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SCHOOL OF ECONOMICS, FINANCE AND BANKING
Universiti Utara Malaysia

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THE INFLUENCE OF CEO POWER ON FIRM RISK-TAKING

By

DINIESHA DEVARAJAN

Thesis Submitted to

School of Economics, Finance and Banking,

Universiti Utara Malaysia,

in Partial Fulfillment of the Requirement for the Master of Sciences (Finance)

DECLARATION

I declare that thesis work described in this research paper is my own work (unless otherwise acknowledged in the text) and that there is no previous work which has been previously submitted for any academic Master's program. All sources quoted have been acknowledged by reference.

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ABSTRACT

This study investigates the impact of CEO power on business risk-taking in a sample of 362 publicly traded companies in Malaysia, and the results are promising. Using a simultaneous equations method, our primary findings suggest that the proportion of independent directors on the board, the size of the board, and the authority and remuneration of the CEO all had a negative impact on bank risk-taking. Firm risk-taking was affected positively by institutional shareholder ownership and the presence of duality, rather than negatively by these factors. We also independently examine and notice that, in the firm, primarily board independence and institutional ownership have the same influence on risk as they did previously. We reach the conclusion that different governance features have varying degrees of importance for CEOs' risk-taking, which is dependent on the economic climate. The research is carried out utilizing the risk variable, with corporate size, size of the board of directors, independence managers, CEO, CEO and CEO as independent factors. Descriptive statistics are used to compile a data package that reflects a population or a sample by understanding the short descriptive coefficients. The correlation analysis should be conducted to identify the strength and direction of the linear connection of the structure. The study does panel regression with a pool of ordinary smaller square (OLS) and a specification of a fixed effect. In this work, the VIF addressed the multicollinearity problem between independent variables.

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LIST OF ABBREVIATIONS

Abbreviation		Meaning
Terms	=	Definition
MDB	=	Malaysian Development Berhad
SEC	=	Securities and Exchange Commission
CEO	=	Chief Executive Officer
CFO	=	Chief Financial Officer
OLS	=	Ordinary Lesser Square
VIF	=	Variance Inflated Factor
FE	=	Fixed Effects
RE	=	Random Effects

CHAPTER ONE

INTRODUCTION

1.1 Background of Study

As widely reported, many publications in the business press concentrate on talks about prominent CEOs and their bold commercial decisions. In the executive effects' literature, researchers have studied this problem through the use of the upper echelon research tradition. The debate in this realm especially examines whether there is a connection between CEO authority and organizational success. While there have been research demonstrating a link between CEO authority and a corporation's decision to combine or acquire, more recent studies have shown that CEOs have substantial influence on business strategy including mergers and acquisitions. At this point, there is empirical evidence to support the claims that both the strategy selected by a company and its level of success are affected by the amount of authority the CEO has. Despite growing evidence that CEOs' influence on business performance and strategic decision-making is significant, there is less clarity about their involvement in driving the innovation agenda. There is substantial research demonstrating a relationship between powerful CEOs and the choosing of business strategies, but it remains unclear if powerful CEOs directly impact organizational innovation activities. Chief executives' position in the high echelons and influence in strategic choices are key factors to consider while evaluating the function of CEOs.

Additionally, while other high-level managers and board members play a part in the process of making strategic decisions, CEOs are required to keep themselves involved in the process of developing strategies. Higher level executives typically find themselves under intense pressure to be the primary designers of the firm's strategy. Today, the present climate of change,

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