

**CORPORATE GOVERNANCE
EFFECTIVENESS AND MALAYSIAN
TAKAFUL COMPANIES PERFORMANCE:
THE MODERATING ROLE OF SHARIAH
COMMITTEE QUALITY**

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AUTHOR DECLARATION

I hereby declare that the work in this thesis is my own except for quotations and summaries, which have been duly acknowledged.

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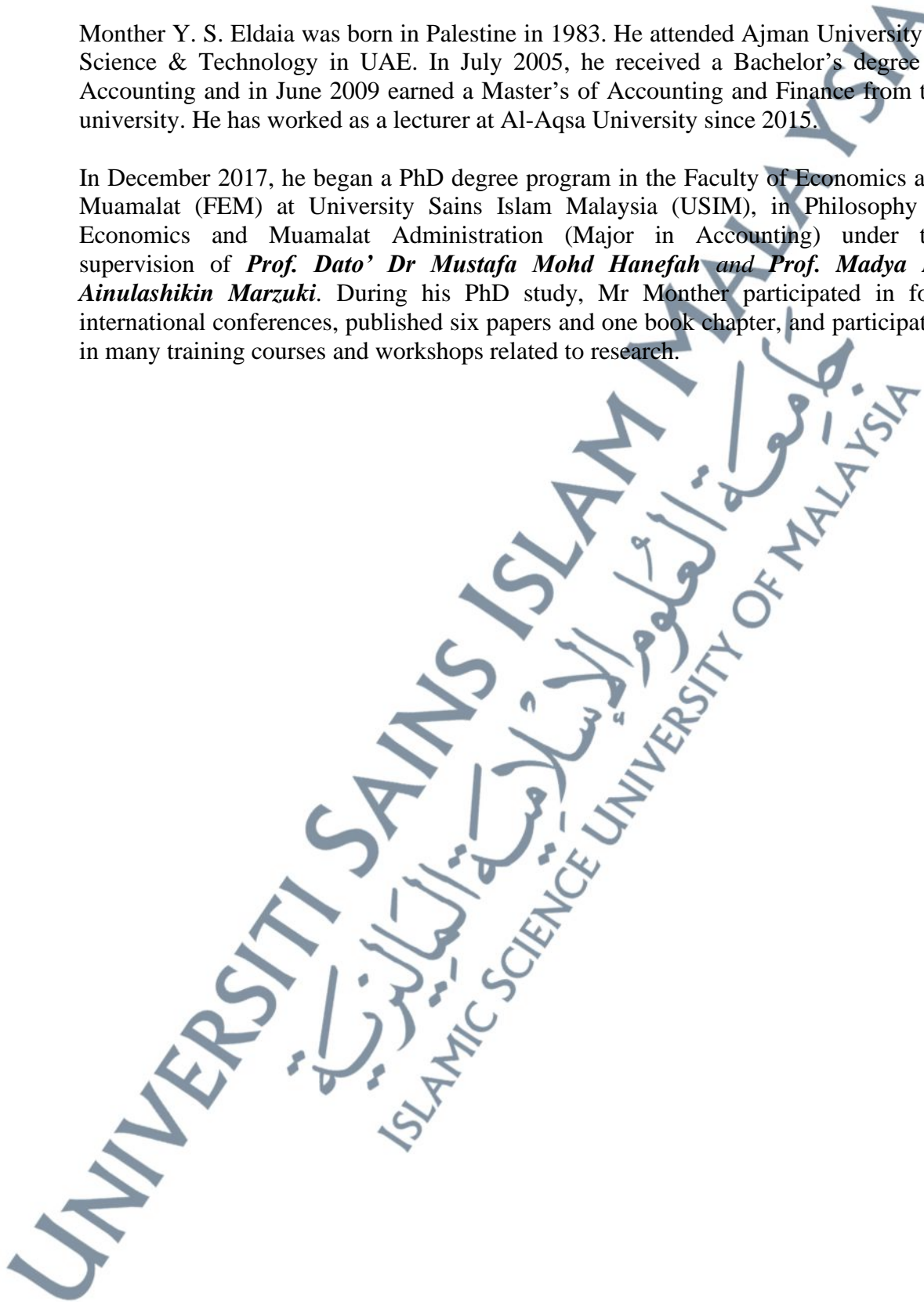
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ABSTRAK

Tadbir urus korporat (CG) telah menarik banyak perhatian dalam dua dekad terakhir di negara membangun dan maju disebabkan peranan pentingnya dalam menstabilkan ekonomi global. Akibat daripada skandal-skandal kewangan dan keruntuhan syarikat-syarikat antarabangsa raksasa, terutamanya institut kewangan Islam dan pengendali Takaful, banyak kajian telah mengkaji CG. Akan tetapi, dapatan-dapatannya belum muktamad. Tambahan lagi, dapatan kajian lepas yang tidak konsisten mengesyorkan kepada para pengkaji untuk menyiasat pemboleh ubah pengantara lain yang boleh memberi kesan kepada gelagat pengarah dan mempengaruhi hubungan antara keberkesanan lembaga pengarah dan prestasi. Kajian ini menyiasat kesan keberkesanan lembaga pengarah (BOD) dan keberkesanan jawatankuasa audit (AC) terhadap prestasi 11 syarikat takaful Malaysia yang memegang lesen Bank Negara Malaysia dari tahun 2010 hingga 2017. Tambahan lagi, kesan penyederhanaan kualiti jawatankuasa syariah (SCQ) turut disiasat. Kajian ini menggunakan pendekatan data panel dan regresi pelbagai untuk menguji beberapa hipotesis. Kajian ini menggunakan teori-teori tadbir urus yang relevan untuk menyiasat hubungan antara CG dan prestasi syarikat takaful. Ciri-ciri lembaga pengarah yang digunakan dalam kajian ini adalah saiz lembaga, kebebasan lembaga, keahlian eksekutif, pengarah Muslim, kekerapan mesyuarat, dan kepelbagaian jantina. Ciri-ciri AC pula adalah pengkhususan pengerusi AC, saiz AC, kebebasan AC, dan kekerapan mesyuarat. Prestasi syarikat diukur dengan pulangan atas aset (ROA), pulangan atas ekuiti (ROE), dan pendapatan sesyer (EPS). Skor SCQ digunakan untuk memastikan kualiti Jawatankuasa Syariah (SC). Kajian empirik ini mendapatkan beberapa dapatan yang tidak konsisten. Dapatan menunjukkan bahawa hubungan antara keberkesanan lembaga pengarah dan prestasi korporat (ROA dan ROE) adalah signifikan bagi kebebasan lembaga, pengarah Muslim dalam lembaga, kepelbagaian jantina, dan keberkesanan lembaga secara agregat. Keahlian eksekutif tidak memberikan kesan signifikan kepada ROA. Mesyuarat lembaga tidak memberikan kesan signifikan kepada ROA, ROE, dan EPS. Pengkhususan pengarah AC, saiz AC, kebebasan AC, dan keberkesanan AC sebagai skor komposit memiliki hubungan yang positif dan signifikan dengan ROE. Saiz AC, kebebasan AC, dan keberkesanan AC memberikan kesan positif terhadap ROA. Kekerapan mesyuarat memiliki hubungan negatif dan tidak signifikan dengan ROA, ROE, dan EPS. Tambahan lagi, pengkhususan pengarah AC memiliki hubungan tidak signifikan dengan ROA. Saiz lembaga, kebebasan lembaga, keahlian eksekutif, pengarah Muslim dalam lembaga, kepelbagaian jantina, dan keberkesanan lembaga pengarah secara agregat memiliki hubungan yang signifikan dengan EPS. Tambahan lagi, dapatan menunjukkan bahawa saiz AC dan keberkesanan AC memiliki hubungan signifikan dan positif dengan EPS. Walau bagaimanapun, pengkhususan pengarah AC, kebebasan AC, dan kekerapan mesyuarat AC memiliki hubungan tidak signifikan dengan EPS. Dapatan menunjukkan bahawa SCQ secara positif menyederhanakan kesan BODE kepada ROA, ROE, dan EPS. Dapatan juga menunjukkan ACE memberikan kesan negatif langsung kepada EPS.

ABSTRACT

Corporate Governance (CG) has drawn significant attention in the last two decades due to the critical role it plays in stabilizing global economies. As a result of several financial scandals and collapses of giant international companies, especially in IFIs and Takaful operators, many studies have examined CG, but the findings remain inconclusive. Moreover, previous studies recommended the researchers must examine other intervening variables, which may have an effect on the behaviours of directors and influence the relationship between board effectiveness and performance. This study examined the effect of the Board of Directors (BOD) effectiveness and Audit Committee (AC) effectiveness on the performance of 11 Malaysian Takaful companies licensed by Bank Negara Malaysia over the period from 2010 to 2017. In addition, the moderating effect of Shariah Committee Quality (SCQ) was investigated. The study uses a panel data approach, and multiple regression was used to test various hypotheses. This study employed relevant governance theories to investigate the relationship between CG and a Takaful company's performance. The board effectiveness considered in this study were board size, board independence, executive membership, Muslim directors, meeting frequency, and gender diversity. AC effectiveness included AC Chairman Specialization, AC size, AC independence, and meeting frequency. Firm performance was assessed by the return on assets (ROA), return on equity (ROE), and earnings per share (EPS), and an SCQ score was used to determine the quality of Shariah Committee (SC). The empirical investigation revealed mixed results. The findings showed the relationships between BODE and corporate performance ROA and ROE were significant for board independence, Muslim directors on the board, gender diversity, and board effectiveness as an aggregate. Executive membership had an insignificant effect on ROA, Board meetings frequency had an insignificant effect on ROA, ROE and EPS. AC chairman Specialization, AC size, AC independence, and AC effectiveness as composite score had a significant and positive relationship with ROE. AC size, AC independence and AC effectiveness had a significant positive effect on ROA. Meeting frequency had a negative and insignificant relationship with ROA, ROE, and EPS. In addition, AC chairman specialization had an insignificant relationship with ROA. Concerning the relationship with EPS, the findings revealed that board size, board independence, executive membership, Muslim directors in the board, gender diversity, and board director's effectiveness as an aggregate score had a significant relationship with EPS. Moreover, the findings showed that the AC size and AC effectiveness had a significant and positive relationship with EPS. However, AC chairman specialization, AC independence had insignificant relationship with EPS. The findings indicate that SCQ positively moderated the relationship between BODE on ROA, ROE, and EPS. The results also showed ACE had a negative direct effect on EPS. The findings of this study contribute to the literature on CG and firm performance in the context of developing countries. The findings also have useful implications for policymakers, academics, and users of Malaysia's financial statements.

الملخص

استحوذت حوكمة الشركات على اهتمام كبير في العقدين الماضيين ، بسبب الدور المهم الذي تؤديه في استقرار الاقتصادات العالمية في كل من البلدان المتقدمة والنامية. نتيجة للعديد من الحسائر المالية وافلاس الشركات العالمية، وخصوصا في الشركات الاسلامية و شركات التكافل، أجريت العديد من الدراسات في حوكمة الشركات ولكن النتائج حتى الان غير حاسمة. و قد اوصت العديد من الدراسات بضرورة اختبار العديد من المتغيرات التي يمكن ان يكون لها تأثير على العلاقة بين الحوكمة و أداء الشركات. تهدف هذه الأطروحة إلى دراسة تأثير فعالية مجلس الإدارة وفعالية لجنة التدقيق على أداء 11 شركة تكافل ماليزية مسجلة في بنك نيغارا ماليزيا خلال الفترة من 2010 حتى 2017. بالإضافة إلى ذلك ، التحقق من تأثير جودة الهيئة الشرعية كمتغير وسيط في تلك العلاقة. استخدمت الدراسة منهج حزم البيانات المقطعية الزمنية والانحدار المتعدد لاختبار الفرضيات المختلفة. استخدمت الدراسة نظريات الحوكمة ذات الصلة للتحقيق في العلاقة بين أداء الحوكمة وأداء شركات التكافل. خصائص مجلس الادارة التي تم اختبارها في الدراسة هي حجم المجلس ، واستقلالية المجلس ، والعضوية التنفيذية ، والأعضاء المسلمين في المجلس ، وتكرار الاجتماعات ، والتنوع بين الجنسين. بينما خصائص لجنة التدقيق هي تخصص رئيس اللجنة ، وحجم لجنة التدقيق ، واستقلالية الاعضاء و عدد مرات الاجتماعات. يتم تقييم أداء الشركة من خلال العائد على الأصول والعائد على حقوق الملكية والعائد على السهم. أظهرت الاختبارات الاحصائية العملية مجموعة مختلطة من النتائج. وكشفت النتائج أن العلاقة بين فعالية أعضاء مجلس الإدارة وأداء الشركة من حيث العائد على الأصول و العائد على حقوق الملكية جوهرية من حيث استقلالية مجلس الإدارة ، وعدد الاعضاء المسلمين في المجلس ، والتنوع بين الجنسين ، وفعالية مجلس الإدارة ككل. ، والعضوية التنفيذية لها تأثير ضئيل و غير جوهري على العائد على الأصول. تكرار اجتماعات مجلس الإدارة وحجم مجلس الإدارة له تأثير ضئيل غير جوهري على أداء الشركة حيث العائد على الأصول و العائد على حقوق الملكية. تخصص رئيس لجنة التدقيق ، وحجم لجنة التدقيق ، واستقلالية الاعضاء ، وفعالية لجنة التدقيق ككل لها علاقة إيجابية جوهرية مع العائد على حقوق الملكية. إن استقلالية أعضاء لجنة التدقيق وحجم اللجنة وفعالية لجنة التدقيق ككل لهما تأثير إيجابي كبير على العائد على الأصول. عدد مرات اجتماع لجنة التدقيق له علاقة سلبية وغير جوهرية مع العائد على الأصول و العائد على حقوق الملكية. بالإضافة إلى ذلك ، تخصص رئيس لجنة التدقيق لهما علاقة ضعيفة غير جوهرية مع العائد على الأصول. فيما يتعلق بالعلاقة مع العائد على السهم ، أظهرت النتائج أن حجم مجلس الإدارة ، استقلالية مجلس الإدارة، والعضوية التنفيذية ، والأعضاء المسلمين في مجلس الإدارة ، والتنوع بين الجنسين ، وفعالية أعضاء مجلس الإدارة ككل لديهم علاقة إيجابية جوهرية مع العائد على السهم. على العكس من ذلك ، فإن تكرار اجتماعات المجلس لها علاقة غير جوهرية مع العائد على السهم. علاوة على ذلك ، أظهرت النتائج أن حجم لجنة التدقيق وفعالية لجنة التدقيق لهما علاقة إيجابية جوهرية مع العائد على السهم. ومع ذلك ، فإن تخصص رئيس لجنة التدقيق ، واستقلالية الأعضاء ، وتكرار اجتماعات لجنة التدقيق لها علاقة غير جوهرية مع العائد على السهم. كما تظهر النتائج إلى أن جودة اللجنة الشرعية لها تأثير ايجابي على العلاقة بين فعالية مجلس الادارة و أداء الشركة (العائد على الأصول، العائد على حقوق الملكية، العائد على السهم).. تساهم نتائج هذه الدراسة في الادبيات العلمية للحوكمة وأداء الشركات في البلدان النامية. كما أن النتائج لها آثار مفيدة على متخذي القرارات وصانعي السياسات والأكاديميين ومستخدمي البيانات المالية في ماليزيا.

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LIST OF UNIT OF MEASUREMENTS

Constant	α
Errors	uit
Equal to	=
Greater than	>
Less than	<
Negative (minus sign)	-
Per cent	%
Plus or minus	\pm
Positive (plus sign)	+
Rightwards Arrow	\rightarrow

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LIST OF ABBREVIATIONS

AAOIFI	Accounting & Auditing Organization for Islamic Financial Institution
AC	Audit committee
ACE	Audit Committee Effectiveness
BNM	Bank Negara Malaysia
BOD	Board of Directors
BODE	Board of Directors Effectiveness
CV	Control Variable
CG	Corporate Governance
DV	Dependent Variable
EPS	Earnings Per Share
IFI	Islamic Financial Institution
IV	Independent Variables
MCCG	Malaysian Code on Corporate Governance
MLR	Multiple Linear Regressions
RM	Ringgit Malaysian
RO	Research Objectives
ROA	Return on Assets
ROE	Return on Equity
RQ	Research Questions
SC	Shariah Committee
SCQ	Shariah Committee Quality
SSB	Shariah supervisor board
SPSS	Statistical Package for the Social Sciences
STATA	Statistical Analysis Software
TC	Takaful Company
U.K.	United Kingdom
U.S.A.	United States of America