of the company. They have responsibility in the day-to-day company's operations. The executive director has direct responsibility in the company's business, such as finance, marketing and corporate strategy. According to Laing and Weir (1999), non-executive directors (NEDs) are independent directors. They monitor the decisions made by insider directors. All board members, both non-executive directors and executive directors are elected and dismissed by the shareholders.

Another system is the Continental European system, or two-tier Board system. This system consists of two separate Boards, namely Board of Commissioners (Supervisory Board) and Board of Directors (management Board). The management Board manages the company's day-to-day operations. Furthermore, they know more of the information about the company than the Supervisory Board. However, the Supervisory Board obtains information from the management. According to Van Ees et al. (2003), decision

management is assigned to the Board of Directors and decision for control and monitor is largely held by the Supervisory Board.

The Anglo-Saxon system provides strong minority shareholders' protection as compared to the Continental European system. Moreover, the Code of Corporate Governance for both systems has different emphasis. Ross and Crossan (2012) compared Corporate Governance Codes in both the UK (one-tier Board system) and Germany (two-tier Board system). They note that both countries have a different corporate governance approach; in the UK, it is based on shareholder capitalism and in Germany, it is stakeholder capitalism.

There are several differences between the Anglo-Saxon and Continental European systems. Anglo-Saxon system has dispersed ownership, large equity markets and active market for corporate control which is adopted by the UK and the US (Franks & Mayer, 2001). Weir et al. (2002) state that market for corporate control is the key external mechanism. On the other hand, the Continental European system has concentrated ownership, an inactive takeover activity and little numbers of quoted companies.

The countries that adopted the Anglo-Saxon system are the US, the UK, France, Italy, Malaysia, and Singapore, whereas Denmark, Germany, Netherlands, Austria, Finland, Japan and Indonesia adopted the Continental European system. Some countries cannot be categorized as Anglo-Saxon or Continental European systems, because those countries allow companies to choose between either system, such as Sweden, Belgium, Portugal and Spain.

However, both systems have advantages and disadvantages. Jungmann (2006) concludes that the separation of control and management is one of the main advantages of the Continental European system. The disadvantage of this system is the high information asymmetry between the Supervisory Board and the Board of Directors. The advantage of the Anglo-Saxon system is that all members of the Board (executive and independent directors) are assigned with the identical task and responsibility to perform the same duties. Furthermore, it reduces information asymmetry between boardroom members. The members of the one-tier Board fulfil both monitoring and managerial roles. However, there is a dilemma in Board tasks because they also monitor the decisions, which have been made by them.

The Malaysian Code on Corporate Governance was first developed in year 2000 which strengthens the governance structures of Malaysia. However, the need of revision has been viewed in year 2007 when revised Code of corporate governance was established. This revised code identified and strengthened internal audit function, audit committee and roles of board of directors. Nonetheless, these days the companies in Bursa Malaysia are bound to operate their businesses accordance to the Malaysian Code on Corporate Governance 2012. This latest corporate governance code has concentrated on developing board composition and structures identifying the role of executives as vigorous and accountable fiduciaries. They have an obligation to be compelling stewards and caretakers of the organization, not simply in setting vital course and directing the behavior of business, additionally in guaranteeing that the organization acts

in consistence with laws and moral values, and keeps up a viable administration structure to guarantee the level of interior controls and potential risks.

According to a survey, Malaysia has gained lead in term of their corporate governance structures among 15 developing countries. Moreover, Malaysia ranked fourth out of 25 countries while comparing with developed countries like Singapore, United States and United Kingdom (ACCA, 2015). The criteria for ranking the countries was type of financial instruments, degree of enforceability and clarity. Gender and board diversity are also one of the most prominent success factor of Malaysia corporate governance. Moreover, inclusion of women on board is also one of the exceptional theme of Malaysian CG. Companies are bound to include at least 30 percent women on board to avoid gender discrimination and to enhance their participation in organization decision making (Zainal, Zulkifli, & Saleh, 2013). Although, the corporate governance structure in Malaysia are efficient as compared to other developing countries but it still lacks some information like remuneration structure, shareholder rights, risk governance, stakeholder engagement and disclosure on director's time and resources. Nevertheless, the data regarding other corporate governance variables and audit fee is available in annual reports of Malaysian listed companies. Moreover, the MCCG also recommend the companies to reveal the information regarding gender diversity and related factors.

2.3 Gender Diversity

Before moving to gender diversity directly, this study has defined overall director's diversity and the researches associated to this term because gender diversity is a sub-dimension of director's diversity. The definition of directors' diversity has not been

agreed yet by scholars (Rose, 2007). However, many experts have used the concept of diversity in director structure. For example, Ingley and Van der Walt (2003) argue that the term of diversity is related to various combinations of directors in expertise, attributes, and characteristics subscribed to board members in regard to director processes and decision-making. Other authors like Coffey and Wang (1998) and Campbell and Minguez-Vera (2008), define directors' diversity as the heterogeneity inherent in the Board's members.

According to Pelled (1996), diversity characteristics are often categorized into task related and relation-oriented attributes. Ruigrok et al. (2007) give examples of task related diversity attributes, such as education, functional background and tenure. Nationality, gender, and age diversity are relation-oriented attributes. However, Milliken and Martins (1996) distinguish diversity into observable and less visible attributes. The examples of observable diversity are race, ethnic background and gender. Meanwhile, examples of less visible are educational, functional and occupational backgrounds, and a range of industrial experience. Therefore, directors' diversity can be measured in several dimensions: ethnic, nationality, gender, age, experience, education, and organizational membership, among others (Campbell & Minguez-Vera, 2008).

Wanous and Youtz (1986) note that diversity in groups enhances the quality of decisions. In addition, the diversity is perceived to improve a company's short-time and long-time financial performance in several ways (Carter et al., 2003). They further add that there are several propositions regarding diversity. First, diversity increases

innovation and creativity. Second, diversity creates more effective problem-solving. Third, diversity increases the effectiveness of corporate leadership. Finally, diversity contributes to greater effective relationships globally. Thus, these propositions might lead to better company performance. Therefore, Miller and del Carmen Triana (2009) note that directors' diversity possess a greater different of ideas and point of views presented, to discover for and create solutions in the company's development. Arfken (2004) argues that diversity in gender, age and ethnicity will give some benefits to a company, such as fresh ideas, insights and knowledge to help problem-solving, greater products and enhance strategic planning. Further, Van der Walt, Ingley, Shergill and Townsend (2006) show that a greater level of directors' diversity has a positive link to profit.

Evans and Carson (2005) suggest that diversity has positive and negative impacts. They argue that diversity enhances groups to attract the greater cognitive resources, but it also carries challenges into the company. However, Goodstein et al. (1994) comment that diversity hinders performance. They argue that directors' diversity may lead to potential conflicts in strategic changes and also reduce the ability of the Board to take timely strategic action. According to Milliken and Martins (1996), directors' diversity has positive and negative impacts that are improving the opportunity for creativity of board members and dissatisfied and fail to identify with the boardroom.

From the perspective of Simons and Pelled (1999), directors' diversity improves performance, and sometimes it destroys the company achievement. They argue that

positive effects of diversity are usually contributed to a decision-making/information mechanism because diverse directors lead to a wider range of skill, experience, information, and perspectives. Negative effects of directors' diversity are associated with attraction and social categorization mechanisms, in which people tend to fill more comfortable with others who are alike to themselves. This is also supported by Ancona & Caldwell (1992) who argue that diverse groups bring more creative potential to problem solving, but fail down on implementation because they have less flexibility and capability for teamwork than homogeneous groups.

Kim and Lim (2010) focused on age, education and experience as a proxy of independent director's diversity and company valuation in Korea. They find that the percentage of independent directors with government experience is positive association with company valuation, but a negative effect of the percentage of independent directors as an accountants on company valuation. They also find that the independent directors' age diversity and the diversity of academic background have positive impact on company performance. Although, many studies are available who have ensured the impact of various director diversity characteristics on company performance but the context of this study is to validate the impact of gender diversity (which is a dimension of director diversity) on audit fee.

Gender diversity refers to gender variation of both Boards in a company. From the agency theory perspective, the important part of internal control mechanisms of corporate governance is the monitoring role performed by directors. The attendance of

women on the Supervisory Board may improve monitoring management action because women have different perspectives, knowledge, experience and skills but also different values, norms and understanding. Women directors are in possession of unique skills, knowledge and experience to their task (Terjesen et al., 2009), control and monitor management behavior and quality of management decisions effectively (Campbell & Minguez-Vera, 2008) because woman directors are more independent than man (Simpson et al., 2010). Therefore, this kind of directors can make better quality of the monitoring role; minimize agency problems and costs, finally enhancing company performance.

Women on Board of Directors have benefits for the company (resource dependency theory). For example, Pearce and Zahra (1992) conclude that Board with higher proportion women has more debates and disagreements. In addition, it is related to higher distinguished and objective company performance. In fact, Burke (1997) notes that women on the Board is significantly associated with decision-making and create more effective problem solving within the boardroom (Wang & Clift, 2009). Therefore, women on a Board of Directors would contribute to the company performance.

Gender diversity refers to the composition of women and men on the board members. This composition is believed to benefit the company in terms of representation. Women are more rigid than men. Therefore, the percentage of women on the Supervisory Board will help to better control and monitor the Board of Directors' actions, finally increasing company performance. Campbell and Minguez-Vera (2008) argue that the composition

of gender on the Board improve in better monitoring role and the company performance. In addition, gender diversity in management leads to a better understanding of customer behavior than homogeneous management, because it represents all the customers. Gender diversity can offer market-related advantages (Dwyer et al., 2003). Smith et al. (2006) argue that women directors may have different experiences in comparison to men in both working and non-working life experiences. Women who are directors provide knowledge, unique skills and experience to their Board (Terjesen et al., 2009).

Shrader et al. (1997) note that Boards with larger proportions of women have better performance, more competitive and progressive because their management contingents more closely mirror the composition of existing markets. Using the samples from companies listed in Bursa Malaysia for both Main and ACE market for the year 2008 and 2009, Julizaerma and Sori (2012) find that the presence of gender diversity on Board of Director top executive position increase company performance. Studies in Continental European countries, especially Denmark, show mixed results. Rose (2007) finds an insignificant link between female directors and company performance. Smith et al. (2006) find that the percentage of women directors has a significant positive effect on company performance. In a study in Spain, Campbell and Minguez-Vera (2008) find that adding women on the Board has no effect on company performance. Carter et al. (2003), Smith et al. (2006), and Krishnan and Park (2005) report the proportion of women on the Board is a significant and positive associated with company value.

2.4 Audit Fee

Audit fee is a fee which an organization pays to an external audit to execute audit related services in the organization. Audit fee is a fee which an organization pays to an external audit to execute audit related services in the organization. The level of fees (wages) charged in the audit service by the auditor based on service conducted, time spent, and the number of employee involved in the audit procedures (El-Gammal, 2012).

According to the International Standards on Auditing, audit fees defined as the amount that compensates the financial auditor's activities and qualifications of financial statements (Chersan, Robu, Carp, & Mironiuc, 2012). The increase and decrease of an audit fee depends upon the intention of an organization to prevent from reporting errors or fraudulent activities. According to some reports, the companies with higher risk and weaker internal control pay more audit fees as compared to their counterfeits. Over the few decades, researchers have tried to validate different determinants that could influence audit fees. Although many factors has been associated with audit fees as shown by many researches, the relationship between audit fees and corporate governance has received enough attention. Nevertheless, the studies do not illustrate consistent results (see Cai, 2007). Usually it has been observed that researchers consider audits as external control mechanisms and they examine the impact of board of director characteristics and agency costs on audit pricing. For instance, Gul et al. (1998) found positive association between audit pricing and the magnitude of accruals/earnings. They also found negative relationship between audit fees and independent directors. Gul et al.

(1998) also purported that audit prices are lower in family businesses as compared to other types of ownerships. Later on, Gul and Tsui (2001) tested the impact of agency costs on audit fees in Australian companies.

By utilizing the data of Fortune 1000, Carcello et al. (2002) have tested the relationship between external audit fees and board of director characteristics. They found positive and significant association between various board characteristics (diligence, expertise and independence) and audit fees. Although, Hay et al. (2006) claimed that Sarbanes-Oxley Act increase the trend of researches on the relationship between audit fees and corporate governance as it bound companies to disclose internal control information, however, the no such elevation has been viewed in previous literature. There are number of Chinese researches who focused on this relationship. For instance, Zhang and Zhang (2005) found that there are lower audit fee in state-owned firms as compared to other types of ownerships. On the other hand, Xu (2005) do not revealed such relationship. In the similar perspective, Gao and Kling (2008) found positive relationship between managerial ownership and audit fees.

Wang (2006) also attempted to found the link between audit fee rate and board characteristics. They found no significant relationship between audit committee, number of board meetings and audit fees. They also posits negative relationship between independent directors and audit fees. Researchers like Liu and Hu also found the significant impact of CEO duality and managerial ownership on audit fee using Ashare listed companies. Cai (2007) investigates the influence of corporate governance

structure on audit fees from the perspective of the audit service provider and provides evidence to show that accounting firms charge companies with a larger board of directors higher audit fees than they do non-state-owned companies featuring CEO duality or a moderate managerial share ratio.

2.5 Women Diversity

Studies have revealed the relationship between women diversity and financial returns. Researchers argued that women on board improve ROIC by 26 percent (Carter & Wagner, 2011). In addition, it has also been revealed that women representing top management position perform better as compared to their male counterfeits and their participation also leads to higher share price (Lückerath-Rovers, 2013). Women on top positions bring diversified thoughts and ideas to face difficult situations in an organization. Therefore, the opinion and view of women in high level decision making is necessary. In some companies, women also play a vital role in achieving competitive advantage. There is an immense and untapped pool of talent. Women executives offer the experience and skills which is necessary to be on board including functional expertise, operational expertise and industry knowledge. To accomplish the objectives of this study, women diversity has been divided into three parts, i.e. women participation, women experience, women independence and women ethnicity.

2.5.1 Women Participation

Women participation at senior level management has become progressively debatable issue for many reasons. For instance, till year 2005, the women participation and their

shareholders in companies remained low; however, after 2011 it has been increased. In most of the developed countries, government intervention relating to encouraging women participation has been enhanced. Many countries have passed laws which bound companies to increase women participation on board. Furthermore, to improve objectivity and performance of the organizations, researchers suggest gender diversity as the important strategy. However, it is observed that the women participation on board is higher in a firm which is closer to final customer demand (Financials and Healthcare) but in Information Technology (IT) and heavy industry, the ratio of women on board is still very low (Curtis, Schmid, & Struber, 2012). Curtis et al. (2012) argued that there is more female representation on board in North America and Europe as compared to emerging Asia. They also revealed that in the context of share price performance, the companies who have more female on board outperformed.

In the context of auditing, a trend has also emerged regarding the impact of board gender diversity on audit fee. For instance, using Chinese listed companies, Kuang (2011) found that women on board have positive and significant impact on audit fees. Their results are consistent with the demand-based perspective of audit services that women on board need higher audit quality and greater assurance from external auditors which eventually leads to higher auditing fees. Similarly, by utilizing the US listed companies over the year 2001 to year 2011, Tsui (2015) purported that female director's demand higher audit quality, therefore, they pay higher audit fees.

There are different studies which tried to empirically link women on board with audit fee. For instance, after controlling for industry, board and firm characteristics, Gul, Srinidhi and Tsui (2008) found that female board member demand more audit effort and higher monitoring leading to audit fees. They also found that female board members affect ethical dilemma, complexity and high information asymmetry. Xiang, Qin and Peterson (2015) studied the impact of women on audit committee on audit fee in Chinese listed companies over 2004-2007. They revealed that gender diversity leads to lesser fee but if management is stronger, the relationship is irrelevant. On the other hand, after controlling for self-selection bias, Huang, Huang and Lee (2014) found positive impact of female CEOs on audit fees using US listed companies over the period 2003-2010.

Women on board possess eminent communication skills and remained always ready for the meetings (Stewart & Munro, 2007). Thiruvadi (2012) argued that women's representation on board make other male member more diligent which leads to lower audit fees. Kuang and Chen (2011) examined the Chinese listed companies and argued that women on board demand high quality of external auditing. According to Gao and Zhang (2011), the corporate prestige and reputation improve where there is female representation on board because of women pay close attention to stakeholders' interest along with smoother discussion.

Ittonen and Peni (2012) investigated the companies listed in NASDAQ. They purported that high level of preparation, lower overconfidence; female engagement and female

auditor's diligence increase the investment in auditing which ultimately increase audit fees. Similarly, Adams and Ferreira (2009) argued that gender-diverse boards improve corporate oversight and board involvement. There are less likely the chances of absentees and high level of meeting attendance if there is women representation on board which eventually leads to high level of overall board effectiveness. Moreover, women demand greater assurance; therefore, they pay high level of audit fee. Nevertheless, due to inconsistent results, there is further need to study this relationship.

2.5.2 Women Expertise

It has been previously argued that board members with better financial and accounting expertise produce high level of financial reporting quality. Therefore, lack of expertise of board members was the main reason of WorldCom and Enron downfall. To improve audit function and firm performance, board members must possess necessary financial and accounting knowledge (Robertson & Lanfranconi, 2002). This notion is grounded in the resource dependence theory, which posits that the directors' responsibility as a basis of advice and guidance for the Chief Executive Officer (CEO) is significant in providing appreciated resources to the companies (Pfeffer & Salancik, 1978; Zahra & Pearce, 1989; Hillman & Dalziel, 2003; Daily, Dalton, & Cannella, 2003).

Bédard et al. (2004) indicated that resources, such as financial, governance and company-specific resources should be provided by both the inside and outside directors in order to effectively support the financial reporting quality. He also showed that an audit committee comprising a minimum of one director with financial and governance

expertise, is effective in reducing the earnings management practices. Their results enhance the affirmation of SOX Act that financial expertise is a significant characteristic of an audit committee to undertake its responsibility in monitoring the activity of financial reporting and auditing process. Similarly, Carcello et al. (2006) found that for companies with weak overall corporate governance, an audit committee with accounting and non-accounting financial expertise is associated with a lower level of earnings management.

In accordance to financial fraud, Abbott et al. (2004) and Huang and Thiruvadi (2011) found that an audit committee that comprises a minimum of one member with financial expertise is significantly and negatively associated with the occurrence of financial reporting restatements. Their findings explain that financial experts have the capability to read and understand fundamental financial statements, understand the issues related to auditing and risks and the proposed ways to detect these problems and risks. These arguments has been supported by reputation hypotheses that board members make better decisions and monitor the organization efficiently to improve their reputation.

There is very limited literature in the context of women expertise. For instance, through panel regressions Peni and Vähämaa (2010) revealed that female executives pursue more conservative earning management techniques as compared to males because women on board leads to less income accrued profit manipulation. Researchers have also argued that there is more conservative financial report in case of female chief financial officer. On the similar notion, Francis, Hasan, Park and Wu (2015) studied the

impact of women role in corporate financial reporting decision making. They purported that conservatism and CFO gender varies with the level of job security risk, systematic risk and litigation risks. As women with accounting expertise are risk averse so they pay low level of dividend, a higher tangibility level, low firm risk and less equity-based compensation. Moreover, Beckmann and Menkhoff (2008) studied 649 fund managers in Thailand, Italy, Germany and U.S. and found that women on board possess less overconfidence and risk-taking behavior.

The studies regarding the direct association between women expertise on board and audit fee are almost nonexistent. Nevertheless, there are some related studies, for instance, Tsui (2015) found no significant difference between the financial expertise of male and female suggesting that it is not the extra female audit expertise that is driving the demand for higher audit quality. Butler (2012) argued that the criteria of SEC for financial expertise have been an obstacle for women. Nevertheless, through evidence from Fortune 500 and S&P 500, Wilson Jr (2014) argued that gender diversity is not hampered by the specialized skills and experiences required of a financial expert. Women are working as the same the rate as men. However, according to the best knowledge of the author, there is no previous study which has ensured the impact women expertise on board and audit fee.

2.5.3 Women Independence

Beasley (1996), Xie et al. (2003) and Bédard et al. (2004) defined an independent non-executive director as a member who does not have a relationship with the company

except being on its board. The concentration on directors' independence is grounded in the agency theory (Fama & Jensen 1983), which identifies the monitoring or controlling role of the directors as the most significant of directors' responsibilities, i.e., to put the effective monitoring tasks in place; and directors who are non-executive and independent of management being included on the committee board.

The extent of independence of the board is significantly dependent on its structure. As the non-executive directors grow in number, the board is considered to be positively more independent. The composition of the board is given as the rate of external directors to all the directors of a company, which is regarded as a proxy for board independence (Lim, Matolcsy, & Chow, 2007; Shamser & Annuar, 1993), thus differentiating executive directors from non-executive (or external) directors. The issues are looked at from the perspectives of two proponents: on the one hand, from the proponents of boards consisting of more non-executive directors, and on the other hand, from the proponents of more executive directors. The argument of the proponents of the board consisting of more non-executive directors is based on the agency theory as well as the resource dependency theory (Haniffa & Cooke, 2002).

From the agency theory perspective of monitoring, Fama and Jensen (1983) point out that the composition of boards with a large percentage of independent external directors strongly controls the decisions taken at the managerial level since independent directors possess motivation to execute control on decisions in order to sustain their capital reputation. Moreover, external directors serve as a watchdog with the purpose of making

sure that the board in supervising the decisions of managers which guard the interests of the shareholders (Fama, 1980). Thus, companies with outsider directors on the board are expected to voluntarily disclose more information (Md Nor, Mohd Saleh, Jaffar, & Abdul Shukor, 2010).

In addition, independent directors, based on the agency theory and resource dependency theory can play the role of a power separation system in enhancing the board's effectiveness because they are independent in nature. Independent directors are valued due to their breadth of experience and knowledge, their relationship with other different companies and industries, their independence, as well as their interaction with other management teams (Shapiro, 1979). According to the resource dependency theory, Haniffa and Cooke (2005) note that when the board comprises of a large number of non-executive directors on the board it has a greater tendency of influencing the degree of disclosure since they can offer broader expertise, respect or status and contacts to the advantage of the company.

In the relevance of audit fee, there are number of studies that have ensured the impact of independent directors on audit fee. For instance, Lifschutz, Jacobi and Feldshtein (2010) utilized Israeli firm to justify their results. They posit that independent directors on board have significant and positive impact on audit fee. Similarly, Abbott et al. (2003) examined the positive and significant relationship between audit committee independence and audit fee. Consistent results were found by Goodwin-Stewart and Kent (2006) in Australian context. In the context of Malaysia, Yatim et al. (2006) and

Muniandy (2007) also found that high level of independent board directors are positively associated to cost of audit. Independent directors concerned more about the audit quality to mitigate agency conflicts and to reduce risks, therefore, they pay high fee to external auditors.

In the context of independent women on board, the statistics show that recently Twitter and Facebook has appointed Women board member due to shareholder criticism. In addition, companies in US are bound to include at least one woman director on their board. In Norway, government and regulatory bodies also make the compulsion for companies to include at least 40 percent women or else they have to wind up. However, it is also necessary that most of the women member should also be independent who do not have shares in the company. The dilemma regarding the representation of women on top management position in Malaysia has received enough attention leading to establishment of a new policy in 2004. According to Malaysian guidelines, public listed companies should comprise of 30 percent women on board. Abdullah (2014) revealed that proportion of women directors is positively linked to presence of independent women directors in Malaysian listed companies; however, its impact is negatively related to firm performance. Nevertheless, the studies have not specifically found the relationship between women independent directors on board and audit fee.

2.5.4 Women Ethnicity

Ethnicity is an origin of group identity. It is not only attributes characteristics to members' focal group but also to other ethnic groups (Efferin & Hopper, 2007). Carter

et al (2010) believe that ethnic diversity of directors produces better governance which leads to the company to have a greater financial performance. Shoobridge and Mohr (2006) believe that ethnic diversity helps to acquire and assess the necessary information to proceed for small- and medium-sized enterprises (SMEs). Cox et al. (1991) argue that the different ethnic backgrounds of people have various values, norm and attitudes that reflect their cultural heritage.

There is lack of empirical findings that have investigated the relationship between ethnicity of director members and audit fee, however, there is evidence regarding the association between ethnicity of directors and firm performance (e.g. Carter et al., 2010; Shukeri et al., 2012; Ujunwa et al., 2012; Wellalage & Scrimgeour, 2012). Erhardt et al. (2003) investigated the effect of demographic diversity (measured in terms of ethnic and gender representation) on company performance using 48 127 large US companies for the period between 1993 and 1998. They find that Board of Directors' demographic diversity has a positively relationship with company performance.

In contrast, Carter et al. (2010) examined the presence of ethnic minorities and women on Boards to company performance. They used US companies listed in the S&P 500 index for the 1998-2002 periods. They find an insignificant association between ethnic minority diversity and company performance. Ujunwa et al. (2012) show a positive significant link between ethnicity diversity and financial performance of Nigerian quoted companies. In a study in Sri Lanka, Wellalage and Scrimgeour (2012) used two sampled of data sets, i.e., before the crisis dataset (2007) and the global financial crisis

data set (2009). They find that ethnic diversity increases company value in financially stable times but increase agency conflict during times of high financial uncertainty, such as a global financial crisis. A recent study on Asian countries, such as Shukeri et al. (2012), used 300 Malaysian public listed companies (PLCs) and show that a positive influence of ethnic diversity on company performance.

Yatim et al. (2006) analyzed 736 Malaysian companies and revealed that Bumiputera-owned firms and external audit fees are negatively associated. Moreover, the corporate governance mechanisms and practices in Bumiputera-owned firms are stronger as compared to non-Bumiputera firms. Similarly, in Malaysian context, Che-Ahmad and Houghton (2001) and Eichenseher (1995) also found significant positive relationship between audit fees and ethnicity. Nevertheless, most of the studies are organizational and none of these studies have investigated the individual's ethnicity. Therefore, this study is of much importance as it will explore the impact of Bumiputera women on audit fee.

There are three main nationalities in Malaysia, i.e. Malay, Malaysian Chinese and Malaysian Indian. Nevertheless, Bumiputera (son of the soil) is a broader term used for the Malay race and related Southeast Asian indigenous groups. The term "Bumiputera" was formulated by Tun Abdul Razak to avoid any discrimination among Indian and Chinese. Nevertheless, the representation of ethnicity on board does not reflect their presence in population of Malaysia as Malaysian Chinese hold the industry; only 38

percent are from Bumiputera and almost 58 percent of board positions have been controlled by Malaysian Chinese (Wan Yusoff, 2010).

In the context of Bumiputera women on board, Ahmad-Zaluki (2012) argued that female leadership outperform in the companies as compared to the companies with lesser women on board. Therefore, Malaysian government believes in appointing Bumiputera women on leadership positions. It is also observed that Bumiputera women possess higher level degrees as compared to men. Thus, their participation on board is necessary for the organizational success (Azmi & Barrett, 2013).

2.6 Control Variables

There are many factors that could affect audit fee. Those factors that are not the focus of this study serve as controlling variables. Among others, they are return on assets (ROA), receivables, non-audit fees, big-4, loss, inventory, liquidity and segment, board size, Firm Size, financial leverage, Board Independence and Industry. These control variables are included in the study's models because they were found by previous studies to have a real effect on the audit fees (e.g. Antle, Gordon, Narayanamoorthy, & Zhou, 2006; Carcello, Hermanson, Neal, & Riley, 2002; Francis & Yu, 2009; Jubb, Houghton, & Butterworth, 1996; Kao & Chiu, 2013; Low, Tan, & Koh, 1990; Simon & Francis, 1988; Whisenant, Sankaraguruswamy, & Raghunandan, 2003). Therefore, if these variables are not controlled, it would probably lead to bias in the ultimate outcome of the models that test the association between the board diversity/gender diversity and

audit fee. Therefore, to remove the biasness from the model, considering control variables are mandatory.

2.7 Tokenism Theory

Moss (1977) published a book named “Men and Women of the Corporation”, which greatly expanded and coalesced social psychologists' work on the effects of group composition on group processes. Kanter Moss (1977) presented a theory of tokenism based on gender imbalanced groups, and described the results of a case study of a Fortune 500 company. The theory defined tokenism as the processes resulting whenever a group is skewed such that a clearly definable subgroup, tokens, makes up less than 15 percent of the whole. Through a case study method, the researchers consider 300-person sales force from which she studied 20 higher managerial level saleswomen, their superior and their colleagues. Kanter (1977a, 1977b) presented three critical negative procedures that were related to token demonstration: role encapsulation, contrast and visibility. Visibility reflects the heightened attention directed toward tokens, which always stand out in their work groups and thus suffer exacerbated pressures to perform. Contrast refers to the exaggeration of differences between tokens and the numeric majority, dominants, which may result in the social isolation of tokens. Finally, role encapsulation describes a variety of incidents in which the sales women were constrained by gender stereo typed roles that often were incompatible with work-defined roles. These three processes have been replicated across a variety of token groups representing a broad range of occupations (Yoder, 1991; Zimmer, 1988).

One recent review of this research concluded that four factors often were confounded: numeric imbalance, status variables such as gender, occupational gender inappropriateness, and changes in the gender composition of the occupation as a whole (Yoder 1991). For example, Kanter's (1 977a, 1977b) original case study targeted disproportionately small numbers of a growing number of women in a gender inappropriate occupation (more than 96 percent of upper-level managers in the occupation as a whole were men). This pattern has been found repeatedly in tokenism studies. Tokenism processes were documented when the targets of study were women in male-dominated, normatively masculine occupations who were underrepresented within their work unit. Furthermore, many tokenism studies focused on occupations which, as a whole, were threatened by the recent entry of sizable numbers of women (Blalock, 1967). Thus the processes that Kanter attributed to skewed proportions in work groups alone may have been the result of any one of these four factors, or a combination of more than one. Let us briefly explore each of these additional possibilities.

Researchers and theorists have suggested that tokenism processes are affected by gender as an ascribed master status such that women, who have lower status in a patriarchal society, will experience negative token- ism processes to a greater extent than higher-status white men, even when each group is similarly underrepresented (Alexander & Thoits, 1985; Crocker & McGraw, 1984; Laws, 1975; Yoder, 1991; Zimmer, 1988). Thus, if we look beyond numbers, subordinated gender status as well as difference from the dominant group may be necessary to generate tokenism processes. Kanter defined tokenism at an organizational level by highlighting the gender composition of the

token's immediate work group. Expanding this analysis to a broader level, one also can examine the gender composition of the occupation as a whole, which indicates the gender-stereotyping of the occupation. All tokenism research to date has focused on occupations that are normatively gender-inappropriate: for example, female physicians (Lorber, 1984, 1991), police- women (Ott, 1989), female military personnel (Rustad, 1982; Yoder, Adams, & Prince, 1983), male child care providers (Seifert, 1973), male nurses (Ott 1989), and male social workers (Kadushin, 1976). In fact, this assumption is so pervasive that one study eliminated female clerical workers, even though they may have fit the work-level definition of tokens, because "they do not belong to the kinds of work groups to which Kanter's (1977) theory is applicable" (South, Bonjean, Markham, & Corder, 1982). Laws (1975) captured the importance of both gender and occupational gender appropriateness in her concept of the "double deviant." She suggested that token women deviated, first, from the master status of gender by virtue of their femaleness and, second, from occupational norms by virtue of their occupational pursuits. The importance of occupational gender- appropriateness as a component of gender-stereotyping (Deaux & Lewis, 1984) was highlighted in a series of vignette studies (Cherry and Deaux 1978; Monahan, Kuhn, and Shaver 1974; Yoder, Schleicher, & McDonald, 1998). Cherry and Deaux (1978) found that both women and men wrote stories denigrating both female and male targets who were described as successful in gender-inappropriate occupations (medical and nursing schools respectively). A recent study found that negative outcomes were confined to the personal characteristics of occupationally deviant women (Yoder and Schleicher 1993). A key factor in these studies was the target's deviation from societal norms regarding the gender-typing of

occupations. Finally, many tokenism studies examined occupations undergoing dramatic shifts in gender composition (e.g., Lorber 1984; Ott 1989; Rustad 1982; Yoder et al. 1983). Studying infusions of racial minorities, Blalock (1967) concluded that proportional increases threaten the dominant group, which reacts with defensive strategies aimed at containing the advances made by the intrusive minority. One might expect this threat to be aggravated when the stakes are higher-that is, in occupations of greater prestige (Reskin & Roos, 1992).

The purpose of the present study is to disentangle these four possible causes of tokenism: token proportions in a work group, gender status, occupational gender-appropriateness, and occupational prestige. I predict that token numbers alone will not produce the three tokenism processes of visibility, contrast, and role encapsulation. Rather, these processes will result from a three-way inter- action involving token numbers, gender status and occupational appropriateness. Specifically I predict that negative tokenism processes, as well as denigration of the target, will occur only for token women in masculine occupations. Occupationally deviant token women are expected to experience all of the negative processes; members of all other cells, including occupationally deviant token men and occupationally appropriate token women, will not. Hence the combination of female gender status, token proportions, and occupational deviance, not any factor alone or in combinations of two, is expected to produce negative tokenism processes. As the above review suggests, I expect this to be the case because tokenism processes have been documented consistently only when all three variables (proportional underrepresentation, subordinated gender status, and

occupational gender-inappropriateness) were confounded. Furthermore, as suggested by Blalock's (1967) theory, I predict that negative tokenism processes will be exaggerated for occupationally deviant token women in high-prestige but not in low-prestige occupations.

2.8 Critical Mass Theory

According to Critical Mass theory, large numbers of women on board are more effectual in term of monitoring as compared to single woman. More than one woman could make different as they become more powerful. Single woman on board can be discriminated by male board members. In addition, with the addition of two or more women on board, it is observed that the ideas and voice of women is head by other board members who could strengthen the corporate governance structure. Previously, it has been perceived that when there is single woman on board, her point of view become less important, male members exclude them from socializing and some important decision-making process and they could face inadequate discriminatory behavior from male board members. According to Critical Mass point of view, two or more women on board could feel more comfortable among male members. Moreover, their self-confidence increase which give rise to efficient monitoring and decision making. Two or more women could debate effectively on controversial issues where single women may feel shyness. Usually, single women become isolated and someone else could snatch their reward. However, more than one woman on board could stand for their right. Therefore, it is purported that more than one woman could create a critical mass where they will not be considered as outsider on board (Kramer, Konrad, Erkut, & Hooper, 2006).

2.9 Conclusion of Literature

The previous academic literature on gender diversity, its characteristics and audit fee has been viewed. First of all, the study has described the importance of women in Malaysian Code of Corporate Governance. Then the studies related to gender diversity and its impact on firm performance and audit fee has been reviewed. Most of the studies are agreed upon the notion that representation of women on board can improve the firm performance, however, the researchers on the relationship between gender diversity and audit fee are inconsistent. Some studies found a negative relationship between women on board and audit fee and some found positive. Therefore, further study is needed especially in the context of Malaysia. This study also scrutinized the literature regarding audit fee. It has been identified that although there are studies available on the relationship between corporate governance and audit fee, however, researchers omitted the role of women in this context. It is postulated that the studies related to women with expertise, independent women on board and Bumiputera women on board are almost absent.

2.10 Literature Gap

The focus of this research is to examine the impact of gender diversity on audit fee in Bursa Malaysia listed companies. To fulfill the objectives of the study, gender diversity is divided into four domains (number of women on board, women with expertise, independent women on board and Bumiputera women on board). Previous studies, in the context of this research are almost nonexistent. Researchers have identified the role of women in board of directors on audit fee. However, most of these studies are

conducted in the context of developed country. Therefore, this study will identify the impact of women as board of director on audit fee in Malaysian context. In addition, according to best knowledge of the author, there is not a single study which has ensured the impact of other dimensions (women with expertise, independent women on board and Bumiputera women on board) on audit fee. This study is intended to fill this gap to broader the academic literature in this context.

CHAPTER THREE

HYPOTHESIS DEVELOPMENT AND METHOD

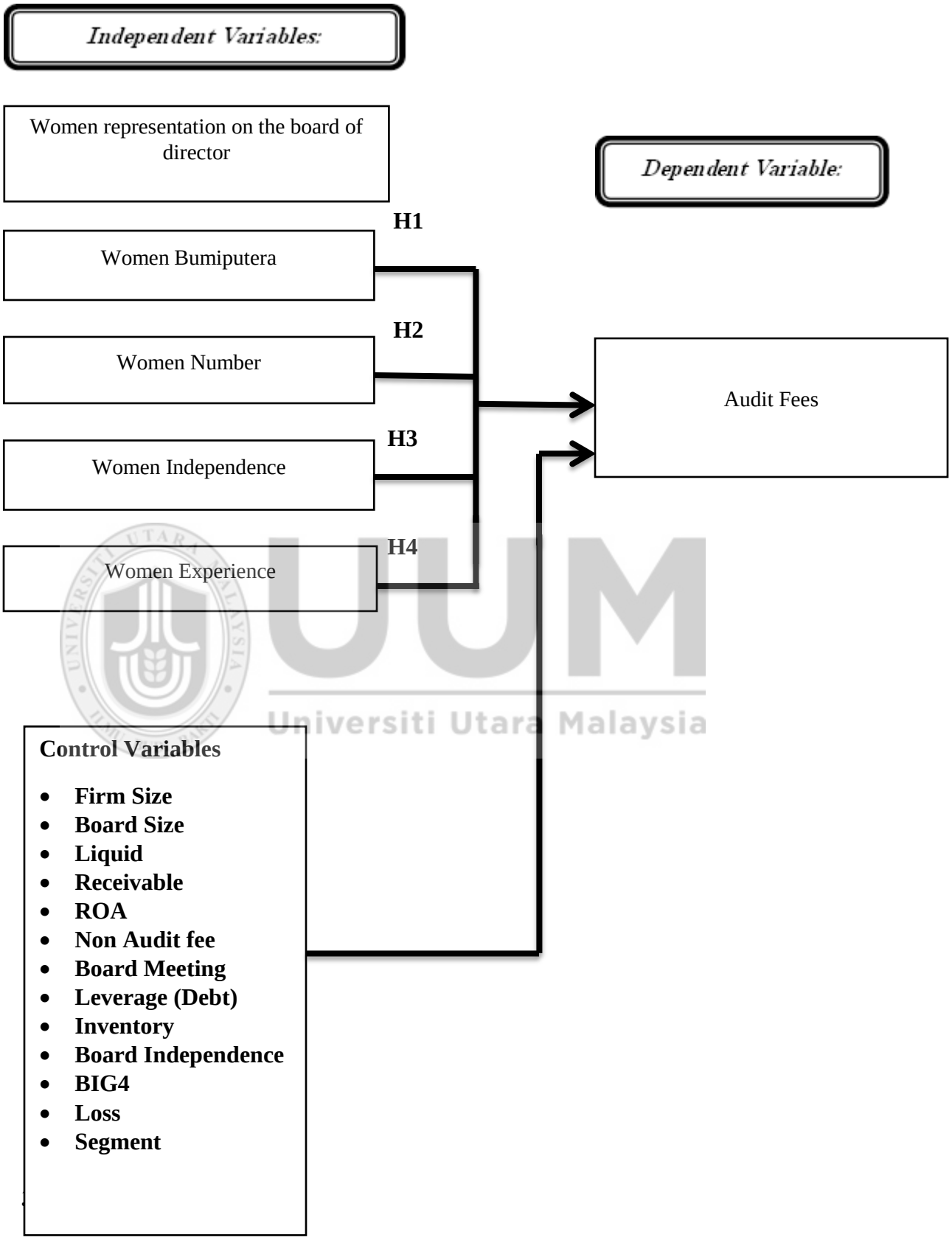
3.1 INTRODUCTION

This chapter describes the methodology used in order to attain the objectives of the study. Discussion emphasizes more on variables used in this study based on the definition and theoretical framework that explains further the dependent, independent and control variables; followed by hypotheses development in the last chapter. These hypotheses are formulated to answer the research questions identified in chapter one. Several tests are performed to determine whether the hypotheses are supported. In testing the hypotheses, this chapter also discusses some important issues in research design, data collection, sampling, data collection procedures and also technique of data analysis.

3.2 Research Framework

The current research is an attempt to investigate the association between representations of women on the board of directors on audit fees by examining Malaysian companies listed on Bursa Malaysia.

Figure 3.1 illustrates the research model that takes selected variables into account of the study. The discussion on both the selected variables and formulated hypothesis is given in the respective Sections.



3.3 Hypothesis

This section provides the hypothesized association between women directors characteristics and audit fees where women directors characteristics is taken as an independent variables and audit fees is taken as dependent variable of this study.

3.3.1 Women Ethnicity and Audit fees

Agency theory has been extensively used in auditing areas (Ittonen, 2010). Jensen and Meckling (1976) explained an agency relationship as an agreement between principals and agent. Both parties may comprise of more than one person where their job is to perform the duty by delegating decision-making authority to them. Agency issues are usually resolved by agency costs when agents fail to make decision in the best interest of principal with the purpose of pursing their own interest. Stephen Ross and Barry Mitnick in the early 1970s (Mitnick , 2006) laid down the foundation of a proper well defined agency theory. Some scholars who agreed on the developed theoretical foundation were Armen Alchian, Harold Demsets, Machael Jensen, and William Meckling (Mitnick, 2006).

The ultimate aim between ownership and management is to create information asymmetry and the agency costs (Farrer & Ramsay, 1998). It may possible to gain information asymmetry and agency cost through the auditors and the shareholders. On the other hand; Institute of Charted Accountants of English and Wales (Farrer & Ramsay, 1998 as cited in Soyemi & Olowookere, 2013) stated that the information

asymmetries and various intentions can build lack of trust of principals who are commonly known as shareholders on their agent; commonly termed as auditors. Therefore, it is required to give prior a debriefing on the development of audit, objective and either their long-term or short-term benefits.

Literature has supported the notion of the ethnicity has significantly contributed towards developing Malaysian capital market. From an ethnic perspective; cultural difference is seeming to be an influential factor (Subramaniam, Devi, & Marimuthu, 2011). Cultural differences have an impact on the three core aspects namely business practices, organizations and accounting disclosure practices. Looking into the Malaysian capital market viewpoint, one of the crucial aspect which has molded close identification between economics and racial functions. Ethnicity is a very important in context of Malaysia as ethnicity has provided benefits to Malaysian in the capital market rather there is also a considerable diversification division based on ethnicity, language and religion.

Financial and environmental disclosures were identified by Arussi, Selamat, & Hanefah (2009). Data was gathering using internet survey from two hundred and one Malaysian companies for year of 2005 listed on the Bursa Malaysia's Main and Second Boards. The finding of the study revealed that the ethnicity of CEO is a major contributor. Moreover, a significant positive association was established between independent variables (board independence, audit committee expertise, and the frequency of audit committee meetings) and dependent variable (external audit fees). In-addition, a

statistically significant negative relationship was found between external audit fees and Bumiputera-owned firms ethnicity.

Besides in-line with Arussi, Selamat, & Hanefah finding, Gul et al .(2003) supported the evidence of a statistically significant positive relationship between the audit fees and the agency costs of political affiliations. The data was collected from the Malaysian listed companies. it was found that the more the greater audit risks on the auditors perceive politically affiliated firms; the more charging of higher fees. A study was conducted by (Eichenseher, 1995) and CheAhmad et al. (2001) where the emphasis of the study was to investigate Chinese business practices. It was hypothesized that Chinese business practices may have causal association and impact on the levels of agency conflicts and risks related with Chinese-controlled leading to lower external audit fees charged to these firms. The finding of he both studies revealed that ethnicity is a significant and major aspect of considered in-terms of inherent risk.

In-addition, Eichenseher (1995) and (Che-Ahmad & Houghton, 2001) has also provided the similar empirical evidence where in their studies the more emphasis was given to the investigate the relationship between ethnicity and audit fees. The finding from both studies revealed that a higher audit fees is paid by the Bumiputera-controlled firms as compared to the non-Bumiputera-controlled firms. Furthermore, (Haniffa, Yatim, Kent, & Clarkson, 2006), found a negative relationship between the external audit fees and the ethnicity. On the other hand; contradictory evidence was found by Haniffa et al who conducted a study in 2006 where the study was aimed to investigate the impact of board

composition and ethnicity on audit quality using hundred listed companies under the Bursa Malaysia Main Board (2002). Result finding revealed no connection between CEO duality and ethnicity factor incorporating audit fees.

Furthermore, a study was replicated by Haniffa et al. (2006) with a sample comprises of five-fifty-nine publically-listed Malaysian companies in the year of 2005. The study was to investigate role of audit fees with bumiputra CEO managed companies. The finding of the study revealed interesting results. A statistically significant positive correlation was found between the audit fees and the bumiputra CEO managed companies; however, no association was found among bumiputra-dominant audit committees. Nevertheless, the positive association between companies incorporating a bumiputra CEO and the audit fees was more predominant in smaller client firms. Moreover, it was results also indicated that the audit fees were higher particularly for the firms which were managed by a bumiputra CEO with a fully bumiputra-composed audit committee as compared to companies which were not managed by a bumiputra CEO. In a nut-shell the finding also concluded that there was a greater impact of ethnicity on the audit fees. The finding were in-line with the previous studies where the greater emphasis was given on the role of ethnicity on the audit fees particularly taking Malaysian perspective into consideration.

Based on the aim and background of the study; four core hypothesis were formulated. The description on each of the hypothesis is given below:

H1: There is a relationship between Women directors Ethnicity and Audit fees.

3.3.2 Women Number and Audit fees

The underpinning concept of Critical mass theory is that the influence of subgroup becomes noticed once it is reached at a certain gender threshold. This is because when there is only one women on a board and regarded as a token; thus being considered as an important aspect. therefore, her opinions tend to be viewed as representative of all women (Lückerath-Rovers, 2013) .

Nevertheless, in general, literature has shed light on the importance of the number of women on the board. Greater emphasis is given on the requirement in order to lift board performance. As it is also viewed that women are capable of taking quick and better decision, therefore, women on the board could result in better decision making than mere having one woman on the board. Moreover, since a single lady executive is perceived as a token, therefore, according to her perception; she may find difficulty in decision making and as a consequence may also lack in confidence towards convincing a male director. In-addition, outdoor formal meeting is also becoming a changing trend towards considering meeting venues. Preferences are diverted towards golf field, café generally for smoking and drinking and above to get relaxed and cozy environment. It is observed that women don't usually find it interesting to go on such places for meeting rather they prefer indoor venues for formal meetings. Yet; women are supportive, cooperative, ore dynamic and beneficial to companies as compare to men. Moreover, the stigma of being more social, talkative and having persuasive skills are associated with the women (Konrad, Kramer, & Erkut, 2008).

Empirical evidence show that Kuang (2011) found that women on board have positive and significant impact on audit fees. Their results supported the evidence that women on board need higher audit quality and greater assurance from external auditors which eventually leads to higher auditing fees. Similarly, by utilizing the US listed companies over the year 2001 to year 2011, Tsui (2015) purported that female director's demand greater audit quality, therefore, they pay higher audit fees. Carcello et al. (2002) revealed that women directors are likely to increase the scope of board monitoring and auditing. Literature has also supported that opinion that the more the women directors are on the part of board director; the more result will lead to the prosperity as it is a consequent of independent and diligent boards. Support for this conjecture comes from several sources including a major study by the Conference Board of Canada in 2002 which revealed a significant association between female numbers on the board and good governance credentials. A research was conducted by (Carter, Simkins, & Simpson, 2003). The data was gathered from the S&P 500 firms. The empirical finding of the study claimed that a lower audit fees is associated with a greater number of female audit committee chairs. Looking into the gender difference on the impact of firm values; a statically significant positive relationship was found between female board representatives and firm value. Nevertheless; Rose (2007), also conducted a study where the aim was to investigate the gender difference on the impact of firm values.

Adams and Ferreira (2009) suggested that female participation on the board directors may expand the worth of earnings. (Srinidhi, Gul, & Tsui, 2011) investigated the relationship between the female board membership and earnings quality among firms in

the US. The empirical asserted that the probability of quality of earning is higher if a company hires females in the top management positions. Sun, Liu, & Lan (2011) identified that having more men representation in top management has been deemed as the significant aspect that may lead towards companies' goals accomplishment in the timely manners. Moreover, it is also observed that ethical beliefs are one of the differential aspect among gender which may also contributes towards success.

In the similar context, a researcher was conducted by (Carter, D'Souza, Simkins, & Simpson, 2010)); aimed to explore the association between the proportion of women directors and the firm's financial performance. Standard available tools ROA and Tobin's Q were used to measure the variables of the study. The finding of the study reveals no association among study variables. Besides, Matlala (2011), in reference to board gender diversity stated that in South Africa twenty-five percent women contributed in providing improved financial performance. The following Hypothesis is formulated:

H2: There is a relationship between women directors Number and Audit fees.

3.3.3 Women Expertise and Audit Fee

It was mentioned earlier that board members with better financial and accounting expertise produce high level of financial reporting quality.

A negative association between financial expertise and financial reporting restatements was found in the study of Abbott et al. (2004) and (Thiruvadi & Huang, 2011) respectively. Based on the empirical evidence results indicated that an audit committee

that comprises a minimum of one member with financial expertise is negatively related to the occurrence of financial reporting restatements. The studies regarding the direct association between women expertise on board and audit fee are almost nonexistent. Nevertheless, there are some related studies, for instance, Tsui (2015) found no significant difference between the financial expertises of male and female suggesting that it is not the extra female audit expertise that is driving the demand for higher audit quality. Based on what had been asserted by Ye et al. (2010); no association was found between women in top management and earnings management. This empirical evidence was gained using a large number of sample gathered from year 2001 to 2006 from the Chinese listed companies. Furthermore, no causal association on ethical value was found among gender (Krishnan & Vivanathan, 2008). High level of expertise of the members of audit committee ensure less misreporting because of effective monitoring (Raghunandan & Rama, 2007). Directors with independence and high level of expertise in the field of accounting and financial reporting consequently bring reliability and quality in financial reporting.(DeZoort, 1998). (McKinsey, 2007) found that companies that are strongly represented by women on the board are also the companies that perform best, on both organizational and financial performance. The following Hypothesis is formulated:

H3: There is a relationship between Women directors Expertise and Audit Fee.

3.3.4 Women Independence and Audit Fee.

An agency theory explanation put forward by Adams and Ferreira (2009) is that women directors are generally not part of the matured adults club, and are more likely to align

with the independence characteristic recommended by corporate governance codes. This suggests that female directors enhance board governance in a similar manner to the beneficial oversight provided by independent directors.

Empirical evidence indicate O'Reilly and Main (2012) do not find any evidence that the addition of women independent directors are related with firm performance. They also state that firms tend to appoint women as independent directors when costs are lower, therefore women independent directors are more likely to be appointed by large firms, firms with more profitable records and have more board opportunities. Francis et al. (2012) conducted a study on S&P 1500 non-financial companies, focusing on financial crisis to find the effect of corporate board on firm performance. The evidence of board independence effectiveness is inconclusive. Francis et al. argue that during financial crisis board independence does not significantly affect firm performance.

Widanarni & Aida (2007) found a positive influence of the board independent director on firm performance. However, the result of women size on board is diverse where they found a negative influence of the size of women director on firm performance (Adam& Ferreira, 2009). According to the study conduct on Dutch and Danish boardrooms women independent directors lead to high firm performance (Marinova, et al., 2010). In France and Spain, the rate appointment of women director has seen substantial increase over the year. This increase means that the average number of women director being appointed as independent director also increased. The following Hypothesis is formulated:

H4: There is a relationship between Women director's independence and Audit fees.

According to the demand-side argumentation, effective board of director may be expected to demand more audit effort and greater assurance in order to achieve higher audit quality. These demands obviously lead to higher audit fees. The supply-side arguments, on the other hand, suggest that the involvement of an effective board of direct is bound to strengthen the internal controls of the firm. Because of the audit committee's monitoring activities; the external auditor may reduce the assessed level of control risk and decrease the number of auditing hours. Thus, the supply-side story implies lower audit fees. On the basis of mixed results in the literature and arguments between demand-side and supply -side of Audit fees.

3.4 Data collection

3.4.1 Sampling

The appropriate unit of analysis in this study can be classified as organization because the data involved in this research are those from listed companies in Bursa Malaysia. All the data needed in this research are obtained from the annual reports of the companies. This study used stratified random sampling. The sample of this research study consists of 300 companies with the largest market capitalization listed on Bursa Malaysia. We examine only non-financial companies listed on Bursa Malaysia. There are ten sectors in Bursa Malaysia; three of them are in the financial sectors. We therefore only focus on the other seven sectors which consist of non-financial companies listed on the top 300 companies based on their market capitalizations. The companies chosen as sample are representative and could generalize the population because all sectors listed in Bursa

Malaysia have companies with large market capitalizations. Being large in terms of market capitalizations, these companies are well represented in terms of having women on their board of directors. However, after excluding the financial firms and some missing data, the final sample for this study is reduced to 261 listed companies. It is an accepted methodology to exclude financial companies from any comparative financial analysis of a sample of companies when performance is being analyzed and this exclusion is due to the different financial structure of such organization.

3.4.2 Data Collection Procedures

Data collection used in this study was secondary data. They were collected from annual reports of the companies which were retrieved from Bursa Malaysia website. Most of the data are available in the annual report of the company. These included data for the dependent variables, independent variables and control variables. All the data needed for independent variables were obtained from the board of the directors' profiles in the annual reports which included the characteristics of women directors (Bumiputera, Number, experience and independent women directors on the board. The control variable which contains data on board size was also obtained from the profile board of directors. The other data for firm size was retrieved from financial statement of the company in the annual report. From the financial statement also, the data for dependent variables were available including the data needed to calculate the audit fees. The last source for the data collections were the website of the Star online to obtain the list of the 300 Top Listed Companies by market capitalizations for the year of 2014.

3.5 Model Specification and Ordinary Least Square Regressions

The ordinary least squares (OLS) regression method is used to examine the relationship between women representation on the board and audit fees. It is also use for single response variable which has the interval scale. This model can be applied if the variable is coded in the several assumptions. As far as this study also recording the response from the annual report in the form of coding which can further analysis in the regression model to explain the relationship between the variables. It is assumed that the model examines causal effect of female board of director on audit fees.

$$AFEE = \alpha + \beta_1 BUMWOMEN_{i.t} + \beta_2 NWOMEN_{i.t} + \beta_3 EXWOMEN_{i,t} + \beta_4 INDWOMEN_{i.t} + \beta_5 FIRMSIZE_{i,t} + \beta_6 BDSIZE_{i,t} + \beta_7 INVEN_{i,t} + \beta_8 REC_{i,t} + \beta_9 LEV_{i,t} + \beta_{10} LIQ_{i,t} + \beta_{11} ROA_{i,t} + \beta_{12} LOSS_{i,t} + \beta_{13} NFEE_{i,t} + \beta_{14} BIG4_{i,t} + \beta_{15} BIND_{i.t} + \beta_{16} BMEET_{i,t} + \beta_{17} SEG_{i,t} + \beta_{18} IND_{i,t} . + \varepsilon_{i.t}$$

Table 3.1

Where:

AFEE	:	Natural logarithm of audit fees
BUMIWOMEN	:	Ethnicity of women directors BOD measured by a dummy variable whereby firms that have one or more directors of Malay ethnicity will be respectively coded as 1, 0 otherwise (Zainal, Zulkifli and Saleh, 2013).
NWOMEN	:	Number of women on board of directors.
EXWOMEN	:	Percentage of board of director members who have Auditing , accounting or financial experts.
INDWOMEN	:	Independent women director on the board.
FIRMSIZE	:	The natural logarithm of total assets.
BDSIZE	:	Total number of directors on board.
INVEN	:	Inventory

REC	:	The ratio of receivables to total assets
LEV	:	Proportion of total liability over total assets
LIQ	:	The current ratio
ROA	:	Return-on-assets
LOSS	:	1 for firms with a loss in the prior year, 0 otherwise
NFEE	:	Natural logarithm of the company's non-audit fees
BIG4	:	1 for big audit firms, 0 otherwise
BIND	:	The proportion of independent directors
BMEET	:	Number of meeting of the board of firm
SEG	:	The number of business segments
IND	:	Industry
α		Constant number for the equation
ε	:	Error term

3.6 Measurement of the Variables

This variable can be computed by formula of basic calculation and then this variable can regress in the regression technique to find out differentiation between two independent variables.

3.6.1 Dependent Variable

In the recent, the trend has been diverted towards natural logarithmic. In the current study is dependent variable. Prior to check for cause and effect relationship, rigorous procedures were applied for data screening such as tests of normality and homogeneity. Ringgit Malaysia is considered as value of the audit fee.

3.6.2 Independent Variables

3.6.2.1 Women Number:

In examining women's presence on board, we look at the proportion of women sitting

on the board. This variable measures by 1 if there is one Women director on the board, 0 otherwise.

3.6.2.2 Women Bumiputera:

firms that have one or more directors of Malay ethnicity will be respectively coded as 1, 0 otherwise.

3.6.2.3 Women Experience:

The percentage of board of director member with Auditing, finance or accounting degree to total member of board of directors, (Saleh et al., 2007,Goh 2009; Zaman et al., 2011).

3.6.2.4 Women Independence:

Measurement for the independent women director on the board follows the same measurement used by previous researchers. Schwizer et al. (2011) defined the independent women directors as the number of independent women directors on the board divided by total number of board of directors.

3.6.3 Control variables:

Table 3.2

Firm size	:	This variable firm size is measured by the natural logarithm of total assets
Board size	:	total number of directors on boards
Board meeting	:	The number of board meetings held during the financial year
Board independence	:	The proportion of independent non-executive directors on boards
Receivable	:	The ratio of receivables to total assets
ROA	:	Returns on Assets (the ratio of earnings before interests and

		taxes to total assets)
Non Audit fees	:	Natural logarithm of the company's non-audit fees
Leverage	:	This ratio measures by long-term debt divided by total assets (e.g. Gul et al., 2009; Gul & Wah, 2002; Jenkins et al., 2006).
Inventory	:	This variable measures through ratio of total inventory to total asset
Big4	:	A dummy variable of 1 if financial statements audited by Big 4 audit firms, 0 otherwise
Industry dummies	:	A dummy variable is employed where 1 is utilized for Industrial Product sector, and 0 for the no or missing value
Loss	:	Is represented in the current study via a binary variable, 1 was given to loss firms, and to other firms
Segment	:	The number of business segments

3.7 Data Analysis

In this study, the data that the researcher collected were analyzed by using the SPSS19 software. It provides the findings on descriptive statistics, correlation analysis and regression analysis to answer the research questions.

3.7.1 Descriptive Analysis

The descriptive analysis provides the information regarding the data mean, minimum maximum and the standard deviation for each variable of the sample that choose by the researcher in the present study. The findings enable us to understand and interpret the data.

3.7.2 Multicollinearity

To test the presence of multicollinearity among the independent variables used in this study, the researcher applied the variance inflation factor (VIF) method. Variables with

VIF value greater than 10.0 reveals that there is multicollinearity problem exist in the study (Guajarati, et al , 2009).

3.7.3 Correlation of Variables

In the present study, the research objective is to determine the relationships between the dependent and independent variables. The correlation matrix of the variables is used to examine the correlation of one variable between one another. The results of the correlation matrix analyses explain the nature, direction and significant between the variables used in the research.

3.7.4 Regression Analysis

This study applied linear regression analysis in order to examine the relationship between Women director on the board and Audit fees.

3.8 Summary for the Chapter:

This chapter discusses the methodology that was used in this study. The research framework shows the relationships between Audit fees to proportion of women on the board (Bumpera , independent , number and experience women on the board). To implement the research framework, research design was developed. It included the variables measurement, data collection procedures and technique analysis. Overall this chapter explains the process of methodology applied in this study to test the data in order to produce results to verify the hypothesis developed.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter shows the statistical results for the impact of gender diversity on audit fee in Malaysia. The chapter has been divided into four sections. Section 4.1 demonstrated the descriptive statistics of the collected data. Section 4.2 shows the Pearson's correlation analysis to show the association among variables. Section 4.3 analyzed different assumptions of regression analysis. Lastly, in Section 4.4, the regression analysis has been tested to fulfill the objectives of this study. This section illustrated the impact of women on board, their expertise, their independence and the number of Bumiputera women on audit fee along with different control variables.

4.1 Descriptive Statistics

This study has analyzed descriptive statistics for dependent variables and independent variables (see Table 4.1). Standard deviation and mean of every variable has been collected. Table 4.1 also mentioned the number of observations. On the basis of higher market capitalization, the data of 300 companies were collected which are listed on Bursa Malaysia. However, financial companies were excluded from the data because of structural and functional difference between financial and non-financial firms. In addition, as this study is also incorporating financial leverage in the model so it is an

indication of distress in non-financial sector but consider as normal in financial firms (Gray, 2013). However, this study was unable to find the data for 28 companies, hence, data reduced to 272 companies. In addition, there were total 11 financial companies and after excluding data was reduced up to 261 companies. In addition, 11 more companies were excluded for removing outliers. Finally, only 250 companies as are selected as sample. Furthermore, minimum and maximum values are also evaluated to examine the data range. Table 4.1 shows the descriptive stats for Audit Fee, Number of Women on board, Womene independence, Bumuputera women and Women experience.

Table 4.1
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Audit fee	250	28.00	11672.00	677.5108	1194.933
Women Number	250	.00	5.00	.84800	.940443
Women Independence	250	.00	2.00	.37600	.0.576153
Women Bumiputera	250	.00	5.00	.39600	.758409
Women Experience	250	.00	3.00	.384000	.598311

Table 4.1 demonstrated the descriptive statistics for all independent and dependent variable incorporated in the study's mode. The number of observations (N=250) illustrated no missing values for any variable. First of all, the descriptive statistics of dependent variable (i.e. audit fee) has been evaluated in the Table. The mean value shows that on the average, companies have spent about RM677.51 thousand in audit fee with minimum RM 2800 and maximum RM11,672,00.

Furthermore, the average ratio of number of women on board in Malaysia is very low. Some companies have not added a single woman on their board and therefore, the mean value is 0.85 which is not according to the criteria of MCCG. Likewise, their experience and independence are also not showing satisfactory statistics (see mean values in Table 4.1). Although, the representation of Bumiputera women is higher as compared to non-Bumiputera women in Bursa Malaysia but due overall lower representation of women, their average is also low. To fully enlighten the association among these variables, Pearson's correlation has been analyzed in further sections.

4.2 Correlation Analysis

A correlation analysis demonstrates the association between two or more variables and the extent to which these variables fluctuate. A negative correlation specifies the opposite direction of two variables and positive correlation shows the extent to which variables decrease or increase in parallel direction (Cohen, Cohen, West, & Aiken, 2013). The range of correlation varies from +1 to -1 which shows perfect positive or perfect negative relationship among variables. However, the value with absolute zero or closer indicates no association between two variables. Furthermore, correlation analysis is also crucial before analyzing regression because it also identified the Multicollinearity issue among variables. The values higher than 0.9 should be reexamined because they could cause serial Multicollinearity issue in the model (Judge, Hill, Griffiths, Lutkepohl, & Lee, 1982, p. 620). Table 4.2 shows the values for Pearson's correlation.

Table 4.2: Correlation Analysis

	AFEE	N Women	IND Women	BUMI Women	EX Women	INVEN	REC	LEV	LIQ	ROA	LOSS
AFEE	1	0.786**	0.099	0.177*	0.674*	0.431*	0.348*	0.427*	0.782**	0.542**	0.088
N Women	0.134*	1	0.431*	0.678**	0.675**	0.077	0.087	0.340*	0.675**	0.564**	0.125*
IND Women	0.108	0.754**	1	0.786**	0.312*	0.432*	0.644**	0.571**	0.449**	0.431*	0.777**
BUMI Women	0.140*	0.664**	0.399**	1	0.543**	0.231*	0.011	0.676**	0.673**	0.0783**	0.712**
EX Women	0.046	0.644**	0.571**	0.449**	1	0.565**	0.466**	0.342*	0.786**	0.099	0.076
INVEN	0.455*	0.564**	0.786**	0.312*	0.675**	1	0.355	0.561**	0.765**	0.022	0.045
REC	0.987**	0.321*	0.213*	0.412**	0.876**	0.657**	1	0.456*	0.011	0.676**	0.673**
LEV	0.011	0.034	0.987**	0.124*	0.341*	0.786**	0.321*	1	0.213*	0.412**	0.876**
LIQ	0.032	0.341*	0.565**	0.466**	0.342*	0.897**	0.987**	0.012	1	0.675**	0.561**
ROA	0.236*	0.390*	0.564**	0.431*	0.678**	0.013	0.077	0.087	0.340*	1	0.675*
LOSS	0.675**	0.564**	0.125*	0.812**	0.991**	0.0783**	0.712**	0.034	0.045	0.089	1
NFEE	0.675**	0.876**	0.341*	0.112*	0.561**	0.015	0.187*	0.900**	0.876**	0.045	0.431*
BIG4	0.561**	0.765**	0.022	0.045	0.564**	0.555**	0.786**	0.099	0.076	0.342*	0.451*
SEP	0.431*	0.348*	0.427*	0.782**	0.542**	0.078	0.543**	0.987**	0.124*	0.341*	0.231*
SEG	0.125*	0.812**	0.991**	0.014	0.0783**	0.432*	0.897**	0.987**	0.012	0.675*	0.786*
BM	0.046	0.644**	0.571**	0.449**	0.812**	0.014	0.0783**	0.712**	0.034	0.045	0.089
BZ	0.675**	0.564**	0.125*	0.812**	0.897**	0.712**	0.034	0.045	0.432*	0.897**	0.987**
BIND	0.987**	0.124*	0.341*	0.231*	0.786**	0.765**	0.022	0.045	0.564**	0.351*	0.0783**
FZ	0.561**	0.765**	0.022	0.045	0.564**	0.046	0.644**	0.571**	0.449**	0.022	0.045
IND1	0.125*	0.812**	0.991**	0.014	0.0783**	0.675**	0.564**	0.125*	0.812**	0.991**	0.675*
IND2	0.987**	0.124*	0.341*	0.231*	0.786**	0.432*	0.897**	0.987**	0.012	0.987**	0.321*
IND3	0.340*	0.675**	0.564**	0.125*	0.812**	0.022	0.045	0.564**	0.351*	0.555**	0.786**
IND4	0.675**	0.564**	0.125*	0.812**	0.897**	0.712**	0.034	0.045	0.432*	0.897**	0.987**
IND5	0.542**	0.088	0.078	0.543**	0.987**	0.341*	0.231*	0.786**	0.564**	0.675**	0.661**

AFEE	NFEE	Big4	SEP	SEG	BM	BIND	FZ	IND1	IND2	IND3	IND4	IND5
N Women	0.078	0.543*	0.341*	0.231*	0.786*	0.561**	0.765**	0.022	0.045	0.564*	0.351*	0.0783*
IND Women	0.812**	0.897**	0.014	0.0783**	0.342*	0.432*	0.897**	0.987**	0.012	0.675*	0.786*	0.783**
BUM Women	0.983**	0.432	0.571**	0.449**	0.812**	0.991**	0.014	0.0783**	0.712**	0.034	0.045	0.089
EX Women	0.034*	0.045	0.078	0.543**	0.987**	0.124*	0.341*	0.231*	0.786**	0.564**	0.675**	0.661**
INVEN	0.765**	0.022	0.078	0.543**	0.987**	0.124*	0.341*	0.231*	0.786**	0.564**	0.675**	0.661**
REC	0.564**	0.351*	0.125*	0.812**	0.991**	0.014	0.0783**	0.340*	0.675**	0.564**	0.125*	0.812**
LEV	0.0783*	0.712**	0.987**	0.124*	0.341*	0.231*	0.786**	0.564**	0.675**	0.661**	0.561**	0.501**
LIQ	0.432*	0.899**	0.022	0.045	0.564**	0.351*	0.555**	0.786**	0.099	0.076	0.342*	0.451*
ROA	0.451*	0.776*	0.342*	0.451*	0.564**	0.125*	0.812**	0.991**	0.022	0.045	0.564**	0.351*
LOSS	0.786*	0.564*	0.542**	0.088	0.078	0.543**	0.987**	0.124*	0.341*	0.231*	0.786**	0.564**
NFEE	1	0.672*	0.032	0.341*	0.565**	0.466**	0.342*	0.432*	0.897**	0.987**	0.012	0.876**
BIG4	0.897**	1	0.897**	0.897*	0.672*	0.032	0.341*	0.565**	0.466**	0.342*	0.675*	0.897**
SEP	0.550**	0.784**	1	0.991**	0.014	0.0783**	0.340*	0.675**	0.564**	0.125*	0.784**	0.550**
SEG	0.786**	0.564**	0.786**	1	0.812**	0.991**	0.014	0.0783**	0.340*	0.675**	0.564**	0.786**
BM	0.564*	0.675**	0.564*	0.991**	1	0.045	0.564**	0.351*	0.555**	0.045	0.675**	0.564*
BZ	0.564**	0.351*	0.125*	0.812**	0.991**	0.014	0.0783**	0.340*	0.675**	0.564**	0.125*	0.812**
BIND	0.675**	0.786**	0.675**	0.812**	0.991**	1	0.0783**	0.340*	0.675**	0.231*	0.786**	0.675**
FZ	0.712**	0.034	0.712**	0.0783**	0.340*	0.675**	1	0.991**	0.014	0.340*	0.034	0.712**
IND1	0.564**	0.351*	0.564**	0.783**	0.543**	0.812**	0.991**	1	0.634**	0.078	0.351*	0.564**
IND2	0.786*	0.564*	0.786*	0.991**	0.014	0.0783**	0.340*	0.675**	1	0.125*	0.564*	0.786*
IND3	0.213*	0.897**	0.213*	0.812**	0.991**	0.014	0.812**	0.991**	0.014	1	0.897**	0.213*
IND4	0.099	0.076	0.099	0.098	0.991**	0.022	0.045	0.564**	0.351*	0.555**	1	0.099
IND5	0.012	0.760**	0.012	0.897*	0.672*	0.032	0.341*	0.565**	0.466**	0.342*	0.760**	1

*. Correlation is significant at the 0.05 level (2-tailed) **. Correlation is significant at the 0.01 level (2-tail)

Table 4.2 shows the correlation analysis among audit fee, Women number, Women independence, Women Bumiputera and Women experience. Similarly all the control variables also include in the correlation matrix which shows that most of the control variables have significant values. It has been clarified from the analysis that none of the independent and control variables have value is more than 0.9, therefore, there is no issue of Multicollinearity. However, board meeting and segment of geography is insignificant or did not correlation in the most of cases. Nevertheless, the results show that the role of women on board is ineffective regarding audit fee as there is no correlation of Women number, Women independence, Women Bumiputera and Women experience with audit fee. However, it has been identified that Women number has a positive correlation with Women independence, Bumiputera and experience. It can be purported that the representation of Women members on board enhances the independency and experience on board. Moreover, listed companies in Bursa Malaysia encourage the representation of Bumiputera women as compared to non-Bumiputera. Moreover, the results illustrated that there is a positive but weak correlation between Women independence and Women Bumiputera. Therefore, it cannot be certainly assumed that Bumiputera women enhance the women independency. Results also show that independent Women directors possess higher experience but this evidence is weak for Bumiputera women.

4.3 Assumptions

There are basic assumptions of regression analysis which refine and validate the data before ensuring the effect of predicting variables on criterion variable. There are mainly six assumptions which need to be fulfilled before analyzing regression, i.e. identification of outliers, linearity, normality, no or little Multicollinearity, no auto-correlation and homoscedasticity.

4.3.1 Outliers

The outlier could be any observation which has wide distant from other observations. The presence of outlier could distort the validity of the model and could cause measurement error. Therefore, it is suggested that these outliers should be eliminated from the dataset. Cook's distance is a viable statistical technique through which outliers can be identified and eliminated. Draper and John (1981) purported that the value of Cook's distance higher than 0.5 should be eliminated. In the dataset of this study, total 11 outliers were identified through Cook's distance which was eliminated from the data. Thus, the numbers of observation were reduced to 250.

4.3.2 Linearity

Linearity is very important assumption of regression. For the relationship to be linear, it is suggested that the slope should not depend upon the values of other variables and the expected value of criterion variable should be straight-line function of each predictor variable (Berry, 1993). Linearity among the variables can be ensured through Normal P-

P plot of regression standardized residual. Figure 4.1 shows that the data fulfilled the assumption of linearity because most of the values lies on or close to straight-line.

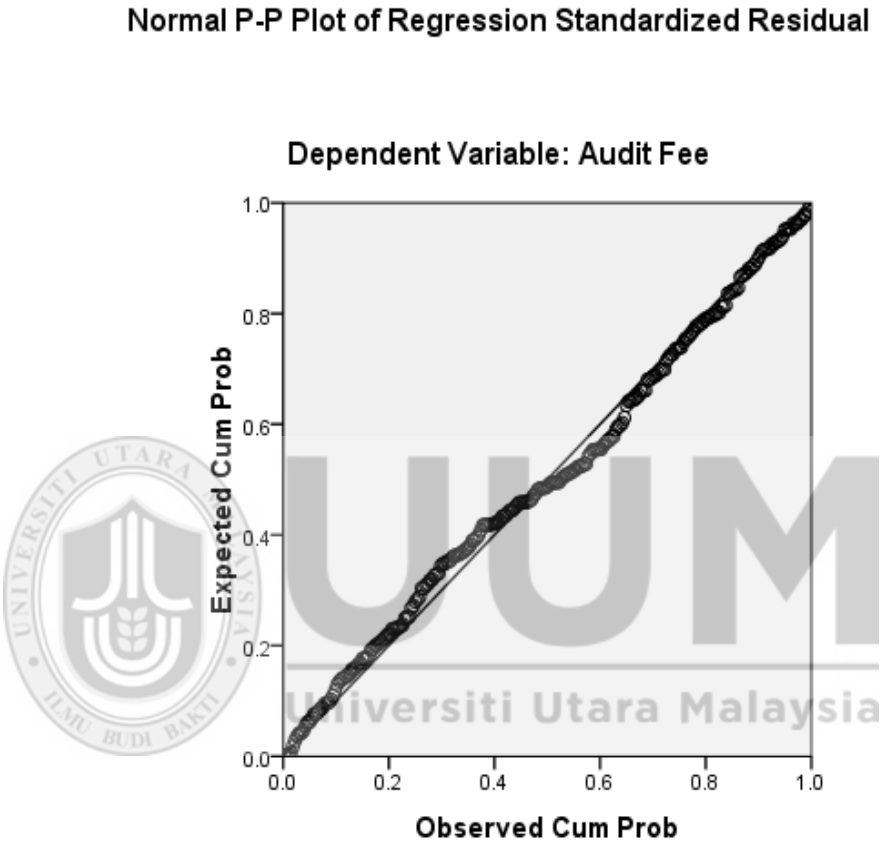


Figure 4.1
Normal P-P Plot

4.3.3 Normality

It is mandatory for the multiple linear regression that variables should be normally distributed. Non-normality (positively or negatively skewed) data can distort the regression model or the association between variables (Berry, 1993). There are many tests and techniques through which normality of data can be ensured though this study

have utilized histogram to show the normality. Figure 4.2 demonstrated validated that there is no issue of non-normality in the data as the standardized residuals are neither positively skewed on negatively skewed. Furthermore, most of the data lies within normal distribution curve.

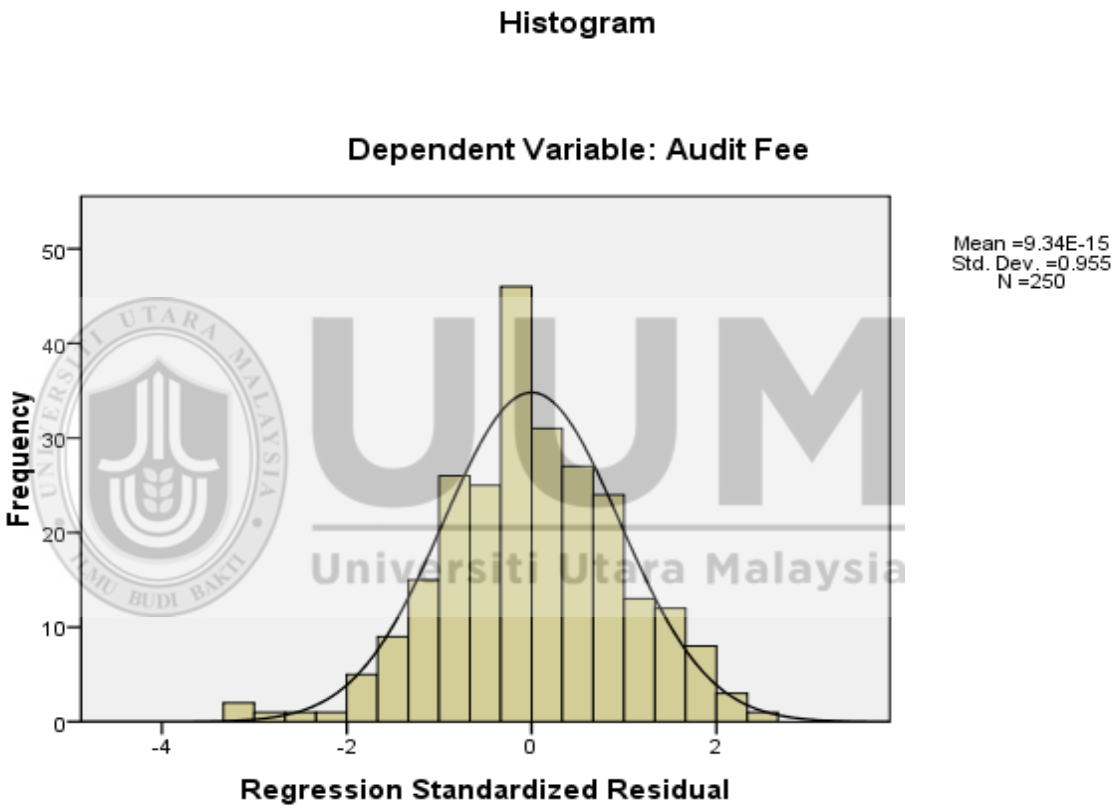


Figure 4.2
Histogram

4.3.4 Multicollinearity

The occurrence of Multicollinearity is the high correlation between two or more independent variables. It means that one can be linearly predicted from the others with a substantial degree of accuracy (Berry, 1993). The issue of Multicollinearity can be identified through correlation analysis. It was identified through correlation analysis that there was no issue Multicollinearity. However, this study has also tested this issue from variance inflation factor (VIF) and tolerance value. As a rule of thumb, VIF should be less than 10 and tolerance value should be greater than 0.1. The prior analysis of VIF and tolerance values shows Multicollinearity issue in a control variable, i.e. "Prop", which was excluded from the model. After excluding the distorted variable, the results show no issue of Multicollinearity as shown in Table 4.3.

Table 4.3
Collinearity Statistics

Model	Variables	Tolerance	VIF
1			
	Women Number	0.245	4.08
	Women Independence	0.41	2.44
	Women Bumiputera	0.512	1.952
	Women Experience	0.561	1.782
2			
	Women Number	0.216	4.631
	Women Independence	0.368	2.718
	Women Bumiputera	0.446	2.243
	Women Experience	0.528	1.895
	Board Size	0.537	1.862
	Firm Size	0.34	2.943
	Leverage	0.927	1.078
	Liquidity	0.829	1.207
	Inventory	0.83	1.204
	Receivables	0.697	1.434
	LNAF	0.671	1.312
	Big 4	0.891	1.123
	Segment for Production	0.852	1.174

Segment for Graphical	0.843	1.186
Return on Asset	0.639	1.565
Board Meeting	0.733	1.363
BIND	0.687	1.455
Loss	0.393	2.547
IND1	0.669	1.496
IND2	0.598	1.673
IND3	0.67	1.493
IND4	0.485	2.063
IND5	0.529	1.891

a. Dependent Variable: Audit Fee

4.3.5 Heteroscedasticity

As for test for homoscedasticity, it assumes that the dependent variable shows an equal degree of variance throughout the predictor variables' range. This is a desirable result as the dependent variable variance should not be concentrated on a limited range of the independent variables. In this context, violation of homoscedasticity refers to heteroscedasticity. The latter condition has a tendency to make the coefficient estimate to be underestimated, and in some cases, it makes insignificant variables seem significant (Hair et al., 2010). This study has identified the homoscedasticity through scatterplot. Figure 4.3 shows that the residuals are not following any specific pattern, therefore, there is no issue of heteroscedasticity.

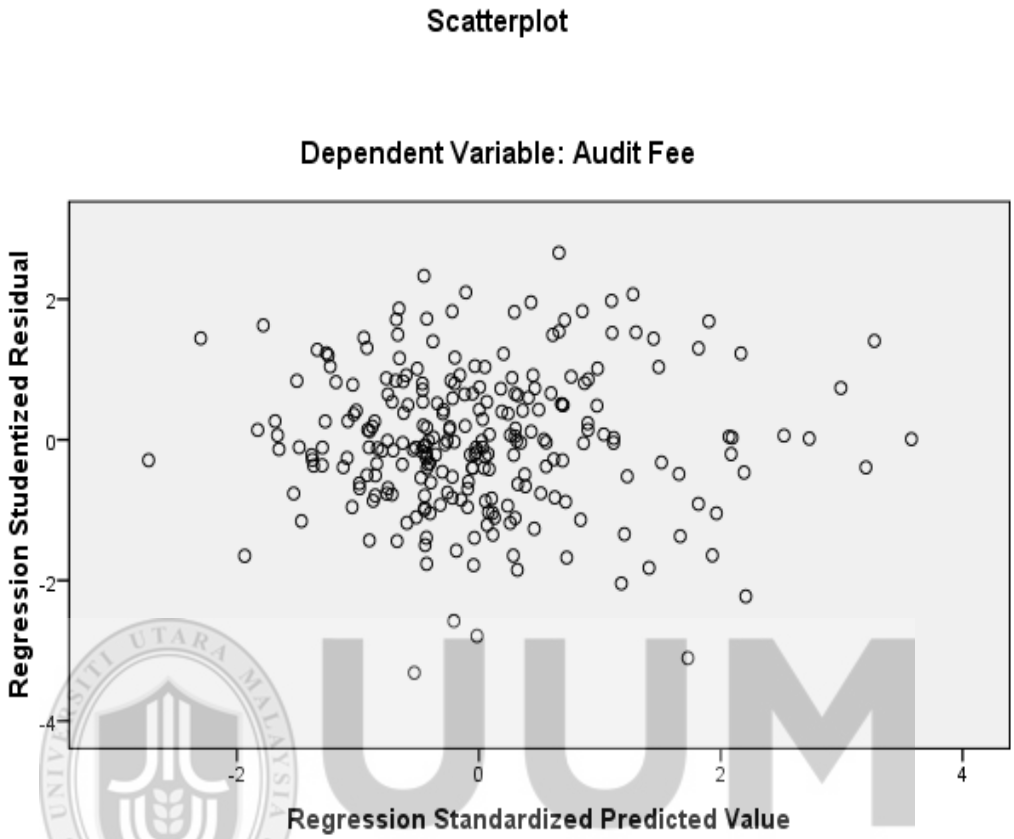


Figure 4.3
Scatterplot

4.4 Regression Analysis

Regression can be utilized when researcher want to anticipate the relationship among variables. The regression technique involves a criterion variable and one or more predictor variables. There are several modeling techniques for assessing regression; however, to estimate the results of this study, multiple linear regressions have been used. In this study, there are one dependent variable and four hypothesis variables, one dependent variable and 18 control variables. The model has been tested with and

without control variables. Table 4.5 shows the ANOVA technique through which it has been revealed that model 1 (without control variables) is insignificant though the main effect of model 2 (with control variables) is significant.

Table 4.4
ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.451	4	1.863	1.838	.122[a]
	Residual	248.345	245	1.014		
	Total	255.796	249			
2	Regression	164.606	22	7.482	18.625	.000[b]
	Residual	91.190	227	.402		
	Total	255.796	249			

a. Predictors: (Constant), Women Experience, Women Bumiputera, Women Independence, Women Number.
b. Predictors: (Constant), Women Experience, Women Bumiputera, Women Independence, Women Number, Segment for Graphical, Receivables, IND1 , Leverage, Liquidity, Inventory, Big 4, Segment for Production, BIND, Loss, IND2, Board Meeting, IND3 , Return on Asset, IND4, Board Size, IND5, Firm Size
c. Dependent Variable: Audit Fee

The results of regression analysis show that there is insignificant impact of Women number, Women independence, Women Bumiputera and Women experience on audit fee. The results are contradictory to the study of Ittonen et al (2010), Huang et al (2014) and Gul et al (2008). However, these results are inline to the study of Abdullah (2012). It can be purported that the representative of women in Bursa Malaysia is inadequate. Regardless of experience, ethnicity and independence, male dominant market of Bursa Malaysia are hindering women to participate in important decision making processes like audit fee. Although, women in Malaysia are being trusted these days to hold

important position on the board, however, their presence is not contributing toward increasing or decreasing audit fees.

Nevertheless, some control variables have shown significant relationship with audit fee. For instance, the results revealed that there is a significant positive impact of firm size on audit fee. The outcome is factual because bigger companies spend more on audit fees to improve their internal control mechanisms. Similarly, non-audit fee also reported significant relationship with audit fee. In order, the results suggested that there is a significant positive impact of non-audit fee on audit fee. Hence, bigger the non-audit fee will cause bigger the audit fee. However, the effect of liquidity on audit fee is significantly negative. These results are consistent with the research of Naser and Nuseibeh (2008). In addition, rest of the control variables also demonstrated insignificant coefficients except "Segment for Graphical". Furthermore, refer to Table 4.6 for further elaboration.

Table 4.6
Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.756	0.095		60.474	0.000
	Women Number	0.052	0.136	0.049	0.385	0.7
	Women Independence	0.08	0.197	0.04	0.407	0.684
	Women Bumiputera	0.184	0.12	0.134	1.528	0.128
	Women Experience	-0.09	0.14	-0.054	-0.638	0.524
2	(Constant)	-1.932	0.844		-2.29	0.023
	Women Number	-0.074	0.091	-0.07	-0.818	0.414
	Women Independence	0.094	0.131	0.047	0.716	0.475
	Women Bumiputera	0.036	0.081	0.026	0.44	0.66
	Women Experience	0.026	0.091	0.016	0.29	0.772
	Board Size	0.009	0.026	0.018	0.334	0.738
	Firm Size	0.48	0.055	0.598	8.801	0.000***

Leverage	0	0	-0.03	-0.733	0.464
Liquidity	-0.016	0.008	-0.087	-1.995	0.047**
Inventory	0.118	0.311	0.017	0.38	0.704
Receivables	0.811	0.42	0.092	1.929	0.055*
Big 4	0.129	0.085	0.064	1.52	0.13
Non Audit Fee	0.711	0.597	0.0584	10.221	0.000***
Segment for Production	0.063	0.034	0.078	1.812	0.071*
Segment for Graphical	0.061	0.019	0.135	3.134	0.002***
Return on Asset	-0.009	0.007	-0.066	-1.329	0.185
Board Meeting	0.013	0.018	0.033	0.723	0.47
BIND	0.36	0.379	0.045	0.951	0.343
Loss	0	0	0.099	1.57	0.118
IND1	0.257	0.173	0.072	1.483	0.139
IND2	0.035	0.14	0.013	0.251	0.802
IND3	0.139	0.2	0.034	0.692	0.489
IND4	0.318	0.126	0.144	2.528	0.012**
IND5	-0.119	0.139	-0.047	-0.854	0.394

a. Dependent Variable: Audit Fee
b. Note: *, ** and *** denoted significant level at 1%, 5% and 10% , respectively.

4.5 Summary of the Chapter

The chapter empirically analyzes the impact of number of women on board, their independence, their ethnicity and their experience on audit fee. First of all, descriptive statistics of all variables has been shown to demonstrate the wider view of collected data through mean, standard deviation and range of variables. Afterward, correlation analysis has been used to illustrate the association among dependent and independent variables. Before analyzing regression analysis, assumptions are fulfilled. The results of regression analysis shows insignificant impact of independent variables on dependent variable, however, some control variables have demonstrated significant results with audit fee.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This chapter presents the summary of the results that obtained from the analysis that carried out from the present study. The research findings of the effect between the dependent variable like audit fee and independent variables such as bumiputera woman on board, number of woman representation on board, woman on board's experience. Furthermore, limitations of the present study and suggestions for the future research also the part of this chapter. Finally, conclusion of the study reported at the end of this chapter.

5.2 Recapitulation of the Study

This study investigated the relationship between dependent variable like audit fee and independent fee such as bumiputera woman on board, number of woman representation on board, woman on board's experience. The data of 300 companies were collected which are listed on Bursa Malaysia. However, financial companies were excluded from the data because of structural and functional difference between financial and non-financial firms. Nevertheless, this study was unable to find the data for 28 companies, hence, data reduced to 272 companies. In addition, 11 financial companies were excluding and data was condensed up to 261 companies. Using Cook's distance

technique 10 outliers were eliminated from the data. Finally, the numbers of observation were reduced to 250.

The objective of this study was to find the impact of gender diversity, women on board's education, experience and their percentage to total board size on audit fee charged by the auditors. This objective is important because the result of this study will contribute as new evidence from Malaysia companies for the influence of board diversity on audit fees what will be influence of audit fee paid by the firm. This study particular aims to examine the association between.

1- To investigate the association between bumiputera women on board and audit fee.

2- To examine the relationship between Number of women representation on board and audit fee.

3- To examine the association between women on board's experience and audit fee.

4- To examine the association between women on board's independence and audit fees.

5.3 Discussion of the Results

This section discussed the results obtained from the previous chapters. Each hypothesis discussed either this study accept or reject the hypothesis. In addition, comparison of each result also compare with the previous studies also part of this section.

5.3.1 Women Ethnicity and Audit fees

***H1*:** There is a relationship between bumiputera women on board and Audit fees.

The first hypothesis developed and tested is based on the relationship between the bumiputera women on board and audit fee. In examining the relationship in hypothesis one (H1) have stated that, there is relationship between bumiputera women on board and audit fee. The obtained results reported that there is no relationship between bumiputera women on board and audit fee ($\beta = 0.134$, $t = 1.528$, $p > 0.128$), hence, reject the hypothesis. The results are not surprising since only 5.1 percent bumiputera women are on board in the listed companies of Malaysia in 2014. These results are consistent with Haniffa, Yatim, Kent, and Clarkson (2006) where the study was aimed to investigate the impact of board composition and ethnicity on audit quality using hundred listed companies under the Bursa Malaysia Main Board (2002). Result finding revealed that there is no relationship between CEO duality and ethnicity factor incorporating audit fees. Similarly, results of this study also consistent with Oxelheim, Randøy, and Thomsen (2006), Rose (2007) and Gallego-Álvarez, García-Sánchez, and Rodríguez-Dominguez (2010). Oxelheim et al. (2006) after investigating 500 of the largest companies in Denmark, Norway, and Sweden, concluded that gender diversity in the boardroom has no noteworthy effect on firm profitability. Likewise, Rose (2007) in a cross sectional survey of listed Danish firms, found no significant empirical link between firm performance and female board representation. Evidence from Spanish corporations listed the Madrik Stock Exchange also suggested that gender diversity in the boardroom and in top management might not significantly influence corporate

performance (Gallego-Álvarez et al., 2010). In addition, Johl, Subramaniam, and Zain (2012) explain that results of the study did not find an association for firm with bumiputra-dominant audit fee.

Furthermore, results of this study inconsistent with the studies like Abdullah and Ismail (2013). These studies either found positive or negative relationship between ethnicity and audit fee. Abdullah and Ismail (2013) The findings of this study show that gender, ethnic and age diversities among Malaysian firms are still very low. Only about 6 percent of the available board seats are occupied by women and only 39 percent of the boards have women on them. In terms of ethnic diversity, only 25 percent of the firms are considered ethnically diverse with representatives from all three main ethnic groups. Clearly, the boards of large Malaysian firms are predominantly occupied by Malay and Chinese males. As for age diversity, the average age of the directors is 58 years old. More than half of the sample firms have an average board age of 50 to 59 years . Similarly, Gul, Srinidhi, and Tsui (2008) suggest that boards with female directors are more likely to demand higher monitoring in the form of more audit effort.

5.3.2 Women Number and Audit fees

H2: There is a relationship between number of women on board and Audit fees.

The second research hypothesis developed and tested is on the effect between numbers of women on board and audit fee. To achieve the hypothesis two (H2) which has stated that there relationship between numbers of women on board and audit fee OLS

econometric technique has applied. The results show that there is no relationship between numbers of women on board and audit fee. Because t –value ($\beta = 0.049$, $t = 0.385$, $p > 0.7$) is greater than 1%, 5% and 10% level of significance.

The underpinning concept of Critical mass theory is that the influence of subgroup becomes noticed once it is reached at a certain gender threshold. As mentioned earlier only 11% women are on board in the listed companies of Malaysia which is very less as compare to developed countries. The research findings of this study is similar to Abdullah (2012) suggested that the presence of number of women on board is not associated with the level of management. Therefore, based on the findings, women directors on the board and women on the audit committee are not able to constraint accrual management. While the evidence indicates that women on the boards and audit committees do not constraint the level of earnings management, their importance could not be ignored. As more women being appointed to the board and the audit committee, their voice will become stronger. Further, as they become more experienced as directors, they will become more effective in discharging their duties. In order to justify their appointment, women directors need to improve themselves and show a good example as a testimony of their capability. Consequently, the chances of more women being appointed to the board will increase as well. The results of this study also consistent with Shafique, Idress, and Yousaf (2014) in case of Pakistan. In addition results of this study also consistent with several studies such as Bolbol (2012), Ramli and Esa (2012), Shukeri, Shin, and Shaari (2012), Mohamad, Abdullah, Zulkifli Mokhtar, and Kamil (2011) and Marimuthu and Kolandaisamy (2009).

In contrast, the results of this study contradict with Carcello et al. (2002), Kuang (2011), Shafique et al. (2014) and Tsui (2015). For example Shafique et al. (2014) suggested that number of women on board has a significant impact on firm's performance.. Similarly, Tsui (2015) purported that female director's demand greater audit quality, therefore, they pay higher audit fees.

5.3.3 Women Expertise and Audit Fee

H3: There is a relationship between women directors' expertise and audit Fee.

The third research hypothesis developed and tested the effect between women expertise and audit fee. The hypothesis (H3) states that there is relationship the women directors' expertise and audit fee. The results are reported that there is no relationship (β = -0.054, t = -0.638, p>0.524) between women directors' expertise and audit fee.

Furthermore, results of this study consistent with Krishnan and Vivanathan (2008), Ye et al. (2010) and Tsui (2015). Krishnan and Vivanathan (2008) found that no causal association between gender expertise and audit fee. Similarly, Ye et al. (2010) reported that there is no association was found between women in top management and earnings management. This empirical evidence was gained using a large number of samples gathered from year 2001 to 2006 from the Chinese listed companies. Finally, Tsui (2015) found no significant difference between the financial expertise's of male and female suggesting that it is not the extra female audit expertise that is driving the demand for higher audit quality.

5.3.4 Women Independence and Audit Fee

***H4*:** There is a relationship between women director's independence and Audit fees.

The fourth research hypothesis is developed and tested in order to determine the women independence and audit fee. The present research findings hypothesized (H4) that, there is relationship between women director's independent and audit fee. The obtained results ($\beta = 0.04$, $t = 0.407$, $p > 0.684$) reported that there is no relationship between women director's independent and audit fee, hence, reject the alternative hypothesis.

Furthermore, findings of this study in line with Arun, Almahrog, and Aribi (2015) in which authors mentioned that we examine the link between female directors and earnings management practices in the UK. The findings show that firms with a higher number of female and independent female directors tend to adopt more conservative accounting policies compared with those companies with lower number of female and independent female directors. In other words, the research finds that managers in the firms with a higher number of female and independent female directors prefer to engage in income-decreasing rather than income-increasing earnings management. Following on from this, we further examined whether this relationship exists in different types of company. However, the results indicate that female directors on the board in high-debt firms have no impact on the levels of earnings management .

In addition, results of this study inconsistent with Puan, Pamela, and Peter (2006), Staubo (2010) and Azmi and Barrett (2014). The study Puan et al. (2006) suggested that

external audit fees are positively and significantly related to board independence, audit committee expertise, and the frequency of audit committee meetings.

5.4 Implication of the Study

The results of the study have strong theoretical and practical contribution. The following sub-sections provided the theoretical and practical contribution.

5.4.1 Theoretical contribution

The results of this study contributed to the literature by providing the association between Women board director, their percentage on board, experience and knowledge. More specifically, contributions of this study are listed down for better understanding;

1- It extended the literature on the connection between board characteristics and audit fee. It highlights fact that prior studies on the linkage between board characteristics and audit fee could have benefited by explicitly considering the role of female directors.

2- This study added to the audit fee literature by showing that Women directors constitute an additional determinant of audit effort and audit fees.

3- From the knowledge perspective, this study hopes to contribute to the increasing academics knowledge in this area by providing additional evidence on corporate governance quality. Basically, board of directors expect that the successful director in managing companies may add value to the firms and make sure that the companies are good in business. Adding women as board members may lead companies to have better decision making in order to develop the company. In addition, this study could

contribute to the adding of new knowledge in an area where there are very few studies on women in Malaysian companies.

4- This study will provide practical proof based on secondary data the presence of Women directors on corporate boards is related with a demand and supply side of Audit fees.

5.4.2 Practical implementation

Now days women are playing a significant part in extremely talented labor and their number is growing every day. The significance of enhancing equality in gender in the corporate boards of organizations is progressively recognized over the world. Despite low percentage of women on corporate boards, yet they are still able to drag the attention of a number of researchers. This study had a great significance for the country like Malaysia where women constitute up to 48.6% of total population (Statistics Department, 2010). According to Malaysian statistics, less than half of the people are working and about 4.8% out of the total population employed are women in the high-ranking management position as well as little of them have been selected in the Malaysian corporate boards. In order to increase the participation of women in organizations of corporate board the government has now publicized in Corporate Governance Blueprint 2011, that in the coming five years the corporate sector should have at least 30% women representation.

For example, in regions like Asia, usually the dominance of family ownership, government interventions, weak legal systems and implementation, and low level of minority rights protection (Claessens, Djankov, Fan, & Lang, 2002). Therefore, the

importance and value of various governance structures, including board diversity and board independence, should be separately inspected in each jurisdiction, and the influential factors to be examined (Kang, Cheng, & Gray, 2007).

5.5 Limitation and Recommendation for Future Research

The above discussion which highlights low women participating on boards in Malaysian companies provides a strong motivation to extend the examination on women director in the boardroom. Since the existing studies of empirical analysis are more focused on developed countries with very few studies conducted on developing countries. There are a number of limitations in this study which I will highlight three. Firstly, the sample of this study is relatively small, and with more time available one should have enlarged the sample. However, since this is a longitudinal study, the combination of data from 250 companies during for the year 2014 obtains a significant number of total observations, in which observation would not be totally independent from other firm-year observation in the same company. Secondly, this study looks only into a few dimensions of diversity, and did not address issues such as diversity of language and diversity of competencies. Thirdly, this study only addresses structural diversity – not diversity of behavior. One would expect that structural diversity of boards, such as of gender and nationality, would be related to board behavior, but this is an assumption that is not tested within this research.

Addressing women participation on board, gender quota is not widely regulated in Asia. Compared to the other parts of the world, women presence in Asian top executives is still very limited. To large extent, this is influenced by culture. Asian women are

demanded to take care of family more than men. Even though they are working, they should be able to play both roles as a mother or wife and a career woman. This leads to dramatically decrease of women participation in middle or top management from where future directors normally are recruited. In conclusion, insignificant number of women on board is not caused by men blocking their way but primarily due to the lack of candidates.

Hence, Asian firms are recommended to increase further the number of women on board since assigning female director is beneficial as proven in this research. However, this decision should not be based solely on future financial objective of the firm. Ahern and Dittmar (2012), examining the effect of Norwegian gender quota, highlight that it enforces younger and less experienced female board, nicknamed as golden skirt, added to the board room. This sounds a bit risky from economic point of view but, on the other hand, it promotes gender equality.

Future studies are suggested to accommodate more measures of diversity, for instance, diversity in education, age, tenure and any other demographic measures of diversity. The sample, particularly in Asia, should be expanded and more variables should be included. In addition, determinants of diversity in board of director should also be examined further such as corporate complexity or dominant ownership structure since they are related to board diversity. Future research also can try to link board diversity and performance by using moderator variables, such as board effectiveness; or context-specific assessment such as board performance in crisis situation.

5.6 Conclusion

Despite there have been extensive studies on board of directors (Adams & Ferreira, 2009; Carter, D'Souza, Simkins, & Simpson, 2010; Carter, Simkins, & Simpson, 2003; Erhardt, Werbel, & Shrader, 2003), the influence of board diversity on audit fee still presents contradictory evidences. This research aims to investigate the influence of board diversity on audit fee.

The reported results are from the analysis performed by applying SPSS 19 adequate to provide the evidence on all the hypotheses testing. The study uses the available empirical evidence to examine five variables, of which four are the independent variables, namely; bumiputera women on board, number of women on board, women on board's experience, women on board's independence and one dependent variable like audit fee. Based on the extensive literature review, four hypotheses were formulated. The population of the study was the non-financial listed companies in Malaysia for the year 2014. The data was collected from the Bursa Malaysia. The multiple regression technique namely OLS used to analysis the data. The reported results show that all the independent variables namely bumiputera women on board; number of women on board, women on board's experience, women on board's independence have no relationship with audit fee. The results of this study is not surprising as only approximately 11% total women and 5.1% bumiputera women are on board. The numbers are very low as compare to other develop countries. As mentioned in several studies (Abdullah, 2012; Abdullah & Ismail, 2013; Adams & Ferreira, 2009; Azmi & Barrett, 2014; Erhardt et al., 2003; Johl et al., 2012; Oxelheim et al., 2006), women on

board is very important for the firm performance but number of total women and bumiputera women are very low in Malaysia. Although there is little increase from 2012 (7.8%) to 2014 (11%) but still there is need to improvement and reach to 30% women on board.

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