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**THE INFLUENCE OF BOARD COMPOSITION ON FIRM
PROFITABILITY IN MALAYSIA**



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In fulfilment of the requirement for

Master of Science in International Accounting



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ABSTRACT

Corporate governance regulations have a substantial impact on corporate success and ensure long-term business practices. This study investigates the effect of board composition practices on firm profitability in the Malaysian business environment. This study employs descriptive, diagnostic, and inferential statistical analyses to look into the relationships between a large dataset of corporate governance indicators and firm profitability metrics such as Return on Assets (ROA), board size, ownership concentration, board gender diversity, audit committee size, board meeting frequency, firm size and firm age.

The findings show substantial links between board composition procedures and business performance measures. Larger board sizes, concentrated ownership structures, and gender-diverse boards have been found to have a beneficial impact on ROA, emphasizing the importance of effective board governance in driving organizational performance.

Furthermore, larger audit committees and more frequent board meetings have been acknowledged as major contributors to enhanced firm profitability through greater financial supervision and strategic decision-making procedures. By controlling for firm size and age, this analysis reveals the contextual details that influence the link between board composition methods and business performance. These findings are useful for policymakers, corporate stakeholders, and practitioners looking to improve corporate governance practices and promote sustainable company growth in Malaysia.

ABSTRAK

Keuntungan syarikat dan amalan perniagaan yang berkekalan sangat dipengaruhi oleh prosedur tadbir urus syarikat. Kajian ini mengkaji bagaimana proses pembentukan lembaga pengarah mempengaruhi keuntungan syarikat di Malaysia. Dalam kajian ini, analisis statistik deskriptif, diagnostik dan inferensi digunakan untuk melihat bagaimana pelbagai metrik keuntungan kewangan, seperti Pulangan atas Aset (ROA), saiz lembaga, kepekatan pemilikan, kepelbagaian gender lembaga, saiz jawatankuasa audit, kekerapan mesyuarat lembaga, saiz firma dan umurnya, berinteraksi antara satu sama lain.

Hasilnya menunjukkan bahawa terdapat hubungan yang kuat antara cara untuk membentuk lembaga pengarah dan cara untuk mengukur keuntungan perniagaan. Didapati bahawa saiz lembaga yang lebih besar, kepelbagaian gender dan struktur pemilikan yang berkepekatan meningkatkan ROA. Ini menunjukkan betapa pentingnya tadbir urus lembaga yang baik untuk meningkatkan keuntungan syarikat.

Melalui prosedur membuat keputusan strategik yang lebih baik dan pengawasan kewangan yang lebih baik, mesyuarat lembaga dan jawatankuasa audit yang lebih kerap juga didapati menyumbang kepada keuntungan kewangan yang lebih baik. Analisis ini mendedahkan butiran kontekstual yang mempengaruhi hubungan antara kaedah pembentukan lembaga pengarah dan keuntungan perniagaan dengan mengawal saiz dan umur firma. Pembuat dasar, pihak pemegang taruh korporat, dan pengamal yang ingin meningkatkan amalan tadbir urus korporat dan menggalakkan pertumbuhan perniagaan yang mampan di Malaysia akan mendapat manfaat daripada penemuan ini.

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LIST OF ABBREVIATIONS

<u>Abbreviation</u>	<u>Definition</u>
ANOVA	Analysis of variance
MSWG	Minority shareholders watch group
ROA	Return on asset
SPSS	Statistical package for the social sciences



CHAPTER 1

INTRODUCTION

1.1 Introduction

Firm profitability is a complex assessment that considers not just financial data but also market position and sustainability, among other factors. It is a key sign of success and drives overall economic development and advancement. Since many experts believe that a company's overall performance is closely tied to its firm profitability, financial analysis has historically been used by investors, decision-makers, creditors, and other stakeholders to evaluate a company's performance (Muo Charles & Sei Benson Ochieng', 2023). This method emphasizes the connection of firm profitability and financial measures, frequently considering them interchangeably.

However, a company's performance has wider social implications in addition to financial gains, and they have a big influence on the growth and development of a nation. The rapidly evolving Malaysian economy has led scholars, policymakers, and businesspeople to recently concentrate on the makeup of corporate boards. Scholars have directed their attention towards the influence of board composition on business performance, acknowledging that a company's strategic direction and operational efficiency can be significantly influenced by the people on the board.

According to Palmer, J. (2022), the people on an organization's board of directors and the knowledge and abilities they bring to the table are referred to as the board's composition. The composition of a board influences decision-making processes, governance practices, and ultimately, a company's ability to handle challenges and capitalize on opportunities in a competitive market.

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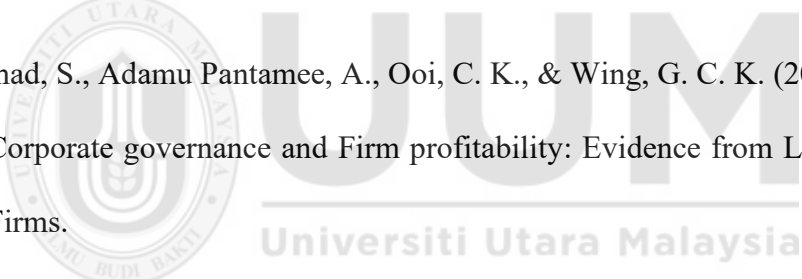
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