

UNIVERSITI TEKNOLOGI MARA

**THE IMPACT OF BOARD AND OWNERSHIP
ON THE VALUE OF FIRMS LISTED ON
FTSE BURSA MALAYSIA EMAS SHARIAH
INDEX**

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of the requirements for the degree of
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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result 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 of 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.

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ABSTRACT

The flourishing of the Islamic financial industry has been widely recognized worldwide. However, the corporate governance of such an industry is still questionable, in particular, the Islamic equity markets. The review of literature showed the corporate governance of Shariah approved firms has only been empirically tested in few studies. These studies have failed to produce consistent evidence on the impact of governance mechanisms on these Shariah approved firms. In addition, these studies ignored the Islamic perspective of corporate governance. The study mainly investigates the relationship between the corporate governance mechanisms and value of firms listed on FTSE Bursa Malaysia EMAS Shariah Index over the period of 2007 to 2009. In addition, the current study examines the moderating effects of corporate social performance and corporate financial performance on the relationship between these mechanisms and firm valuation. Several statistical techniques have been adopted in order to test the study hypotheses. These include the descriptive statistics, univariate tests and the regression analysis. The Ordinary Least Squares (OLS) regression analysis within the framework of the Moderated Multiple Regression (MMR) framework has been used to test the hypotheses. The study found that board independence, board law and Shariah competence, board diversity, five largest shareholders; twenty largest shareholders significantly have an impact on the valuation of firms listed on FTSE Bursa Malaysia EMAS Shariah Index. However, board financial and administrative competence did not show any significant influence on the firms' value. Both the five largest shareholders and the board law and Shariah competence showed the negative impact on values whereas the other mechanisms of governance showed positive values. These results seem to be consistent among firms regardless of their board size, firm size and leverage. Furthermore, it was evidenced that the corporate financial performance can moderate the relationship between the governance mechanisms and firms' value. In contrast, the corporate social performance seems to govern mechanisms by itself and not be an interaction factor among the governance firm value relationship. The results showed certain similarities in all three conceptualized models of the study. The current evidences show clearly the importance of the corporate governance on valuation of the firms listed on the Islamic index. However, such an impact is still a choice matter of the governance mechanisms among performance indicators. Obviously, the financial performance of firms is regarded as the first choice to influence the firm's value whereas the social performance of firms is still compromised.

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