

ABSTRACT

The Asian financial crisis in 1997 has gained a public attention on the importance of corporate governance. Many reforms have been made, especially in strengthening the boards of director's composition to ensure the board of director's function is delivered efficiently. Thus, the Malaysian Code of Corporate Governance (MCCG) codified the best practices that could enhance the corporate performance. This thesis examines the extent of corporate governance mechanisms compliance among 100 Malaysia's public listed companies on a firm's performance following the revised MCCG2012. This thesis focus on the relationship between board independence, CEO duality, board size and directors' remuneration on firm performance which rely on two measurements, namely Return on Asset (ROA) and Tobin's Q. The 100 samples of annual reports were randomly selected from the Bursa Malaysia website for the year end 2013. The 2013 financial year was chosen because, this thesis aimed to examine the level of compliance of corporate governance mechanisms and the impact on firm performance after the revised of MCCG2012. This thesis is applying the agency theory to support the relationship between corporate governance mechanisms and firm performance. In order to achieve the stated objective, multiple regression analysis was performed. From the descriptive analysis, the findings suggest generally, majority of the samples public listed companies in Malaysia are complying with the recommendation 3.4 and 3.5 of MCCG2012. Furthermore, the results from the multiple regression analysis reveal that CEO duality and directors' remuneration were found to have a significant relationship with firm performance when measured using Tobin's Q. As for the accounting measure which this thesis is using ROA as a proxy for firm performance, there is none of the independent variables has a significant relationship with firm performance. However, the result reveals that there is a negatively significant relationship between firm size and firm performance. Findings from this thesis would contribute to the improvement of performance for Malaysian companies that have good practice of corporate governance and indirectly enhance the capital market. In addition, this thesis would assist the committee of MCCG2012 and other authority to reinforce on the corporate governance compliance and good practice.

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