

## CHAPTER 6

### CONCLUSIONS, LIMITATIONS, AND RECOMMENDATIONS

#### 6.1 Introduction

This chapter presents a summary and the conclusion of the study. This chapter consists of seven sections. The overview of the study is presented in section 6.2. A summary of findings for the primary outcomes of this study is presented in section 6.3. The implications of the study, which involve academic and practical implications, are discussed in section 6.4. Limitations inherent to the study are discussed in section 6.5, followed by several suggestions for future research in section 6.6. Finally, the conclusion of the study is presented in section 6.7.

#### 6.2 Overview of the Study

The current study's overall purpose was to provide evidence regarding the relationship between corporate governance mechanisms and financial performance in the Malaysian Takaful companies. In addition, the study aimed to examine the moderating effect of SCQ on BOD, AC, and financial performance. The sample included all Malaysia Takaful companies from 2010 to 2017. The sample comprised 11 companies. Data were obtained from annual reports.

Due to recent crises and scandals in the world and the context of Malaysia (e.g., 1MDB scandal in 2019, the global financial crisis of 2007-2008 and the Asian Financial Crisis in 1997), academic research on the role of BOD and AC was necessary.

Internal

corporate governance mechanisms such as BOD and AC are expected to play a substantial role in achieving a company's goals, shareholders' desires, and increasing its value.

The current study focused on the agency problem, a central problem facing the world's business. An agency problem arises between the agent and the owner or majority and the minority shareholders due to the “separation of ownership and control” (Jensen & Meckling, 1976). Several external and internal tools, commonly known as corporate governance, have been suggested to control such problems.

Based on the above issues, this study developed four research objectives. To achieve these objectives, four research questions were developed, which are as follows: 1) Does board effectiveness at the individual level, (namely, Board Size, Board Director Independence, Executive membership, Muslims directors, Board Meeting Frequency, and Board Gender Diversity) and effectiveness at an aggregate level (as composite score) affect the financial performance of Malaysian Takaful companies? 2) Does audit committee effectiveness at the individual level, (namely AC Chairman Specialization, AC Size, AC Independence and Meeting frequency) and effectiveness at an aggregate level (as composite score) affect the financial performance of Malaysian Takaful companies? 3) What, if any, is the moderating impact of the Shariah committee quality on board of director's effectiveness on the financial performance of Malaysian Takaful companies? 4) What, if any, is the moderating impact of the Shariah committee quality on audit committee characteristic on the financial performance of Malaysian Takaful companies?

To answer these research questions and achieve the objectives a conceptual framework and research hypotheses are developed. Data were collected from annual reports of Malaysian Takaful companies during the study period to collect data of

BOD, AC, SCQ and financial performance to validate the framework and hypotheses. The data were analyzed using STATA version 16.0 to confirm the proposed hypotheses.

### 6.3 Summary of Findings

In Malaysia's context, research on the role of BOD, AC and SC was motivated by renewed interest evinced due to recent crises and scandals. Therefore, BOD and AC, as internal corporate governance mechanisms, are expected to play a more proactive role in discharging their fiduciary role for improving firm performance. Thus, this study's first objective was to examine the relationship between board of directors' effectiveness and financial performance in Malaysian Takaful companies.

BOD consists of seven sub-variables that are deployed to measure BOD effectiveness. For H1 concerning **board of director size**, this study discovered that, as projected, board size had an insignificant association with financial performance and board size had no effect on ROA and ROE of Takaful companies in Malaysia. On the other hand, board size had a positive and significant relationship with EPS.

This result was consistent with Stewardship Theory assumes that owners and managers work as supervisors to achieve the greatest return and increase all stakeholders' wealth (Davis et al., 1997). Therefore, small board size is better than big size board. On the other hand, with EPS consistent with Agency Theory, which states that the large boards can make coordination and decision-making more complex and decrease efficiency and performance because it is challenging to obtain mutual agreement between members (Chiang, 2005). Resource dependency theory which posits that large board size diversifies experience, increasing specialists boosts strong decision making. No exact number of BOD members is articulated the MCCG. This

flexibility gave the Takaful companies the right to appoint any number of members they desire, whether large or small. This study's finding showed strong evidence that the size of the BODs should be considered, with their number close to seven on the board. A large board had no impact on the accounting-based performance metrics (ROA and ROE), while it positively affected market-based performance (EPS).

Regarding **board independence** (H2), The study found that board independence had a positive and significant relationship with ROA and EPS. On the other hand, it had a positive but insignificant relationship with ROE. A high percentage of board independence increases investors' confidence in Takaful companies in Malaysia, which can explain the positive effect with the ROA and EPS.

The finding is in line with Agency Theory that assumes that a large number of independent directors gives added value to a company by providing the company with independent ideas and unique experiences. Moreover, the finding also supports Resource Dependence Theory, which argues that independent directors' presence on the board introducing new information, skills, and suppliers and enhances vital resources acquisition (Hillman & Dalziel, 2003). Consequently, this study proposes that independent members' presence is a critical factor in Malaysian Takaful companies' performance.

In brief, more independent directors on the board cause company performance to increase. The arguments are that independent directors provide a strong governance function, which leads to improvements in decision-making and a positive impact on firm performance.

For the third (H3) hypothesis, the study found a positive and significant relationship on ROE, and positive and insignificant relationship on ROA, but a negative and significant relationship with EPS. This could be because an increase in

executive membership can make decision-making fast and timely, which can positively impact ROE. The finding agrees with Stewardship Theory that suggests the managers and executives board members are willing to do their duties for the firm's growth (Doa & Ngo, 2020). However, the executive membership concentration might worry investors, making it a negative predictor of the ROA and EPS.

For the fourth hypothesis, the study proposed that the effect of **Muslim director** on financial performance would be positive (H4). This study's findings indicate that having Muslim directors on the board had a positive and significant relationship with the ROA, ROE, and EPS. This positive effect could be because Islam is the religion of the majority of Malaysians. Having Muslim directors on the board might make the customers more comfortable and willing to make transactions with Takaful companies, positively impacting ROA and ROE. Their presence will also make investors desire to trade the share of the company and impact EPS positively.

This finding agrees with Resource Dependency Theory in that a diversity of religions can enhance firm performance through sharing expertise, knowledge and experience in the decision-making process (Ramly, 2018).

This study uses Stakeholder Theory from an Islamic viewpoint as a theoretical framework, which has not been used in any existing literature before. According to the Stakeholder Theory, an increase in BOD number would improve the degree of shareholders representation. No individual or small group of people would dominate the board's decisions (Ghayad, 2008).

The **frequency of board meetings** was proposed to affect the performance of companies in H5. In line with Agency Theory, the study hypothesized that board meetings would positively affect firm performance, in that an increase in the number of board meetings would increase corporate performance. However, the findings

indicated that a negative and significant relationship between board meetings and firm performance. These results are inconsistent with Agency Theory, which expects that frequency of board meetings would enhance the board's ability to show more outstanding capabilities in advising, disciplining, and monitoring management, thus improving performance (Vafeas, 1999; Jensen, 1993; Lipton & Lorsch, 1992).

The reasons for this negative relationship could be several. Board meetings in the context of Takaful companies in Malaysia are costly. Every meeting requires a company to prepare for the place, food, allowances, and other meeting expenses that might affect the companies' ROA and ROE and negatively impact investors, reflecting negatively on the EPS.

In line with this finding, the Stewardship Theory suggests that board of directors' meetings are irrelevant to implementing a board's governance obligations because monitoring is an entirely endogenous process (Hahn and Lasfer, 2007). However, with the existence of conflict with Agency Theory, the study's results are compatible with previous studies (Adams et al. 2010; El Mehdi, 2007; Ntim, 2009; Albassam, 2014).

In H6, **gender diversity** was proposed to have a positive and significant effect on financial performance. The findings showed that, as expected, the effect of gender diversity on financial performance was positive. Thus, an increase in the number of women on the board will increase Malaysian Takaful companies' financial performance.

The positive effect can be attributed to the fact that women's presence among board members might improve the process of the decision-making and bring unique perspectives and ideas to a firm, which thereby improve account-based and market performance. A diversified board will have enriched ideas, and the varying

perspectives of males and females will impact the services provided by Takaful companies and increase their financial performance because they can fulfil the needs and desires of both genders. This could explain the positive and significant effect of women directors on boards in Malaysia and their positive role in accounting and market-based performance.

In line with this finding, previous studies have indicated that board gender diversity is essential for enriching companies' ideas and product offerings. For instance, Mai (2021) The results show that female board of directors has a positive and significant influence on bank performance. Jabari and Muhamad (2020) who found that more gender-diverse BOD and SSB are expected to have better financial performance in Malaysian and Indonesian Islamic banks. Sabri et al. (2020) found that gender diversity on the BOD improved Malaysian companies' financial performance.

The seventh hypothesis (H7) proposed that the impact of **board effectiveness** (composite measure) on financial performance would be positive and significant. The findings showed that the effect was positive and significant, confirming the hypothetical relationship posited in this study.

The positive effect of board effectiveness could be due to the notion that Takaful companies in Malaysia that have strong leadership with high experience and the ability to make decisions will enjoy positive accounting and market performance. This is because board effectiveness indicates that the board is active and can create effective strategies that lead to a better financial performance of Takaful companies in Malaysia.

The positive effect of board effectiveness on financial performance is consistent with Agency Theory, which suggests that enhancing the effectiveness of the internal corporate mechanisms, such as the board of directors and audit committee leads to

reduced agency conflicts and hence should have a mitigating effect on financial performance (Cohen et al., 2002; Mallin, 2007; Habbash, 2010). The finding also aligns with previous studies that found a positive effect between board effectiveness and financial performance (e.g., Yousuf, 2010; Al-Ebel, 2013; Aomrah, 2015; Makhlouf et al., 2017; Mathew et. al., 2018).

H8 was predicted that the effect of **AC chairman specialization** on financial performance would be positive. The findings showed that the effect of AC chairman specialization positively affected ROE and had a positive but insignificant effect on ROA and EPS. The positive effect of AC chairman specialization on ROE could be related to the notion that the primary mission of AC is to audit and monitor the financial reports, and the ROE involves more than ROA and EPS in these reports. Thus, when the AC chairman is specialized, this affects the quality of financial reporting.

This result is consistent with the Resource Dependency Theory argument that good experience means diversifying resources and improved performance. This could potentially affect financial-related activities such as the ROE but not the operational activities such as ROA and market activities such as EPS. In this study, most AC chairpersons had financial backgrounds, which could have crucial financial performance implications in Malaysian Takaful companies.

Concerning **audit committee size** (H9), this study found a positive and significant relationship between AC size and ROA, ROE and EPS. Based on Agency Theory, this study hypothesized that audit committee size is expected to enhance financial performance. Moreover, this result is in line with previous studies that found a significant relationship between audit committee size and financial performance. (Heenetigala & Armstrong, 2011; Swamy, 2011; Al-Matari et al., 2012a). This is so



because the audit committee is primarily developed to increase the financial disclosure. Moreover, the audit committee is one of the main elements of the CG system that plays a key role in monitoring the internal control framework effectiveness and overseeing and reviewing the companies' financial reporting. There was a significant association between audit committee size and corporate performance.

For **AC independence** (H10), this study hypothesized a positive association between AC independence and corporate performance. Based on the statistical results, this study found a significant relationship between AC independence and financial performance. Therefore, an increase in AC independence will positively affect the corporate performance of Takaful companies in Malaysia.

The positive effect could be because AC independence is critical for companies to ensure that the reporting of financial results are transparent and accurate. This affects accounting-based performance metrics, such as ROA and ROE. On the other hand, an increase in AC independence gives Takaful companies good reputation. It encourages investors to make deals with these companies, which affects the EPS positively.

According to the Agency Theory, audit committee independence plays a crucial role in guaranteeing that auditing practices are observing in financial reports, which leads to the increase of company performance (Fama & Jensen, 1983). Therefore, this result supports the Sarbanes-Oxley Act (2002) recommendation that the audit committee should have a majority of independent members avoid conflicts between managers and owners and improve companies' performance. An effective AC should comprise independent experts and well-informed members and possess sufficient authority (Mohiuddin & Karbhari, 2010).

H11 hypothesized a positive relationship between the number of **AC meetings** and financial performance. The findings showed that the effect of AC meetings on ROA and ROE was not statistically significant, indicating no relationship between the number of AC meetings and financial performance. The relationship between AC meetings and EPS was negative but insignificant. Accordingly, AC meetings did not affect the financial performance of Takaful companies in Malaysia.

The negative finding indicates that an increase in the frequency of meetings leads to decreased financial performance. This is because there are costs related to the frequency of meetings of the AC committee, such as managerial time, hotel accommodation, travel costs, and meeting expenses. These additional costs adversely impact the financial performance of Takaful companies in Malaysia.

This result is inconsistent with Agency Theory, which suggests that more audit committees meeting would reduce agency problems. However, there is support for the results of this study in the findings of Abdul and Haneem (2006) and Mohd Saleh et al. (2007) in Malaysia, which indicate that a decrease of the number of AC meeting can improve the performance of companies.

For the effect of **AC effectiveness** on financial performance, H12 proposed a positive effect between AC effectiveness and financial performance. The findings showed that the effect of ACE on the financial performance was positive and significant, indicating that an increase in the ACE will result in a positive increase in the financial performance of Takaful companies in Malaysia.

The positive effect of ACE on financial performance could be related to the notion that AC is one mechanism of corporate governance and having an effective AC can lead to more accurate decisions and transparency in financial reporting. This could

lead to a positive impact on the accounting and market-based performance of Takaful companies in Malaysia.

These findings are consistent with Agency Theory which suggests that enhancing the effectiveness of the internal corporate mechanisms, such as the board of directors and audit committee lead to reduce agency conflicts and hence should have a mitigating effect on financial performance (Cohen et al., 2002; Mallin, 2007; Habbash, 2010). The findings are also in line with previous studies that examined the effect of AC effectiveness on financial performance (e.g., Yousuf, 2010; Al-Ebel, 2013; Aomrah, 2015; Makhoul et al., 2017; Mathew et al., 2018).

The inconclusive results reported by earlier studies encouraged researchers to search for other intervening variables that can affect the conduct of corporate directors and impact the relationship between board effectiveness and AC effectiveness on corporate performance, such as Shariah committee quality. Thus, this study's third and fourth objectives were related to examining the moderating impact of the SCQ on the association between the BODE and ACE on financial performance. To study the impact of these moderating variable on the relationship between the board of directors' effectiveness and AC effectiveness on performance, the study adopted a composite measure of the board of directors' effectiveness and AC effectiveness from existing studies to capture the aggregate influence of board effectiveness and AC effectiveness.

Regarding the **moderating role of SCQ** (H13): the study found that SCQ plays a significant role in determining the relationship between BODE and financial performance. The result means that the presence of SCQ on the board of directors can increase the association between the board of directors' corporate performance effectiveness. This supports the hypothesis of a positive relationship.

This finding could be because when the SCQ is high quality or effective, more accurate financial monitoring decisions can be made, and better performance can be achieved. It also could be because Islam is the religion of the majority of Malaysia and having high-quality Shariah committee give the impression that the Takaful companies are Shariah-compliant. This, in turn, encourages customers and citizens to deal with these companies. This finding is consistent with the previous studies (i.e., Rasli et al., 2020; Neifar et al., 2020; Ajili & Bouri, 2018), who found Shariah Supervisory board quality had a positive and significant moderating role on performance.

The positive interaction indicates a high-quality SC in Malaysian Takaful companies leads to an increase in the positive relationship between BODE with financial performance.

Regarding the **moderating role of SCQ** (H14), the findings indicated a moderating effect of SQC between ACE on ROA and ROE. Still, they did not support a moderating effect of SCQ between ACE and EPS. The positive interaction indicates that a high-quality SC in Malaysian Takaful companies leads to an increase in the positive relationship between AC effectiveness with ROA and ROE. The insignificant moderating effect of SCQ between ACE and EPS could be because the AC is not directly involved in Takaful companies' operations decisions. Instead, it is more concerned with auditing and monitoring financial reports. Thus, customers and investors do not pay attention to the AC committee as much as they monitor the board of directors' activities. These findings are in agreement with previous studies that pointed out the role of SCQ in improving the performance and its ability to moderate the effect of ACE on the financial performance (i.e., Rasli et al., 2020; Neifar et al., 2020; Safitri & Mukhibad, 2020; Ajili & Bouri, 2018).

Otherwise, the result found this could support the findings of not moderating or affect the relationship between ACE on EPS. This result can be justified because the SC focuses on the compliance of Shariah more than the result of EPS.

#### **6.4 Contributions and Implications of the Study**

The current study offers many contributions and implications, which include academic and practical implications. The outcomes of this thesis provide significant evidence from a developing country that contributes to the literature on the influence of the board of directors' effectiveness on company performance and to improve the corporate governance practices in the Middle East and Asia region and Malaysia particularly. Therefore, this research's findings can be generalized to other countries with comparable cultural and economic considerations, especially for developing economies. The benefits of this study are presented in detail in the following subsections:

##### **6.4.1 Academic Contributions and Implications**

First, this thesis's results would make useful contributions to the academic and research communities, especially considering the deficiency of formal studies focusing on issues related to CG effectiveness, Shariah Committee and firm performance in Malaysia. This thesis supports the body of knowledge and the growing literature regarding CG mechanisms, the Shariah Committee and firm performance in Malaysian Takaful companies. The findings also serve as references on current issues in the Malaysia market for researchers to further search for ways to improve corporate governance in developing countries. The findings are advantageous to researchers because they offer empirical evidence on the issues concerning agency conflicts

between the minority and majority shareholders in Malaysia and how they should be managed.

Second, a strong point of the research relates to the fact that it brings empirical evidence from a relatively a new cultural context considering that most of the studies have taken place in the UK, USA, Canada, and India. This is the first study that has studied CG effectiveness, AC, SCQ and financial performance in Malaysia. This is significant in permitting tests of the broader validity of findings derived from research conducted in a developing country context.

Third, this thesis contributes to academic knowledge in a distinctive aspect of Malaysian Takaful companies, which is the effect of an outside financial expert assigned as a member of the audit committee. Usually, this outside financial expert is not a member of the board of directors or an employee of a company but is assigned to the audit committee for his knowledge base and financial affairs experience. In addition, this thesis introduces a uniqueness of Takaful companies and IFIs in Malaysia and how they do the business.

Fourth, this study considers the effects model approach as an appropriate method to estimate the relationship between BODs and AC's effectiveness at an aggregate level and the individual level with corporate performance. This will have valuable implications for researchers to diversify corporate governance research further. As a reference for researchers, the findings support the notion that a combination of corporate governance effectiveness is considered superior to individual metrics. This is because corporate governance effectiveness is realized through different means and a particular characteristic's effectiveness depends on the effectiveness of others. The findings of composite measures of the BOD and AC

demonstrate that individual corporate governance effectiveness need to be combined to improve corporate performance practices.

Finally, concerning theoretical implications, this study's results strengthen Agency Theory in clarifying corporate governance practices and corporate performance in Malaysia. It aims at supporting Agency Theory's supposition that corporate performance is an invaluable tool for reducing agency conflict, especially in Malaysia. The results show a significant association between corporate governance effectiveness (i.e., BOD and AC) and financial performance. In addition, based on the perspective of Resource Stewardship and Stakeholders theories, the separation was found to be more evident in this thesis. This is because the owner also acts as a resource or steward for the companies. Thus, the owner/resource or owner/steward works for the company's benefit and disregards his/her benefits.

#### **6.4.2 Practical Contributions and Implications**

The results have practical implications. The findings are of value to the investors, shareholders, companies, regulators, and the public in their efforts to limit poor corporate performance, thereby enhancing the quality of corporate governance effectiveness. This could help improve and develop corporate governance practices in Malaysia by revising existing requirements and applying practical guidelines to maintain the actual and perceived understanding of some rules. Consequently, this study's findings demonstrate that the existence of the BODs and AC are effective indicators by which investors and shareholders can efficiently estimate Malaysian Takaful companies' likelihood of improving their performance. In reality, the results have shown BOD and AC play a crucial role in improving corporate performance practices.

Second, the outcomes of this thesis provide significant evidence from an emerging economy such as Malaysia where the policymakers (Malaysian Institute of Corporate Governance (MICG), Bank Negara Malaysia (BNM) and Bursa Malaysia (BM)) could develop regulations based on empirical results, not on political or non-deliberate decisions. The result of this study might serve as a basis for Malaysian regulators to enhance the existing corporate governance effectiveness by directing Takaful companies to establish robust and high-quality boards capable of making the correct decisions. Results from this study indicate that the independent director variable has a significant influence on financial performance.

Third, the results provide BNM with practical information to review corporate governance practices, especially BODs and AC, to manage the SC in Takaful companies effectively. The results suggested a practical need to increase the level of independence, women participation, and board size as they have significant effects on the relationship between the board of directors, AC, and corporate performance. In light of the aforementioned, BNM should not assume that BODs and AC are sound in protecting shareholders' interests in companies. Therefore, in this context, the BNM should improve corporate governance regulations, thereby legislating further regulations that protect minority shareholders' rights to enhance corporate performance within Malaysian Takaful companies.

Fourth, in terms of implications for regulatory authorities and policymakers, this study's findings will help BNM regulators address the factors affecting Malaysia's corporate performance to be more decisive towards improving corporate performance. The findings can be used as empirical support for developing their regulations and making further corporate governance recommendations. Stock market authorities can also use this study's results to assess the current requirements of corporate governance



practices and the role of corporate governance structures in enhancing the quality of corporate performance. New corporate governance regulations and reviews of the present corporate governance codes should be based on empirical research such as that provided by this study.

Finally, this study offers a clear interpretation to comprehend the impact of SCQ on corporate performance in Malaysian Takaful companies. In line with this, the results will aid Malaysia's regulatory bodies, such as the BNM to evaluate the existing listing requirements and ownership structure in Malaysian Takaful companies. Additionally, this work serves as an awareness and current proof to the bodies and related parties to know whether the current corporate governance practices in Malaysian Takaful firms produce the expected outcome.

#### **6.5 Limitations of the Study**

This study provides a clear vision of how corporate governance effectiveness Malaysian Takaful companies influence financial performance. However, limitations always exist for studies. Even though this thesis has realized its objectives and has made significant contributions to this research area, it is not free from limitations, which should be highlighted to permit a fair interpretation and adoption of its findings.

First, this study was limited to Malaysian Takaful companies. Other sectors were not included in this study because they are different in their nature and regulations than the other sectors. Therefore, findings from this study cannot be generalized to these sectors.

Second, the study used ten years to measure the financial performance of Malaysian Takaful companies (i.e. for the period 2010-2019). Thus, the findings should be interpreted based on the period of the study.

Third, the study mainly examined the association between internal corporate governance structures, using ten independent variables (i.e., Board Size, Board Director Independence, Executive membership, Muslim Directors, Board Meeting Frequency, Board Gender Diversity, AC Chairman Specialization, AC Size, AC Independence and Meeting Frequency). These variables were selected due to their relevance to the Malaysian Takaful companies. Other variables were ignored.

Fourth, the study used market- and accounting-based performance measurement. However, accounting-based performance measurement has its weaknesses as it only captures historical data. Many measurements can be used to evaluate financial performance. However, the measurements deployed in this study (ROA, ROE, and EPS) are used widely to measure companies' financial performance.

Fifth, there are other metrics of the effectiveness of the board of directors, audit committee and Shariah committee that are important but were not examined in this study due to the lack of information.

The last limitation was related to the source of the data. The data used in this study were collected from the annual reports. Consequently, other variables that may affect financial performance were not examined. For instance, the qualitative nature of the board of directors and audit committee effectiveness were not examined. Furthermore, the association between board members with those of the audit committee, external auditors or shareholders was not explored. This study only explores three important governance mechanisms: board effectiveness, audit committee effectiveness and Shariah committee quality. Other governance factors that were not included in this study (such as Shariah audit and ownership structure) may also affect financial performance.

## 6.6 Recommendations for Future Research

There are several potential avenues for future research and improvement.

First, future study could investigate the model used in the current study in various contexts (different cultures, different stock exchanges or different economic cycles, and sample sizes) in GCC countries and compare Malaysia and GCC countries in the Takaful industry.

Second, future research may consider using more years to examine the relationship between CG and financial performance, so that a comprehensive overview and deeply evaluation can be obtained. Especially after COVID-19 period 2020 affected all economic aspects.

Third, this study mainly examined internal CG mechanism. Future studies should investigate how external corporate governance mechanisms can affect the financial performance of Malaysian Takaful. Future research can also analyse interactions and interdependences between internal and external corporate governance mechanisms and their impact on financial performance.

Fourth, other performance measures also can be used as a proxy for financial performance such as economic value added (EVA), Tobin's Q (TQ), non-performing loans (NPL), Profit Margin (PM), and Return on Investment (ROI). Then, the results can be compared to this study.

Fifth, this study adopted a panel data approach (secondary data), which is strong in analyzing longitudinal data. However, this approach failed to capture some of the unique behaviours in the model. Therefore, future studies may consider using interviews and questionnaires approaches to explore this issue from other perspectives.

Six, future studies should also investigate the relationship between corporate governance and financial performance in light of other theories such as Transaction Cost Theory, ethical theories, political theory, institutional theory, and tournament theory. These theories are not included in the current study because of the study's objectives and the data used, which did not cover these theories' scope.

Finally, using the moderating variables of SCQ in this study provides valuable information for researchers in searching for new moderating or mediating variables to control the relationship between corporate governance and performance.

## **6.7 Summary of the study**

This study examined the roles of monitoring mechanisms, namely, the board of directors and the audit committee's effectiveness at an aggregate level and the individual level on financial performance among Malaysian Takaful companies for 2010-2017. Additionally, this study examined the moderating effect of SCQ on the relationship between the effectiveness of the board of directors and audit committee with financial performance. The findings of this study are somewhat consistent with the previous literature in developing countries. The descriptive analysis indicates Malaysian Takaful companies have adopted some recommendations for the board of directors and audit committee. The Agency Theory, Resource Dependency Theory, Stakeholder's Theory and Stewardship Theory can be applied to corporate governance research in general, particularly in developing countries such as Malaysia.