UNIVERSITI TEKNOLOGI MARA

IMPACT OF CORPORATE GOVERNANCE ON REITS PERFORMANCE IN MALAYSIA & SINGAPORE

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ABSTRACT

As a result of significant corporate scandals and failures worldwide, there has been a resurgence of interest in the effect of corporate governance on firm performance. Most of the research on corporate governance and its effect on firm performance has been conducted in developed countries and markets, most notably the United Kingdom and the United States, while there is scant data in Asian countries, most notably Malaysia and Singapore.

The agency theory is primarily used in this study to examine the relationship between corporate governance and business performance. The agency theory is concerned with the conflict between principals and agents (i.e., shareholders and managers), which obstructs value maximisation. Boards of directors, ownership concentration, and managerial ownership have all been suggested to be effective corporate governance systems for resolving the agency dilemma between shareholders and management.

Corporate governance (CG) procedures have the potential to have a large impact on corporate performance (FP). The goal of this study was to determine whether CG mechanisms influenced the firm performance of Malaysian real estate investment trusts (M-REITs) and Singapore real estate investment trusts (S-REITs). Panel data analysis is used to examine the effect of corporate governance's variable on firm performance. The firm performance was quantified by using Return on Assets (ROA). The data were gathered from the year 2011 until 2020 from the annual reports accessible on Bursa Malaysia and the Singapore Exchange (SGX). The results indicate that M-REITs were substantially more affected by corporate governance mechanisms than S-REITs.

TABLE OF CONTENTS

ACKNOWLEDGEMENT .... **i**

ABSTRACT .... **ii**

LIST OF TABLES .... **vi**

LIST OF FIGURES .... **vi**

ABBREVIATIONS .... **vii**

CHAPTER 1: INTRODUCTION **1**

1.1 INTRODUCTION 1

1.2 RESEARCH BACKGROUND 4

1.3 PROBLEM STATEMENT 7

1.4 RESEARCH QUESTION 10

1.5 RESEARCH OBJECTIVES 10

1.6 SIGNIFICANCE OF STUDY 11

1.7 SCOPE OF STUDY 12

1.8 LIMITATION OF STUDY 13

1.9 DEFINITION OF KEY TERMS 14

CHAPTER 2: LITERATURE REVIEW **15**

2.1 INTRODUCTION 15

2.2 BOARD INDEPENDENCE 16

2.3 CEO DUALITY 18

2.4 BOARD MEETING 19

2.5 BOARD SIZE 21

2.6 MANAGERIAL OWNERSHIP 23

2.7 THEORETICAL FRAMEWORK 25

2.7.1 AGENCY THEORY 28

2.7.2 STEWARDSHIP THEORY 31

CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

Corporate governance is a mechanism for portraying and valuing company performance as well as the credibility of company management, especially in today's dynamic and globalised economic environment where companies must constantly seek new business opportunities to improve their competitiveness and performance (Suhaimi et al., 2017). Weak internal control and risky corporate governance will encourage fraud and unethical actions and harm the company's reputation (Suhaimi et al., 2017

Poor corporate governance will also lead to poor corporate social responsibility (CSR), low corporate social responsibility (CSR), and noncompliance with tax laws (Suhaimi et al., 2017). Effective corporate governance structures, on the other hand, may increase financial statement transparency and quality, and as a result, investment performance (Suhaimi et al., 2017). The reason for this is that effective corporate governance may result in better investment decisions and higher firm value indirectly (Suhaimi et al., 2017).

According to Khan (2011), Corporate Governance (CG) is the procedures, practises, rules, laws, and institutions that direct how organisations and businesses behave, manage, and control their activities. It can also be used to govern and control business activities to promote managerial transparency (Ng et al., 2021). The CG structure prioritised the division of responsibilities and rights between the Board of Directors (BODs) and shareholders (Mansur & Tangl, 2018).

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