UNIVERSITI TEKNOLOGI MARA

THE RISK MANAGEMENT COMMITTEE'S STRUCTURE AND EFFECTIVENESS ON MALAYSIAN PUBLIC LISTED COMPANIES' FINANCIAL PERFORMANCES

FLICIA RIMIN

Dissertation submitted in partial fulfillment
of the requirements for the degree of
Doctor of Business Administration

Arshad Ayub Graduate Business School

January 2021

AUTHOR'S DECLARATION

I declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

Name of Student	:	Flicia Rimin
Student I.D. No.	:	2017315399
Programme	:	Doctor of Business Administration – AA901
Faculty	:	Arshad Ayub Graduate Business School
Dissertation Title	:	The Risk Management Committee's Structure and Effectiveness on Malaysian Public Listed Companies' Financial Performances
Signature of Student	:	…………………………………………..
Date	:	January 2021

ABSTRACT

Risk management is a prevalent concept that underlines the value of providing good quality control and risk management functions to effectively monitor the corporate risk management framework. Researchers argued that an organization that develops a Risk Management Committee (RMC) is capable of focusing on risk issues, thereby efficiently monitoring risk and managing an internal control system. Previously, the MCCG 2007 mandated listed companies to include a risk management team in the internal audit committee to assess the efficacy of the organization's risk management, internal control, and governance process. However, due to recent corporate failures and ineffectiveness of audit committee to monitor firm performance, there is a growing need for a separate RMC. Researchers argued that it is not reasonable to expect audit committees to conduct a higher degree of risk analysis when their members have limited ability and time resources. In fact, risk is more than a financial context description; it includes operational, economic, sustainability, enforcement, technology and more. The purpose of the study is therefore to analyse the risk management committee's structure and effectiveness distinguishing across three (3) methods of analysis; 1) a separate RMC; 2) a combined RMC; and 3) an overall analysis on the firm financial performances of listed companies in Malaysia. The study period is 11 years (2008-2018) and the research is based on a Static Panel data technique involving regression based on FEM, Random Effect Model (REM) and Pooled Ordinary Least Square (OLS). The findings indicate that a company that set up an RMC consisting of a majority of independent non-executive directors, specifically a separate RMC, would significantly improve the firm's performance. The latter results support Agency Theory which suggests that independent non-executive directors enhanced the transparency of corporate boards as they improved the firm's compliance with the disclosure requirements.

ACKNOWLEDGEMENT

First of all, I would like to thank God for giving me the opportunity to embark on my DBA and for the wisdom that He has bestowed on me, the strength of both mentally and physically, peace of mind and good health in completing this long and challenging journey successfully.

I would also like to express my gratitude to my family for their love, prayers and encouragement throughout this study. In particular, I must acknowledge my spouse, Anthony Chai, the contribution of whom I could not have done without him, the continuous support and understanding especially when it comes to taking care of our children.

My appreciation and gratitude go to my supervisor Professor Dr Imbarine Hj. Bujang for his continuous encouragement and inspiration from the beginning to the end of this study of the DBA course. I appreciate his dedication, enthusiasm and vast knowledge and skills in many areas of research, of without his guidance; this work would not have been possible.

My deepest appreciation also goes to my co-supervisor, Dr. Alice Wong Su Chu, for her continued support, motivation and guidance in improving this dissertation.

I am especially grateful to my beloved friends Jasmine Vivienne Andrew, Sarmila Udin, Siti Rahayu Beli, Anastasiah Harbi and all my DBA classmates for always there to support and encourage, especially in the exchange of ideas and inspiration during the journey. Likewise, to those who indirectly contributed to this study, your kindness means a lot to me and only God can repay your good deeds. Thank you very much

TABLE OF CONTENTS