



اَوْبُو سَيِّدِي تَكْوَلُو كِي مَارَا  
UNIVERSITI  
TEKNOLOGI  
MARA

# ASNB

## INDUSTRIAL TRAINING REPORT

### AMANAH SAHAM NASIONAL BERHAD

### 1 MARCH 2023 - 15 AUGUST 2023



PREPARED BY:

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## **EXECUTIVE SUMMARY**

This paper summarizes my six-month industrial training at Amanah Saham Nasional Berhad (ASNB) Ipoh. My industrial training will commence on March 1, 2023 and will end on August 15, 2023. My supervisor, Puan Noor Sharida Badri Shah, and an ASNB officer, Puan Fan Siew Mey, who gave and shared a lot of information with me, were the persons who helped me the most throughout my internship.

The ASNB Ipoh office had two departments: Branch Management & Supervision Department (JPPC) and Sales Marketing Operation Department (SMOD). I am assigned to the Sales Marketing Operation Department (SMOD), however I am occasionally ordered to assist the branch department. The goal is to learn more about this company and obtain more experience with it.

Furthermore, this report discusses about the Impact of Board Size and Firm Characteristics on Financial Performance. The analysis seeks to assess the effect of Board Size and Firm Characteristics on Financial Performance by using Panel Data Analysis. Fifteen consecutive years are used in calculating the data.

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### 3.0 COMPANY'S PROFILE

#### 3.1 Background, Location, Organizational Chart



Permodalan Nasional Berhad (PNB) was created on March 17, 1978, as part of the nation's New Economic Policy (NEP). ASNB's headquarters are located at PNB, one of Malaysia's largest money management organisations. Permodalan Nasional Berhad is a company located on Jalan Tun Razak in Kuala Lumpur. PNB has grown to become Malaysia's largest investment management business during the last four decades. PNB remains focused on its goal and seeks to improve the lives of Bumiputeras and other Malaysians for the sake of the country.

One of Malaysia's major fund management firms, Permodalan Nasional Berhad (PNB), has Assets under management (AUM) totaled RM322.6 billion as of December 31, 2020. Fixed income, international stocks, private investments, real estate, and strategic investments in Malaysia's top enterprises comprise PNB's portfolio. The primary responsibility of PNB as an investment institution for the Bumiputra Investment Foundation (YPB) is to examine, select, and purchase a portfolio of quality stocks in constrained businesses with space for growth. PNB acts as a sort of storehouse for the limited corporations' stock ownership, which is transferred into trust funds before being sold to unit holders in the form of smaller units.

On May 22, 1979, Amanah Saham Nasional Berhad (ASNB) was created as Permodalan Nasional Berhad's sole subsidiary. (PNB). PNB currently has 33 ASNB branch offices distributed around Malaysia, including Sabah and Sarawak. It also has over 2,700 agent branches around the country. Maybank, Hong Leong, CIMB, RHB, Affin, Pos Malaysia, and other financial institutions are examples.



### AMANAH SAHAM NASIONAL BERHAD IPOH BUILDING

NAME	Ipoh Amanah Saham Nasional Berhad office
ADDRESS	No. 8 & 8A, Jalan Greentown 1, Greentown Business Centre, 30450 Ipoh, Perak
BRANCH MANAGER	Madam Raja Aznah Raja Abdul Aziz
NUMBER	Tel: 05-2496247 Fax:
E-MAIL	asnbcare@pnb.com.my
OFFICE HOUR	8:15a.m – 4: 00p.m (Monday – Friday)

## **3.2 Vision, Mission, Objective, Goal**

### **3.2.1 Vision**

Being a Distinctive World-Class Investment House

### **3.2.2 Mission**

To strengthen the Bumiputera community's and other Malaysians' economic prosperity and for the sake of country.

### **3.2.3 Objective and Goal**

- To spread awareness about the significance of financial preparation.
- To develop financial planning as a habit and support maintaining a good standard of living in retirement.
- To assist people in achieving financial freedom, intellectual peace, and a prosperous life. To continuously educate the people on the value of conserving money for retirement and for the necessities of their children's education.
- Through SP360 seminar activities, to offer ASNB unit trust as a competitive investment instrument as the foundation for financial planning.
- To incorporate financial planning into daily life and support maintaining a reasonable standard of living in retirement.

### 3.3 Organizational Structure



ORGANIZATIONAL CHART OF ASNB IPOH

### 3.4 Product & Service of company

#### 3.4.1 Product

Funds	Minimum Investment <sup>11</sup>			Maximum Investment <sup>11</sup>	
	Initial <sup>11</sup>	Additional			
	Cash/cash equivalent	Cash/cash equivalent	EPF-MIS <sup>12</sup>		
<b>Variable Price Funds</b>					
ASN	RM10	RM1	N/A	Unlimited.	
ASN Equity 2	RM10	RM1	RM1,000	Unlimited.	
ASN Imbang 1	RM10	RM1	RM1,000	Unlimited.	
ASN Imbang 2	RM10	RM1	RM1,000	Unlimited.	
ASN Equity 3	RM10	RM1	RM1,000	Unlimited.	
ASN Sara 1	RM10	RM1	RM1,000	Unlimited.	
ASN Sara 2	RM10	RM1	N/A	Unlimited.	
ASN Equity 5	RM10	RM1	N/A	Unlimited.	
<b>Fixed Price Funds</b>					
ASB	RM10	RM1	N/A	<u>Akaun Dewasa</u> 200,000 Units <sup>14</sup> .	<u>Akaun Remaja</u> <sup>13</sup> 200,000 Units <sup>14</sup> .
ASM 2 Wawasan	RM10	RM1	RM1,000	Unlimited, subject to availability of Units of the Fund.	
ASM	RM10	RM1	N/A	Unlimited, subject to availability of Units of the Fund.	
ASB 3 Didik	RM10	RM1	RM1,000	Unlimited, subject to availability of Units of the Fund.	
ASM 3	RM10	RM1	RM1,000	Unlimited, subject to availability of Units of the Fund.	
ASB 2	RM10	RM1	RM1,000	<u>Akaun Dewasa</u> <sup>15</sup> 200,000 Units <sup>16</sup>	<u>Akaun Bijak</u> <sup>15</sup> 200,000 Units <sup>15</sup> .

#### 3.4.2 Service

- ✓ REGISTRATION
- ✓ SUBSCRIPTION
- ✓ REDEMPTION
- ✓ TRANSFER & SWITCHING
- ✓ CHANGE OF PARTICULARS
- ✓ APPLICATION OF DETAILED STATEMENT ASNB
- ✓ WAKAF
- ✓ HIBAH AMANAH & PENGISYTIHARAN AMANAH
- ✓ AUTO LABUR



## **4.0 TRAINING'S REFLECTION**

### **4.1 DURATION:**

DATE: 1 March 2023 – 15 August 2023

WORKING DAY: Monday to Friday

WORKING HOURS: 8 a.m to 5 p.m.

### **DETAILS:**

**DEPARTMENT: Sales Marketing Operation Department**

### **4.2 ROLES, RESPONSIBILITIES, ASSIGNMENT & TASKS:**

- a. **Hibah Amanah & Pengisytiharaan Amanah** – Following that, as instructed by my supervisor, I researched the services provided by ASNB, specifically Hibah Amanah and Pengisytiharan Amanah, A candidate may inquire about the specifics of the services. We must enter the information required on their registration form into the system once payment has been received. Following that, the applicant must take the oath in front of the oath commissioner. After we have completed the form, we can proceed to the documentation, stamping, scanning, court payment and post the agreement to the applicant's stated address.
  
- b. **Filing documents** - The filing system is critical to the organization. All of the company's critical documents and information should be carefully stored so that they can be quickly searched and prevented from being lost.

- c. **ASNB Agent management** -ASNB's agents Maybank, CIMB, RHB, Alliance Bank, BSN, Ambank, Affin Bank, Muamalat Bank, Hong Leong Bank and Pos Malaysia are not immune to concerns concerning to Amanah Saham Nasional Berhad's system. As a result, SCMD plays a significant role in assisting these agents in improving their customer service.
- d. **Information Counter**- At the customer service counter, I frequently assists unitholders in filling out the documents required to deposit money, withdraw money and creating new account. We will explain the benefits of Auto Labur to unitholders and convince them to apply in order to promote it and assist them in registering for MyASNB online account. Furthermore, I help unitholders use kiosk machine to update personal information, create new registrations, check balances and sign up for MyASNB accounts..
- e. **Guide investors/customers using kiosk machine** – I was assigned to the kiosk machine to show the investor how to use it. The majority of the time, I showed them how to check their balance, update their information and register for online account using the kiosk. Aside from that, I assisted new investors in opening a new account with Amanah Saham Nasional Berhad.
- f. **Batching** - All daily transactions that occur in the branch, such as redemption, additional investment, account registration, death claims, and charitable assistance, must be batch processed by interns at the ground floor office. Every day, this work must be completed. Every Monday, courier Poslaju is expected to deliver all of the documents that were batchedfor the previous week to the headquarters.

### 4.3 GAINS:

- **Allowance** - RM 1,000 Per Month
- **Knowledge** - I gained knowledge of the Hibah Amanah and Pengisytiharan Amanah procedures throughout my internship, from donor registration to claim by a donee. I learned more about the unit trust funds offered by ASNB, financial planning and investment, as well as how to claim the account of a person's death. I also learnt how to complete transaction forms for opening new accounts, making deposits, and making withdrawals. I am also familiar with using kiosk devices to register new users, update personal information, and create MyASNB accounts.
- **Skills** - I developed a variety of abilities, including critical thinking and problem solving, when dealing with unitholders who had a problem and needed me to analyse and come up with a solution. The second benefit of working is that ASNB staff members and other practicum students can learn to operate as a team and collaborate. Finally, since I was constantly dealing and speaking with unitholders of many ethnicities and languages, I needed oral and written communication abilities.

## **5.0 BACKGROUND OF STUDY**

Board size refer to the total number of workers that working on the firm in order to making the firm operation went smoothly. Board size is closely related to corporate governance which the rules, processes and practices are controlled. It is referring on how the company are governed and who has the decision-making power. In Malaysia issues on corporate governance was brought to the lime light following the 1997 financial crisis that hit Malaysia and other Asian countries (Shakir, 2020). Issue regarding board size has been an argument where some said that smaller board size can increase the financial performance and some says that bigger board size can also increase the financial performance. (Weisbach, 2003) argued the possibility that larger boards can be less effective than small boards.

This issue that arose are very subjective as there are firm that can be operated effectively with only small board size and vice versa. This also related on corporate governance on the firm itself. Once the problem such as liberalization and globalization appear in the corporate governance as stated by (Goel, 2020), it will face a lot of competition from MNCs. This study are limited on Maybank, Cimb Bank, Public Bank and AmBank that to investigate the effect of board size on the financial performance. Firm characteristics will influence the board size as the return on asset (ROA) will plays bigger role to determine the effectiveness of number of board size whether there are any changes if the number of board directors or not. The characteristics must take into consideration as the financial performance will become positive as the return on asset shows a positive relationship.

## **5.1 BACKGROUND OF THE COMPANY**

This study is only included four company which is Maybank, CIMB Bank and Public Bank. The reason of choosing this company is that the company are from the same background which is banking sector and how the board size and firm characteristics give impact to the firm performance as these four company are well known for its revenue. For the first company which is Maybank, with total assets surpassing US\$203 billion and a net profit of US\$1.98 billion for 2019, Maybank is one of the major banks in Southeast Asia and the largest bank in Malaysia by market capitalization and total assets. For Cimb Bank, with a market capitalization of RM38.7 billion,

CIMB Group Holdings Berhad has been listed on the Main Market of Bursa Malaysia since 1987. At the end of 2015, the company had RM461.6 billion in total assets, including RM41.1 billion in shareholder money and RM70.7 billion in Islamic assets. Next, Public Bank, with assets exceeding RM 363.76 billion (US\$91.26 billion) and a market value of RM71.90 billion (US\$18.04 billion) in 2015, Public Bank is one of the biggest banks in Southeast Asia at the moment.

## **5.2 OBJECTIVE OF THE STUDY**

This study is to examine the impact of board size and firm characteristics on financial performance in banking sector in Malaysia. This study also to examine the relationship between board size and firm performance in Malaysian banking sector which is Maybank, CIMB Bank, Public Bank and Ambank. This study is to observe whether is there any relationship between board size and the firm performance. Other than that, the objective is also to determine any relationship between firm age and firm performance. Lastly, this study is to determine the significant between dividend per share and financial performance.

## **5.3 PROBLEM STATEMENT**

The issue that mainly become the worried of company is on how the board manage the company according to their size. There will be possibilities of mismanagement of the company if they did not performing according to their SOP. The size of board are playing important role as according to (Topak, 2011), a board that has more than ten members it becomes difficult for them all to express their ideas and opinions. It will affect the company as there will be problem occurs in future. If this thing continues to happen, the company must take this into serious case as it will give bad impact to the company in the long run.

But, this is not the only issue that arise between the board size and firm performance. This issue highlighted because it seems quite serious and there are also others issue that arise. The company must rely on the boards to generate their return on assets, dividend per share and if the board did not performing well with the problem of expressing their ideas and opinions, it will affect the company.

The company will generate higher return on asset and dividend per share if they manage to avoid problem internally. What is the most important is to generate the cooperation between all of

the board in order to achieve their target. With the larger amount of board should help them to generate ideas and performing well in every sector and product that the company offers. It can be helped by corporate governance where the board can follow and obey the rules.

But there is other issue that related to corporate governance. According to (Goel, 2020), liberalization and globalization make corporate governance face a lot of competition from MNCs. This means that although the company following the corporate governance, there will be risk of the board will be influenced by liberalization and globalization. It must rely on the ruler of corporate governance and the person must play important rules in order to make sure that the boards follow the instruction that have been stated in corporate governance.

#### **5.4 SIGNIFICANCE OF STUDY**

This study will provide the researchers on how the board size will impact the company. As stated before, corporate governance is something that are really important as the the function of board of directors are advising and monitoring (Raheja, 2005). It is important for a company especially banking sector for always revise their board size in order to maintain a good performance of their company.

Furthermore, for researchers, the new researchers and investors also can be seen that how the variables on this study will give some reflection on the company based on the board size stated. They also can use this as references in future if they tend to some research or also it can be some references for company that want to measure how the board size will give impact in firm performance

Other than that, for body of knowledge, this study also can give an overview to a company that considering on how many board members that they need and how can they get benefits from the certain amount of members that they have. It also can encourage the practice of good corporate governance in managing the company and will save it from negative impact that could affect the variables.

#### **6.0 LITERATURE REVIEW**

This literature review including five parts of the research which study about the relationship between board size and firm performance that is there any relationship between these two factor

to influence the performance of company. The first part of this study is to explain detail in background of the company and background of the study. Next part is explaining about the variables that related to this study.

### **6.1 RETURN ON ASSET**

For return on asset, it indicates financial ratio that shows how profitable the company. The indicator is frequently stated as a percentage based on a company's average assets and net income. If a corporation has a higher Return on Asset (ROA), it is more effective and efficient at managing its balance sheet to produce profits. Lower ROA suggests that room for improvement is present. ROA is used in this study as a proxy for the firm's liquidity performance. Liquidity is the ease with which a company's assets can be quickly transformed into cash.

Return on asset are critical information that the company depends on to examine whether it is significantly affected toward other variables or not. It is important that the ROA are concentrated in measuring the company's profitability and liquidity. ROA also measures how the company's going to be efficient in generating earnings from its economic resources or assets on its balance sheet (al., 2020). Liquidity is one of aspect that need to be highlighted as it can be seen as the company overview and how the company's doing in the mean time.

The liquidity of a firm's real assets, sometimes referred to as the ease with which real assets can be sold without incurring a major loss in value, is what determines the extent to which a corporation can leverage asset sales in this way. By selling a smaller amount of its assets, the company can increase its chances of fully repaying bondholders and boost its recovery rate with greater cash. The results show that there is a positive and statistically significant relationship between board size and firm performance which is ROA thereby providing support for the hypothesis (Kingsley, 2017). ROA is determined on how the people in company manage and handle the situation.

### **6.2 BOARD SIZE**

Board size is viewed as size of board of directors in one company that the board of directors playing important role in order to make decision to improve the company performance. This study

concern about the number of board of directors in the company can give impact to the performance or not. Based on the previous researcher, some stated that there are positive relationship between these two and some stated negative relationship. For positive relationship, (Sheeba Kapil, 2019) stated that results showed that corporate governance factors have a bigger effect on market-based performance metrics (Tobin's Q) than they do on accounting-based performance measures (ROA and ROE). Among board characteristics, board size was discovered to have a positive effect on performance. This show that the board size has big impact on firm performance. Other than that, (Raheja, 2005) Give positive report that optimal board size and composition are the function of directors and firm characteristics. The positive result also supported by (Tanna, 2008) which stated that the research on English bank also give positive relation between board size and firm performance.

For board size, there are also negative relationship that occur which means that the size of board size does not a factor for a firm performance. Some company can still increasing their performance by focusing on their objective and goals without even focusing on their number of board size and this is supported by (Bennedsen, 2008) which stated that empirical studies of largely publicly traded firms have shown a robust negative relationship between board size and firm performance.

### **6.3 FIRM AGE**

According to earlier studies, a firm's characteristics vary significantly as it ages and have a cumulative impact on a variety of aspects of its behaviour. Studies show that older companies have more assets than growth possibilities, which justifies them taking on more debt when it comes to capital structure considerations. (Filatotchev, 2006) argue that as firms age (and particularly after their IPO), their governance (board composition) needs to change to reflect its different needs.

More recently, (Johnson, 2016) argue that the costs and benefits of takeover defenses change as the firm ages. They provide evidence that, particularly in companies with the strictest defences, costs tend to outweigh gains after a firm's initial public offering (IPO) and are reflected in the firm's valuation. Both of these studies indicate that when a company becomes more established as a publicly traded company, the impact of these characteristics on capital structure decisions may vary.



Without taking into account how different corporate governance aspects interact with one another, firm age is negatively connected with the use of debt by a corporation. This result stands in contradiction to current claims regarding the relationship between corporate capital structures and firm age. But as we demonstrate, the relationship between a firm's age and its governance characteristics is substantially to blame for this adverse effect.

#### **6.4 DIVIDEND PER SHARE**

Dividend per share (DPS) is the total of a company's declared dividends issued for each ordinary share outstanding. The amount is produced by dividing the entire dividends paid out by a company, including interim dividends, during a set period of time, usually a year, by the number of outstanding ordinary shares issued. The dividend policy is more important for the companies because it decide that how much funds retained by the firm for investment and how much fund give to the shareholder as a dividend (Ross, 2002). Moreover, it tells the shareholder how the company perform based on the dividend.

DPS in a firm shows that how the company can serve the shareholder with their ability to appreciate the shareholders. Dividend decisions are unimportant and have no effect on business value under certain simplifying assumptions. It is totally wrong because it is important for company to declare and distribute it to shareholders.

## 7.0 METHODOLOGY

### 7.1 DATA COLLECTION

The data collection of this research is from Bursa Malaysia where the company Maybank, Cimb Bank and Public Bank are listed in there. The data that been acquired are from the annual report of 15 years backward starting from 2022 to 2008. The source of data are also from Bursa Malaysia and for the dependent variable is board size and the independent variable are return on asset, firm age and dividend per share.

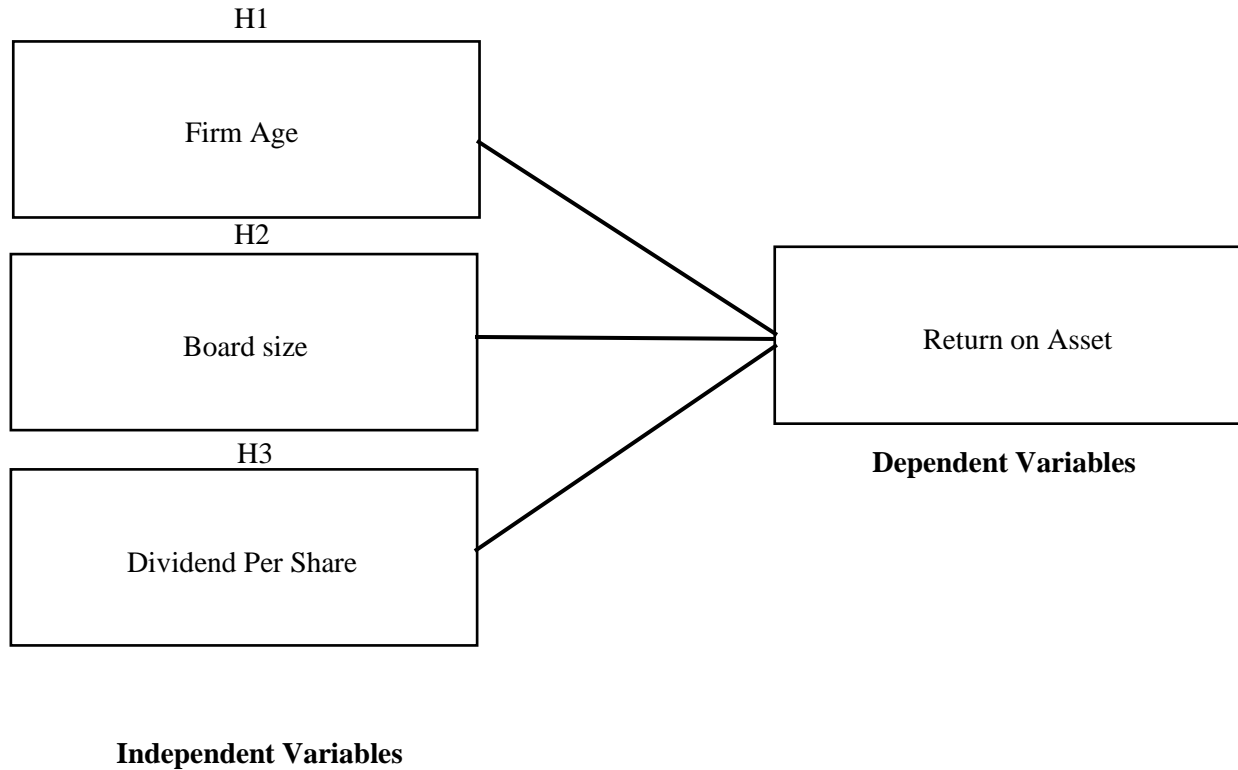
Below shows the formula that been used to calculate each of the variables :

<b>Dependent variables</b>	<b>Formula</b>
Return on Asset	$\frac{\text{Net Income}}{\text{Total Assets}}$
<b>Independent variables</b>	<b>Formula</b>
Board size	Number of board directors
Firm Age	Years of establishment
Dividend Per Share	$\frac{\text{Dividend Paid}}{\text{Number of shares outstanding}}$

Table 7.1.1

The formula on table 7.1.1 are based on (Hargrave, 2022) that define each of the measurement and each one of the variables has it own key takeaways.

## 7.2 FRAMEWORK



The theoretical framework shown above are taken from study of (Francis, 2009) and from the framework, the dependent variable is Return on asset and the effect on the firm performance is firm age, board size and dividend per share.

The research method that is been used is panel data analysis. The data analysis is by using Stata by running the regression of the variables. The reason to use stata is because the stata is fast, accurate and completed, integrated statistical software package that provides everything for data manipulation. The test that has been done is Panel specification, diagnostic test, regression test,

correlation test and descriptive analysis.

### **7.3 HYPOTHESIS**

H1: There is significant relationship between firm age and firm performance

H2: There is significant relationship between return on asset and firm performance.

H3: There is no significant relationship between dividend per share and firm performance

H4: There is no significant relationship between board size and firm performance

## 8.0 ANALYSIS

### 8.1 DESCRIPTIVE ANALYSIS

Table 8.1 - Descriptive statistics

Variable	Obs	Mean	Std deviation	Minimum	Maximum
ROA	60	0.3731667	0.1936754	0.06	0.73
BS	60	9.733333	1.65567	7	12
DPS	60	0.1273333	0.0648823	0.03	0.38
AGE	60	44	10.89239	23	63

```
. *STEP 1: DESCRIPTIVE ANALYSIS*
```

```
.  
. sum roa bs dps age
```

Variable	Obs	Mean	Std. Dev.	Min	Max
roa	60	.3731667	.1936754	.06	.73
bs	60	9.733333	1.65567	7	12
dps	60	.1273333	.0648823	.03	.38
age	60	44	10.89239	23	63

Table 8.1.1

According to table 4.1, the return on asset has a mean value of 0.3731667 and a range of values from minimum which is 0.06 and maximum 0.73. Then, for board size, the mean value is 9.733333 with the minimum of 7 and maximum 12. This means that all of the board size of the company on banking sector that been studied are not exceed 12 and average of board of director in banking sector is around 10. Next is dividend per share. The mean value of Dividend per share is 0.12733333 and the maximum value is 0.38 while the minimum value is 0.3. It indicates that each of the bank can give dividend to their shareholders without fail with the minimum of 0.3 per share. Lastly, firm age. The mean value for firm age is 44 while the minimum is 23 and the maximum is 63. It shows that the minimum years of operation for this banking sector is 22 when this research is done.

The next analysis would be correlation analysis and it is before proceeding to regression analysis. The function of correlation analysis is to measure the strength and direction between the variables. The correlation value range from 0 to 1 in term of strength. The absolute value of 1 indicates that the variables has perfect relationship. When it is near to 0 the relationship weaken.

The following are the correlation analysis for the study :

## 8.2 CORRELATION ANALYSIS

	roa	bs	dps	age
roa	1.0000			
bs	0.1486 0.2573	1.0000		
dps	0.1161 0.3769	0.0785 0.5512	1.0000	
age	0.6717* 0.0000	0.0263 0.8418	0.0904 0.4921	1.0000

Table 8.2 Correlation Analysis

Table 4.2 exhibits the correlation analysis between the financial performance (ROA) and firm characteristics. The correlation between return on asset and board size are positive which is 0.1486 and it indicates the strong relationship. For the correlation between return on asset and dividend per share are also positive relationship which is 0.1161 and it is also indicates the strong relationship. In the meantime, firm age has the highest and positive relationship with return on asset meaning that the firm age are important in getting positive return with present performance.

## 8.3 PANEL SPECIFICATION TESTS

The next step of this study is to decide which static panel approach to apply. There are three alternatives involved which are pooled ordinary least squares (POLS) , fixed effects (FE) and random effects (RE). The choices of alternatives can be choose using the test suggested by Park (2011) and the test are F-test, Breush-Pagan Lagrangian multiplier (BP-LM) test, and Hausman test.

\*S1(a) : F-test\*

```

. xtreg roa bs dps age,fe
Fixed-effects (within) regression      Number of obs   =      60
Group variable: ccode                 Number of groups =       4

R-sq:                                Obs per group:
    within = 0.0622                    min =          15
    between = 0.3604                   avg =         15.0
    overall = 0.2213                   max =          15

corr(u_i, Xb) = 0.0518                 F(3,53)         =       1.17
                                         Prob > F        =       0.3296

```

```

-----+-----
      roa |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-----+-----
      bs |   -.0295244   .0394339    -0.75   0.457    -1.1086188   .0495699
      dps |  -.0580076   .3021854    -0.19   0.849    -1.6641147   .5480995
      age |   .006534    .0043398     1.51   0.138    -.0021706   .0152386
      _cons | .3804262    .4405313     0.86   0.392    -1.5031677   1.26402
-----+-----
sigma_u | .12983948
sigma_e | .13505105
rho     | .4803332   (fraction of variance due to u_i)
-----+-----

```

```

F test that all u_i=0: F(3, 53) = 3.75          Prob > F = 0.0161

```

```

.
.
.
. *S1(b): Breusch and Pagan Lagrangian multiplier test for random effects (BP-LM Test)*

```

```

. quietly xtreg roa bs dps age,re

```

```

. xttest0

```

```

Breusch and Pagan Lagrangian multiplier test for random effects

```

```

roa[ccode,t] = Xb + u[ccode] + e[ccode,t]

```

```

Estimated results:
      |      Var      sd = sqrt(Var)
-----+-----
      roa |   .0375101   .1936754
      e   |   .0182388   .135051
      u   |           0           0

```

```

Test:   Var(u) = 0
        chibar2(01) =      0.00
        Prob > chibar2 =      1.0000

```

```

.
.
.
. *S1(c): Hausman Test*

```

```

. quietly xtreg roa bs dps age,fe

```

```

. est store fixed

```

```

. quietly xtreg roa bs dps age,re

```

```

. hausman fixed, sigmamore

```

	---- Coefficients ----		(b-B)	sqrt (diag (V_b-V_B))
	(b)	(B)	Difference	S.E.
	fixed	.		
bs	-.0295244	.0149109	-.0444353	.0406725
dps	-.0580076	.1375775	-.1955851	.1390264
age	.006534	.0118091	-.0052751	.0043125

b = consistent under Ho and Ha; obtained from xtreg  
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(3) = (b-B)' [(V\_b-V\_B)^(-1)] (b-B)  
 = 9.82  
 Prob>chi2 = 0.0202

.  
 .  
 .

Table 8.3.1 discuss that the panel specification test, F-test, Breusch Pagan Lagrangian Multiplier test and Hausman Test for all of the variables. For the first test is F-Test that been conducted to decide the most appropriate model for study between Pooled Ordinary Least Square and Fixed Effect model. From the result above, the result of p-value for the variables is 0.0161 and it is significant because the p-value shows less than 0.05

There are also Breusch Pagan and Lagrangian Multiplier test that to decide between POLS or Random Effect. The result shows that p-value is less than 0.05 which is 0.000. This shows that RE model is appropriate more than POLS. Beside that, the result also explain about Hausmann test. This test is to decide which alternatives that can be choose whether Fixed Effect or Random Effect is more suitable. Based on the result, the p-value is less than 0.05 which is 0.0202 and the appropriate model is Fixed Effect model. Based on overall test, the suggestion of Fixed Effect has been chosen based on the result and the model is the most appropriate for ROA,BS,DPS and Firm age

#### 8.4 DIAGNOSTIC TEST: LINEAR REGRESSION

Based on the diagnostic test, the study has conducted three test which is Multicollinearity (Variance Inflation Factors), Heteroskedasticity(Modified Wald test) and Serial correlation test (autocorrelation)

.  
 .  
 .  
 . \*S2(a) . Multicollinearity\*  
 .



```

. *2(a.1) Variance Inflation Factors (VIF)*
.
. quietly regress roa bs dps age
.
. vif

```

Variable	VIF	1/VIF
dps	1.01	0.986032
age	1.01	0.991453
bs	1.01	0.993470
Mean VIF	1.01	

```

.
. * 2(a.2) Pearson Correlation*
.
. pwcorr roa bs dps age,sig star(.05)

```

	roa	bs	dps	age
roa	1.0000			
bs	0.1486 0.2573	1.0000		
dps	0.1161 0.3769	0.0785 0.5512	1.0000	
age	0.6717* 0.0000	0.0263 0.8418	0.0904 0.4921	1.0000

```

.
.
. *S2(b). Homoscedasticity*
.
. quietly xtreg roa bs dps age,fe
.
. xttest3

Modified Wald test for groupwise heteroskedasticity
in fixed effect regression model

H0: sigma(i)^2 = sigma^2 for all i

chi2 (4) = 46.84
Prob>chi2 = 0.0000

.
.
. *S2(c). Serial Correlation*
.
. xtserial roa bs dps age

Wooldridge test for autocorrelation in panel data
H0: no first-order autocorrelation
F( 1, 3) = 5.743
Prob > F = 0.0962

```

As shown on the result above, the calculated values of Variance Inflation Factors (VIF) are less than 10 and it indicates that multicollinearity does not appear to be a severe problem in this study. For heteroskedasticity using Modified Wald Test, the results show that the p-value is less than 0.05 which is 0.0000. It means that the variances are not constant or there is heteroskedasticity problem. Lastly, serial correlation test (Autocorrelation) using Wooldridge test. The p-value shows that it is above 0.05. That's mean there is no serial correlation problem that exist in this study. Based on diagnostic tests, this study has no multicollinearity, serial correlation and heteroscedasticity problem.

## 8.5 REGRESSION ANALYSIS

	Model 1	Model 2	Model 3	Model 4
BS	0.0149 (1.31)	-0.0295 (-0.75)	0.0149 (1.31)	-0.0295 (-0.60)
DPS	0.1376 (0.47)	-0.0580 (-0.19)	0.1376 (0.47)	-0.0580 (-0.12)
AGE	0.0118*** (6.80)	0.0065 (1.51)	0.0118*** (6.80)	0.0065 (0.84)
Constant	-0.3091** (-2.28)	0.3804 (0.86)	-0.3091** (-2.28)	0.3804 (0.62)
N	60.0000	60.0000	60.0000	60.0000
r2	0.4704	0.0622		0.0622
r2_a	0.4420	-0.0440		0.0119
r2_w		0.0622	0.0419	0.0622
r2_b		0.3604	0.8725	0.3604
r2_o		0.2213	0.4704	0.2213
F	16.5788	1.1708		0.3767
p	0.0000	0.3359	0.0000	0.7780
chi2			49.7363	

*t* statistics in parentheses

Notes: (1) ROA=Return on Asset, VACA=Capital employed, LEV = leverage, FS= Firm size, AGE= Firm Age. (2) Figures in parenthesis are t-statistic. (3) any other information you would like to include

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table 8.4

Table 8.4 shows the regression result for the study between board size and firm characteristic on firm performance. There are various panel and diagnostics test that been conducted to identify the data and to make analysis to this study. Based on the result above, it can conclude that the regression result of Model 3 that are the best outcome for the study of effect of board size and firm characteristics on firm performance. Based on the value of board size which is 0.0149 and the firm age 0.0118 of the independent variables are giving a significant relationship with return on asset. This is because these two independent variables are important towards company as it will give impact to the firm performance. The longer the company has been to the industries, it will give some experience that will make the company improving better in future. The board size also need to be highlighted as the number must be in range that every decision of the company will become efficient and balance.

## 8.6 DISCUSSION

Based on the regression analysis above, we can conclude that only firm age is significant in the test. This means that in banking sector, the age of the firm is very important toward the financial performance of the firm. This is supported by (Rafiq, 2016) stated that the firm that has longer operation earns 4.4% more profits and generate 7.2% sales more than compared to younger firm.

For board size, the regression shown that the board size is not significant to the study. This explain that the numbers of board of director in the financial firm is not influence the firm performance. The evidence of this study is supported by (Assenga, 2018) that stated is not support the association between financial performance and board size. The evidence shows that board size is something that not significant and the changes or anything about it will not disturb the financial performance of a firm.

In term of dividend per share, it has no relationship with firm performance which is it will not give any impact whether the dividend is high or low, the performance of the firm will not be affected. The study conducted by (Husna, 2019) stated that the payout of the dividend has no effect on the firm performance.

## 9.0 CONCLUSION AND RECOMMENDATION

For recommendation, the banking sector can maintain their board of size since the numbers of board of directors are not giving any changes to the firm financial performance. It will help the firm to reduce the expenses on excess numbers of directors. The company also can improve their dividend per share that it will not impact the financial performance of the firm but will attract more shareholders to invest in their company. It is also recommended that every firm that want a great performance of firm must take time as their firm age really important in giving best result of financial performance. For future research, expanding the samples of the study would be one of the recommended way as if the number of samples are larger, the exact data will be recorded and can strengthen the study. The timeframe of the study also must be widen to collect more data from previous year.

In conclusion, the impact of board size and firm characteristic on firm performance shows that Maybank, Cimb Bank, Public Bank and Ambank plays an important role and each of the bank has their own component to prove that the variables result are true. In other words, the variables such as return on asset, board size, firm age and dividend per share has their own role in determining the significant of the study. The Panel data analysis that has been used and the stata software has give the result of the relationship between the companies and it significance toward each other.

For the practical training, the are huge amount of knowledge that been given to me in Amanah Saham Nasional Berhad (ASNB) Ipoh and it teach me on how the industry work. I am now exposed to experience that can help me to start and understand better on how the business work. The training also provides me some experience in confronting customers, the top management of the company, and it gave me courage to bravely deliver my knowledge to them without been judged. It improve my self confident in facing work life after finishing study.

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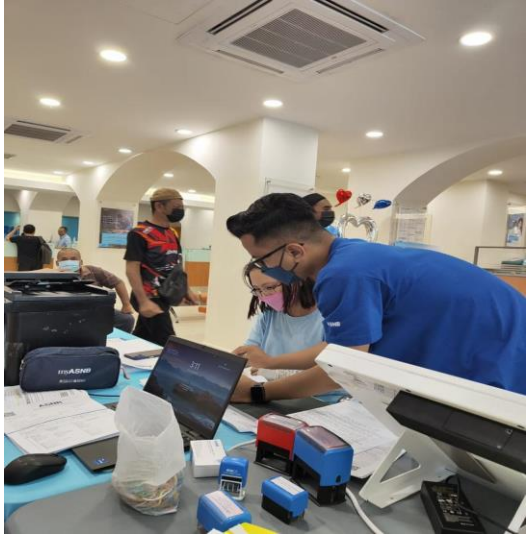
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## APPENDICES
















## Document Information

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