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**RISK MANAGEMENT AND FIRM PERFORMANCE: AN ANALYSIS OF
FINANCIAL INSTITUTIONS IN MALAYSIA**

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MASTER OF SCIENCE (INTERNATIONAL ACCOUNTING)

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**RISK MANAGEMENT AND FIRM PERFORMANCE: AN ANALYSIS OF
FINANCIAL INSTITUTIONS IN MALAYSIA**



**Thesis submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
In Partial Fulfilment of the Requirement for the Master of Science (International
Accounting)**



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



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ABSTRACT

This study examines risk management practices in Malaysia by financial institutions. Risk management is highly strengthened by Malaysian Code of Corporate Governance (MCCG) 2017. Specifically, it stresses the role of board and risk management committee. Hence, this study examines the relationship between risk management committee (RMC) structure which are risk management committee size, risk management committee composition and risk management committee meeting frequency with firm performance (ROA) of listed financial institutions in Malaysia from the year 2016 to 2017. Data are collected from the annual reports of 32 sampled firms. Results of this study show that there are no significant relationships between variables such as risk management committee size, risk management committee composition and risk management committee meeting frequency with firm performance. However, the findings show that there is a significant relationship between the firm size as a control variable with the firm performance of financial institutions.

Keywords: corporate governance, firm performance, risk management committee structure, ROA, firm size.



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ABSTRAK

Kajian ini memeriksa amalan pengurusan risiko di Malaysia oleh institusi-institusi kewangan. Pengurusan risiko begitu ditekankan oleh Kod Tadbir Urus Korporat Malaysia (MCCG) 2017. Secara khususnya, ia menekankan peranan lembaga pengarah dan jawatankuasa pengurusan risiko syarikat. Sehubungan itu, kajian ini memeriksa hubungan antara struktur jawatankuasa pengurusan risiko (RMC) yang merupakan saiz jawatankuasa pengurusan risiko, komposisi jawatankuasa pengurusan risiko dan kekerapan mesyuarat jawatankuasa pengurusan risiko dengan prestasi firma (ROA) bagi institusi kewangan yang tersenarai di Malaysia dari tahun 2016 hingga 2017. Data telah dikumpulkan dari laporan tahunan 32 sampel firma. Hasil kajian ini menunjukkan tiada hubungan signifikan antara pemboleh ubah seperti saiz jawatankuasa pengurusan risiko, komposisi jawatankuasa pengurusan risiko dan kekerapan mesyuarat jawatankuasa pengurusan risiko dengan prestasi firma. Walaubagaimanapun, penemuan menunjukkan bahawa terdapat hubungan yang signifikan antara saiz firma sebagai pemboleh ubah kawalan dengan prestasi firma institusi kewangan.

Kata kunci: tadbir urus korporat, prestasi firma, struktur jawatankuasa pengurusan risiko, pulangan atas aset, saiz firma.

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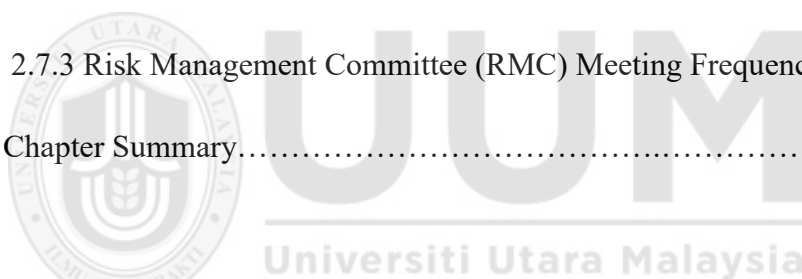
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The financial system in Malaysia comprise of various types of institutions that each is set up to meet the needs of the national economy. The financial system is a system that covers money exchange and financial transactions between investors, borrowers and lenders. At present, the Malaysian financial system is divided into two main categories, Financial Institutions and Financial Markets (Aimi, Nuraulina, Sakina & Shahdil, 2017). In general, financial institutions are divided into three main types of institutions. First, investment institutions (investment banks, underwriters, brokerage firms). Second, institutional depositors who receive and manage deposits (credit unions, mortgage lender firms and banks). And third, institutional contracts (insurance companies and pension funds) (Callahan & Soileau, 2017).

Financial institutions act as a mechanism for transferring surplus funds to those in need of funds. It also provides financial services to different economic units in the economy. Examples of financial institutions are commercial banks, insurance companies, pension funds, mutual funds, investment banks, and finance companies. Generally, financial institutions facilitate financial transactions that generate economic growth. To gain stability and success in financial institutions, each component plays an important role on their part. In the development and progress of Malaysian financial institutions, various financial intermediaries have been established and various financial instruments have been introduced to facilitate the

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