The copyright © of this thesis belongs to its rightful author and/or other copyright owner. Copies can be accessed and downloaded for non-commercial or learning purposes without any charge and permission. The thesis cannot be reproduced or quoted as a whole without the permission from its rightful owner. No alteration or changes in format is allowed without permission from its rightful owner.
RISK MANAGEMENT COMMITTEE, OWNERSHIP STRUCTURE AND FINANCIAL PERFORMANCE

SHARIFAH NABIHAH BINTI SYED YASIN (814249)

UNIVERSITI UTARA MALAYSIA
2017
RISK MANAGEMENT COMMITTEE, OWNERSHIP STRUCTURE AND FINANCIAL PERFORMANCE

By
SHARIFAH NABIHAH BINTI SYED YASIN (814249)

A Thesis Submitted to College of Business in partial fulfillment of the requirement for postgraduate Master of Science of International Accounting
Universiti Utara Malaysia

May 2017
Saya, mengaku bertandatangan, memperakuan bahawa
(I, the undersigned, certified that)
SHARIFAH NABIAH BINTI SYED YASIN (814249)

Calon untuk Ijazah Sarjana
(Candidate for the degree of)
MASTER OF SCIENCE (INTERNATIONAL ACCOUNTING)

telah mengemukakan kertas penyelidikan yang bertajuk
(has presented his/her research paper of the following title)

RISK MANAGEMENT COMMITTEE, OWNERSHIP STRUCTURE AND FINANCIAL PERFORMANCE

Seperti yang tercatat di muka surat tajuk dan kulit kertas penyelidikan
(as it appears on the title page and front cover of the research paper)

Bahawa kertas penyelidikan tersebut boleh diterima dari segi bentuk serta kandungan dan meliputi bidang ilmu
dengan memuaskan
(that the research paper acceptable in the form and content and that a satisfactory knowledge of the field is covered
by the research paper).

Nama Penyelidik
(Name of Supervisor)

ASSOC. PROF. DR. HASNAH KAMARDIN

Tanda Tangan
(Signature)

13/6/2017
(Date)
DECLARATION

I hereby certify that the substance of this thesis has not been already submitted to any degree and is not currently being submitted for any other qualifications.

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

Sharifah Nabihah Binti Syed Yasin
814249
College of Business
Universiti Utara Malaysia
06010 Sintok
Kedah
Mei 2017
PERMISSION TO USE

In presenting this thesis in partial fulfillment of the requirement for a postgraduate degree from Universiti Utara Malaysia (UUM), I agree that University library may make it unreservedly available for inspection. I further agree that permission for copy of this thesis in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor Associate Professor Dr. Hasnah Kamardin or, in her absence by the College of Business Dean. It is understood that any copying or publishing or using of this thesis or part thereof for financial gain shall not be allowed without any written permission. It is also understood that due recognition shall be given to me and to Universiti Utara Malaysia for any scholarly use which may be made of any material from this thesis. Request for permission to copy or to make other use of material in this thesis, in whole or in part, should be addressed to:

Dean
College of Business
Universiti Utara Malaysia
06010 Sintok
Kedah Darul Aman
ABSTRACT

The role of risk management committee (RMC) under the corporate governance consist of monitoring the risk strategies, policies and risk tolerance level as well as reviewing the sufficiency of risk management policies and framework. Risk management committee performs a very important function in the monitoring of the risk and internal control. Thus, the main objective of the study is to examine the effect of the existence of risk management committee on firm performance of companies listed in the Main Market of Bursa Malaysia. In addition, the study also examines the effect of ownership structure of director and family ownership on firm performance. ROA and ROE are used as proxy to measure the firm performance. Sample of the study is based on 20% companies in each industry excluding finance companies. Data were collected from 154 companies in the financial year 2015. The study uses agency theory to predict the relationship. Descriptive analysis shows that only 18% of the sample companies have stand-alone risk management committee and 28% of the sample companies have joining risk management committee with other committees such as audit committee. The mean of family ownership is 21.93% and the mean of director ownership is 36.81%. The regression analysis revealed that there is no significant relationship between the existence of risk management committee, family ownership and director ownership with firm performance. In addition, the result indicates that only board composition, the control variable has significant negative relationship with firm performance.

Keywords: risk management committee, family ownership, director ownership, board composition, firm performance, Malaysia

Kata kunci: jawatankuasa pengurusan risiko, saham pemilikan keluarga, saham pemilikan pengarah, komposisi lembaga pengarah, prestasi syarikat, Malaysia.
ACKNOWLEDGEMENTS

In the name of Allah, the most Compassionate and the Most Merciful.

First and foremost, (Alhamdulilah) all praises be upon Allah, Lord of the Universe for all blessing that He has given His’ creatures. And may his blessings, peace and favor descend in perpetuity on our beloved Prophet Muhammad S.A.W, who is mercy for entire world. Truthfully without Allah’s blessing, grace and guidance, this dissertation could not have been written.

Second, I would like to render my utmost appreciation and gratitude to my supervisor, Associate Professor Dr. Hasnah Kamardin, for her thoughtful guidance, advices and suggestions and precious comment during construction my dissertation. Without her understanding, consideration and untiring advice, this dissertation would not have been completed successfully.

Also, I would like to record my sincere appreciation to my lecturers for their guidance and encouragement which have enable me to acquire precious knowledge during my study for MSc (International Accounting) program.

Moreover, I would like to convey my highest appreciation to my mother and father, without them, I would never have the courage or ability to achieve this stage of learning. Last but not least, my deep love goes to my husband and my children, Alif, Arissa and Aisyah who gave up so much for me to complete this thesis. Finally my heartfelt appreciation to all my friends who involved directly or indirectly in the completion of this thesis, thank you very much.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECLARATION</td>
<td>ii</td>
</tr>
<tr>
<td>PERMISSION TO USE</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iv</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>vi</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>vii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xi</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xii</td>
</tr>
<tr>
<td>CHAPTER ONE : INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.1 Background of the study</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Problem Statement</td>
<td>4</td>
</tr>
<tr>
<td>1.3 Research Questions</td>
<td>5</td>
</tr>
<tr>
<td>1.4 Research Objectives</td>
<td>6</td>
</tr>
<tr>
<td>1.5 Significance of the study</td>
<td>6</td>
</tr>
<tr>
<td>1.5.1 Theoretical Significance</td>
<td>6</td>
</tr>
<tr>
<td>1.5.2 Practical Significance</td>
<td>7</td>
</tr>
<tr>
<td>1.6 Scope and Limitation of the Study</td>
<td>8</td>
</tr>
<tr>
<td>1.7 The Organization of the Study</td>
<td>9</td>
</tr>
</tbody>
</table>
CHAPTER TWO : LITERATURE REVIEW

2.1 Introduction .......................................................... 10
2.2 Determinants of Financial Performance ......................... 10
2.3 Corporate Governance in Malaysia ............................... 13
2.4 Existence of Risk Management Committee ..................... 15
2.5 Ownership Structure ................................................. 18
  2.5.1 Director Ownership .............................................. 19
  2.5.2 Family Ownership .............................................. 20
2.6 Agency Theory .......................................................... 25
2.7 Summary ............................................................... 27

CHAPTER THREE : RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction .......................................................... 29
3.2 Theoretical Framework .............................................. 29
3.3 Hypotheses Development ......................................... 31
  3.3.1 Existence of Risk Management Committee ............... 31
  3.3.2 Ownership Structure (Director Ownership) ............... 33
  3.3.3 Ownership Structure (Family Ownership) ............... 34
3.4 Variables Measurement ............................................. 36
### CHAPTER THREE: MODEL SPECIFICATION AND ANALYSIS

3.4.1 Dependent Variable ........................................ 36

3.4.2 Independent Variables ..................................... 36

3.4.2.1 Existence of RMC ................................. 36

3.4.2.2 Ownership Structure (Director Ownership).... 37

3.4.2.3 Ownership Structure (Family Ownership)... 37

3.4.3 Control Variables ........................................ 38

3.4.3.1 Board Size ......................................... 38

3.4.3.2 Board Composition ................................. 38

3.4.3.3 Firm Size ........................................... 39

3.4.3.4 Leverage ............................................ 39

3.4.4 Model Specification and Analysis ..................... 41

3.5 Data Collection ............................................. 42

3.5.1 Sample Selection ........................................ 42

3.5.2 Data Collection Procedures ............................ 43

3.6 Data Analysis ............................................... 44

3.7 Summary ................................................... 44

### CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Introduction ............................................... 46

4.2 Descriptive Statistics ...................................... 46
4.3 Assumption Test in Regression Analysis .......................... 48
4.4 Correlation Analysis .................................................. 52
4.5 Regression Analysis Results ......................................... 55
4.6 Summary ........................................................................ 61

CHAPTER FIVE : CONCLUSION AND FUTURE RESEARCH

5.1 Introduction ............................................................... 63
5.2 Conclusion ............................................................... 63
5.3 Future Research ......................................................... 65
5.4 Summary ................................................................. 66

REFERENCES .................................................................. 67

APPENDIX 1 : LIST OF COMPANIES ................................. 76
# LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 3.1</td>
<td>Summary of Measures of Variables</td>
<td>40</td>
</tr>
<tr>
<td>Table 3.2</td>
<td>Number of companies on Bursa Malaysia with websites according to respective categories.</td>
<td>43</td>
</tr>
<tr>
<td>Table 4.1</td>
<td>Descriptive Statistics</td>
<td>47</td>
</tr>
<tr>
<td>Table 4.2</td>
<td>Correlation Coefficient between Variables</td>
<td>53</td>
</tr>
<tr>
<td>Table 4.3</td>
<td>Summary of the Regression Model for ROA</td>
<td>56</td>
</tr>
<tr>
<td>Table 4.4</td>
<td>Summary of the Regression Model for ROE</td>
<td>57</td>
</tr>
<tr>
<td>Table 4.5</td>
<td>Regression Analysis for ROA</td>
<td>57</td>
</tr>
<tr>
<td>Table 4.6</td>
<td>Regression Analysis for ROE</td>
<td>59</td>
</tr>
</tbody>
</table>
## LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Research Framework</td>
<td>30</td>
</tr>
<tr>
<td>4.1</td>
<td>Normality Test for ROA</td>
<td>49</td>
</tr>
<tr>
<td>4.2</td>
<td>Linearity Test for ROA</td>
<td>50</td>
</tr>
<tr>
<td>4.3</td>
<td>Homoscedasticity Test for ROA</td>
<td>50</td>
</tr>
<tr>
<td>4.4</td>
<td>Normality Test for ROE</td>
<td>51</td>
</tr>
<tr>
<td>4.5</td>
<td>Linearity Test for ROE</td>
<td>51</td>
</tr>
<tr>
<td>4.6</td>
<td>Homoscedasticity Test for ROE</td>
<td>52</td>
</tr>
</tbody>
</table>
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Every listed company in Malaysia needs to disclose about the way they manage risk in their annual report every year. The consequence, in the public listed annual report, there is a part called a statement about risk management and internal control that disclose about directors responsibility in managing risk and risk management framework of the company. Risk management is defined as the way and procedure used by firms to control risk or grab an opportunities consistent to the achievement of their objectives (Amran & Hassan, 2008). The important of risk management was highlighted due to the uncertainty of world economic growth that gives a major impact on the business performance worldwide. Investopedia (www.investopedia.com) states that risk management becomes one of the factors looked by the investors besides other factors for examples business model, competitive advantage, management and corporate governance before making a decision to invest in a company.

The person who is responsible for managing risk in a company is directors. Corporate Governance Guideline issued by Bank Negara Malaysia stated that, a member of Risk Management Committee (RMC) must be at least three non-executive directors and the chairman must be an independent director (Kallamu, 2015). It is because directors’ have an important role in making a decision on behalf of the company before entering into a business agreement or make an investment. So, directors of the companies should have a
The contents of the thesis is for internal user only
REFERENCES


