CORPORATE GOVERNANCE AND
FIRM PERFORMANCE IN MALAYSIA

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ABSTRACT

The study of this paper was to see the significant relationship of corporate governance implementation that affect the firm performance. Thus, the purposed of this study is to see the impact of corporate governance implementation in performance of public listed company where it's able in fascinate the curiosity of local and foreign investors. Besides firm performance, this study also will show how the corporate governance implementation influence the performance of public listed companies. The determinant of this study consists of firm performance that niche on earning per share where corporate governance and companies' performance which focus on board size, non-executive director, CEO duality, leverage, and firm size. The data was a secondary data that retrieved from Eikon Thomson Reuters Data Stream and companies' annual report from January 2014 until December 2016. In this paper the panel least square method are used as a practice in measuring their relationship. The finding for this research has been obtained which is variable CEO Duality has negative relationship with firm performance. While proportion of non-executive director are positively significant with firm performance. Other than that, the board size also are positively significant with firm performance.

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CHAPTER ONE
INTRODUCTION

1.1 Introduction

The world had their focus on corporate governance issues since 1933s when the high-profile scandals in United States take place which are the issues on Adelphia, Enron and World.Com. The importance on corporate governance in United States had begun last 70 years ago where the Sarbanes-Oxley Act of 2002 had moving in force - (Brown & Caylor, 2006).

In United Kingdom, the government starts to implement the corporate governance since 1990s when Cadbury Committee Report 1992, a special committee formed by the government due to a large spate of financial scams and corporate failure in 1980s. Ever since this time, Asian had never comes to a nearer plan on structuring the corporate governance until the Asian Financial Crisis happened in 1997 (Gupta & Sharma, 2014).

When the crisis happened, all Asian country seems to question their reckless on this matter before these issues happening. According to Gupta & Sharma (2014), their research on corporate governance implementation for India and South Korea gives impact towards their firm performance. Both countries experience the same business or corporate surface where both countries being control by the higher-class family or known as chaebol in South Korea.

When the government try to implement the corporate governance when the crisis happens, some of the chaebol affiliated refused to follow the governance but then realize that the good governance will gives a good impact towards the company's share price and boost the investors' confidence. The research finds out that the corporate governance implementation between both Asian countries are different.

Where in India, their corporate governance rules follow the U.S rules so the impact of the implementation if quite huge rather in South Korea, they are not following the U.S rules, therefore the share price of the company did not react too aggressive.

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