**The Effect of Board Governance and CEO Attributes Towards Corporate Performance of Malaysian Public Listed Financial Companies**

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**ABSTRACT**

This paper investigates the relationship between corporate governance, CEO attributes and firm performance of public listed financial companies in Malaysia from 2008 to 2017. There are several theories employed in the studies whereby the agency theory and resource dependency theory suggest that the board size have a positive impact on firm performance. In contrast, stewardship theory suggests smaller board size positively impacts the firm performance and prospect theory suggested that every person perceives and values gains and losses differently, and this affects the decision making. The firm performance has been measured using the return on equity (ROE) and return on assets (ROA). The data of the variables of board size, board independence, board meeting, CEO duality, CEO age and CEO gender are manually obtained from the annual reports, while the financial data include firm performance, capital expenditure and leverage are obtained from the Thomson Reuters Datastream. The research method employed in this study is the panel regression analysis. The findings of this study suggest that there is a positive and significant relationship between board size and firm performance and a positive and significant relationship between board independence and firm performance. Meanwhile, board meeting is found to have mix relationship with the firm performance. Furthermore, our result also shows CEO age and male CEO exhibit positive impact on firm performance.

Keywords: Corporate Governance, Chief Executive officer (CEO), personal attributes, firm performance

JEL Classification/s: G2, G32, G40, G41

# INTRODUCTION

The financial crisis that happened in 1997 and 2008-2009 left a severe effect on the economy in Asian, including the depreciation of domestic currencies, failure of the stock markets and reduction in the price of the asset. The financial crisis is attributed to many factors such as short-sighted government policies, weak financial structures, the inefficiency of banking institutions, deficiency of transparency and, weak governance and loose regulation involving the financial sector (Ramirez & Pooittiwong, 2016). Financial crisis raises the awareness of the companies towards the importance of the execution of corporate governance in Malaysia. Bank Negara Malaysia adopted the new Central Bank of Malaysia Act 2009 on 25 November 2009 to enhance financial stability. The effectiveness of the act on the financial performance of the finance sector is needing to be ascertained. It is important to learn the lesson from history and determine the weaknesses of corporate governance as well as focus on building a robust regulatory framework to enhance the company performance in the finance sector.

The weak internal management of the firms also considered as one of the reasons that lead to the financial crisis. Ramirez and Pooittiwong (2016) added the ineffective regulations and policies, asymmetric information and moral hazard cause the company to become vulnerable to the crisis. The agency theory that used to disclose the agency relationship revealed the agency conflicts and agency cost in the organisations. Bouckova (2015) stated that the principal and agent are the separate individuals and hence each of them is more concern on the self-interest and the decision making may vary depends on the condition, preference, and information. This may arise the agency conflicts in the companies. This hastens the board of directors to enhance the corporate regulations and practices in the company. Therefore, it is important to investigate the board characteristics and Chief Executive Officer (CEO) characteristics which will affect corporate governance execution in the company and identify the relationship between corporate governance and finance firm performance.

As mentioned earlier, the financial sector plays an important role in the economy in Malaysia as it is considered as the bedrock of the economy. The stability of the financial sector will promote economic growth and the country’s development. On the other hand, the invention of financial technology (fintech) encourages the growth of the financial sector and cause the financial sector to become increasingly important to the consumers (Varga, 2017). The effectiveness of financial institutions is a crucial part of the success in the country. Therefore, it is vital to analyse the importance of the Malaysian financial sector as it will stimulate the growth of the economy in the country. However, most of the studies in Malaysia focus on the impact of corporate governance to non-financial companies (Ong, Soh, Teh & Ng, 2014; Amran, Yusof & Aripin, 2014; Purag, Abdullah & Bujang, 2016). This study extends the literature on the impact of corporate governance and CEO attributes on firm performance on the financial companies. This study attempts to investigate whether board size, board independence, board meeting, CEO duality, CEO age and CEO gender affect the financial firms performance in Malaysia. To achieve the purpose, the remaining of this paper is organised as follows: Section 2 provides the literature reviews on the board-based theories including agency theory, stewardship theory, resource dependency theory and the relationship between firm performance with board size, board independence, board meeting, CEO duality, CEO age and CEO gender. Section 3 discusses the data description and the methodology used in the empirical analysis. Section 4 presents and interprets the regression results, and lastly, section 5 concludes this study with the relevant recommendations for further studies.

# LITERATURE REVIEW

There are several theories such as agency theory, stewardship theory, resource dependency theory and prospect theory which revealed the relationship between the shareholders, the CEO, the stakeholders and the external environment of the company. Each theory has its argument whereby agency theory used to explain the condition of the agents that are engaged by the principal to act on his behalf. In contrast, the stewardship theory argued the managers serve as the stewards, are responsible for managing the assets of the company, and improve its performance rather than focus on their self-interest. The resource dependency theory study on how the behaviour of the company affected by the external resources with taking the strategic view of corporate governance and lastly the prospect theory suggested that every person perceives, and values gains and losses differently and this affects the decision making (Namazi, 2013; Abid, Khan, Rafiq & Alia., 2014). According to Kaisie and Shrivastav (2016), agency theory and resource dependency theory suggests that the board size have a positive impact on firm performance, whereby the steward theory favours the smaller board size for effective and efficient management of the firm.

Lipton and Lorsh (1992) suggested that a smaller board size is favourable to improve company performance. They further recommended the number of directors should be in the interval of 7 to 8 and when the board size is more than ten members, the directors are facing the difficulties to state and share their ideas and opinions. While, Palaniappan (2017) found a statistically significant negative relationship between board size and ROA, ROE and suggested an optimum board can enhance and improve firm performance. Additionally, Guest (2009) found a significant negative relationship between board size and company performance and pointed out this may be due to the conflicts of poorly communication and decision making which arise from a large board.

However, there are few studies conducted show the contradicting result which found large board size is favourable to enhance the company performance. For instance, Kaisie and Shrivastav (2016) found that there is a significant positive relationship between the board size and firm performance, they suggested that the larger firm need a larger board to support the management and meet the diverse needs. The results support agency theory, which proposes a larger board size can improve firm performance. Resource dependency theory also believes that a larger size of board leads to greater monitoring by bringing a variety of knowledge and expertise in a different field to improve firm performance. Appiah (2017) also reported a significant and positive relationship between board size and firm performance. The findings suggest a larger board size can advise, manage and monitor the firm effectively and hence enhance the firm performance. A research conducted by Rashid (2017) also revealed a positive relationship between board size and firm performance. Moreover, the researched conducted by Zulkafli and Hamzah (2014) pointed out that board size is positive associated with financing policy, investment policy and dividend policy. However, Subramaniam and Susela (2011) found that there is no relationship between board size and dividend policy in Malaysia. Based on the reviews, we hypothesised our first hypothesis as follows:

**H1: There is a significant positive relationship between large board size and firm performance.**

Liu, Miletkov, Wei and Yang (2015) used data from Chinese listed firms to examine the correlation between board independence and firm performance. The study revealed that the independent directors are positively related to the company operating performance in China, especially in the firms that under government control and in firms with lack of information and lower monitoring costs. Liu et al. suggested the independent directors tend to prevent the self-dealing within insider and hence enhance investments efficiency in listed firms in China. Additionally, Wu and Li (2015) provided evidence that the increase in board independence will improve the firm performance in stock market return and accounting return. Whereas Fuzi, Halim and Julizaerma (2016) pointed out a mixed relationship between the independent directors' proportions and firm performance because a company cannot guarantee the firm performance will be improved even though it comprised of a large number of independent directors. Therefore, the study suggested the firm should monitor the independent directors to increase shareholders value. Altuwaijri and Kalyanaraman (2016) found that the independent directors on board can enhance the firm performance, but an excess of independent director lead to the disadvantages. In addition, Hawas and Tse (2016) reported that there is a positive relationship between board independence and total major shareholdings. While Zulkafli and Hamzah (2014) found that board independence is positively related to the investment policy, financing policy as well as dividend policy. On the contrary, Subramaniam and Susela (2011) found that board independence does not affect the dividend policy in Malaysia. In this study, we hypothesised the relationship between board independence and firm performance as below:

**H2: There is a significant positive relationship between board independence and firm performance.**

The research conducted by the Kutum (2015) concluded that there is no significant relationship between board meeting and firm performance as it does not affect the return on assets. This result went against what Chou, Chung and Yin (2012) and Ntim and Oseit (2011) noted as they found that the more frequent the board meetings will lead to better firm performance. Chou et al. (2012) whose study aimed to examine the attendance of board meetings and the effect on the profit performance of the companies found that a high number of meeting attendance by directors can increase the profitability of the firm. On the other hand, an adverse effect may arise when the directors send their representatives to attend the meeting. Furthermore, Ntim and Oseit (2011) found a statistically and positive relationship the frequency of corporate board meetings and firm performance from their empirical result. The result showed the more frequent the board meetings, the higher the financial performance of the firm. Ntim and Oseit supported the agency theory whereby the more frequent board meetings tend to increase the chance for advice, communicate, discipline and monitor the management and hence enhance the firm financial performance.

**H3: There is a significant and positive relationship between board meeting and firm performance.**

Lam and Lee (2007) pointed out that there is a positive association between CEO duality and accounting performance in the non-family firms, whereas CEO duality is negatively related to accounting performance in family-controlled firms. The preference over CEO duality depends on the potential costs and benefits whereby if its potential benefits outweigh the potential costs, then CEO duality is preferable in the firm. Duru, Iyenger and Zampelli (2016) argued that there is a significant and negative relationship between CEO duality and firm performance from their empirical result. Duru et al. suggested that the independent directors only remain a small proportion of members on board when CEO duality is enforced. Hence, this will result in a decrease in board capacity in monitoring the board effectively. The agency problems that stated in the agency theory will arise as there is lack of independent directors to provide unbiased advice and resulting in a negative impact on firm performance.

Moreover, Kalsie and Shrivastav (2016) also found a negative relationship between CEO duality and firm performance. The result from their study supported the theory underlying the agency theory, whereby the separation between the chairman and CEO lead to better monitoring on management and hence improve the firm performance. Rashid (2010) supported the argument that CEO duality has a negative impact on firm performance. Rashid found that CEO duality is not beneficial to the economic performance of the firms in Bangladesh because CEO duality affect the ability of the board to practice the governance function and it is not a random phenomenon in the country. Ujunwa, Salami and Umar (2013) found that same result from their study conducted by providing the reasons of weak external management may lead the agency conflicts between the principal and shareholders on the extraction of private interest and benefits. There is another study pointed out that CEO duality is negatively associated with investment policy and dividend policy but positively associated with financing policy (Zulkafli & Hamzah, 2014).

**H4: There is a significant negative relationship between CEO duality and firm performance.**

There are also research conducted to examine the relationship between CEO age and firm performance. One of the studies undertaken by Nulla (2014) showed that there is a relationship between CEO age and firm performance. Additionally, Peni (2012) documented that the age of CEO is positively associated with the ROA, and the executive experience is positively related to ROA and Tobin’s Q. This indicates that the age and experience CEO are more knowledgeable and informative, which may assist them in making the right decision. However, the recent research conducted by Eduardo and Poole (2016) showed a contradicting result in the previous study. Eduardo and Poole found that there is no association between CEO age and the firm performance since there is no apparent and abnormal shareholder return. On the other hand, Amran et al. (2014) found an interesting result with the combination of the older age of chairman and younger age of CEO or vice versa can achieve better firm performance. They provided the evidence of the combination of passionate younger CEO, and the experience older chairman can work together to achieve a better outcome instead of having both younger chairman and CEO or older chairman and CEO.

**H5: There is a significant positive relationship between CEO age and firm performance.**

Khan and Vieito (2013) conducted a study to investigate the relationship of CEO gender and firm performance in United States firms. It was found that gender has a significant impact on firm performance. The result showed that the female CEO tend to reduce the risk level of the company compared with the male CEO. Besides, a study conducted by Eduardo and Poole (2016) revealed that the female CEOs made abnormal shareholder returns compared to the male CEOs. Female CEO is outstanding than male CEO in term of management style. Eduardo and Poole believe that female CEOs perform better in satisfying customer needs.

In addition, Peni (2012) found the presence of female CEOs is positively related to firm performance. Peni suggested that the success of the CEO may be affected by the gender-based differences. The findings showed that female CEOs outperform firms compared with the firm that manages by male CEOs due to several factors like management styles, decision-making and risk-aversion. The result further supported by Jalbert, Jalbert and Furumo (2013) in their study of the relationship between CEO gender and firm financial performance. The findings revealed the female CEOs is positively associated to the firm performance. The empirical result showed that the female CEOs generate a higher sale and return in terms of ROA and ROI compare to the firm that leads by male CEOs. Most of the studies indicate a positive relationship between female CEOs and firm performance.

**H6: There is a significant positive relationship between female CEOs and firm performance.**

# DATA AND SAMPLE

The sample data comprises the public listed financial companies in Bursa Malaysia from for ten years, from 2008 to 2017. The information of one of the financial companies is not available, and hence it is eliminated from the sample. The final sample size is 31 firms. The performance of the public listed financial companies in Malaysia is evaluated using return on equity (ROE) and return on assets (ROA). The independent variables, which is corporate governance are estimated from several aspects including board size (BSIZE), board independence (BINDE), board meeting (BMEET), CEO duality (DUAL), CEO age (AGE) and CEO gender (GEND). The data of the variables of board size, board independence, board meeting, CEO duality, CEO age and CEO gender are obtained from the annual reports whereas the financial data include ROE, ROA, capital expenditure and leverage are obtained from the Thomson Reuters Datastream.

***Research Methods***

The panel regression analysis is employed to test the developed hypothesis for this study. There are two regression models that been employed in this study which are the baseline models and the full models. The regression model used to examine the relationship between board governance and CEO attributes toward firm performance are as follows:

The baseline models are shown below:

Model I:

$ROE\_{i,t}= ∝ + β\_{1}LEV\_{i,t}+ β\_{2}CAPEX\_{i,t}+ ε\_{i,t} $

Model II:

$ROA\_{i,t}= ∝ + β\_{1}LEV\_{i,t}+ β\_{2}CAPEX\_{i,t}+ ε\_{i,t}$

The full models are shown below:

Model I:

$ROE\_{i,t}= ∝ + β\_{1}BSIZE\_{i,t}+ β\_{2}BINDE\_{i,t}+β\_{3}BMEET\_{i,t}+ $*β4DUALi, t + β5AGEi, t +β6GENDi,t+* $β\_{7}LEV\_{i,t}+ β\_{8}CAPEX\_{i,t}+ ε\_{i,t}$

Model II:

$ROA\_{i,t}= ∝ + β\_{1}BSIZE\_{i,t}+ β\_{2}BINDE\_{i,t}+β\_{3}BMEET\_{i,t}+ $*β4DUALi, t + β5AGEi,t + β6GENDi,t+* $β\_{7}LEV\_{i,t}+ β\_{8}CAPEX\_{i,t}+ ε\_{i,t}$

***Variables and Descriptions***

The variables for the study were selected based on data availability and computational purposes.

**Table 1. Operationalisation of variables**

|  |  |  |
| --- | --- | --- |
| Variables | Acronym | Operationalisation |
| **Dependent variables:**Return on equity  | ROE | The ratio of net income to total shareholder’s equity |
| Return on assets  | ROA | Net income divided by total assets |
|  |  |  |
| **Explanatory variables:**Board size | BSIZE | The total number of directors on the board of the firm |
| Board independence | BINDE | The ratio of amounts of independent directors to the total number of directors on the board |
| Board meeting | BMEET | Total number of the board meetings held within one year |
| CEO duality | DUAL | Dichotomous with 1 if the same individual is chairman and also the chief executive officer (CEO) of the company.and 0 otherwise. |
| CEO age  | AGE | The age of the CEO of the firm in years |
| CEO gender | GEND | Dichotomous with 1 if the chief executive officer (CEO) is female and 0 if the CEO is male. |
| **Control variables:** Leverage | LEV | The ratio of total debt to total equity |
| Capital expenditure | CAPEX | The ratio of capital expenditure to total assets |

# EMPIRICAL FINDINGS AND DISCUSSION

## ***Descriptive Analysis***

The sample of this study consists of financial sector public listed companies in Bursa Malaysia for a period of 10 years, starting from 2008 to 2017. There is a total of 310 observations in this study. In this study, the performance of the financial sector public listed companies in Malaysia are evaluated using return on equity (ROE) and return on assets (ROA). Based on table 2, the result shows that the mean of the return on equity is 13.28% and its standard deviation is 17.46. On the other hand, the result shows that the mean of the return on assets is 3.3707% whereas the standard deviation is 8.1509. There are two control variables used in this research which are leverage and capital expenditure. The mean of the leverage is 87.3811 and the standard deviation records at 110.9773. On the other hand, the mean of the capital expenditure is 0.48788, whereas the standard deviation is 1.4885.

**Table 2. Descriptive Statistics of Dependent Variables, Independent Variables and Control variables**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variable | Mean | Std. Dev. | Min | Max |
| roa | 3.370744 | 8.150969 | -40.91 | 92.18 |
| roe | 13.2801 | 17.45916 | -45.69 | 189.49 |
| bsize | 8.302326 | 2.36043 | 3 | 16 |
| binde | 0.508922 | 0.114027 | 0.2222 | 0.8889 |
| bmeet | 8.239203 | 4.33312 | 3 | 25 |
| dual | 0.063123 | 0.243589 | 0 | 1 |
| age | 54.36877 | 7.795312 | 32 | 75 |
| gend | 0.089701 | 0.286229 | 0 | 1 |
| lev | 87.38113 | 110.9773 | 0 | 660.56 |
| capex | 0.48789 | 1.488529 | 0 | 19.93 |

The explanatory variables employed in this study are board size, board independence, board meeting, CEO duality, CEO age and CEO gender. The board size has a mean value of 8.3023, and a standard deviation of 2.3604 whereas board independence has a mean value of 50.89% and a standard deviation of 0.1140 and the board meeting has a mean value of 8.2392 times and a standard deviation of 4.3312. On the aspect of CEO attributes, CEO duality achieves a mean value of 6.3122% and the standard deviation of 0.2435. This denotes that there is only 6.3122% of the individual who plays both roles of chairman and chief executive officer in this sample. Meanwhile, CEO age achieves a mean value of 54.3687 years old, and the oldest is 75 years old. The standard deviation of the CEO age is 7.7953. The range of the CEO age is 32 to 75. This may indicate that the age and experience CEO can be related to more knowledgeable and informative, which may assist them in making the right decision (Peni, 2012). Lastly, the CEO gender achieves a mean value of 8.99% and a standard deviation of 0.2862. This implies that there is a low percentage of female CEO present in this sample.

***Correlation results***

In this study, return on equity (ROE) is used as the measurement to evaluate the firm performance. Based on Table 2, the ROE is found to be positively correlated with board size and board meeting at 1% significance level. On the other hand, ROE is negatively correlated with CEO age at 10% significant level. Besides, ROE is negatively correlated with CEO gender at 1% significant level. However, ROE is insignificant to board independence and CEO duality. For the control variables, ROE is also insignificant to both leverage and capital expenditure. Meanwhile, return on assets (ROA) is used as an additional measurement to evaluate the performance of the companies. From the results obtained, ROA is positively correlated with board independence at 10% significance level. However, the result exhibits that ROA is insignificant to the rest independent variables include board size, board meeting, CEO duality, CEO age and CEO gender as well as the control variables which are leverage and capital expenditure.

**Table 2. Correlation coefficient**

**Panel A: Pearson Correlation Matrix of ROE with Independent Variables and Constant Variables**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|   | roe | bsize | binde | bmeet | dual | age | gend | lev  | capex |
| roe | 1 |  |  |  |  |  |  |  |  |
| bsize | 0.1776\*\*\* | 1 |  |  |  |  |  |  |  |
| binde | 0.0712 | -0.1828\*\*\* | 1 |  |  |  |  |  |  |
| bmeet | 0.2371\*\*\* | 0.382\*\*\* | 0.1366\*\* | 1 |  |  |  |  |  |
| dual | -0.0667 | -0.329\*\*\* | 0.2563\*\*\* | -0.2133\*\*\* | 1 |  |  |  |  |
| age | -0.0791\* | -0.3282\*\*\* | 0.0493 | 0.0751 | 0.3546\*\*\* | 1 |  |  |  |
| gend | -0.2177\*\*\* | -0.134\*\* | -0.0917 | -0.1679\*\*\* | -0.0815 | 0.251\*\*\* | 1 |  |  |
| lev | 0.0843 | 0.2637\*\*\* | -0.0888 | 0.0715 | -0.1766\*\*\* | -0.1789\*\*\* | 0.1697\*\*\* | 1 |  |
| capex | -0.0199 | -0.0224 | -0.0541 | -0.1432\*\* | -0.0549 | 0.045 | 0.2984\*\*\* | -0.0142 | 1 |

**Panel B: Pearson Correlation Matrix of ROA with Independent Variables and Constant Variables**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|   | roa | bsize | binde | bmeet | dual | age | gend | lev | capex |
| roa | 1 |  |  |  |  |  |  |  |  |
| bsize | -0.0601 | 1 |  |  |  |  |  |  |  |
| binde | 0.0993\* | -0.1828\*\*\* | 1 |  |  |  |  |  |  |
| bmeet | -0.0609 | 0.382\*\*\* | 0.1366\*\* | 1 |  |  |  |  |  |
| dual | 0.0775 | -0.329\*\*\* | 0.2563\*\*\* | -0.2133\*\*\* | 1 |  |  |  |  |
| age | 0.073 | -0.3282\*\*\* | 0.0493 | 0.0751 | 0.3546\*\*\* | 1 |  |  |  |
| gend | -0.0196 | -0.134\*\* | -0.0917 | -0.1679\*\*\* | -0.0815 | 0.251\*\*\* | 1 |  |  |
| lev | -0.0695 | 0.2637\*\*\* | -0.0888 | 0.0715 | -0.1766\*\*\* | -0.1789\*\*\* | 0.1697\*\*\* | 1 |  |
| capex | 0.1010 | -0.0224 | -0.0541 | -0.1432\*\* | -0.0549 | 0.045 | 0.2984\*\*\* | -0.0142 | 1 |

Note: \*Denotes statistical significance at the 10% level.

 \*\*Denotes statistical significance at the 5% level.

\*\*\* Denotes statistical significance at the 1% level.

***Regression Analysis***

Based on the results presented in Table 3, the leverage imposes a significant and positive effect on the firm performance that is evaluated by ROE at 1% significance level. The result implies that 1% increase in the leverage will increase the firm performance by 0.0297%. The significant positive relationship between leverage and firm performance conforming the studies conducted by Inam and Mir (2014). Which pointed out that financial leverage can promote the firm sustainable future growth. In contrast, capital expenditure was found no effect on firm performance. The result is inconsistent with the research conducted by Taipi and Ballkoci (2017) which stated the positive and significant relationship between capital expenditure and firm performance as well as the studies conducted by Jaisinghani, Tandon and Batra (2018) which reveals the negative relationship between capital expenditure and firm performance.

**Table 3. Regression Analysis for the Baseline Models**

|  |  |  |
| --- | --- | --- |
|  | Baseline Model I (ROE) | Baseline Model II (ROA) |
| Dependent Variables | **Firm Performance** |
| Control Variables |  |  |
| Leverage  | 0.02967\*\*\*(0.0065) | 0.0009(0.0023) |
| Capital Expenditure  | -0.1331(0.1637) | 0.3166(0.2731) |
| Constant | 8.2287\*\*\*(1.052) | 2.1519\*\*\*(0.5561) |

Note: Figures in parenthesis are robust standard errors.

\* Denotes statistical significance at the 10% level.

\*\* Denotes statistical significance at the 5% level.

\*\*\* Denotes statistical significance at the 1% level.

When ROA was used as performance proxy, the leverage does not show a significant effect on the firm performance measured by the return on assets. This is inconsistent with the results of studies conducted by Inam and Mir (2014) that pointed out the positive relationship between the leverage and firm performance as well as the studies of Ilyukhin (2015) that shows the opposite result which is the negative relationship between leverage and firm performance. Meanwhile, by referring to Table 3, there is no relationship between the capital expenditure and firm performance that measured by return on assets as the p-value is not statistically significant at any significance level. This result is inconsistent with the research of Taipi and Ballkoci (2017) and Jaisinghani et al. (2018) where previous research stated the positive and significant relationship between capital expenditure and firm performance and the recent research with the result of a negative relationship between capital expenditure and firm performance.

Based on the full model results in Table 4, when the board size increases by 1%, the firm’s ROE will increase by 0.6382%. The p-value is statistically significant at the 10% significance level. This denotes a positive and significant relationship between board size and firm performance. The result is consistent with the hypothesis that developed earlier, which is there is a positive relationship between large board size and firm performance. This finding is consistent with the studies of other researchers such as Zulkafli and Hamzah (2014), Kaisie and Shrivastav (2016) and Appiah (2017), who pointed out the significant positive relationship between the firm size and firm performance. On the other hand, the result shows that there is no relationship between board size and firm performance in term of ROA as the p-value is not statistically significant at any level of significance which is consistent with the studies of Subramaniam and Susela (2011).

In addition to board size, board independence also one of the factors that affect firm performance. According to Table 4, when the board independence increases by 1%, the firm performance in term of ROE will increase by 11.29%. The p-value of board independence is statistically significant at 10% level of significance. Meanwhile, the result also presents a significant and positive relationship between board independence and firm performance that evaluated in term of ROA. When the board independence expands by 1%, the firm’s ROA will increase by 6.9244%. The p-value is statistically significant at 1% level of significance. The results indicated a significant positive relationship between board independence and firm performance; This is aligned with a few previous studies such as Wu and Li (2015), Hawas and Tse (2016) and Zulkafli and Hamzah (2014).

**Table 4. Regression Analysis for Full Models**

|  |  |  |
| --- | --- | --- |
|  | Full Model I (ROE) | Full Model II (ROA) |
| Dependent Variables | **Firm Performance** |
| Variables |  |  |
| Board Size | 0.6382\*(0.3272) | 0.2695(0.1657) |
| Board Independence | 11.29\*(6.1723) | 6.9244\*\*\*(2.6167) |
| Board Meeting  | 0.4254\*\*(0.2124) | -0.1784\*\*\*(0.0587) |
| CEO Duality | 1.5504(2.6003) | 0.6972(0.9162) |
| CEO Age | 0.1160(0.0991) | 0.1014\*\*(0.0511) |
| CEO Gender | -8.4175\*\*\*(2.6278) | -0.8587(0.7522) |
| Leverage | 0.0327\*\*\*(0.0061) | 0.0032(0.0027) |
| Capital Expenditure | 0.6872\*(0.3991) | 0.3311(0.2920) |
| Constant | -12.8465(8.5423) | -8.0583(5.3642) |
| R-squared | 0.2952 | 0.0837 |

Note: Figures in parenthesis are the robust standard errors.

\* Denotes statistical significance at the 10% level.

\*\* Denotes statistical significance at the 5% level.

\*\*\* Denotes statistical significance at the 1% level.

Besides, the result found that there is a significant and positive relationship between board meeting and firm’s ROE. When the board meeting increases, the firm performance in term of ROE will increases. The p-value is significant at 5% level of significance. This finding is supported by the previous studies conducted by Chou et al. (2012), Ntim and Oseit (2011) and Afza and Nazir (2014). On the contrary, the result exhibits a negative and significant relationship between the board meeting and the firm’s ROA. When the board meeting increases by 1%, the firm performance in term of ROA will decrease by 0.1784%. This finding is going against the previous studies as mentioned above.

On the aspect of CEO attributes; CEO duality, CEO age and CEO gender’s impacts on the firm performance. By referring to Table 4 there is no relationship between CEO duality and firm performance measured by ROA and ROE. This result is inconsistent with some of the previous studies such as Lam and Lee (2007) and Duru et al. (2016). This finding may be due to the low percentage, which is only 6.31% of the CEO with duality status present in our sample.

Furthermore, the result presents that there is no relationship between the CEO age and the firm performance in term of ROE. The result is supported by the studies of Eduardo and Poole (2016) with the statement that there is no association between CEO age and the firm performance since there is no apparent and abnormal shareholder return. On the other hand, the result shows that there is a significant positive relationship between CEO age and firm performance in term of ROA at 5% significance level: the order the CEO the better the firm performance. The result is said to be consistent with the hypothesis that developed earlier where there is a significant and positive relationship between CEO age and firm performance, and it is also conforming to the Peni (2012) and Nulla (2014) studies.

Moreover, from the result in Table 4, the CEO gender is found to be negatively related to the firm performance measured by ROE. The p-value is statistically significant at 1% significance level. In other words, when there is a female CEO, firm performance (ROE) tends to decrease. The result is contradicting to the hypothesis that we developed earlier and also went against previous studies such as Khan and Vieito (2013) and Eduardo and Poole (2016). On the other hand, it does not exist the relationship between CEO gender and firm performance measured by ROA.

Based on the equation above, the control variable leverage imposes a significant and positive effect on the firm performance that is evaluated by ROE at 1% significance level. The result implies that a 1% increase in the leverage will increase the firm performance by 0.0327%. The significant positive relationship between leverage and firm performance conforming the studies conducted by Inam and Mir (2014), which pointed out that financial leverage can promote the firm’s sustainable future growth. Nevertheless, the results stated that there is no relationship between the CEO age and the firm performance in term of ROA. Lastly, the result reveals that the capital expenditure contributes significantly positively to the firm performance in term of ROE at 10% significance level. The result implies that 1% increase in the capital expenditure will increase the firm performance by 0.6872%. This is consistent with the research conducted by Taipi and Ballkoci (2017) that pointed out the positive and significant relationship between capital expenditure and firm performance but went against the studies of Jaisinghani et al. (2018). However, the results show that there is no relationship between the capital expenditure and the firm performance in term of ROA.

***Discussion***

The findings of this study suggest a positive and significant relationship between board size and firm performance in term of ROE. The results are consistent with the proposed theories, which are agency theory and resource dependency theory. The agency theory suggests a larger board size can improve the firm performance with good management by a large group of board members. Meanwhile, the resource dependency theory points out that a larger size of board leads to greater monitoring by bringing a variety of knowledge and expertise in a different field to improve firm performance. This indicates that a larger board size can advise, manage, monitor the firm effectively and meet the diverse needs, which in turn enhance the firm performance. Appiah (2017) supported the statement from his empirical results which indicate a significant and positive relationship between board size and firm performance.

Besides, the results pointed out a positive and significant relationship between board independence and firm performance. According to Bouckova (2015), agency theory supported the positive association between board independence and firm performance by suggesting that the independent directors can advise and monitor the managers independently and hence lead to the better firm performance. Early studies that conducted by Liu et al. (2015) also revealed that the independent directors are positively related to the company operating performance in China with the reason that the independent directors tend to prevent the self-dealing within insider and hence enhance investments efficiency in listed firms in China. Besides, the increase in board independence will improve the firm performance in stock market return and accounting return (Wu & Li, 2015).

The board meeting is found to have mix relationship with the firm performance. The result shows a positive and significant relationship between the board meeting and the firm ROE. The proposed theory, which is resources dependency theory support the result by stating that the board meeting will come out with the business strategy, solutions and good decision making. Moreover, Afza and Nasir (2014) also reveal that relationship between the firm and the outsiders can be enhanced through better communication and hence the firm can gain access in resources which is crucial to the firm success. Therefore, the board meetings are believed significant to the firms as it can enhance the communication between the directors and foster the decision-making process. On contrary, the result exhibits a negative and significant relationship between the board meeting and firm’s ROA.

Furthermore, the result revealed that CEO age is positively related to firm performance. Another theory that employed in this study which is Prospects Theory gives a good explanation about the relationship between the CEO age and firm performance. Prospects Theory stated that risk-taking behaviours affect decision making in the firm. In respect to the theory, the different age of the CEO may have different risk preferences. This result is supported by the studies of Peni (2012) which documented that the age of CEO is positively associated with the ROA and the executive experience is positively related to ROA and Tobin’s Q. This may indicate that the age and experience CEO are more knowledgeable and informative, which may assist them in making the right decision.

On the other hand, the result of this study went against the hypothesis developed earlier, which is there is a positive relationship between female CEOs and firm performance. Our result showed a male CEO tends to achieve better firm performance compared to female CEOs. According to the Prospects Theory, the gender differences have different risk-taking behaviours which affect the decision making of the firm (Junior & Luciano, 2016). The research conducted by Jalbert et al. (2013) stated that males have predominant authority and ownership in the organisation in the past; they hold the position of CEO in most of the United States firm as well as the large organisation. The management styles, decision-making and risk-aversion of the male are different from female, and these may lead to the different outcomes of the company. However, the result might need further empirical test as the percentage of the female CEOs in the sample of this study is relatively low.

Lastly, the findings of this study reveal that the control variables impose a significant and positive effect on firm performance. Leverage is found to be positively affecting firm performance. According to the studies by Inam and Mir (2014), the financial leverage is positively related the firm performance. This is due to the financial leverage can be used to boost the firm sustainable future growth and further expansion of the firm. Besides, capital expenditure contributes significantly and positively to the firm performance in term of ROE. This result is consistent with the studies of Taipi and Ballkoci (2017). The studies pointed out the positive and significant relationship between capital expenditure and firm performance because capital expenditure is an important economic resource used to generate profit. Therefore, firm performance can be improved after generating sufficient income and profit.

# CONCLUSION AND RECOMMENDATIONS

Corporate governance concerns the good balance of the stakeholders’ interest, which consist of shareholders, customers, suppliers, finance advisors, the government, and the community. The execution of the mechanism of effective corporate governance can safeguard the company executives perform well with respecting the rights and behalf of shareholders and ensure them to carry the responsibilities regarding the protection and distribution of the investments (Roy, 2016). The board of directors play an essential role in corporate governance, as they are the primary direct stakeholders in the company. Hence, they have a direct influence on firm performance.

This study examines the significant relationship between the board governance and CEO attributes toward the firm performance. The sample data used in this study is 31 public listed financial companies in Bursa Malaysia, with the available annual report for a ten-year time span, which is from 2008 to 2017. The results revealed a significant positive relationship between board size and firm performance in term of ROE and a significant positive relationship between board independence and firm performance. Meanwhile, the board meeting is found to have mix relationship with the firm performance. Furthermore, the result pointed out that CEO age and male CEO are positively affecting firm performance.

Nevertheless, the results offered in this study are subject to several limitations, including the scope of the study, which is only covered the financial sector in Malaysia and the availability of data for the variables. This study examined the financial sector, also known as the backbone industry of the Malaysia Economy. Nevertheless, future research can explore other sectors in Malaysia to gain a more comprehensive insight on corporate governance, CEO attributes and their corporate performance. Additionally, this type of research can also be extended to other markets.

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