

**UNIVERSITI TEKNOLOGI MARA**

**THE ROLE OF RISK  
MANAGEMENT COMMITTEE  
ATTRIBUTES ON MALAYSIAN  
GOVERNMENT-LINKED  
COMPANIES' PERFORMANCES:  
ECONOMIC VALUE-ADDED  
APPROACH**

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## ABSTRACT

Effective risk management is essential for a company's survival and reducing financial losses. Companies that establish Risk Management Committees (RMCs) can better focus on addressing risk issues. However, studies show inconsistent findings regarding the impact of RMCs on firm performance, especially in Malaysian Government-Linked Companies (GLCs). Most local research has examined profit-driven firms using traditional financial measures, leaving the effect of RMCs on Malaysian GLCs' value-based performance, such as Economic Value Added (EVA), underexplored. This study investigates how various RMC attributes, including independence, size, qualifications, meetings, and gender diversity, affect the financial performance of 13 Bursa Malaysia-listed GLCs from 2017 to 2023. Using Pooled Ordinary Least Squares with Newey-West standard errors, the results reveal that both independence of the RMC and its meeting frequency demonstrate a significant positive impact on firm performance, supporting agency and resource dependence theories. These findings suggest that having an independent RMC and regular meetings strengthen risk management and enhance firm performance. Although valuable, the study's limited sample size and focus on GLCs restrict the generalizability of results. Future research should include broader sectors and additional governance factors to better understand RMC effectiveness across contexts.

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# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the Study

Risk management plays a crucial role in maintaining business continuity, safeguarding shareholder interests, and ensuring sustainable long-term performance. It involves a structured approach to identifying, evaluating, and addressing potential risks that could hinder a company's ability to meet its strategic and financial goals (Ng et al., 2012). The importance of robust risk management became clear after several notable corporate collapses and financial crises around the world. Scandals like Enron and WorldCom exposed significant lapses in corporate oversight, where inadequate board governance contributed to major losses and a decline in investor confidence (Lotfi et al., 2022). Likewise, the Global Financial Crisis (GFC) of 2008 highlighted the consequences of excessive risk-taking combined with poor board supervision (Aldhamari et al., 2023). These events underscored the necessity for businesses to integrate risk management into their core operations to remain adaptive in changing environments (Brown et al., 2009). By implementing effective risk controls and maintaining ongoing oversight, companies can reduce financial setbacks and improve their operational effectiveness (Aldhamari et al., 2020). Additionally, strong risk management practices build stakeholder trust and enable better decision-making by aligning risk tolerance with business objectives (Karim et al., 2024). This proactive stance not only protects firms from unexpected challenges but also strengthens their resilience and market competitiveness (Subramaniam et al., 2009). As a result, risk management is widely acknowledged as essential for achieving sustainable growth and long-term value creation.

Within Malaysia, several corporate governance lapses have heightened the focus on risk management. Notably, scandals involving Megan Media and Transmiles exposed inadequate board supervision amid financial misreporting (Walker et al., 2002). Likewise, governance issues within Government-Linked Companies (GLCs), which are pivotal to the nation's economic development, have come to light (Hassan et al., 2017). The 1Malaysia Development Berhad (1MDB) scandal is a prominent example, illustrating how weak risk oversight and poor board governance resulted in major