

UNIVERSITI MALAYA



W A L E S

NAME: NUR INSYIRAH BINTI JOHAN

STUDENT ID: 2226216

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Task 1 – Research Question

How do corporate governance practices affect the financial performance of Malaysian publicly listed companies, and which governance practices are most effective in improving firm performance? The purpose of this study is to investigate the relationship between various corporate governance practices such as board independence and CEO and chairman separation (CEO duality) with the financial performance of Malaysian businesses organizations. The study's findings regarding the best practices will assist businesses in implementing more robust governance policies and therefore enhance the businesses' financial performance. Consequently, the results could assist policymakers to strengthen investors confidence within the Malaysian market and improve corporate governance standards.

The underlying issue or problem that would require further research within the accounting industry is corporate governance. By concentrating on corporate governance standards on Malaysian public firms, it has become essential particularly considering high prominent financial scandal and crises that have raised concerns over the importance for more stricter governance procedures within Malaysian public firms. Multiple instances of business scandals in Malaysia including those involving 1 Malaysia Development Berhad (1MDB) and Perwaja Steel have highlighted the significance of good corporate governance (Md.Ali,2020). In order to improve governance practices within Malaysian corporations, the government and regulatory authorities of Malaysia have therefore established a number of corporate governance regulations and reforms.

The value that this research would create for the accounting field is it would provide companies with practical implications for companies. This study could provide Malaysian Firms practical guidance on the specific government practices that would have the most beneficial effects on their financial performance. For example, organizations may choose to change their board composition if the study suggests that companies with a greater proportion of independent directors have better financial results (Martin,2017) Another advantage is comparison against best practices. By comparison or benchmarking procedures to those shown to be most effective, companies may utilize the research findings to benchmark against best practices, thereby gaining a competitive advantage in the marketplace (Krishnamoorthy,2014).

Besides that, another advantage to this study is that it could provide recommendations for regulators. The findings from this study could provide evidence-based information that regulators such as the Securities Commission Malaysia may utilise to enhance the corporate governance guidelines that are currently in force (Securities Commission of Malaysia, 2023). In the instance that the analysis demonstrates a high correlation between certain practices such as the separation of the CEO and chairman and improved financial performance. As a result, the regulatory rules may place a greater emphasis on these practices. Next, the Malaysian code on corporate governance (MCCG) is revised and evaluated on a regular basis in order to take into account new developments and best practices (Lexology, 2021). In order to maintain the MCCG's relevance and efficacy in promoting good governance, the research could assist in implementing these modifications by identifying the governance systems that have the biggest effects on corporate performance.

Lastly, the benefit of conducting this study is to fill the research gap. The majority of corporate governance research to date has been conducted in developed economies, primarily in the United States and Europe (Denis, 2003). However, in diverse legal and cultural contexts, governance dynamics might differ dramatically. By offering insights unique to the Malaysian context, this research will add to the body of knowledge and close a knowledge gap about the functioning of corporate governance in developing economies.

The chosen research Approach for this study will be deductive quantitative approach. The deductive technique is suitable since the research issue examines the connection between Malaysian publicly traded businesses' financial performance and their corporate governance standards. With the use of empirical data from the Malaysian context, it enables us to examine well-established theories and ideas in corporate governance, such as agency theory and stakeholder theory. Additionally, the quantitative approach serves the purpose since the research attempts to investigate the link between certain corporate governance practices of CEO duality and board independence and financial performance measures such as return of equity and return of assets (Ali, 2022). Moreover, Malaysian publicly traded firms' annual reports provide financial statements and governance disclosures, among other information. Furthermore, the deductive approach's hypotheses will be tested and correlations found via statistical analysis of this data.

The quantitative approach makes it possible to quantify variables and use statistical methods like regression analysis to ascertain the relevance and strength of the correlations between financial performance and governance procedures.

The data collection method applicable for this study is using the secondary data collection method. Secondary data will be gathered from these firms' annual reports for this study on the connection between financial performance and corporate governance procedures in Malaysian publicly traded enterprises. Publicly listed firms are required to submit annual reports, which are extensive publications that include specific information on their financial performance, governance structure, executive salaries, and other pertinent topics (Kindness, 2024).

Financial measures including Return on Equity (ROE) and Return on Assets (ROA) will be included in the data, along with governance-related details like board independence and CEO duality. Secondary data collection availability and credibility for using the data method collection is due to its availability and credibility. Publicly traded firms' annual reports may be easily found on their websites, on the Bursa Malaysia, the Malaysian stock exchange, or in financial databases such as Bloomberg, Thomson Reuters, and others. The accuracy and dependability of the data are guaranteed by these reports' stringent regulatory compliance and auditing procedures.

The sampling method for this study will be purposive sampling. Malaysian publicly traded firms will be chosen for this study on corporate governance procedures and financial performance using purposive sampling (Halim,2017). The decision will be made using predetermined standards such as Industry Representation. In order to guarantee a diversified sample that may offer insights into how governance methods effect financial performance across multiple sectors, companies from a variety of industries such as banking, manufacturing, and technology will be included. Besides that, the firms Market Capitalisation. To determine if the influence of governance practices changes with firm size, companies of various sizes small-cap, mid-cap, and large cap will be chosen. Lastly, businesses who have published complete and easily accessible annual reports for a given time frame such as the previous 2 years will be listed. This guarantees that trustworthy and consistent data will be available for analysis in order to achieve a compromise between being manageable for in-depth study and large enough to give a representative picture of Malaysian publicly listed firms, a sample size of 10 companies was selected. Given the resources and research time available, this scale enables substantial statistical analysis.

Task 2 – Research Techniques

The most appropriate technique for this study is secondary research, considering the deductive quantitative approach chosen in Task 1. Secondary research aims to examine theories derived from known theories on corporate governance and financial performance by analysing data that already exists (Triparthy,2013). Besides that, The Malaysian publicly listed firms' annual reports will serve as the main source of data. These reports include comprehensive and reliable data on financial performance measures (like Return on Equity and Return on Assets) as well as corporate governance procedures such as board composition and CEO duality. Furthermore, these reports' financial and governance data will be methodically gathered and arranged into a database. Financial performance data will be retrieved for quantitative analysis, along with key governance measures including CEO duality and board independence. Lastly, a Regression analysis will be applied to investigate the connection between financial performance and corporate governance procedures (Affes2023). This analysis will assist in ascertaining if particular governance approaches are linked to improved financial results.

Task 4 – Data Analysis

How do corporate governance practices affect the financial performance of Malaysian public listed companies?

Introduction

- Due to recent high prominent financial scandal and crises in Malaysia such as 1MDB highlighted the significance of good corporate governance
- Investigate the relationship between corporate governance practices such as board independence and CEO duality with Malaysian public firms

Methodology

- Secondary research
- Data is obtained through annual report for the previous 2 years
- Total of 6 companies

Conclusion

- indicates a positive relationship between the percentage of independent directors and board independence with ROA and ROE. As the proportion of independent directors increases, so does the company's financial performance, as measured by ROA and ROE.
- greater board independence may be associated with better financial outcomes, potentially due to improved guidance and decision-making.

Data

Companies	ROA (%)	ROE(%)	Percentage of independent directors	Board of independent directors
Maybank	1.4	10.2	55	Yes
Genting Berhad	3.7	12.7	50	Yes
Ytl Power International	2.6	8.4	45	Yes
Tenaga Nasional	2.4	9.3	60	Yes
Slme Darby Berhad	3.2	11.4	50	Yes
Telekom Malaysia	1.2	7.9	58	Yes

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