

UNIVERSITI TEKNOLOGI MARA

**THE INFLUENCE OF
OWNERSHIP STRUCTURE,
BOARD EFFECTIVENESS
AND BOARD DIVERSITY
ON FIRM PERFORMANCE:
EVIDENCE FOR
GOVERNMENT-LINKED
COMPANIES IN MALAYSIA**

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ABSTRACT

The revised Malaysian Code of Corporate Governance (MCCG) of 2012 and 2017 has recommended a more active role of the board in monitoring companies' performance, ensuring management accountability and ethical practices to protect the shareholders and other stakeholders. One of the deliverables includes compliance on the board structure and independence and the independence of the audit committee. United Nations' Sustainable Development Goal #5 highlights board diversity as a global issue, which calls for empowering women in leadership roles. Since government-linked companies (GLCs) are the key drivers in Malaysia's economic and capital markets, this study examines how corporate governance variables influence their performances. The thesis investigates the influence that ownership structure, board effectiveness, and board diversity have on companies' performance. We used and collected secondary data from a sample of 32 companies with cumulative government-linked investments companies (GLICs) shareholdings of 20 percent and above. These GLCs are currently listed on the Bursa Malaysia Securities Exchange Bourse. The study uses annual financial data spanning seven years (2012 until 2018). Two performance measures are used: accounting performance (Return on Assets) and economic performance (Economic Value Added). Independent variables include Ownership Structure (Model 1), Board Effectiveness (Model 2), Board Diversity (Model 3), with Firm Size and Firm Age as control variables. Panel data regression methodology uses STATA statistical software. The analysis results found only firm size tends to significantly and negatively influence both EVA and ROA. Meanwhile, audit committee independence, ethnic diversity, and firm size significantly and negatively influence EVA. Other governance variables, such as ownership concentration, government ownership, the board size, board independence, board meeting, audit committee size, and firm age, provide insignificant results. The results concur with many past studies that found that privatized firms perform less than fully private entities. The results draw attention to the need to understand further how corporate governance and good practices can be re-investigated to ensure Malaysian GLCs' financial and economic sustainability, particularly in the current contestable global markets and uncertainties.

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