# THE IMPACT OF MALAYSIAN CODE ON CORPORATE GOVERNANCE (MCCG, 2017) ON THE PERFORMANCE (ROA AND ROE) OF MALAYSIAN PUBLIC LISTED COMPANIES

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## ABSTRACT

This research examines the impact of the corporate governance structure (CEO duality, CEO Gender, gender diversity, Independent Director, Audit Committee Independency and Risk Committee) on the performance of the Malaysian public listed companies in terms of return on assets and return on equity. In this research, secondary data from the annual reports were used to study the effect of each corporate governance variables on the performance of the Malaysian public listed companies. The data had undergone descriptive analysis, correlative analysis, reliability analysis and Ordinary Least Square analysis to determine their relationships. The research found that the corporate governance variables overall have no significant impact to explain the performance of the listed companies after the MCCG was revised. It suggests future researchers to explore into other factors that could possibly affect the company performance.



**Keywords:** ceo duality, ceo gender, gender diversity, independent director, audit committee independency, risk committee, mccg, ordinary least square

## ABSTRAK

Kajian ini mengkaji kesan struktur tadbir urus korporat (duality CEO, Ketua Pegawai Eksekutif Gender, kepelbagaian jantina, Pengarah Bebas, Jawatankuasa Audit dan Jawatankuasa Risiko) mengenai prestasi syarikat tersenarai awam Malaysia dari segi pulangan aset dan pulangan ke atas ekuiti. Dalam kajian ini, data sekunder dari laporan tahunan digunakan untuk mengkaji kesan setiap pembolehubah tadbir urus korporat terhadap prestasi syarikat tersenarai awam Malaysia. Data tersebut telah mengalami analisis deskriptif, analisis korelatif, analisis kebolehpercayaan dan analisis regresi *ordinary least square* untuk menentukan hubungan mereka. Penyelidikan mendapati bahawa pembolehubah tadbir urus korporat secara keseluruhan tidak mempunyai kesan yang ketara untuk menjelaskan prestasi syarikat tersenarai selepas MCCG disemak semula. Ia mencadangkan para penyelidik masa depan untuk meneroka faktor-faktor lain yang mungkin menjejaskan prestasi syarikat.



**Kata kunci:** ceo dualiti, jantina ceo, kepelbagaian jantina, pengarah bebas, jawatankuasa audit jawatankuasa independensi dan jawatankuasa risiko, mccg, regresi *ordinary least square.*

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## LIST OF ABBREVIATIONS

MCCG……Malaysia Code of Corporate Governance

ROA…….……..…….Return on Asset

ROE…….…….Return on Equity

CEO……...……..……...Chief Executive Director

1MDB …..……1Malaysia Development Berhad

CEO_DUA …….....CEO Duality

CEO_GEN ….…..……... ……CEO Gender

IND_DIR..... ……. Independent Director

FEM_DIR ……..…… ……Female Director on board

AUD_IND ……..……..…….Audit Committee Independency

TEN_DIR ……..……..……Tenure of Independent Director

RISK_COM ……..……..…… …..Risk Management Committee

JPK1…….....Working Group on Best Practice in Corporate Governance

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# CHAPTER 1

# INTRODUCTION

## 1.1 Introduction

The first chapter will explain on the background of corporate governance in Malaysia. There are seven sections in first chapter. Firstly, this chapter will be discussed on the background of study to give a view of Corporate Governance in Malaysia. Next, this chapter will present the problem statement, Research Objectives and Questions. Lastly, this chapter also cover the significant and scope and limitation of the study.

## 1.2 Background of Study

Corporate Governance was described as the process to supervise the business of the company by strengthen business profitability and corporate credibility with the conclusive objective. Besides, corporate governance considered the interest of other stakeholders while taking long-term shareholder value into account (MCCG,2012). Corporate governance is created to secure shareholders as well as stakeholders and give proper firm management (Mollah, Farooque, and Karim 2012). The existence of asymmetric information and less perfect contractual relations creates conflict between two parties which are the managers and shareholders because managers tend to have inducement to prioritize their own objectives (Farhat, 2014). Jensen and Meckling (1976) and Fama and Jensen (1983) introduced agency theory which explained on how corporate governance and firm profitability relationship. The manager's decision determined the firm performance and shareholder's wealth. Therefore, control of agency problem during the decision making was important when the manager do not bear a major share of the wealth

effects of their decisions. (Fama and Jensen,1983).Jensen and Meckling (1976) stated that managerial ownership aligned the interest of the owners' and managers' interest because managerial ownership makes the manager work as the owner in the organization. Thus, the manager will concentrated on maximized the firm performance. Besides, Panda and Leepsa (2017) stated that agency theory was introduced to discuss the problem that may surface due to owners and managers work for their self-interest.

During 1997, Malaysia was affected by the Asian Financial Crisis which is started in Thailand as a result in Thailand Baht devaluation. The cause of the devaluation of Thailand's baht was because when the result of the Thai government no longer peg the Thailand bath to the U.S. dollar (USD). Thai government was forced to allow the rate of exchanged to be set by the market and the Central Bank involve in the rate of exchanged in order to defend their respective currencies. The devaluation of Thai currency has given effect to Malaysia. Malaysia stock price plummeted drastically to 52 percent. One of reason that Malaysia also affected by the crisis probably was because Malaysia still did not has corporate governance during that time (Arif, 2005). Due to this incident, the policy makers recognize the value of good and powerful culture of corporate governance in a country was important.

Malaysia regulators create a guideline or recommendation on how the company should govern. Thus, the MCCG was introduced in 2000 to strengthen the framework of the corporate governance in Malaysia by creating principles and perfect practices (MCCG, 2000). MCCG was developed by the JPK1 that consist of a combination of private and public sector that was led by the Chairman of Federation of Public Committee on Corporate Governance (MCCG, 2007). Three approaches were implemented in corporate governance

which are prescriptive approach, non-prescriptive approach and hybrid approach (Hampel approach) (MCCG, 2007). The Committee observed that hybrid approach was the most suitable for Malaysia. Hampel approach was design on 1998 considered in broad principles and common sense was required to apply in different circumstances of individual companies. The MCCG 2000 is internationally recognized which are above and beyond the minimum required by Bursa Malaysia and has influenced the corporate governance in the firm positively (MCCG, 2017).

In 2007, the regulator revised the MCCG to focus in the roles of the audit committee and directors. In comparison to MCCG 2000, MCCG 2007 provides enhancement by encourage that meetings between the audit committee and the external auditor should be more than before. Beside external auditor, audit committee also should constantly meeting with the senior management of the company. Furthermore, MCCG 2007 also included that all companies required to have an internal audit function. The enhancement indicates MCCG believes that the audit committee quality play important roles in corporate governance.



Later in 2012, new MCCG was released by the regulators to replace MCCG 2017 which was MCCG 2012 that have eight (8) principles. The principles was the guidance for the Malaysian companies so that it is applicable and aligned with globally that are acknowledge as the best practices and standards. MCCG 2012 outline 26 recommendations that focused in clarifying the responsibility of the board of director in contributing leadership and boosting board productiveness through strengthening the composition. The eight principle in MCCG 2012 include;

Principle 1: Establish clear roles and responsibilities

Principle 2: Strengthen composition

Principle 3: Reinforce independence

Principle 4: Foster commitment

Principle 5: Uphold integrity in financial reporting

Principle 6: Recognize and manage risks

Principle 7: Ensure timely and high quality disclosure

Principle 8: Strengthen relationship between company and shareholders

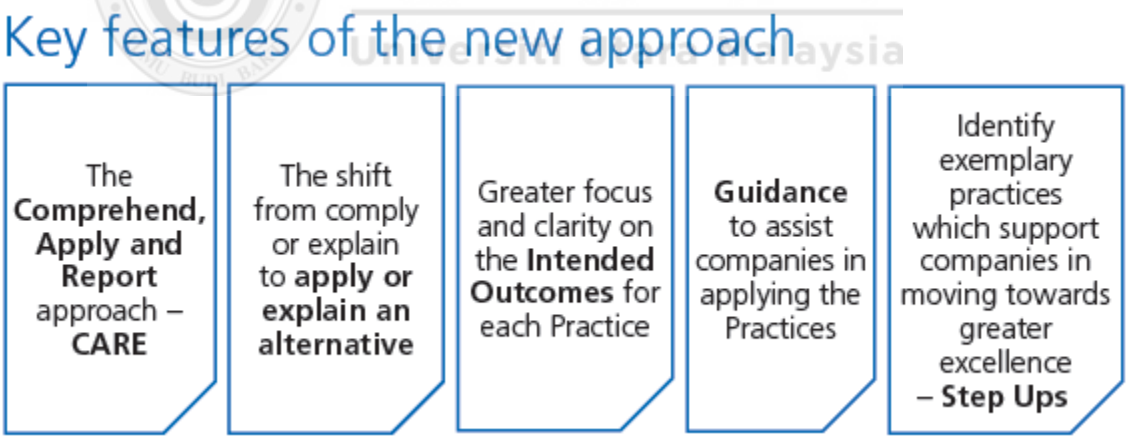



Figure 1.1

Key Features of MCCG 2017

Source: MCCG, 2017

In 2017, the MCCG, takes on a new perspective, which are Comprehend, Apply and Report approach (CARE) in order to nurture the corporate governance culture to become a greater

internalization than before. Firstly, the company need to understand the spirit and purpose beyond the principles and practices including its purpose of results. Next, company need to apply the practices stated in corporate governance to achieve and support the intended outcome in building a best corporate governance. Lastly, company need to report disclosure on the corporate governance in annual report. MCCG 2017 involved in the switch of comply or explain to apply or explain an alternative.

Besides, MCCG 2017 also outlines several step ups to provide significant explanation on how the company should applied the practices in the company management. One of the step ups in the MCCG 2017 including the board has a policy which limits the tenure of its independent directors. The directors could incumbency as independent director up to nine years. The next step up is the companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis and the Audit Committee should comprise solely of Independent Directors. Last but not least, a Risk Management Committee should be established by the company. Majority of the committee of must be comprises of independent directors to supervise the company's risk management framework and policies (MCCG 2017).



MCCG 2017 practice three (3) principles which are Board Leadership and Effectiveness, Effective Audit and Risk Management, and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders. Under board leadership and effectiveness, the leader of the board is a person responsible for achieving the aim of the company. In order to achieve board effectiveness, the chairman of the board cannot hold the position of the in the company. This is because the separation role of CEO and Chairman promotes

accountability and facilitates division of responsibilities between them. In addition, the board should set the clarity board, its committees and individual directors.

Second principle highlight that the audit committee independency is effective to objectively review the finding and recommendation during the Audit Committee's meeting. In addition, MCCG 2017 also pointed that the Audit Committee's Chairman is not the same person hold the position of the company. This is because, if the chairman can be independent director. For the risk management principle, a Risk Management Committee should be established by the company. Majority of the committee of must be comprises of independent directors because independent director supervised the company's risk based on independent judgement since they do not have any share in the company compare to the non-independent director.

Lastly, under integrity in corporate reporting and meaningful relationship with stakeholders, the company need to conduct a general meeting and to make sure the participation of management. The purpose of the meeting is to make sure that the stakeholders apprehend the company's business and to inform the stakeholder about the performance of the business. Thus, the company and stakeholders could gain mutual understanding when they communicate with the stakeholder.

Table 1.1

Comparison between MCCG 2012 and MCCG 2017

| | **MCCG 2012** | **MCCG 2017** |
|---|---|---|
| **Tenure of its independent directors** | The tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director.<br>The board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine years. | After a cumulative term of 9 years, an independent director may continue to serve on the board as a non-independent director. However, if the board intends to retain an independent director beyond 9 years, it should provide justification and seek annual shareholders' approval.<br><br>If the board continues to retain the independent director after year-12, the board should provide justification and seek annual shareholders' approval through a two-tier voting process. |
| **Detailed remuneration of each member of senior management fully disclosed** | None | Companies are encouraged to fully disclose the detailed remuneration<br>of each member of senior management on a named basis. |
| **Audit committee** | None | The Audit Committee should comprise solely of Independent Directors. The Chairman of the Audit Committee is not the Chairman of the board. |
| **Risk Management Committee** | None | Board establishes a Risk Management Committee which comprises a majority of independent directors to oversee the company's risk management framework and policies |
| **Women directors** | None | For Large Companies, the board must have at least 30percent women directors. |
| **Positions of Chairman and CEO** | The positions of chairman and CEO should be held by different individuals, and the chairman must be a non-executive member of the board. | The positions of Chairman and CEO are held by different individuals. |

Table 1.1 (Continued)

| | **MCCG 2012** | **MCCG 2017** |
|---|---|---|
| **Independent Directors** | The board must comprise a majority of independent directors where the chairman of the board is not an independent director. | At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors. |
| **Practice** | Principle 1: Establish clear roles and responsibilities<br>Principle 2: Strengthen composition<br>Principle 3: Reinforce independence<br>Principle 4: Foster commitment<br>Principle 5: Uphold integrity in financial reporting<br>Principle 6: Recognize and manage risks<br>Principle 7: Ensure timely and high quality disclosure<br>Principle 8: Strengthen relationship between company and shareholders | Principle A: Board Leadership and Effectiveness<br>Principle B: Effective Audit and Risk Management<br>Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders |

## 1.3 Problem Statement

MCCG was derived from the recommendations of the Cadbury Report (1992) and the Hampel Report (1998) (Haniffa and Hudaif, 2006). It was introduced in 2000 and was revised in 2007, 2012 and 2017 to enhance the ideal practices of corporate governance code. The increasing occurrence of corporate scandals and failure has risen a question whether the current corporate governance mechanisms practically to prevent scandals and failure from happen (Alabede, 2016). A poor governance in companies could come with great loss to the entire economy in the form of huge expenditure to rescue the companies (Kallamu, 2016).

Corporate governance focus on companies and their shareholders, or within broader definitions that include the accountability of companies to many other stakeholders (Farhat, 2014). Xiang (2018) studied on corporate governance structure and firm performance of Malaysian public listed companies found that the firm performance (ROE) of 2012 and 2016 show a decrement from 0.2061 to 0.1944 respectively. Besides, Kana (2019) stated that the total earnings of Bursa Malaysia's 30 stocks for the year 2018 were dropped by 18.14% compared to the year 2017.

According to by Noor and Iskandar (2012), failure in controlling corporate credit risk may lead a company to face a financial distress that resulted in losses to stockholders, creditors and employees. In Malaysia, financial distress companies that fail to meet minimum capital (not less than 25percent of the paid up capital) is often associated with the PN17 status (Noor and Iskandar, 2012).

One of Malaysia's largest financial scandals was 1Malaysia Development Berhad (1MDB) wholly owned by the government. Initially, the Malaysia's state-owned investment fund, 1MDB, was supposed to invite foreign investor (Randeep Ramesh, 28 Jul 2016,) and promote economic development in Malaysia where the median income stands range is RM1,500 per month (Shamim Adam, Laurence Arnold and Yudith Ho, 24 May 2018). It was set up in 2009 by the Malaysia's sixth prime minister, Datuk Seri Najib bin Tun Abdul Razak. In 2015, he was accused to channel over RM 2.67 billion (nearly USD 700 million) from the fund into his account. The 1MDB scandal fueled the voter backlash which led to Najib ousted from power and ended the party's that rule Malaysia for 61 years. Consequently, due to lack of strict corporate governance practice in firm, it has hit the confidence of investors. This urged the policy makers to create more measurement in corporate governance to reduce the misgovern problems in the firm.

The aim of the study are to study the impact of Malaysian Code on Corporate Governance (MCCG, 2017) on the performance (ROA and ROE) of Malaysian public listed companies and examine the relationship of corporate governance and the performance of the listed companies in Malaysia. With the result of the study, the regulators could know whether the revised version of MCCG give positive impact to the firm performance. Besides, they can improve the next MCCG when the regulators need to revised the version.

## 1.4 Research Objectives

1) To study the impact of Malaysian Code on Corporate Governance (MCCG, 2017) on the performance (ROA and ROE) of Malaysian public listed companies

2) To examine the relationship of corporate governance and the performance (ROA and ROE) of the listed companies in Malaysia.

## 1.5 Research Questions

1) What is the impact of Malaysian Code on Corporate Governance (MCCG, 2017) on the performance (ROA and ROE) of Malaysian public listed companies?

2) What is the relationship of corporate governance and the performance of the listed companies (ROA and ROE) in Malaysia?

## 1.6 Significant of the Study

### 1.6.1 Regulators

First and foremost, the outcomes of the study may contribute to the regulators. In sight of MCCG 2012 and MCCG 2017, the outcome of the study will provide information on the improvement made by each MCCG and the effect of it on the performance (ROA and ROE) of Malaysian companies. This study will allows regulators to recognize the independent variables that impact the firm value after the revise code (2017). Moreover, the some of the independent variable maybe insignificant to explain the firm profitability. The regulators can use this information to improve the revise corporate governance.

### 1.6.2 Investors

The aim of good corporate governance is to create a balance of power-sharing among shareholders, directors, and management to enhance shareholder value and protect the interests of other stakeholders. An effective corporate governance structure improves investor confidence because it ensures corporate accountability, enhances the reliability and quality of public financial information, and enhances the integrity and efficiency of the capital market. The study will provide an additional information to the investor on how the management of corporate government in Malaysia. Therefore, foreign investor's confidence level to invest in Malaysia based on how company manage their corporate governance will increase.

### 1.6.3 Academic Researches

This study helps researchers to understand the MCCG 2017. None of the past research has studies on the impact of MCCG 2017 on the performance (ROA and ROE) of Malaysian public listed companies. Previously, Bhatt and Bhatt (2017) studied the impact on MCCG 2007 and 2012 on the performance of the listed companies in Malaysia. Therefore, future studies academics research can used the outcome as a reference and improved for future research.

## 1.7 Scope and Limitation

The data were collected by this study from 2016 until 2018 from the annual report of the company that were downloaded in the Bursa Malaysia website. The variables were collected from the financial statement, income statement, Board of Director Information and Corporate Governance Report. The data were divided into two section that was before the revision and after the revision.

There are a few constraint during carrying this research. Firstly, there is limited time to carry the study since only three months are given to carry the study. The data for after the MCCG was revised should cover 2018 and 2019, however, the annual report for 2019 did not has in the Bursa since it has not been published.

There are 920 companies that are listed in Malaysia. Companies on Bursa Malaysia are listed under either the Main or ACE Markets. Out of 920 companies listed in Bursa Malaysia, 792 companies are listed under Main Market while 128 companies under the ACE Market. The study only cover 90 companies which are randomly selected that are listed under the Main Markets. Roscoe (1975) suggested the rule of thumb stated that sample size should be larger than 30 and smaller than 500 and at least 10 percent from the population size. Thus, with a population of 792 public listed companies in Main Market, a sample size of 90 public listed companies or 11.36% of the population is adequate for this study. For better and accurate result, the data should involve all 792 company. Moreover, the study only discuss the association whole sample but not by sector. Therefore, future researchers are recommended make a comparative study based on the sector.

Last but not least, we only used Multiple Regression Model to identify the association between the corporate governance and firm performance. There could be others model that could be used to identify the relationship of the variables.

# CHAPTER 2

# LITERATURE REVIEW

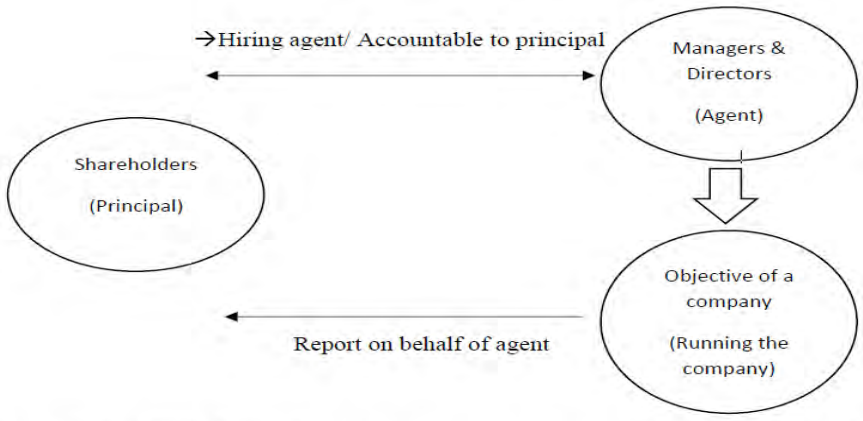
## 2.0 Introduction

Chapter 2 will provide on the literatures of this study. First part presents the relevant theoretical theory and subsequently a review of relevant literatures.

## 2.1 Relevant Theoretical Theory

### 2.1.1 Agency Theory and Stewardship Theory

Agency theory concerning problems when the owner of the company and the manager had different goals that they want to achieve (Panda & Leepsa, 2017). Various governance mechanisms were implemented to reduce the cost of the agency theory. Under this theory, a principal (shareholder) makes an agreement with the agent (managers and directors) to create a value resulting from the business. As such, agent (managers and directors) need to report to the principal (shareholder) about the progress business because principal need to know the agent's effort to achieve the business goals (Bosse & Phillips, 2016).




Source: Saltaji, I. M. (2013). Corporate governance and agency theory how to control agency costs. *Internal Audit & Risk Management*, *4*(32), 47-60.

Figure 2.1

Agency Model

Source: Saltaji, I. M. (2013). Corporate governance and agency theory how to control agency costs. Internal Audit & Risk Management, 4(32), 47-60.

According to Ronen & Balachandran (1995), agency theory assumed that fulfillment of the task delegated by the principal requires an effort of actions which can cause harmful to the agent when carried out over a long period. Agency problem arise when agents diverge from that of the principal agency theory to serve their own self-interest and principal did not monitor the performance of agent (Ronen & Balachandran, 1995). Arrow (1971) and Wilson (1968) explained that one of the agency problem raised in a firm was the risk-sharing between the agent and principal. The principal invest their capital and take risk averse to gain the economic benefits hired the agent to manage the risk and maximizing the economics benefits. Both party has opposite risk preferences that may lead to the agent maximizing their own private benefits instead of maximizing the principal economics benefits (Panda and Leepsa, 2017).

The main factor that cause the agency cost is the divergence of the objective of managers and shareholders which can be resolve by effective monitoring to improve firm performance (Bhatt and Bhatt, 2017). Previous study has highlighted the agency issue that may arise in different fields like finance (Fama, 1980; Fama & Jensen, 1983), political science (Hammond & Knott, 1996), accounting (Ronen & Balachandran, 1995) and economics (Jensen & Meckling, 1976; Ross, 1973). According to agency theory, the more the independent director, the better the performance of a companies. Besides, agency theory also support that position CEO and Chairman of a firm should be hold by two different person.

There are three type of agency problem which were principal-agent problem, principal-principal problem and principal-creditor problem (Panda and Leepsa , 2017). Firstly, the principal-agent problem occurred due to the separation of ownership from control was found since the birth of large corporations (Berle & Means, 1932). The problem occurred when owner of the company (principal) hired the agent to manage the risk and maximizing the economics benefits but the agent maximizing their own private benefits instead of maximizing the principal economics benefits (Panda and Leepsa, 2017). Secondly, principal-principal problem occurred when there was conflict of interest between the major and minor owners. The conflict of interest happen when the major owners, who own majority of the share in the company had more power that allowed them to make decision favor to their benefits (Panda and Leepsa, 2017). Due to major owners make decision favor to their benefits, the interest of the minor owners would be obstructed since they have less power in decision making (Fama & Jensen, 1983). Lastly, the principal-creditors problem occurred when the shareholders decided to take new project and make the decision for the

financing (Damodaran, 1997). When the shareholders undertaken a risky project, the cost of finance for the project was raised and the outstanding debt value was decreased. If the project success, the owners will gained the profit, but when the project is fail, the creditors may need to share the losses from the project (Panda and Leepsa, 2017).

Agency theory has its restrictions and this has been highlighted by many authors like Panda & Leepsa (2017) , Daily et al. (2003) and Eisenhardt (1989). Panda & Leepsa (2017) documented the limitation in agency theory which are the theory assumes a contractual agreement between the principal and agent for an uncertain future period. During the period, many hindrances like transaction cost, rationality, fraud and information asymmetry could be the problem that will be faced by the principal and agent.

Besides Agency theory, Stewardship theory is another theory that explain the association between principal and agents. The agent in this theory was called as the steward of the company. The steward is a person who is not prompted by his self-interest and aimed the same objectives shared with the principal (Davis, Schoorman and Donaldson, 1997). The role of the agent in stewardship theory is to protect the goal of the principal. In addition, the agent also need ensure the wealth of the principal is maximized (Xiang, 2018).The objective for an agent is the same for both theory. However, stewardship theory support CEO Duality but not in Agency Theory. According to Davis et al. (1997), the agent can choose to act as a steward or agent. The firm can choose to implement steward or agent theory since both theory have their own advantage but the choice depends on the environment of the firm (Xiang, 2018).

Agency theory suggest the more independent director in a management will result in better company performance. This is because when more independent director in the company, every decision that the board make will not be biased only one party. The independent director will give independent judgement to protect the shareholders interest more than the non-independent director. This is because when non-independent director who is also the major shareholder in the firm may make a decision based on their own self-interest. Ameer, Ramli and Zakaria (2010) and Liu, Miletkov, Wei and Yang (2015) finds that higher number of external director firm perform better performance compare to low proportion of external director. They found the number of independent directors positively affect the firm performance.

Different from agency theory, stewardship theory believe that board with low independency would lead to a better performance. Besides, stewardship theory also suggested that CEO and Chairman should be hold by the same individual since it can reduce the remuneration cost (Nicholson and Kiel, 2003). This is because, when two position holds by two different person, the cost of the remuneration will increase. Therefore, the firm need to pay more cost in remuneration to the managers. Different from stewardship theory, agency theory did not support that the two position holds by the same person. Haniffa and Hudaib (2006), and Xiang found that splitting the two position will result better firm performance in Malaysia. This findings were also supported by Bhagat and Bolton (2002) and Boyd (1995) when they argued that when a person need to hold two position, this will reduce the quality of their work. Thus, the performance of firm will be impacted.

## 2.2 Review of Empirical Studies

### 2.2.1 Corporate Governance and Firm performance

Corporate governance guideline implemented by the government bodies to shape up firm for a better corporate governance (Bhatt and Bhatt, 2017). Corporate governance focus on companies and their shareholders, or within broader definitions that include the accountability of companies to many other stakeholders (Farhat, 2014). The definition of corporate governance has not been set in solitary or unified definition but, all the definitions address the main elements, such as systems of control inside the company, relationships between the company's stakeholders, and transparency and accountability to help the users of information (Farhat, 2014). According to Tricker (1984), corporate governance involved in setting the corporate direction, involvement in executive action, supervision and accountability in the firm.



Abdullah (2014) found that Malaysian companies' board was largely independent director and most of the companies was no-dual leadership. Haniffa and Hudaib (2006) studied the relationship between six corporate governance structures which are board size, board composition, role duality, multiple directorship, top 5 shareholders and managerial shareholdings and two corporate performance measures, namely, market (Q-Ratio) and accounting (ROA) returns. The author used linear regressions found that role duality and managerial shareholdings are significantly associated with ROA. For the role duality, the author adapted binary data with 1 if the chairman is also the chief executive officer (CEO) of the company and 0 otherwise while for the managerial shareholdings, the proportion of

shares owned by the executive directors of the company as a group to total shares outstanding was used.

Kallamu (2016) studied on the impact of the revised Malaysian code on corporate governance on audit committee attributes and firm performance suggests that audit committee attributes significantly improved after the Code was revised on 2017. The audit committee attributes was measure by the Audit Committee Composition, Independent of Audit Committee Chair, Expert Directors of Audit Committee, Executive Experience of Audit Committee, Executive Membership of Audit Committee and Interlock of Directors of Audit Committee. The authors used returns on assets (ROA) and Tobin's Q to measure the performance of the firm. The authors finding is contrary to agency theory because the result indicates that separating the roles of CEO and Chairman lead to poor performances.

Firm performance or business performance is a part of organizational effectiveness that can be evaluate by the firm profitability (Santos and Ledur, 2012). Harward and Upton (1961) defines profitability as the ability to earn a return from a given investment. Profitability indicates how efficiently the management can make profit from all the business activity of the firm. It can be generalize into two categories which are margin ratios and return ratio. Margin Ratio is define as the ability of the company to convert sales into profits such as EBITDA margin, Net income/Revenues and Economic value added while return ratio represents the profitability of business through comparing in sales, asset and equity. The return ratio can be measure with ROE, ROA and Return on investment (ROI).

Numerous study implemented ROA and ROE when determined the firm performance since the data for both variable are easy to obtain from the financial statement. Preceding studies depend on profitability in order to measure the firm performance (Xiang,2018; Bhatt & Bhatt, 2017; Arora and Sharma, 2016; Mardnly, Mouselli, and Abdulraouf,2018). Xiang (2018) depends on ROA and ROE of the company to measure the firm performance. In addition, Shukeri, Ong and Shaari (2012) depend on the ROE to measure the firm profitability. Therefore, the study adapted ROA and ROE in order to determine the firm performance.

### 2.2.2 Dependent Variable – ROA and ROE

Numerous researcher have used on ROA as a variable to measure the firm profitability. Xiang (2018), Haji (2014) and Joh (2003) relied on ROA as an indicator to measure the firm performance. According to Haji (2014), ROA is calculate by dividing net income to total assets of the companies. ROA is one of profitability ratio that measure the competent a firm can manage its assets to produce profits.

Previous researchers have shown a mixed finding when analyzing the corporate governance and ROA. Mardnly, Mouselli, and Abdulraouf (2018) found that positive and significant impact of ownership structure on firm performance as measure by ROA. The result indicates that when the manager own more share in the company, the firm performance of the company will increase.

Xiang (2018) study about 100 firm listed in Malaysia found different relationship between the corporate governance and the firm profitability (ROA and ROE). Xiang (2018) found that board composition and gender diversity had positive relationship with ROA but it was

found that board size had negative relationship with ROA. When the number of independent director and women director increased, the ROA value also will increase. However, CEO duality and Ownership concentration are insignificant in explaining the firm performance. Lastly, Johl et, el. (2015) studied on Board Characteristics and Firm Performance applied Ordinary Least Square (OLS) Regression in the study found that board independence does not affect firm ROA. The study collected data from 700 public listed firm in Malaysia for the year 2009 also show that size and board accounting/financial expertise are positively relationship with firm performance.

Besides ROA, Return on Equity (ROE) is another indicator to measure the firm profitability. ROE is derived from the net income to total equity of the companies. Mixed findings found between the relationship of corporate governance variable and ROE. Shukeri, Ong and Shaari (2012) find that board composition has negative relationship with ROE while gender diversity is insignificant in explaining the ROE. It shows that women director did not give any impact to the profitability of the firm. In addition, the also found that when the number of independent director on board increased, the value of the ROE will be decreased. Thus, the lesser the independent director, the better the value of ROE. Next, Xiang (2018) found that CEO duality has positive effect to ROE while Board size is negatively related to ROE. The finding shows that when the company implemented CEO Duality, the value of ROE increased but when the number of independent director increased, the ROE value decreased.

Given the above, this study will implemented ROA and ROE that were used in past research as the indicator to measure the firm performance.

### 2.2.3 CEO Duality and Company Performances

CEO is the chief leader that take up the highest position in an organization (Boal & Hooijberg, 2001). The decision made by the CEO and the organization may significantly impact the stakeholders goals. (Glick, 2011). According to Freeman and Reed (1983), stakeholders include the shareholders, customers, employees, society and suppliers. One of the factor that stakeholders' value towards the company is the manager able to satisfy the stakeholders (Xiang, 2018). Meanwhile, Chairman is a person that chair the board meetings who might be an executive director or a non-executive director (Farhat, 2014). Chairman need to establish policies and making decision in the company.

CEO duality happens when CEO and Chairman of an organization are hold by the same person. From the negative perspective, CEO duality can cause unpleasant performance to the company since the board of the director unable to dismiss the CEO position when the CEO practices at his own interest using the shareholders wealth (White and Ingrassia, 1992). Jensen (1993) stated that the position of CEO and Chairman should be hold by two persons in order for the board to be effective. In view of the fact, CEO cannot perform the role of Chairman to oversee the process of monitored the CEO and run board meetings (Jensen, 1993).

Agency theory support that the roles CEO and Chairman of a firm should be hold by two different person. In contrast, steward theory suggested that both position should be held by the same person (Nicholson and Kiel, 2003). MCCG 2012 and 2017 support the agency theory that the positions of Chairman and CEO were hold by two person.

Previous study found mixed relationship found between CEO Duality and company performances. Haniffa and Hudaib (2006) found that splitting the two position will result better firm performance in Malaysia. This findings were also supported by Bhagat and Bolton (2002) and Boyd (1995). Meanwhile Xiang (2018) found that CEO duality is significantly positive related to ROE but not in explaining ROA. The findings explained that when the company practice CEO Duality, the ROE value of the company increased. However, Farhat (2014) and Faccio and Weir et al. (2002) found that CEO duality has no relationship with the company performance. Their findings indicates that whether the company practice CEO Duality or not, it will not affected the firm profitability.

### 2.2.4 Gender Diversity and Company Performance

Diversity in the composition of organizational groups is important because it can affect satisfaction, creativity, and turnover in the organization (Milliken and Martins, 1996) because female and male directors are different in their character and risk attitudes (Adam and Funk, 2009). For example, female directors have better attendance records than male directors in attending board meeting and female are more likely to join monitoring committees (Adam and Ferreira, 2009). In addition, men were found more likely to lie than female in order to secure monetory benefit (Dreber and Johannesson, 2008). Burgess and Tharenou (2002) points out that female director need to be recruited in board in order to increased diversity of opinions in the boardroom and insufficient competent male directors. According to Matsa and Miller (2013), female directors care less about achievement and power. They are more about self-transcendent values that lead female director are more stakeholder-oriented. Low representative of female in board need to be investigated since female and male have different characteristic that can improve the firm value.

MCCG 2017 stated the involvement of women as a director must be at least thirty percent in the company (MCCG, 2017). This signifies the importance of gender diversity in the board of director. Datuk Seri Najib Tun Abdul Razak stated that 15 of the top 100 PLCs such as Petronas Gas Bhd, Sime Darby Property Bhd, AMMB Holdings Bhd, Top Glove Corp Bhd and Gamuda Bhd, had exceeded the 30 percent quota. (New Straits Times, 23 January 2018).On 2020, Malaysia targeted to ensure at least 30 percent of the listed companies' board to be made up of women in decision-making roles (New Straits Times,23 January 2018).

The importance of women in board of director has widely discussed by past researchers (Adam and Ferreira, 2004; Hillman, 2015; Post and Byron, 2015; Terjesen et al., 2009). According to past researcher, the performance of firm had positive relationship with the female involvement on board (Adam and Ferreira,2004; Adam and Funk,2009; Canyon and He,2016 ). Adam and Ferreira (2004) found women appear to have a significant effect on board governance. Female director allocate more effort in monitoring compare to male director (Adam and Ferreira, 2009). Female directors were found to be more audacity than male directors (Adam and Funk,2009).The finding was also supported by Canyon and He (2016) that the existence women in the board show a positive effect on firm performance. The existence of female directors in the board had more impact to the high performance firm (Canyon and He, 2016).



However, a few studies found that a higher percentage of women in board of director show a negative association with firm performance (Ahern and Dittmar, 2012; Matsa and Miller, 2013;Xiang; 2018). Besides, Matsa and Miller (2013) studies also show that when the quota of female increased as board of director, the profit of the firm decreased. Lastly,

Xiang (2018) found that gender diversity is not significant in explaining the firm performance (ROE).

### 2.2.5 Independent Director and Company Performance

Independent director is not an executive director of the corporation and do not have any business that could intervene the independent judgement (Bursa Malaysia). In addition, according to Bursa Malaysia, rule 1.01, independent director is not the major shareholder and not a family in the corporation. MCCG 2012 stated that more than half of the board must consist of independent directors while the chairman of the board was a dependent director. In MCCG 2017, stated that more fifty percent of the board must consist of independent directors but does not stated whether the chairman should be independent director or not. Moreover, a nominating committees chaired by an Independent Director must be establish to evaluate the independency of the board.

According to Klein (2002), one of the effective mechanism to monitor the accounting process is board independent. Firm with high proportion of external director are more effective because they manage to stand pressures from the firm's management and do not have self interest in the firm (Johari et, al., 2008). Vrenken (2013) stated that one of the task of the board is to control the management which is very difficult. Kyereboah-Coleman & Biekpe (2006) argue that independent director able to fire manager that do not perform well to protect the shareholders interest.Therefore, board of director must consist of independent director.

Beasley (1996) provides evidence that no-fraud firms do have high independency board compare to fraud firms. The findings were also supported by Ameer, Ramli and Zakaria

(2010) who concluded that higher proportion of external director firm perform better performance compare to low proportion of external director. A company with more external director perform better than company with more internal director (Ameer, Ramli and Zakaria, 2010). Besides, Liu, Miletkov, Wei and Yang (2015) studied on board independence and firm performance in China also found that both variables are positive in relationship. However, Millstein & MacAvoy (1998) finding show higher number of independent director and firm performance have negative relationship.

In contrast, Bhagat and Black (2001) finding show that there is no significant relation board independency and firm performance. The firms suffer low profitability when the proportion of independent director increase (Bhagat and Black, 2001). The study by Vrenken (2013) also show a negative relationship between board independence and firm performance. Zabri et al. (2016) and Mustapa et al. (2015) found that independent directors has no relationship with the firm profitability which are ROA and ROE.



### 2.2.6 Audit Committee Independency and Company Performance

Audit committee with qualified member are needed to ensure reliable financial reporting, internal controls, and risk management to protect the stakeholder's interest. (DeZoort, Hermanson, Archambeault, & Reed,2002). This highlight the importance of an effective audit committee in protecting the stakeholder interest and maximize their wealth. Mohd Saleh et, al. (2007) pointed the effective characteristic of audit committee are the independence of members, size, frequency of meeting and knowledge of the members of audit committee to monitor management behavior. Toh (2013) also stated that the role of audit committee are to monitor and review the external and internal auditing practices.

Besides audit committee also need to review management's financial reporting judgment and report the analysis to the board of directors. Therefore, an effective audit committee should often meet so that they can discuss on the issue regarding the audit (Toh, 2013). MCCG 2017 provides enhancement in audit independency by stating that all audit committee member should be independent director and the chairman of audit committee should not be the chairman of the company.

Mohd Saleh et, al. (2007) study on Audit committee characteristics and earnings management in Malaysia found that fully independent audit committee reduces earnings management practices. In addition, the finding also has been supported by Toh (2013) study on the measuring the relationship between audit committee characteristics and earnings management that found negative relationship between audit committee independency and management earning. The findings proved that when more independent director as the committee of audit management, the less the firm's earning. Similar to Malaysia, Baxter and Cotter (2009) study in Australia found that greater proportion of audit committee independency is associated with lower earning management. Lastly, Davidson et al. (2005) found insignificant relationship between audit committees comprising a majority of non-executives. The result support that the independency of audit committee do not affect the company.

### 2.2.7 Risk Management Committee and Company Performance

Risk management is important in a business to minimize risk may occur in the business. Risk management is not only about minimize the risk, but it also protect the business from failure. Nowadays, companies were diversify their business activity which leads to increasing in risk to the business. Therefore, risk management is significant to the business because it was a way to confronting the risk. According to Aven (2016), risk management was methods on how to manage, access and conceptualize risk that used theoretical platform and practical models and procedures. There were three aspects that risk management can increase the value of financial flexibility, capital allocation and performance management, and operational flexibility (Azizah and Islam, 2014). Firstly, risk management can increase the financial flexibility at minimum cost because it can protect the difficult in finance. Besides, it can improve the capital allocation by controlling the activity management.



Azizah and Islam (2014) found that risk management and performance has a negative relationship. Nair, Purohit and Choudhary (2014) study used seven dimension of risk management to test the significant. They found that credit risk assessment, risk management practices, risk identification, and risk assessment analysis had significant influence on the business performance. Mixed finding found by Roberts (2016) that studied on measuring and managing risk in UK listed firms found positive correlation between risks management and corporate governance. This finding is supported by Kwamboka (2010) that studied on the relationship between corporate governance and risk management practices. He found that a good practice of risk management firm give positive effect of corporate governance of the firm.

# CHAPTER 3

# METHODOLOGY

## 3.1 Introduction

Chapter 3 will review the methodology used in the study. It cover the data sources, sampling criteria, determinants and the empirical models applied in this research.

## 3.2 Design of the research

Generally, the design of the research is the plan structure during the time carrying the study. The aim of research design is to allow the researcher provide evidence to answer all the research questions (Vaus,2001). Research design is very important because it contain the strategy and conceptual framework of the research. Moreover, research design also explain the procedures in collecting data during the study and tools that will be used to interpret the data.



In this study, quantitative approach is used to test the impact of Malaysian Code on Corporate Governance (MCCG, 2017) on the performance (ROA and ROE) of Malaysian public listed companies. The corporate governance variable used in this research are variables are CEO duality, CEO Gender, Independent Director, Tenure of Independent Director, Female Director, Risk Management Committee and Audit Committee Independency. The qualitative data was collected from the annual report of the companies. The annual report of the companies are downloaded. The data collected from the annual report are corporate governance variables and the firm profitability.

Lastly, the study adapted Ordinary Least Square (OLS) analysis is used to test the relationship and significant of the study. The study adapted multiple regression research since the independent variables in the study have more than one. According to Field (2009), a regression analysis can predict the future evaluation based on values of the predictor variables. The multiple regression result can explain the relationship between the variables. Therefore, the multiple regression was used in the study.

### 3.3 Hypothesis of the Study

**First hypothesis:**

Hypothesis: CEO Duality is negatively related to ROA.

Hypothesis: CEO Duality is negatively related to ROE.

**Second hypothesis:**

Hypothesis: CEO Gender is negatively related to ROA.

Hypothesis: CEO Gender is negatively related to ROE

**Third hypothesis:**

Hypothesis: Independent Director is positively related to ROA.

Hypothesis: Independent Director is positively related to ROE

**Fourth hypothesis:**

Hypothesis: Tenure of Independent Director is negatively related to ROA.

Hypothesis: Tenure of Independent Director is negatively related to ROE

**Fifth hypothesis:**

Hypothesis: Female Director is positively related to ROA.

Hypothesis: Female Director is positively related to ROE

**Sixth hypothesis:**

Hypothesis: Audit Committee independency is negatively related to ROA.

Hypothesis: Audit Committee independency is negatively related to ROE.

**Seventh hypothesis:**

Hypothesis: Risk Management Committee is negatively related to ROA.

Hypothesis: Risk Management Committee is negatively related to ROE

### 3.4 Method of data collection

Data collection is defined as a process of collecting the data from all relevant sources. The data sources can be collected by two sources that are primary sources and secondary sources. Primary sources is the first-hand evidence such as interview, historical document or recording of audio. In this study, the secondary data is used. The secondary data are already existed but has not been primarily collected (Xiang, 2018).This study collected data from secondary sources. The data were collected from the annual report published in Bursa Malaysia and company website.

The secondary data were collected from the annual financial report for year 2016 until 2018 in order to measure the impact of MCCG 2017 on the performance (ROA and ROE) of Malaysian public listed companies. The ROA and ROE variables are extracted from the financial statement and income statement while the corporate governance variable are extracted from the board of director information of the companies that downloaded from Bursa Malaysia website.

### 3.5 Sampling Criteria

Williamson (2002) define a population as a complete set of all those elements which have one or more common characteristics. The population of this study were selected from the companies that are listed in 2019. There are 920 companies that are listed in the Bursa Malaysia. The listed company can be divided into two categories that are Main or ACE Markets. There are 19 sector companies that are listed in Bursa Malaysia. In this study, 13 sector out of 19 sector were selected that comprises of 90 firms in Malaysia. The study only cover 90 companies which are randomly selected that are listed under the Main Markets. Roscoe (1975) suggested the rule of thumb stated that sample size should be larger than 30 and smaller than 500 and at least 10 percent from the population size. Thus, with a population of 792 public listed companies in Main Market, a sample size of 90 public listed companies or 11.36% of the population is adequate for this study. The selection of companies was based on the accessibility of annual reports.

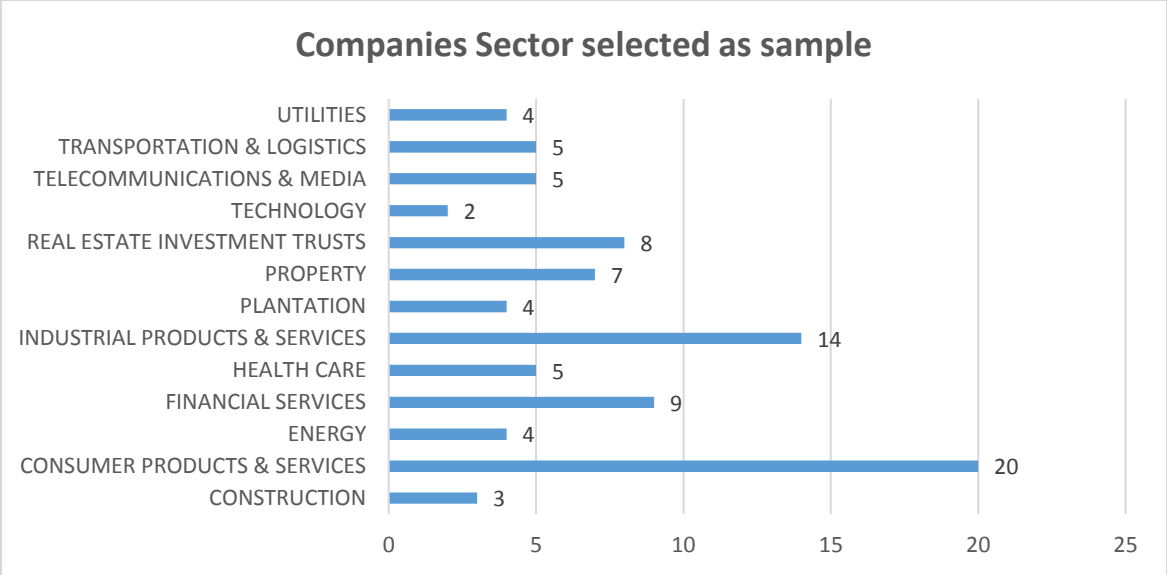



Figure 3.1

Companies Sector selected as sample

Figure 1 shows the sector that were selected for the 90 company. The company were randomly selected based on the accessibility of annual reports. The companies selected from the population have more than 10 companies in Industrial Product and Services and Consumer Products and Services. Out of 90 company selected, 54 company are categorized as Large Company.

Out of 920 companies listed in Bursa Malaysia, 792 companies are listed under Main Market while 128 companies under the ACE Market. The study only cover 90 companies which are randomly selected that are listed under the Main Markets. Roscoe (1975) suggested the rule of thumb stated that sample size should be larger than 30 and smaller than 500 and at least 10 percent from the population size. Thus, with a population of 792 public listed companies in Main Market, a sample size of 90 public listed companies or 11.36% of the population is adequate for this study.

### 3.6 Research Instrument

The data is obtained from the annual financial reports of Public Listed Company from the Bursa Malaysia website. The ROA and ROE is calculated by using the Microsoft Excel. All data were collected from balance sheet, income statement and corporate governance statement of firm for the year 2016 and 2018. Next, the data were inserted into SPSS to perform the descriptive analysis, reliability test and Multiple Linear Regression.

### 3.7 Construct Instrument

According to previous chapter, four corporate governance characteristic are employ as determinants of the firm performance. Table below shows the dependent and independent variable with their measure.

Table 3.2
Dependent Variables

| **Dependent Variable** | **Formula** |
|---|---|
| Return of Total Assets | $\frac{Net\ Income}{Total\ Assets}$ |
| Return of Equity | $\frac{Net\ Income}{Total\ Equity}$ |

Table 3.3
Independent Variables Table

| **Independent Variable** | **Formula** |
|---|---|
| CEO Duality | 1= CEO Duality<br>0= No CEO Duality |
| Independent Director | Proportion of Independent Director |
| Female Director on board | Proportion of Women Directors |
| Audit Committee Independency | Proportion of Independent Director in Audit Committee |
| Tenure of Independent Director | Average tenure services of Independent Director |
| Risk Management Committee | 1= Board establish a Risk Management Committee<br>0= Board do not establish a Risk Management Committee |

Table 3.4

Control Variables

| **Variable** | **Notation** |
|---|---|
| CEO Gender | 1= Female<br>0= Male |

Table 3.5
Variables Notation

| **Variable** | **Notation** |
|---|---|
| Return of Total Assets | ROA |
| Return of Equity | ROE |
| CEO Duality | CEO_DUA |
| CEO Gender | CEO_GEN |
| Independent Director | IND_DIR |
| Female Director on board | FEM_DIR |
| Audit Committee Independency | AUD_IND |
| Tenure of Independent Director | TEN_DIR |
| Risk Management Committee | RISK_COM |

### 3.8 Data Analysis

#### 3.8.1 Descriptive Analysis

Descriptive analysis was adopted in this study to obtain the summary of the data that we computed in the SPSS. The analysis consist mean, mode and standard deviation for the variables that we computed data. Through the summary analysis, researcher gain information on the pattern of the sample in the study.

#### 3.8.2 Reliability Analysis

The reliability test is adopted in the study to test the significant of the model that we computed in SPSS. The ANOVA result whether the tested model is significant or insignificant. The result is significant if the p-value is less than 0.05. However, if the p-value is more than 0.05, therefore the independent variable is not significant in explaining the dependent variable.

### 3.8.3 Multiple Regression Analysis

Multiple Regression is the process of calculating a coefficient and predict the value of (Saunders et al., 2009). Besides, Multiple Regression assess the strength of a relationship between one independent variables. Therefore, in order to determine the relationship of corporate governance and firm performance, multiple regression analysis is adapted in this study.

The empirical model used in this study is given as:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + \varepsilon$$

The model adopted for the analysis is as follows using the names of the variables:

Model 1:

$$ROA = b_0 + b_1CEO\_DUA + b_2\ CEO\_GEN + b_3\ IND\_DIR + b_4\ FEM\_DIR + b_5\ TEN\_DIR + b_6AUD\_IND + b_7\ RISK\_COM + \varepsilon$$



Model 2:

$$ROE = b_0 + b_1CEO\_DUA + b_2\ CEO\_GEN + b_3\ IND\_DIR + b_4\ FEM\_DIR + b_5\ TEN\_DIR + b_6AUD\_IND + b_7\ RISK\_COM + \varepsilon$$

Where;

ROA is the return on assets

ROE is the return on equity

CEO_DUA is the CEO Duality

CEO_GEN is the CEO Gender

IND_DIR is the Independent Director

FEM_DIR is the Female Director on board

AUD_IND is the Audit Committee Independency

TEN_DIR is the Tenure of Independent Director

RISK_COM is the Risk Management Committee

# CHAPTER 4

# RESULT AND ANALYSIS

## 4.0 Introduction

This chapter present the outcomes of this studies and present the outcomes to answer the question of the study.

## 4.1 Descriptive Analysis

Table 4.1

ROA and ROE descriptive analysis

| | Year | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|---|
| ROA | 2018 | 90 | -0.27 | 1.17 | 0.0641 | 0.1546 |
| | 2017 | 90 | -.017 | 0.98 | 0.0706 | 0.1286 |
| | 2016 | 90 | -0.21 | 0.99 | 0.0785 | 0.1412 |
| ROE | 2018 | 90 | -0.69 | 2.29 | 0.1744 | 0.39425 |
| | 2017 | 90 | -0.24 | 2.85 | 0.1729 | 0.3628 |
| | 2016 | 90 | -0.36 | 3.14 | 0.2209 | 0.4425 |

Table 4.1 reported descriptive analysis of ROA and ROE for the year 2016 until 2018. The number of data were collected for each year was 90 data. The table indicates that the minimum and maximum value of ROA for the three years were -0.27 and 1.17 respectively. While the ROE values shows the minimum and maximum values for the three years were -0.69 and 3.14 respectively. The findings show that in year 2016 (0.0785), the ROA mean values is the highest compare to 2017(0.0706) and 2018(0.0641). The mean value of ROA

decreased to six percent in the 2018. This demonstrate that 2016 was the great in generating its earnings among the three years. Out of the documentation period, the highest value for ROE was the year 2016 (0.2209).The minimum and maximum values of ROE for the three years are -0.69 and 3.14 respectively. The mean values of ROE decreased to 17.44 percent on the year 2017 and slightly increased to 17.44 percent on 2018. Both ROA and ROE values on the year 2018 dropped compared to the year 2016.

Table 4.2

Descriptive analysis before MCCG 2017.

| | Dummy | Frequency | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|---|---|
| CEO_DUA | 0 | 173 | 180 | 0 | 1 | | |
| | 1 | 7 | | | | | |
| CEO_GEN | 0 | 169 | 180 | 0 | 1 | | |
| | 1 | 11 | | | | | |
| IND_DIR | | | 180 | 0.23 | 0.80 | 0.48 | 0.126 |
| FEM_DIR | | | 180 | 0.00 | 0.43 | 0.15 | 0.117 |
| TEN_DIR | | | 180 | 0.50 | 18.33 | 6.06 | 4.047 |
| AUD_IND | | | 180 | 0.25 | 1.00 | 0.86 | 0.161 |
| RISK_COM | 0 | 82 | 180 | 0 | 1 | | |
| | 1 | 98 | | | | | |

Table 4.2 indicates the descriptive analysis before MCCG 2017 was introduced as Code of Corporate Governance. The data provided the average indicators of the variables computed from the Annual report of 2016 and 2017 with 180 observations. There are seven (7)

independent variables used in the research. From the table we know that 173 of the observation split the roles of Chief Executive Officer/ Managing Director and Chairman. The remaining seven (7) observation practices CEO Duality. In addition, 169 observation are male CEO while only 11 observation were female CEO. The mean for the independent director is 48 percent which indicates that 48 percent of the board of director was independent director. In addition, the table also shows that the mean of Female Director and Independent Director of Audit Committee were 15 percent and 86 percent respectively. This indicates that the proportion of female directors still low since the proportion for female director below 30 percent from the board of directors. For the independent director, the proportion in board of director is high since more than 50 percent from the board are independent director. The descriptive statistic for Risk Management Committee indicates that 98 out of 180 observation establish Risk Management Committee while the remaining 82 were not establish the Risk Management Committee.

Table 4.3

Descriptive analysis after MCCG 2017.

| | Dummy | Frequency | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|---|---|
| CEO_DUA | 0 | 89 | 90 | 0.00 | 1.00 | | |
| | 1 | 1 | | | | | |
| CEO_GEN | 0 | 84 | 90 | 0.00 | 1.00 | | |
| | 1 | 6 | | | | | |
| IND_DIR | | | 90 | 0.14 | 0.80 | 0.491 | 0.126 |
| FEM_DIR | | | 90 | 0.00 | 0.50 | 0.212 | 0.123 |
| TEN_DIR | | | 90 | 0.78 | 17.75 | 5.347 | 3.401 |
| AUD_IND | | | 90 | 0.50 | 1.00 | 0.859 | 0.161 |
| RISK_COM | 0 | 23 | 90 | 0 | 1 | | |
| | 1 | 67 | | | | | |



Table 4.3 indicates the descriptive analysis before MCCG 2017 was introduced as Code of Corporate Governance. The data provided the average indicators of the variables computed from the Annual report on year 2018 with 90 company. There are seven (7) independent variables used in the research. From the table, we can observed that out of 90 company, only 1 company practices CEO Duality. The balance 89 company divide the role of Chief Executive Officer (CEO) and Chairman of the company. Besides, the table also recorded that 86 CEO of the company was Male. In addition, the mean proportion of Independent Director and Female Director from the Board of Director were 80 percent and 50 percent respectively. MCCG 2017 stated that at least 30 percent of the director must be female.

With this result, this means that majority of the company has achieved the minimum of 30 percent of Female Director in Board of Director. Next, the average tenure of Independent Director for 90 company was 17.75 years old. The mean for Independent Director in Audit Committee is 0.859. Out of 90 company collected on 2018, 67 company established a risk management committee and the remaining 23 company do not have a risk management committee.

Table 4.4

Comparison of Dummy Variables

| Years | CEO_DUA 0= Other 1= CEO Duality | | CEO_GEN 0=Male 1=Female | | RISK_COM 0= No Risk Management Committee 1= Board establish a Risk Management Committee | |
|---|---|---|---|---|---|---|
| 2016 | 0 | 86 | 85 | | 49 | |
| 2017 | 0 | 87 | 84 | | 33 | |
| 2018 | 0 | 89 | 84 | | 23 | |
| 2016 | 1 | 4 | 5 | | 41 | |
| 2017 | 1 | 3 | 6 | | 57 | |
| 2018 | 1 | 1 | 6 | | 67 | |

Table 4.4 discussed the comparison of three dummy variables (CEO Duality, Gender of the CEO and Risk Management Committee) for three years (2016, 2017 and 2018). The numbers of company practices CEO duality lower than the company that split the roles of CEO and Chairman. The highest number of company that practice split roles of CEO and Chairman was on the year 2018 (89 company) which was parallel with MCCG 2017 that stated that the company CEO and Chairman should be hold by two different person. Besides, male director dominate the position of CEO compare to female director. Lastly,

majority of the company established a risk management committee. The highest number of company that established the risk management committee was on the year 2018 with 67 company out of 90 company.

## 4.2 Correlation Matrix

Table 4.5

Correlation Matrix of Variables before the Revision of MCCG 2017.

| | CEO_DUAL | CEO_GEN | IND_DIR | FEM_DIR | TEN_DIR | AUD_IND | RISK_COM | ROA | ROE |
|---|---|---|---|---|---|---|---|---|---|
| **CEO_DUAL** | 1 | | | | | | | | |
| **CEO_GEN** | -0.045 | 1 | | | | | | | |
| **IND_DIR** | 0.211 | -0.053 | 1 | | | | | | |
| **FEM_DIR** | -0.036 | 0.145 | -0.075 | 1 | | | | | |
| **TEN_DIR** | 0.126 | 0.143 | -0.028 | -0.108 | 1 | | | | |
| **AUD_IND** | 0.085 | 0.010 | 0.249 | -0.117 | 0.130 | 1 | | | |
| **RISK_COM** | -0.129 | -0.043 | -0.036 | 0.131 | -0.224 | 0.092 | 1 | | |
| **ROA** | 0.049 | 0.323 | -0.124 | 0.179 | -0.005 | -0.041 | 0.004 | 1 | |
| **ROE** | -0.019 | 0.125 | -0.104 | 0.300 | -0.029 | -0.131 | -0.004 | 0.623 | 1 |



The correlation matrix reported the correlation between the variables. There are nine (9) variables conducted in the study. Correlation analysis was applied to find the relationship between the variables and how each variables affect others variables during a period of time. Based on the report, there are mixed relationship between the variables either positive or negative relationship. Overall, no multicollinearity detected between the variables since the correlation value between the two variables were not high. The highest correlation value was 0.249 between the Audit Committee Independency and Independent Director in Board of Director. The value of 24.9 percent was not considered high. Therefore, no determining variables of ROA were being eliminated.

There are negative relationship between Gender of CEO (CEO_GEN) and CEO Duality (CEO_DUAL), Independent Director (IND_DIR) and Gender of CEO (CEO_GEN), Female Director (FEM_DIR) and CEO Duality (CEO_DUAL), Female Director (FEM_DIR) and Independent Director (IND_DIR), Tenure of the Independent Director (TEN_DIR) and Independent Director (IND_DIR), Tenure of the Independent Director (TEN_DIR) and Female Director (FEM_DIR), Audit Committee Independency (AUD_IND) and Female Director (FEM_DIR), Risk Management Committee (RISK_COM) and CEO Duality (CEO_DUAL), Risk Management Committee (RISK_COM) and Gender of CEO (CEO_GEN) and Risk Management Committee (RISK_COM) and Independent Director (IND_DIR). Others variables are positive relationship with another variables.

Table 4.6

Correlation Matrix of Variables after the Revision of MCCG 2017.

| | **CEO_ DUAL** | **CEO_ GEN** | **IND_ DIR** | **FEM_ DIR** | **TEN_ DIR** | **AUD_ IND** | **RISK_ COM** | **ROA** | **ROE** |
|---|---|---|---|---|---|---|---|---|---|
| **CEO_ DUAL** | 1 | | | | | | | | |
| **CEO_GEN** | -0.028 | 1 | | | | | | | |
| **IND_DIR** | 0.243 | -0.136 | 1 | | | | | | |
| **FEM_DIR** | 0.102 | 0.062 | -0.071 | 1 | | | | | |
| **TEN_DIR** | -0.060 | 0.137 | -0.084 | -0.124 | 1 | | | | |
| **AUD_IND** | 0.093 | -0.112 | 0.307 | -0.211 | 0.131 | 1 | | | |
| **RISK_COM** | 0.062 | -0.048 | -0.151 | 0.140 | -0.123 | -0.020 | 1 | | |
| **ROA** | -0.029 | 0.321 | -0.104 | 0.170 0 | -0.091 | -0.024 | 0.040 | 1 | |
| **ROE** | -0.037 | 0.115 | -0.153 | 0.302 | -0.073 | -0.151 | 0.002 | 0.706 | 1 |



Table 4.6 show the correlation matrix of Variables after the revision of MCCG 2017. There are nine (9) variables conducted in the study. Correlation analysis was applied to find the relationship between the variables and how each variables affect others variables during a period of time. Based on the report, there are mixed relationship between the variables either positive or negative relationship. . The highest value of the correlation between the variables was not considered high. Overall, no multicollinearity detected between the variables since the correlation value between the two variables were not high. Therefore, no determining variables of ROE were being eliminated.

There are positive relationship between Independent Director (IND_DIR) and CEO Duality (CEO_DUAL), Female Director (FEM_DIR) and CEO Duality (CEO_DUAL), Female Director (FEM_DIR) and Gender of CEO (CEO_GEN), Tenure of the Independent Director (TEN_DIR) and Gender of CEO (CEO_GEN), Audit Committee Independency (AUD_IND) and CEO Duality (CEO_DUAL), Audit Committee Independency (AUD_IND) and Independent Director (IND_DIR), Audit Committee Independency (AUD_IND) and Tenure of the Independent Director (TEN_DIR), Risk Management Committee (RISK_COM) and CEO Duality (CEO_DUAL) and Risk Management Committee (RISK_COM) and Female Director (FEM_DIR). The remaining variables reported have a negative relationship with the variables.

### 4.3 Reliability Test

Table 4.7

ANOVA Results before and after the revision for ROA

| | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| Before | Regression | 0.530 | 7 | .076 | 4.741 | 0.000[b] |
| | Residual | 2.712 | 170 | .016 | | |
| | Total | 3.242 | 177 | | | |
| After | Regression | 0.322 | 7 | .046 | 2.091 | 0.054[b] |
| | Residual | 1.804 | 82 | .022 | | |
| | Total | 2.126 | 89 | | | |

Dependent Variable: ROA

Predictors: (Constant), RISK_COM, IND_DIR, CEO_GEN, FEM_DIR, AUD_IND, CEO_DUA, TEN_DIR

Table 4.7 show the ANOVA Results before and after the revision for ROA. The model for ROA before the revision of MCCG with seven predictors produced F (7,170) = 4.741, p =0.000. The p-value indicates the level of marginal significance. The p-value is considered significance when the p-value is $p < 0.05$. The results show that the independent variables are significant in explaining the ROA since the p-value is less than 0.05.

The model for ROA after the revision of MCCG with seven predictors produced F (7, 82) = 2.091, p = 0.054. The results indicates that the independent variables are insignificant in explaining the ROA since the p-value is more than 0.05.

Table 4.8

ANOVA Results before and after the revision for ROE

| | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| Before | Regression | 3.859 | 7 | 0.551 | 3.700 | 0.001[b] |
| | Residual | 25.332 | 170 | 0.149 | | |
| | Total | 29.191 | 177 | | | |
| After | Regression | 1.732 | 7 | 0.247 | 1.676 | 0.126[b] |
| | Residual | 12.101 | 82 | 0.148 | | |
| | Total | 13.833 | 89 | | | |
| | Dependent Variable: ROE | | | | | |
| | Predictors: (Constant), RISK_COM, IND_DIR, CEO_GEN, FEM_DIR, AUD_IND, CEO_DUA, TEN_DIR | | | | | |

Table 4.7 show the ANOVA Results before and after the revision for ROE. The model for ROE before the revision of MCCG with seven predictors produced F (7,170) = 3.7000, p =0.001. The p-value indicates the level of marginal significance. The p-value is considered significance when the p-value is $p < 0.05$. The results show that the independent variables are significant in explaining the ROE since the p-value is less than 0.05.

The model for ROE after the revision of MCCG with seven predictors produced F (7, 82) = 1.676, p = 0.126. The results indicates that the independent variables are insignificant in explaining the ROA since the p-value is more than 0.05.

### 4.4 Multiple Regression Model

Table 4.9

Model Summary before and after the revision for ROA

| | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| Before | 0.404[a] | 0.163 | 0.129 | 0.1263 |
| After | 0.389[a] | 0.151 | 0.079 | 0.1483 |

a. Predictors: (Constant), RISK_COM, IND_DIR, CEO_GEN, FEM_DIR, AUD_IND, CEO_DUA, TEN_DIR

The value of $R^2$ explained the proportion of the dependent variables (ROA), that can be explained by independent variables (RISK_COM, IND_DIR, CEO_GEN, FEM_DIR, AUD_IND, CEO_DUA, TEN_DIR). From the result above, it can be found that the $R^2$ before the revision is 16.3 percent. The value indicates that 16.3 percent of variation in ROA is explained by RISK_COM, IND_DIR, CEO_GEN, FEM_DIR, AUD_IND, CEO_DUA and TEN_DIR. The remaining 83.7 percent of variation in ROA is explained by other factor that are not mention in the study. The adjusted $R^2$ value and the Standard Error of the Estimate before the revision for this model is 0.129 (12.9percent) and 0.1263(12.63percent) respectively.

The $R^2$ after the revision is 15.1 percent. The value indicates that 15.1 percent of variation in ROA is explained by RISK_COM, IND_DIR, CEO_GEN, FEM_DIR, AUD_IND, CEO_DUA and TEN_DIR. The remaining 84.9 percent of variation in ROA is explained by other factor that are not mention in the study. The adjusted $R^2$ value and the Standard

Error of the Estimate after the revision for this model is 0.079 (7.9percent). and 0.1483(14.83percent) respectively.

Table 4.10

Model Summary before and after the revision for ROE

| | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| Before | 0.364[a] | 0.132 | 0.096 | 0.3860 |
| After | 0.354[a] | 0.125 | 0.051 | 0.3842 |

a. Predictors: (Constant), RISK_COM, IND_DIR, CEO_GEN, FEM_DIR, AUD_IND, CEO_DUA, TEN_DIR

The value of $R^2$ explained the proportion of the dependent variables (ROE) that can be explained by independent variables (RISK_COM, IND_DIR, CEO_GEN, FEM_DIR, AUD_IND, CEO_DUA, TEN_DIR). From the result above, it can be found that the $R^2$ before the revision is 13.2 percent. The value indicates that 13.2 percent of variation in ROE is explained by RISK_COM, IND_DIR, CEO_GEN, FEM_DIR, AUD_IND, CEO_DUA and TEN_DIR. The remaining 86.8 percent of variation in ROE is explained by other factor that are not mention in the study. The adjusted $R^2$ value and the Standard Error of the Estimate before the revision for this model is 0.096 (9.6percent) and 0.3860 (38.60percent) respectively.

The $R^2$ after the revision is 12.5 percent. The value indicates that 12.5 percent of variation in ROE is explained by RISK_COM, IND_DIR, CEO_GEN, FEM_DIR, AUD_IND, CEO_DUA and TEN_DIR. The remaining 87.5 percent of variation in ROA is explained

by other factor that are not mention in the study. The adjusted $R^2$ value and the Standard Error of the Estimate after the revision for this model is 0.051 (5.1percent) and 0.3842 (38.42percent) respectively.

Table 4.11

Coefficients before and after the revision for ROA

| | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| Model | | B | Std. Error | Beta | t | Sig. |
| Before | (Constant) | 0.162 | 0.063 | | 2.559 | 0.011 |
| | CEO_DUA | 0.095 | 0.051 | 0.137 | 1.861 | 0.064 |
| | CEO_GEN | 0.175 | 0.041 | 0.312 | 4.271 | 0.000 |
| | IND_DIR | -0.148 | 0.079 | -0.138 | -1.876 | 0.062 |
| | FEM_DIR | 0.156 | 0.084 | 0.135 | 1.863 | 0.064 |
| | TEN_DIR | -0.001 | 0.003 | -0.023 | -0.308 | .759 |
| | AUD_IND | -0.060 | 0.061 | -0.071 | -0.975 | 0.331 |
| | RISK_COM | 0.005 | 0.020 | 0.019 | 0.253 | 0.800 |
| After | (Constant) | 0.014 | 0.115 | | 0.126 | 0.900 |
| | CEO_DUA | -0.049 | 0.156 | -0.033 | -0.313 | 0.755 |
| | CEO_GEN | 0.204 | 0.064 | 0.331 | 3.172 | 0.002 |
| | IND_DIR | -0.095 | 0.139 | -0.077 | -0.684 | 0.496 |
| | FEM_DIR | 0.188 | 0.134 | 0.149 | 1.403 | 0.165 |
| | TEN_DIR | -0.006 | 0.005 | -0.137 | -1.288 | 0.201 |
| | AUD_IND | 0.086 | 0.106 | 0.090 | 0.811 | 0.420 |
| | RISK_COM | 0.004 | 0.037 | 0.010 | 0.097 | 0.923 |

Based on Table 4.11, the Unstandardized Coefficients are used in order to analyze the result of the regression. The multiple regression equation before the revision of MCCG 2017 is written as the below equation;

ROA= 0.162 + 0.095 CEO_DUA + 0.175 CEO_GEN-0.095IND_DIR + 0.188 FEM_DIR 0.006 TEN_DIR -0.060 AUD_IND + 0.005 RISK_COM

Based on the equation above, the intercept value 0.162 indicates that when CEO Duality, Gender of CEO, Independent Director, Female Director, Tenure of Independent Director, Audit Committee Independency and Risk Management Committee are equal to zero, the ROA becomes 0.162. When one unit in independent variable is increased, the ROA will increased by the coefficient of independent variable. For example, ROA is expected to increase by 0.095 units when one unit is increased in CEO Duality. From the table, it is proven that only Gender of CEO is found to be statistically significant as p-value less than 0.05. Other variables (CEO Duality, Independent Director, Female Director, Tenure of Independent Director, Audit Independency and Risk Management Committee are insignificant since the p-value are more than 0.05. Further, the model shows that CEO Duality, Gender of CEO, Female Director and Risk Management Committee are positively relationship with ROA. In contrast, Independent Director, Tenure of Independent Director and Audit Independency are negative relationship with ROA.

The multiple regression equation after the revision of MCCG 2017 is written as the below equation;

ROA= 0.115 + 0.156 CEO_DUA + 0.064 CEO_GEN + 0.139IND_DIR + 0.134 FEM_DIR + 0.005 TEN_DIR +0.106 AUD_IND + 0.037 RISK_COM

From table 4.7, we know that model above is insignificant in explaining the ROA since the p-value is more than 0.05. Therefore, the model for ROA after the revision is insignificant in determining the ROA.

Table 4.12

Coefficients before and after the revision for ROE

| | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| Model | | B | Std. Error | Beta | t | Sig. |
| Before | (Constant) | 0.391 | 0.194 | | 2.016 | 0.045 |
| | CEO_DUA | 0.041 | 0.157 | 0.020 | 0.261 | 0.794 |
| | CEO_GEN | 0.136 | 0.125 | 0.081 | 1.092 | 0.277 |
| | IND_DIR | -0.100 | 0.241 | -0.031 | -0.416 | 0.678 |
| | FEM_DIR | 1.029 | 0.256 | 0.297 | 4.018 | 0.000 |
| | TEN_DIR | -0.001 | 0.008 | -0.006 | -0.080 | 0.937 |
| | AUD_IND | -0.349 | 0.188 | -0.138 | -1.861 | 0.064 |
| | RISK_COM | -0.007 | 0.061 | -0.009 | -0.117 | 0.907 |
| After | (Constant) | 0.308 | 0.297 | | 1.037 | 0.303 |
| | CEO_DUA | -0.123 | 0.404 | -0.033 | -0.306 | 0.760 |
| | CEO_GEN | 0.131 | 0.166 | .083 | 0.787 | 0.433 |
| | IND_DIR | -0.364 | 0.360 | -0.116 | -1.012 | 0.315 |
| | FEM_DIR | 0.918 | 0.347 | 0.286 | 2.647 | 0.010 |
| | TEN_DIR | -0.007 | 0.012 | -0.062 | -0.576 | 0.566 |
| | AUD_IND | -0.091 | 0.275 | -0.037 | -0.331 | 0.742 |
| | RISK_COM | -0.053 | 0.096 | -0.059 | -0.550 | 0.584 |

Based on Table 4.12, the Unstandardized Coefficients are used in order to analyze the result of the regression. The multiple regression equation before the revision of MCCG 2017 is written as the below equation;

ROE= 0.391 + 0.041 CEO_DUA + 0.136 CEO_GEN -0.100 IND_DIR + 1.029 FEM_DIR - 0.001 TEN_DIR -0.349 AUD_IND -0.007 RISK_COM

Based on the equation above, the intercept value 0.391 indicates that when CEO Duality, Gender of CEO, Independent Director, Female Director, Tenure of Independent Director, Audit Committee Independency and Risk Management Committee are equal to zero, the ROE becomes 0.391.When one unit in independent variable is increased, the ROA will increased by the coefficient of independent variable. For example, ROE is expected to increase by 0.041 units when one unit is increased in CEO Duality. From the table, it is proven that only Female Director is found to be statistically significant as p-value less than 0.05. Other variables (CEO Duality, Independent Director, Gender of CEO, Tenure of Independent Director, Audit Independency and Risk Management Committee are insignificant since the p-value are more than 0.05. Moreover, the model shows that CEO Duality, Gender of CEO and Female Director are positively relationship with ROE. In contrast, Independent Director, Tenure of Independent Director, Risk Management Committee Independent Director and Audit Independency are negative relationship with ROE.

The multiple regression equation after the revision of MCCG 2017 is written as the below equation;

ROE= 0.297 + 0.404 CEO_DUA + 0.064 CEO_GEN + 0.360 IND_DIR + 0.347 FEM_DIR + 0.005 TEN_DIR +0.106 AUD_IND + 0.037 RISK_COM

From table 4.7, we know that model above is insignificant in explaining the ROE since the p-value is more than 0.05. Therefore, the model for ROE after the revision is insignificant in determining the ROE.

## 4.5 Summary for the variable relationship

Table 4.13

ROA result

| Variable | Significant/Insignificant | Relationship (positive/ negative) |
|---|---|---|
| CEO Duality | There is no significant relationship between CEO Duality and ROA. | Positive |
| CEO Gender | There is significant relationship between CEO Gender and ROA. | Positive |
| Independent Director | There is no significant relationship between Independent Director and ROA. | Negative |
| Female Director on board | There is no significant relationship between Female Director on board and ROA. | Positive |
| Audit Committee Independency | There is no significant relationship between Audit Committee Independency and ROA. | Negative |
| Tenure of Independent Director | There is no significant relationship between Tenure of Independent Director and ROA. | Negative |
| Risk Management Committee | There is no significant relationship between Risk Management Committee and ROA. | Positive |

The empirical finding for Model ROA shows that ROA is positively affected by CEO Gender, CEO Duality, Female Director on board and Risk Management Committee. But,

they are negatively impacted by Independent Director, Audit Committee Independency and Tenure of Independent Director. Below are the summary for ROA analysis.

Table 4.14

ROE result

| Variable | Significant/Insignificant | Relationship |
|---|---|---|
| CEO Duality | There is no significant relationship between CEO Duality and the profitability of bank. | Positive |
| CEO Gender | There is no significant relationship between CEO Gender and ROE. | Positive |
| Independent Director | There is no significant relationship between CEO Gender and ROE. | Negative |
| Female Director on board | There is no significant relationship between Female Director on board and ROE. | Positive |
| Audit Committee Independency | There is no significant relationship between Audit Committee Independency and ROE. | Negative |
| Tenure of Independent Director | There is a significant relationship between Tenure of Independent Director and ROE. | Negative |
| Risk Management Committee | There is no significant relationship between Risk Management Committee and ROE. | Negative |



The empirical finding for Model ROE shows that firm performance are positively affected by CEO Gender, CEO Duality and Female Director on board. But, they are negatively impacted by Independent Director, Audit Committee Independency, Tenure of

Independent Director and Risk Management Committee. Below are the summary for ROE analysis.

# CHAPTER 5

# CONCLUSION AND RECOMMENDATION

## 5.1 Introduction

This chapter will discuss about conclusion to the finding in the study with the recommendation for the future study. Besides, this chapter will discuss on the limitation of the study.

## 5.2 Conclusion

The growing interest in corporate governance and firm performance has attract more study has been made in the area. Most of the variables used in the research are found insignificant to the firm performance. Based on the study, only Tenure of Independent Director and CEO Gender are significant in explaining the dependent variables. This indicates that there are some other factor that impact the firm performance which is not in the study. Therefore, future research need to include others factor that may affect the firm performance. Recently, Malaysia faced a financial scandal which is 1Malaysia Development Berhad (1MDB) scandal that affect the capital markets' perception of Malaysia. Thus, the regulators should revise MCCG in order to avoid the financial scandal to happen again.

With a population of 792 public listed companies in Main Market, a sample size of 90 public listed companies or 11.36% of the population is adequate for this study. This paper investigates the impact of corporate governance attributes on firm performance based on the data for the period before and after the MCCG was revised

From the ANOVA table, we know that p-value before the MCCG was revived less than 0.05 and p-value after the MCCG was revised is more than 0.05. The result indicates that shown the corporate governance after the MCCG was revised is insignificant while the result before the revision is significant. The results show that after MCCG was revised, the corporate governance improvised in the MCCG did not show an improvement to the firm performance. Therefore, regulators should review the corporate governance code to make it in suitable with the market needs.

The purpose of the study identify the relationship of corporate governance and the performance of the listed companies in Malaysia. There are 90 listed companies being selected in Malaysia that are used to collect the data from year 2016 to 2018. In this research, we found the corporate governance after the MCCG was revised is insignificant while the result before the revision is significant. The firm performance is dependent on several factors that are CEO Duality, CEO Gender, Independent Director, Female Director on board, Audit Committee Independency, Tenure of Independent Director and Risk Management Committee.



The empirical finding for Model ROA shows that ROA is positively affected by CEO Gender, CEO Duality, Female Director on board and Risk Management Committee. But, they are negatively impacted by Independent Director, Audit Committee Independency and Tenure of Independent Director. Below are the summary for ROA analysis.

The empirical finding for Model ROE shows that firm performance are positively affected by CEO Gender, CEO Duality and Female Director on board. But, they are negatively impacted by Independent Director, Audit Committee Independency, Tenure of

Independent Director and Risk Management Committee. Below are the summary for ROE analysis.

### 5.3 Recommendation for Future Study

The study is limited to only listed companies and examined only some attributes of the corporate governance. Therefore, future researchers can look into the details contribution of other committee such as Nomination Committee. The corporate governance structures may not be the accurate variables that can explained the company performance because the R square from the result are low. Thus, future research also can look into other factors such as bank size, inflation rate and GDP.

Moreover, future researchers could examine other companies in other sectors. Since this study only limited in 13 sector, future researcher can include the remaining 6 sector that are not included in this study. Moreover, since the study only collected 2018 data for after the MCCG 2017, therefore, future researchers could include data for the year after 2018 since the data model for the data after MCCG was revised is not significant.

In addition, future studies could look at the market based performance instead of firm performance. For instance, Tobin's Q ratio, cash flow per share and dividend yield. The addition variables of the market performance can make the model describe better of the company performance.

Last but not least, future researcher could make a comparative study based on the various sector in Malaysia and year. Different sector may have different effect of cooperate governance variables. Besides, the relationship between the variables may be vary by each

year. Thus, the result of the study could indicates which sector has great impact by the MCCG.

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