

UNIVERSITI TEKNOLOGI MARA

**THE IMPACT OF EFFECTIVE
BOARD CHARACTERISTICS ON
MONITORING QUALITY IN
MALAYSIAN PUBLIC LISTED
COMPANIES**

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ABSTRACT

The study examines four board characteristics associated with board monitoring quality in Malaysia Public Listed Companies. The four board characteristics are board size, board independence, representation of women director and non-duality structure and board monitoring quality is been measured by reduction of occurrence of negative events which in form of enforcement actions issued by Securities Commission and Bursa Malaysia towards companies that violate laws and regulations. This paper use the sample of 160 companies which consists of 80 subjected to negative events and 80 not subjected to negative events, all of which were listed on Bursa Malaysia and have a complete set of data from 2012-2017. In particular, board sizes, representation of women director and non-duality structure are associated with board monitoring quality. The implications for the study are enhance the role of board monitoring, enhance and strengthen the law on implementation of board characteristics as recommended and strengthen the regulatory enforcement. The findings of this study will contribute to the limited body of literature concerning the impact of board characteristics on board monitoring quality. Besides that, this research also would be useful for policy makers and firms in evaluating the importance of corporate governance in emerging countries, specifically on the issue of quality board monitoring.

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TABLE OF CONTENTS

| | Page |
|---|-------------|
| EXAMINATION CERTIFICATE | i |
| AUTHOR'S DECLARATION | ii |
| ABSTRACT | iii |
| ACKNOWLEDGEMENT | iv |
| TABLE OF CONTENTS | v |
| LIST OF TABLES | ix |
| LIST OF FIGURES | x |
| LIST OF ABBREVIATIONS | xi |
| | |
| CHAPTER ONE: INTRODUCTION | 1 |
| 1.1 Preamble | 1 |
| 1.2 Background of the Study | 1 |
| 1.3 Problem Statement | 3 |
| 1.4 Research Questions | 5 |
| 1.5 Research Objectives | 5 |
| 1.6 Significant of the Study | 6 |
| 1.7 Scope of the Study | 7 |
| 1.8 Definition of Terms | 8 |
| | |
| CHAPTER TWO: LITERATURE REVIEW | 11 |
| 2.1 Introduction | 11 |
| 2.2 Corporate Governance | 11 |
| 2.3 Capital Market Regulators in Malaysia | 12 |
| 2.3.1 Malaysian Securities Commission | 12 |
| 2.3.2 Bursa Malaysia | 13 |
| 2.3.3 Company Commission of Malaysia | 14 |

CHAPTER ONE

INTRODUCTION

1.1 Preamble

In this chapter, it will discuss on the introduction of the study. Section 1.2 will highlight on the background of the study. Next, section 1.3 and 1.4 will provide the research questions and research objectives for the study. Then, significant of the study is presents in section 1.6. On the other hand, this chapter also will provide scope of the study and definition on terms relate in the study.

1.2 Background of the Study

The economic impact of white collar crimes is massive around the world. The corporate accounting scandals of the big companies such as Enron, Worldcom, Lehman Brothers, and Adelphia experienced serious stock market collapses caused by corporate and white collar crimes (Tay et al., 2016). According to Tay et al. (2016), the companies in Malaysia such as Sime Darby Berhad, Alliance Financial Group Berhad, and Kenmark Industrial Co (M) Berhad, have faced the reduction in stock price due to fraud.

Corporate scandals affect the firm's performance as well as the state economy of the country. Malaysia is no exception for the negative impact of the white collar crimes. According to Omar et al. (2016), these issues will negatively impact many groups of people as employees lose their jobs, both investors and creditors are unable to get their returns and payments and government will lose their credibility as a regulator when public has lose faith on the country's governance legislation (Omar et al., 2016). Thus, it will erode the investors confidences (Leng & Mansor, 2005) and to a larger extend, will affect the state economy.

The corporate scandals crises have led much attention on reforms in reducing the occurrence of these negative events (Uzun et al., 2004). Poor governance standards in corporate entities were blamed for the corporate failures (Leng & Mansor, 2005). The directors of companies involved in negative events were blamed