

The Influence of Board and Audit Committee Characteristics on Firm Performance among Malaysia's Top 100 Public Listed Companies

Yeak Zi Min

Faculty of Business, Economics and Accounting, HELP University, Malaysia

Dr. Yap Kiew Heong Angeline

Faculty of Business, Economics and Accounting, HELP University, Malaysia

DOI Link: <http://dx.doi.org/10.6007/IJARAFMS/v16-i1/27337>

Published Online: 08 January 2026

Abstract

This study examines the impact of board and audit committee characteristics on the performance of Malaysia's top 100 publicly listed companies. Specifically, it examines how board size, board gender diversity, board meeting frequency, audit committee size, and audit committee independence affect firm performance, as proxied by Tobin's Q. Drawing upon agency theory and resource dependence theory, the analysis employs financial data extracted from Bloomberg database, with multiple regression analysis conducted to ascertain the associations between governance attributes and market performance. The findings reveal that both board size and board meeting frequency exhibit a significant and negative association with firm performance, suggesting that excessively large boards and frequent meetings may lead to inefficiencies and lower firm performance. These results underscore the importance of optimal board composition and efficient governance structures in enhancing firm value within the Malaysian corporate landscape. This study contributes to the literature by using Tobin's Q, which offers a more forward-looking measure and addresses the time gap for the most recent year, 2024, on the relationship between CG and firm performance.

Keywords: Corporate governance, Board Characteristics, Audit Committee, Tobin's Q, Firm Performance, Malaysia

Introduction

Corporate governance (CG) is a structure that is used in directing and managing the operations, affairs, and businesses of a company to stimulate business prosperity, lucrativeness, and accountability, with setting prolonged shareholder values as the ultimate goal while taking the interests of other stakeholders into consideration (MCCG, 2021). To maintain the CG's effectiveness, there are three main stakeholders: shareholders, executives, and the board of directors (BOD) (Singhania & Panda, 2024). Together, they balance the

system for transparency and accountability to promote impartiality and objectivity (Singhania & Panda, 2024).

The BOD serves as a central pillar of CG, providing strategic oversight and guidance to management. The BOD is typically comprised of specialized sub-committees to address technical matters, such as the audit committee (AC), in playing a critical role in overseeing financial reporting and internal controls. Due to its significance, the AC has been the most extensively studied board sub-committee in prior literature (Puni & Anlesinya, 2020).

Interest in CG has heightened among academics and practitioners, largely due to its perceived role in promoting ethical business conduct and enhancing firm performance through its effective monitoring and oversight (Singhania & Panda, 2024). High-profile scandals such as Enron (2001), Tyco, and Global Crossing (2002), severely damaged investor confidence and highlighted the consequences of weak governance (Agrawal & Chadha, 2003). These failures were largely attributed to ineffective oversight by the BOD and AC, allowing managerial misconduct to go unchecked (Al-Matari, 2013).

Malaysia also has governance scandals, most notably the '1 Malaysia Development Berhad (1MDB)', which involved corruption, money laundering, and weak internal controls. Investigations disclosed major infringements with the Malaysian Code on Corporate Governance (MCCG) and internal best practices on CG, including major decisions made outside of formal BOD meetings, reflecting severe governance deficiencies (Jones, 2020).

Study Objective

This study aims to examine the impact of CG attributes on the firm performance within Malaysia's top 100 publicly listed companies, with a specific focus on the following:

1. To explore the extent to which the composition and attributes of boards and AC shape firm performance in Malaysia's listed companies.
2. To test the extent to which theoretical frameworks, such as agency theory and resource dependence theory, hold explanatory power in the Malaysian corporate context.

Study Scope

This study is limited to the first 100 publicly listed entities on FTSE Bursa Malaysia for the year 2024. This study also focuses solely on CG variables (board size, board gender diversity, board meeting frequency, AC size, and AC independence). Regarding firm performance, it is proxied by Tobin's Q.

Theoretical Overview

This study is conceptually guided by Agency Theory and Resource Dependence Theory. Agency theory explains the relationship between principals and agents, highlighting potential issues of information asymmetry and self-serving behaviour, which can affect firm performance. Resource dependence theory emphasizes the critical role of the BOD and AC in securing external resources, providing expertise, and ensuring efficient internal management. Together, these theories provide a framework to examine how BOD and AC characteristics influence firm performance through monitoring managerial actions and optimizing resource acquisition and utilization.

Theoretical Framework

Agency Theory

Introduced by Jensen and Meckling in 1976, agency theory explains the relationship between principals and agents. In a typical agency relationship, the principals delegate responsibilities and authorities to the agents so that they can manage the businesses (Jensen & Meckling, 1976).

The relationships between shareholders and managers fit the definition of an agency relationship in the modern corporate environment, where control and ownership are detached. For instance, shareholders play the role of principals, in which they hire managers who play the role of agents to act on their behalf.

However, managers may not always act in shareholders' best interests due to self-serving behaviour, information asymmetry, and misaligned incentives (Jensen & Meckling, 1976). These conditions give rise to agency problems, including opportunism and inefficient use of corporate resources (Jensen & Meckling, 1976).

To mitigate such problems, governance mechanisms like the BOD and AC are established. From the agency perspective, board and AC characteristics are tied to their monitoring ability, in the hope to minimize information asymmetry and guarding shareholders' interests. In relation to this study, where board and AC attributes are concerned, the BOD is the topmost corporate level of management who oversee and monitors agents' activities and represents the interests of shareholders (Muhanguzi, 2019). They could closely monitor agents' activities so that conflicts are minimized, objectives are aligned, and shareholders' wealth is maximized. This could increase transparency, reduce agency costs, and improve financial performance.

Resource Dependence Theory

This theory implies that BOD and AC are crucial CG mechanisms in contributing specific resources to the firms, as companies depend reciprocally and are interdependent for the procurement of critical resources (Tshipa, 2017). According to this theory, BOD and AC serve as advisors and counsellors for the company in view of bringing in valuable resources (Zábojníková, 2016). In other words, the BOD and AC are perceived as a pivotal bridge between the companies and the resources existing in the external environment (Tshipa, 2017).

The BOD serves as a contributor of resources by supplying their expertise, professional networks, and capital, which help to secure funding from investors and enhance corporate value (Wai, 2022). The AC complements the role of the board by ensuring that resources are managed effectively within the firm. Under the lens of resource dependence theory, the competence and expertise of AC members improve their aptitude for comprehending accounting and audit information (Sultana et al., 2015). Hence, AC enhances investors' confidence and safeguards shareholders' funds by closely monitoring financial reports, internal controls, and compliance (Wai, 2022).

The synergistic relationship between BOD, AC, and firm performance can therefore be explained through resource dependence theory: BOD acts as a channel to acquire external

resources, AC ensures internal efficiency, and together they function as a resource hub that optimizes critical inputs, increasing firm performance.

Literature Review

Firm Performance as Dependent Variable

A firm's financial performance is the most used outcome variable in research (Al-Sayani, 2017). It explains how well or how badly a firm is performing.

This study adopts Tobin's Q as a market-based performance measurement. Tobin's Q has been a broadly used measurement in valuing firm value and profitability (Al-Matari, 2013). Zájbojníková (2016) performed a study on CG and its impact on firm performance and found various results with each independent variable. For example, AC size has a positive effect on firm performance, which is in proportion to Bursa's regulation requiring a minimum of three members in AC for the prevention of concentration of power and to reduce the risk of biased decisions (Bursa Malaysia, 2002).

Board Size

Board size refers to the total number of directors serving on the board. Under the Companies Act 2016 and Bursa Malaysia Listing Requirements, publicly listed companies must appoint at least two directors (Companies Act 2016; Bursa Malaysia, 2020). Although the company's board has been widely studied in CG literature, findings remained mixed.

Proponents of larger boards claim that they possess higher monitoring capacity than smaller boards due to their greater diversity of expertise and experience (Al-Sayani, 2017). Empirical evidence from Nigeria suggests a positive relationship between board size and firm performance (Odunayo, 2019). Similarly, Almoneef & Samontaray (2019), Karim et al. (2023), and Wai (2022) found positive effects with Tobin's Q, and Nawfly & Alarussi (2016) found positive effects with ROE. The positive findings are consistent with resource dependence theory, which asserts that larger boards provide greater access to resources and knowledge, particularly through outside directors with diverse experiences (Adeabah et al., 2019; Ofoeda, 2017).

In contrast, past literature argues that a smaller board is more effective, criticizing coordination difficulties, free-rider problems, and slow decision-making in larger boards. Studies by Shukla & Limbasiya (2020), Abdul Puhat et al. (2024), Elmghaamez & Akintoye (2021), and Jaafar et al. (2021) discovered significant negative results between board size and Tobin's Q, aligning with agency theory, alluding that shareholders lose control and monitoring becomes weak as firms expand. Given the mixed findings, this study hypothesizes:

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

Board Gender Diversity

Board gender diversity refers to the number of female directors on the board. Globally, female participation in boardrooms remains low, averaging only 10.3% across 67 countries (Firew, 2024). In Malaysia, gender diversity has only recently gained recognition through regulatory encouragement in MCCG (2021) by mandating at least 30% of female representation. Through the various enforcement of soft laws, the percentage of female representation on the board has reached 33% as of April 2025, indicating the push for gender quota is moving in a positive direction (Securities Commission Malaysia, 2025).

Many studies support the view that gender-diverse boards enhance firm performance. Research from developing and developed economies suggests that female directors contribute positively, as women are generally better at solving complicated problems, risk-averse, and socially inclined (Andoh et al., 2023). Women are typically perceived as more cautious in decision-making, socially responsible, and less prone to unethical activities (Gigol, 2021). These attributes strengthen monitoring and improve firm performance. Hsu et al. (2019), Odunayo (2019), Abdul Puhat et al. (2024), and Derayat et al. (2022) also reported advantageous outcomes and state that greater gender diversity enhances the quality of board decisions through improved negotiations.

On the contrary, Darmadi (2013) and Ujunwa (2012) found negative relationships. Ujunwa (2012) attributed this to family ties within the firms, where female directors were appointed based on ownership links rather than professional qualification or capabilities, thereby restricting their contribution to strategic decision-making. This risk of dysfunctional dynamics may be detrimental for female directors, who already struggle to assert influence in a male-dominated boardroom due to deviation from typical gendered leadership norms (Pletzer et al., 2015). As per the decree of female quota in MCG (2021), female directors may further be seen as mere symbolic appointments to satisfy expectations, resulting in marginalization and compromised credibility (Pletzer et al., 2015). These factors ultimately attenuate overall performance. In view of the above findings from previous studies, it is hypothesized that:

H2: Board gender diversity is significantly associated with firm performance.

Board Meeting Frequency

Board meeting frequency is measured by the number of times the directors meet for meetings in a fiscal year. Although no mandatory minimum is imposed by Bursa Malaysia and MCG, it is endorsed to meet regularly, at least five times or more if needed (Yakob & Hasan, 2021).

From an agency theory perspective, frequent board meetings allow members to clarify doubts and articulate shared goals and expectations, improving organizational effectiveness and efficiency (Correia & Lucena, 2020). Wai (2022) added that through regular meetings, supervision and monitoring are strengthened, and shareholders' interests and wealth are protected.

However, excessive board meetings can be a bane as it entails considerable managerial commitment, administrative support, travel outlays, and directors' fees (Johl et al., 2015). As resources are being allocated towards a less productive activity, other profit-generating aspects are being neglected. This saying is supported by Hanh et al. (2018) and (Roda, 2013) who stated that the additional costs outweigh the benefits. Abdul Puhat et al. (2024) highlighted that the quality of meetings is far more critical than the sheer number. Excessive meetings not only increase cost and reduce efficiency, it may also damage the trust between principals and agents if they are perceived as excessive monitoring, causing the agency problem (Argawal & Singh, 2020). Frequent board meetings may also signal underperformance to stakeholders and the market, damaging reputation and market value (Amin et al., 2018).

While more meetings may enhance board interaction and monitoring, the evidence implies that an undue number of meetings impose costs and undermine trust, consistent with agency theory. Under the lens of agency theory, regular board meetings constitute a vital CG mechanism that strengthens supervision and alleviates information gaps. Therefore, it is hypothesized that:

H3: Board meeting frequency exerts a significant effect on firm performance.

Audit Committee Size

AC size refers to the number of directors serving on the committee. It is established to assist in the BOD oversight function to increase financial transparency. Bursa Malaysia and MCCG insist on having a minimum of three members to ensure sufficiency in size (MCCG, 2021; Bursa Malaysia, 2020), as it is alleged that AC size is regarded as a critical determinant of CG effectiveness (Kamariah & Herawati, 2024).

Several studies are optimistic about the composition of AC, believing that a larger AC strengthens monitoring effectiveness. Empirical studies find positive relationships between AC size and firm performance (Mohd Saleh et al., 2007; Zábajníková, 2016; Nawfly & Alarussi, 2016). Their findings align with resource dependence theory, suggesting that larger committee size can capitalize on a broader pool of expertise, thereby improving oversight and performance.

Some literatures suggest insignificant outcomes, which means the magnitude of AC does not substantially affect organizational financial outcomes. Pathiraja et al. (2022) and Almonneef and Samontaray (2019) did not find any correlation with Tobin's Q. Likewise, Aanu et al. (2014) also observed insignificant results. Al-Matari et al. (2014)'s study is consistent with previous literature on developing countries, and they deduced that developing countries do not consider AC as of much importance. Thus, the impact on firm performance is meagre.

Despite literature suggesting the optimistic effects of AC size on firm performance, considering Malaysia is still a developing country, the following hypothesis is formulated:

H4: Audit committee size does not exert a significant influence on firm performance.

Audit Committee Independence

AC independence is measured by the number of non-executive directors serving as its members. Pursuant to the MCCG (2021), the AC must comprise entirely of independent directors.

Agency theory supports AC independence, asserting that independent directors improve firm performance through enhanced monitoring capacity, reduced agency costs, and improved reporting quality (Aanu et al., 2014; Shatwani et al., 2021). Empirical evidence shows that independent AC leads to higher audit and disclosure quality, lower debt financing costs, and a lower likelihood of earning management (Bronson et al., 2009).

In contrast, some studies found detrimental effects where the greater the independence, the lower the firm performance. Zábajníková (2016) attributed this to outside directors not possessing the technical expertise and knowledge required to examine complex financial information, hindering the firms' ability to make informed decisions. This knowledge gap may weaken the committee's effectiveness rather than improving oversight, aligning with resource dependence theory.

Taken together, evidence proposes that mere independence does not promise better financial outcomes. It is the expertise and engagement of directors that matter. Therefore, in accordance with agency theory, which commends the benefits associated with monitoring, the following hypothesis is formed:

H5: Audit committee independence is significantly associated with firm performance.

Research Gap

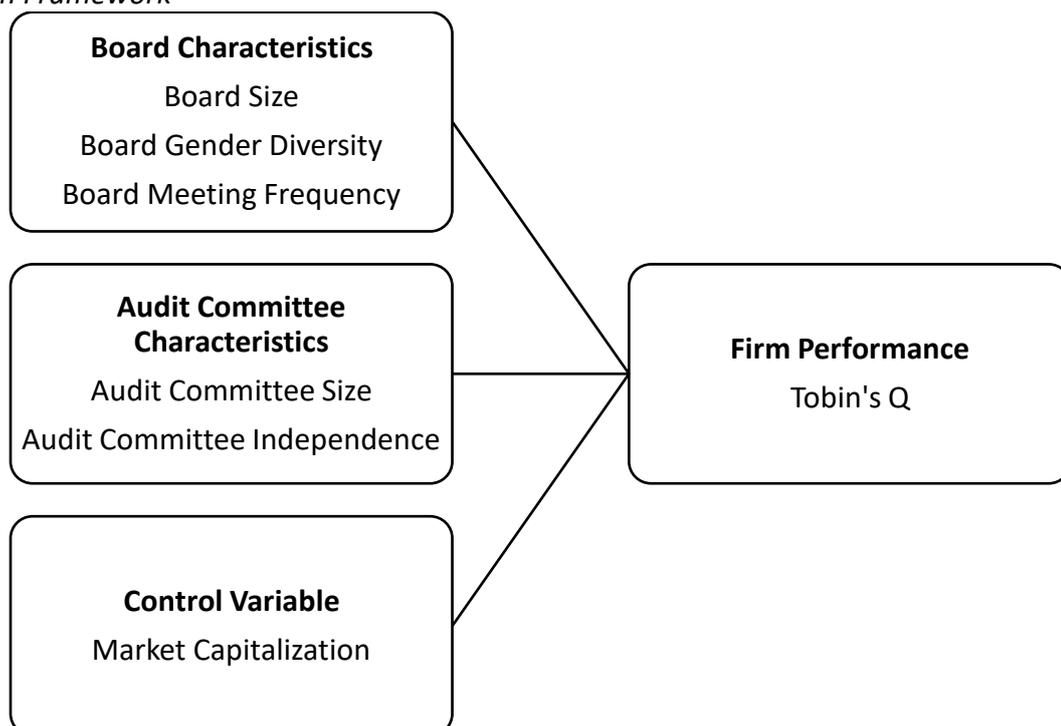
This study examines the influence of board and AC characteristics on firm performance among Malaysia's top 100 publicly listed companies. Although previous literature has examined the relationship between board and AC attributes and business performance, the findings remain inconclusive (Karim et al., 2023). Moreover, much of the Malaysian evidence is dated, with studies focusing on earlier periods such as 1996-2000 by Haniffa & Hudaib (2006), 2008-2010 by Al-Mamun et al. (2014), 2009-2011 by Abdullah (2016), and 2012 by Kallamu & Saat (2015). This creates a time gap in research, providing a valuable opportunity to reevaluate the relationship under more recent economic and regulatory conditions.

Furthermore, existing studies predominantly rely on accounting-based performance measures such as ROA and ROE (Al-Matari, 2013), which may not fully capture market perceptions of firm value. In contrast, Tobin's Q offers a more forward-looking measure by incorporating both market valuation and asset base, yet its application in the Malaysian context remains limited (Tun & Low, 2024).

Therefore, this study seeks to address these gaps by investigating how board and AC characteristics influence firm performance, denoted by Tobin's Q, within Malaysia's leading public companies for the most recent financial year, 2024.

Methodology

Research Framework



Research Design and Study Sample

This paper adopts a quantitative approach to investigate the effect of board and AC characteristics on firm performance. Financial data was extracted from Bloomberg for the financial year 2024.

The study sample comprises the FTSE Bursa Malaysia KLCI Index Constituents List (the largest 30 companies in Bursa Malaysia), and the FTSE Bursa Malaysia Mid 70 Index Constituents list (the subsequent 70 largest companies in Bursa Malaysia, together known as FTSE Bursa Malaysia Top 100 Index).

Measurement of Variables

| Name of Variable | Measurement |
|------------------------------|--|
| Dependent Variable | |
| Tobin's Q | $\frac{(\text{Market Capitalization} + \text{Total Debt})}{\text{Total Assets}}$ |
| Independent Variables | |
| Board Size | Total number of directors on board |
| Board Gender Diversity | The number of women on board |
| Board Meeting Frequency | The number of meetings the board has in one financial year |
| Audit Committee Size | The number of members serving on the audit committee |
| Audit Committee Independence | The number of non-executive directors on audit committee |
| Control Variable | |
| Market Capitalization | $\text{Share Price} \times \text{Number of Outstanding Shares}$ |

Analysis Technique

Descriptive Analysis

The first analysis technique used is descriptive statistics, which shows the mean and standard deviations for all the variables. It is also used to ensure there is no missing data. By using descriptive analysis, data can be easily understood and interpreted (Cooksey, 2020). The output shall describe the dispersion of the observations within the selected sample.

Correlation Analysis

Pearson correlation analysis is a type of inferential analysis to ascertain the magnitude of relationships among the variables (Kafle, 2019). The analysis encompasses independent, dependent, and control variables. A positive correlation signifies that two variables move in tandem, whereas a negative correlation indicates inverse movement between the variables.

Multiple Regression

Multiple regression provides better insights into the relationship between independent variables and dependent variables. Significance tests are conducted at the 1% and 5% levels of confidence (Kafle, 2019). This analytical approach enables rigorous hypothesis testing.

The following empirical model tests the impact of board and AC characteristics on firm performance, denoted by Tobin's Q:

$$TobinQ = \beta_0 + \beta_1 BSIZE + \beta_2 BGENDER + \beta_3 BMEET + \beta_4 ACSIZE + \beta_5 ACIND + \beta_6 MCAP + \varepsilon$$

Where: TobinQ = Tobin's Q. β_0 = Intercept. β_1 BSIZE = Board Size. β_2 BGENDER = Board Gender Diversity. β_3 BMEET = Board Meeting Frequency. β_4 ACSIZE = Audit Committee Size.

| Variables | Standard deviation (σ) | Mean (μ) | Min | Max |
|------------------------------|---------------------------------|----------------|---------|-----------|
| Board Size | 2.19667 | 8.7700 | 0.00 | 13.00 |
| Board Gender Diversity | 1.06950 | 2.7400 | 0.00 | 5.00 |
| Board Meeting Frequency | 4.35259 | 7.6200 | 0.00 | 23.00 |
| Audit Committee Size | 0.93722 | 3.4800 | 0.00 | 6.00 |
| Audit Committee Independence | 0.93722 | 3.4800 | 0.00 | 6.00 |
| Market Capitalization | 19724.16086 | 14748.9912 | 1834.44 | 124530.95 |
| Tobin's Q | 1.75216 | 2.0413 | 0.00 | 7.72 |

β_5 ACIND = Audit Committee Independence. β_6 MCAP = Market Capitalization. ϵ = Error term.

Results

Descriptive Statistics

Table 1

Descriptive Statistics

Table 1 presents the descriptive statistics of the key variables for the top 100 publicly listed companies in Malaysia. Board size is 8 - 9 persons on average, in which 2 – 3 of them are female representatives on average. Moreover, most companies held approximately 7 – 8 meetings per year, while the greatest number of meetings held is 23. AC size and AC independence show the same trend due to regulatory requirements by MCCG stating that all AC members must be independent (MCCG, 2021). The average size of AC is about 3 - 4 members, and all members are independent directors.

Correlation

| | | Board Size | Board Gender Diversity | Board Meeting Frequency | Audit Committee Size | Audit Committee Independence | Market Capitalization | Tobin's Q |
|-------------------------|---------------------|------------|------------------------|-------------------------|----------------------|------------------------------|-----------------------|-----------|
| Board Size | Pearson Correlation | 1 | | | | | | |
| | Sig. (2-tailed) | | | | | | | |
| Board Gender Diversity | Pearson Correlation | .503** | 1 | | | | | |
| | Sig. (2-tailed) | .000 | | | | | | |
| Board Meeting Frequency | Pearson Correlation | .353** | .376** | 1 | | | | |
| | Sig. (2-tailed) | .000 | .000 | | | | | |

| | | | | | | | | |
|------------------------------|-------------------------------------|-----------------|----------------|-----------------|----------------|----------------|---------------|---|
| Audit Committee Size | Pearson Correlation Sig. (2-tailed) | .540** .000 | .368** .000 | .152 .132 | 1 | | | |
| Audit Committee Independence | Pearson Correlation Sig. (2-tailed) | .550** .000 | .358** .000 | .139 .167 | .989** .000 | 1 | | |
| Market Capitalization | Pearson Correlation Sig. (2-tailed) | .190 .059 | .268** .007 | .418** .000 | .244* .014 | .245* .014 | 1 | |
| Tobin's Q | Pearson Correlation Sig. (2-tailed) | -.379** .000 | -.230* .021 | -.334** .001 | -.206* .039 | -.216* .031 | -.149 .140 | 1 |

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 2

Correlation

Table 2 presents the Pearson correlation coefficient analysis. According to Table 2, the result shows that board size ($r = -0.379, p < 0.01$) and board meeting frequency ($r = -0.334; p < 0.01$) have strong negative correlation with Tobin's Q at 1% level. This indicates poorer firm performance as board size and meeting frequency increase. In contrast, board gender diversity, AC size, and AC independence exhibit weaker and negative correlations with Tobin's Q at 5% level. In contrast, market capitalization is not significantly related to Tobin's Q, despite its positive association with most CG attributes, implying that larger firms are more likely to adopt formal CG practices without necessarily enhancing firm performance.

Regression

Table 3 shows the coefficients of the variables with the symbols ** and * denote the significance level at 1% and 5% respectively.

Table 3
 Regression

| Variables | Standardized Coefficients Beta (β) | t - value | Sig. |
|--|---|-----------|---------|
| Board Size | -0.277 | -2.207 | 0.030* |
| Board Gender Diversity | 0.004 | 0.035 | 0.972 |
| Board Meeting Frequency | -0.243 | -2.178 | 0.032* |
| Audit Committee Size | 0.398 | 0.639 | 0.525 |
| Audit Committee Independence | -0.427 | -0.679 | 0.499 |
| Market Capitalization | 0.012 | 0.112 | 0.911 |
| Specification and Diagnostic Test | | | |
| R^2 | | | 0.193 |
| Adjusted R^2 | | | 0.141 |
| F-statistic | | | 3.718 |
| Significance | | | 0.002** |
| Number of Observations | | | 100 |

Table 3 presents the regression analysis. The significance value of 0.002 is less than 1%, suggesting that this model is fit for interpretation. R^2 of 0.193 indicates that all the five independent variables in this paper can explain 19.3% of the variation of firm performance, while the remaining 80.7% is explained by other factors.

Table 3 interprets the effect of each board and AC characteristics on firm performance while holding other predictors constant. The analysis yielded five results as described below:

Firstly, board size (H1) has a β -value of -0.277 and p-value of 0.030, which is less than the significance level of 0.05. Hence, H1 is supported. This result suggests that board size is statistically significant and negatively impacts firm performance, indicating that firms with larger boards tend to exhibit lower Tobin's Q.

Secondly, board gender diversity (H2) has a β -value of 0.004 and p-value of 0.972, which is more than the significance level of 0.05. Hence, H2 is rejected. This indicates that female representation on the board does not have a significant impact on firm performance.

Thirdly, board meeting frequency (H3) has a β -value of -0.243 and p-value of 0.032, which is less than the significance level of 0.05. H3 is accepted. This result suggests that holding frequent board meetings significantly and negatively affects firm performance.

Fourthly, AC size (H4) has a β -value of 0.398 and p-value of 0.525, which is more than the significance level of 0.05. Hence, H4 is accepted. This suggests that AC size does not significantly influence firm performance.

Fifthly, AC independence (H5) has a β -value of -0.427 and p-value of 0.499, which is higher than the significance level of 0.05. Hence, H5 is rejected. This indicates that AC independence does not have a significant association with firm performance.

Discussion

The regression analysis reveals that only board size (H1) and board meeting frequency (H3) are statistically significant to Tobin's Q. The regression analysis results show that board size has a negative and significant relationship with Tobin's Q, supporting H1. This indicates that larger boards are associated with poorer firm performance. This finding is consistent with previous studies such as Mak and Kusnadi (2005), Shukla & Limbasiya (2020), Abdul Puhat et al. (2024), and Jaafar et al. (2021). Larger boards tend to suffer from coordination, communication, and monitoring inefficiency, slowing down decision-making and weakening overall oversight. These hurdles intensify agency problems, reduce accountability, and increase costs such as directors' remuneration, which ultimately diminishes firm value. In contrast, smaller boards are more agile, better able to respond to market changes, easier to coordinate, enhancing monitoring effectiveness and firm performance eventually. This result aligns with agency theory and earlier empirical evidence by Yermack (1996) and Jensen (1993), which advocate for smaller board structures.

Similarly, board meeting frequency (H3) also shows a negative and significant relationship with Tobin's Q, leading to the acceptance of H3. This result suggests that firms holding more board meetings tend to perform worse. This supports studies by Abdul Puhat et al. (2024), Johl et al. (2015), and Agrawal and Chadha (2003), who emphasize that meeting quality matters more than quantity. Excessive meetings may signal inefficiency or underlying performance issues, while also increasing costs and diverting attention from strategic decision-making. From an agency theory perspective, frequent meetings may reflect internal governance weaknesses and excessive monitoring, which can erode trust between principals and agents and negatively affect firm value.

The remaining CG variables, namely board gender diversity, AC size, and AC independence, do not exhibit statistically significant relationships with Tobin's Q. These results suggest that such CG mechanisms do not have an immediate or direct impact on Tobin's Q in the sample period. Regulatory compliance, like a mandated female quota, may lead to symbolic adoption rather than substantive performance improvements.

Conclusion

This study examined the effect of board and AC characteristics on firm performance among Malaysia's top 100 publicly listed companies. The empirical findings indicate that board size and board meeting frequency are the only CG variables that exhibit a statistically significant relationship with firm performance, denoted by Tobin's Q. The evidence aligns

with agency theory, which posits that smaller governance structures are better at mitigating agency problems and improving firm performance.

In contrast, board gender diversity, AC size, and AC independence do not exhibit significant relationships with Tobin's Q, implying that mere compliance with governance guidelines, such as mandated gender quotas, is insufficient to generate an immediate impact on firm performance.

These findings offer valuable insights to corporate leaders, prompting companies to painstakingly maintain their board size and number of meetings. It also prompts companies to focus on ensuring that ACs are competent and should take on more responsibilities. In addition, given that smaller boards happen to be more effective, policymakers could consider recommending optimal ranges for board size.

Implication of the Study

This study contributes to the existing literature in several ways. Firstly, it addresses the time gap in prior research by re-examining the relationship between CG characteristics and firm performance using more recent data so that current economic and regulatory conditions are captured.

Secondly, this study utilizes Bloomberg as the primary data source, which enhances data reliability as Bloomberg is a highly recognized global financial website that provides real-time and up-to-date financial information. With a pivotal focus on CG, Bloomberg is a dependable platform as a main source of secondary data since the financial reports generated by Bloomberg cover the relevant variables needed for this study (Global Data SWOT Analysis Review, 2025).

Limitation of the Study

There are several limitations that should be acknowledged in this study. Firstly, this study solely focuses on the top 100 publicly listed companies in Malaysia, which may not represent all the companies operating in Malaysia.

Secondly, this study is a time-bounded design as it only focuses on the year 2024. This limited timeframe may not adequately capture the long-term effects of board and AC attributes on business performance as governance is inherently a dynamic process, which indicates that board and AC characteristics evolve to adapt to the ever-changing business environments (Xiong & Li, 2024).

Recommendations for Future Research

Building upon the shortcomings mentioned above, several recommendations may be suggested for future studies. Firstly, future studies may consider expanding the scope of investigation to encompass other Bursa Malaysia indices, such as the FTSE Bursa Malaysia Hijrah Shariah Index, FTSE Bursa Malaysia Small Cap Index, or sector-specific indices like FTSE Bursa Malaysia Asian Palm Oil Plantation Index, etc. This would enable broader and comparative insights into the business market in Malaysia.

Secondly, future research could employ longitudinal designs so that the dynamic nature of governance can be captured. A longitudinal study spanning several years would enable future scholars to observe patterns more clearly.

Thirdly, considering the evolution of CG structures over time, a meta-analysis review that combines prior findings conducted in Malaysia could provide deeper insights into the shifts and trends between CG and firm performance across different time horizons in this country. This allows future scholars to assess whether the magnitude of this relationship has strengthened or weakened as the regulatory framework and market environment changes overtime, therefore clarifying the mixed empirical findings in this field.

Acknowledgement

The publication of this work was supported by HELP University, Malaysia [Publication Charge Support Grant 26-01-002].

This study is based (in part) on archival data obtained from work completed by Yeak Zi Min for a research project submitted in fulfilment of the requirements for the Bachelor of Business (Accounting) (Hons). Yeak Zi Min extends her sincere gratitude to her supervisor, Dr. Angeline Yap, who has provided valuable feedback and guidance throughout the study.

References

- Aanu, O. S., Odianonsen, I. F., & Foyoke, O. I. (2014). Effectiveness of Audit Committee and Firm Financial Performance in Nigeria: An Empirical Analysis. *Journal of Accounting and Auditing Research & Practice*. doi:http://dx.doi.org/10.5171/2014.301176
- Abdul Puhat, N., Kharuddin, S. H., Marzuki, H., & Ali, M. M. (2024). Board Characteristics and Financial Performance: Evidence from Bursa Malaysia Financial Times Stock Exchange (FTSE) Top 100 Index Firms. *Jurnal Pengurusan*. doi:https://doi.org/10.17576/pengurusan-2024-71-4
- Abdullah, S. N. (2016). Corporate Governance Mechanisms And The Performance of Malaysian Listed Firms. *Corporate Ownership and Control*, 13(1-2), 384-398. doi:https://doi.org/10.22495/cocv14i1c2p10
- Adeabah, D., Dako, G. A., & Andoh, C. (2019). Board Gender Diversity, Corporate Governance and Bank Efficiency in Ghana: A Two-Stage Data Envelope Analysis (DEA) Approach. *The Internatinal Journal of Business in Society*, 19(2), 299-320. doi:http://dx.doi.org/10.1108/CG-08-2017-0171
- Agrawal, A., & Chadha, S. (2003). Corporate Governance and Accounting Scandals. doi:https://doi.org/10.2139/ssrn.595138
- Al-Mamun, A., Yasser, Q. R., Rahman, M. A., Wickramasinghe, A., & Nathan, T. M. (2014). Relationship Between Audit Committee Characteristics, External Auditors and Economic Value Added (EVA) of Public Listed Firms in Malaysia. *Corporate Ownership & Control*, 12(1-9), 899-910. doi:https://doi.org/10.22495/cocv12i1c9p12
- Al-Matari, E. M., Al Swidi, A. K., & Fadzil, F. H. (2014). Audit Committee Characteristics and Executive Committee Characteristics and Firm Performance in Oman: Empirical Study. *Asian Social Science*, 10(12). doi:https://doi.org/10.5539/ass.v10n12p98
- Al-Matari, Y. A. (2013). Board of Directors, Audit Committee Characteristics and the Performance of Public Listed Companies in Saudi Arabia. Retrieved from https://etd.uum.edu.my/3802/1/s92869.pdf

- Almoneef, A., & Samontaray, D. P. (2019). Corporate Governance and Firm Performance in the Saudi Banking Industry. *14(1)*, 147-158. doi:[https://doi.org/10.21511/bbs.14\(1\).2019.13](https://doi.org/10.21511/bbs.14(1).2019.13)
- Al-Sayani, Y. A. (2017). *The Effect of Board of Directors and Audit Committee Characteristics on Firm Performance : Evidence from Malaysia*. Master Thesis, Universiti Utara Malaysia. Retrieved from <https://etd.uum.edu.my/6597/>
- Amin, A., Lukviarman, N., Suhardjanto, D., & Setiany, E. (2018). Audit Committee Characteristics and Audit-Earnings Quality: Empirical Evidence of the Company with Concentrated Ownership. *Review of Integrative Business and Economics Research*, *7(1)*, 18-33. Retrieved from https://sibresearch.org/uploads/3/4/0/9/34097180/riber_7-s1_sp_b17-138_18-33.pdf
- Andoh, J., Abugri, B., & Ebenezer, B. (2023). Board Characteristics and Performance of Listed Firms in Ghana. *23(1)*, 43-71. Retrieved from <https://www.proquest.com/docview/2768636412/fulltextPDF/FA433C1D6CEA4E70PQ/2?accountid=50218&sourcetype=Scholarly%20Journals>
- Argawal, S., & Singh, A. (2020). Literature Review on the Relationship Between Board Structure and Firm Performance. *International Journal of Business Ethics in Developing Economies*, *9(2)*, 33-43. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3799977
- Bronson, S., Carcello, J., Hollingsworth, C., & Neal, T. (2009). Are Fully independent Audit Committees Really Necessary? *Journal of Accounting and Public Policy*, 265-280. Retrieved from <https://www.sciencedirect.com/science/article/abs/pii/S0278425409000362?via%3Dihub>
- Bursa Malaysia. (2002). *Bursa Malaysia Securities Berhad Practice Note No13/2002*. Bursa Malaysia. Retrieved from https://www.bursamalaysia.com/sites/5bb54be15f36ca0af339077a/content_entry5ce3b50239fba2627b2864be/5ce3b7be5b711a12d04fd876/files/regulation_rules_BM_LR_PN13.pdf?1570701423
- Bursa Malaysia. (2020). *Bursa Malaysia Securities Berhad: Main Market Listing Requirements*. Bursa Malaysia. Retrieved from https://www.bursamalaysia.com/sites/5bb54be15f36ca0af339077a/content_entry5ce3b50239fba2627b2864be/5ed0e72239fba25ce2307e5b/files/Consolidated_listing_requirement_main_market_consolidated_1Jun20202.pdf?1612236669
- Companies Act 2016. (n.d.). *Companies Act 2016*. Companies Commission of Malaysia. Retrieved from [https://www.ssm.com.my/Pages/Legal_Framework/Document/Companies%20Act%202016_Akta%20777_BI%20\(1.8.2022\).pdf](https://www.ssm.com.my/Pages/Legal_Framework/Document/Companies%20Act%202016_Akta%20777_BI%20(1.8.2022).pdf)
- Cooksey, R. (2020). Descriptive Statistics for Summarising Data. *Springer*, 61-139. Retrieved from <https://pmc.ncbi.nlm.nih.gov/articles/PMC7221239/>
- Correia, T. d., & Lucena, W. G. (2020). Board of Directors and Code of Business Ethics of Brazilian Companies. *RAUSP*, *55(2)*, 263-279. Retrieved from <https://www.scielo.br/j/rmj/a/8FVLZpfnySxy5YWjtv6c44H/?lang=en>
- Darmadi, S. (2013). Do Women in Top Management Affect Firm Performance? Evidence From Indonesia. *The International Journal of Business in Society*, *13(3)*, 288-304. Retrieved from

- <https://www.proquest.com/docview/1365810719/fulltextPDF/AAFD455DCD264F2CPQ/17?accountid=50218&sourcetype=Scholarly%20Journals>
- Derayat, M., Banimahd, B., & Omar, N. (2022). Does Corporate Governance Affect the Corporate Performance Persistence by Return on Assets in Listed Companies of Malaysian Stock? *International Journal of Finance & Managerial Accounting*, 7(24), 89-98. Retrieved from http://www.ijfma.ir/article_16826.html#:~:text=The%20statistical%20findings%20suggested%20that,as%20measured%20by%20approximate%20ROA.
- Elmghaamez, I. K., & Akintoye, E. (2021). Internal Corporate Governance Mechanisms and Financial Performance: Evidence from the UK's Top FTSE 100 Listed Companies. *International Journal of Business Governance and Ethics*, 15(2). Retrieved from https://www.researchgate.net/publication/350615143_Internal_corporate_governance_mechanisms_and_financial_performance_evidence_from_the_UK's_top_FTSE_100_listed_companies
- Firew, B. G. (2024). Gender Diversity and Firm Performance: Evidence from Malaysia Boardrooms. *Cogent Economics & Finance*, 12(1). doi:<https://doi.org/10.1080/23322039.2024.2381135>
- Gigol, T. (2021). Gender Differences in Engagement in Unethical Pro-Organizational Behavior—Two Studies in Poland. 13(1). doi:<https://doi.org/10.3390/su13010039>
- Global Data SWOT Analysis Review. (2025). *Bloomberg LP - Strategic SWOT Analysis Review*. Retrieved from <https://ezproxy.help.edu.my/login?url=https://www.proquest.com/reports/bloomberg-lp/docview/2480188132/se-2?accountid=50218>
- Hanh, L., Ting, I., Kweh, Q., & Hoanh, L. (2018). Board Meeting Frequency and Financial Performance: A Case of Listed Firms in Vietnam. *International Journal of Business and Society*, 19(2), 464-472. Retrieved from <https://www.proquest.com/docview/2392464113/fulltextPDF/14198C077AC946ACPQ/1?accountid=50218&sourcetype=Scholarly%20Journals>
- Haniffa, R., & Hudaib, M. (2006). Corporate Governance Structure and Performance of Malaysian Listed Companies. *Journal of Business Finance & Accounting*, 33(7-8), 1034-1062. doi:<http://dx.doi.org/10.1111/j.1468-5957.2006.00594.x>
- Jaafar, M. N., Muhamat, A. A., Shahar, W. S., & Saddam, S. Z. (2021). Characteristic of Board Directors and Financial Performance: Evidence from Companies Listed in FTSE Bursa Malaysia KLCI Index. *International Journal of Academic Research in Accounting Finance and Management Sciences*, 11, 512-528. doi:<http://dx.doi.org/10.6007/IJARAFMS/v11-i1/9091>
- Jensen, M. (1993). The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems. *Journal of Finance*, 48(3), 831-880. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=93988
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305-360. doi:[https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Johl, S. K., Kaur, S., & Cooper, B. (2015). Board Characteristics and Firm Performance: Evidence from Malaysian Public Listed Firms. *Journal of Economics, Business and Management*, 3(2), 239-243. Retrieved from <https://www.joebm.com/index.php?m=content&c=index&a=show&catid=40&id=471>

- Jones, D. S. (2020). 1MDB Corruption Scandal in Malaysia: A Study of Failings in Control and Accountability. *Public Administration and Policy*, 23(1), 59-72. doi:<https://doi.org/10.1108/PAP-11-2019-0032>
- Kafle, S. C. (2019). Correlation and Regression Analysis Using SPSS. *The OCEM Journal of Management, Technology, and Social Sciences*, 1(1), 125-132. Retrieved from <https://journal.oxfordcollege.edu.np/index.php/ojmts/article/view/14/13>
- Kallamu, B. S., & Saat, N. A. (2015). Audit Committee Attributes and Firm Performance: Evidence From Malaysian Finance Companies. *Asian Review of Accounting*, 23(3), 206-231. Retrieved from <https://ezproxy.help.edu.my/login?url=https://www.proquest.com/scholarly-journals/audit-committee-attributes-firm-performance/docview/2080880738/se-2?accountid=50218>
- Kamariah, N., & Herawati, N. (2024). The Global Landscape of Audit Committee Studies: A Bibliometric Review. *International Conference on Accounting and Finance*, 2, 369-384. Retrieved from <https://journal.uui.ac.id/inCAF/article/view/32670/16211#:~:text=The%20existence%20of%20an%20audit%20committee%20is%20expected%20to%20improve,on%20corporate%20responsibility%20and%20supervision.>
- Karim, S., Naeem, M. A., & Ismail, R. B. (2023). Re-Configuring Ownership Structure, Board Characteristics and Firm Value Nexus in Malaysia: The Role of Board Gender and Ethnic Diversity. *International Journal of Emerging Markets*, 18(12), 5727-5754. Retrieved from <https://www.proquest.com/docview/2899501754/fulltextPDF/596EC382E50C451DPQ/1?accountid=50218&sourcetype=Scholarly%20Journals>
- Mak, Y. T., & Kusnadi, Y. (2005). Size Really Matters: Further Evidence on the Negative Relationship between Board Size and Firm Value. *Pacific-Basin Finance Journal*, 13(301-308). Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=303505
- MCCG. (2021). *Malaysian Code on Corporate Governance*. Securities Commission Malaysia. Retrieved from <https://www.sc.com.my/api/documentms/download.ashx?id=239e5ea1-a258-4db8-a9e2-41c215bdb776>
- Mohd Saleh, N., Mohd Iskandar, T., & Mohid Rahmat, M. (2007). Audit Committee Characteristics and Earnings Management: Evidence From Malaysia. *Asian Review of Accounting*, 15(2), 147-163. doi:<https://doi.org/10.1108/13217340710823369>
- Muhanguzi, K. B. (2019). An Empirical Test of the Agency Theory in Corporate Governance of SACCOS in Uganda. *Global Journal of Management and Business Research*. Retrieved from https://journalofbusiness.org/index.php/GJMBR/article/view/2765/3-An-Empirical-Test-of-the-Agency_JATS_NLM_xml
- Nawfly, A. T., & Alarussi, A. S. (2016). *mpact of Board's Characteristics, Audit Committee Characteristics Over Firm Performance*. Retrieved from <https://repo.uum.edu.my/id/eprint/20787>
- Oduwayo, O. F. (2019). Effect of Corporate Governance on Firm Performance in Nigeria. *Oeconomica*, 15(6). Retrieved from <https://ezproxy.help.edu.my/login?url=https://www.proquest.com/scholarly-journals/effect-corporate-governance-on-firm-performance/docview/2310490483/se-2?accountid=50218>

- Ofoeda, I. (2017). Corporate Governance and Non-Bank Financial Institutions Profitability. *International Journal of Law and Management*, 59(6), 854-875. Retrieved from <https://www.proquest.com/docview/1974957119/fulltextPDF/813BDC0CAA13407CP/Q/2?accountid=50218&sourcetype=Scholarly%20Journals>
- Pathiraja, A., Dissanayake, H., Mendis, O., & Iddagoda, A. (2022). Audit Committee Attributes and Firm Performance. *Economic Insights - Trends and Challenges*, 4, 59-75. doi:<https://doi.org/10.51865/EITC.2022.04.04>
- Pletzer, J. L., Nikolova, R., Kedzior, K. K., & Voelpel, S. C. (2015). Does Gender Matter? Female Representation on Corporate Boards and Firm Financial Performance - A Meta-Analysis. *PLOS ONE*, 10(6). doi:<https://doi.org/10.1371/journal.pone.0130005>
- Puni, A., & Anlesinya, A. (2020). Corporate Governance Mechanisms and Firm Performance in a Developing Country. *International Journal of Law and Management*, 62(2), 147-169. Retrieved from <https://sci-hub.se/10.1108/ijlma-03-2019-0076>
- Roda, B. L. (2013). *Board Conditioning Factors of Firm Performance*. Dissertation. Retrieved from <https://ezproxy.help.edu.my/login?url=https://www.proquest.com/dissertations-theses/board-conditioning-factors-firm-performance/docview/2724234616/se-2>
- Securities Commission Malaysia. (2025). Keynote Address at 30% Club Malaysia 10th Anniversary Celebration. Retrieved from <https://www.sc.com.my/resources/speeches/keynote-address-at-30-club-malaysia-10th-anniversary-celebration#:~:text=Subsequently%2C%20the%20mandatory%20one%2Dwoman,short%20of%20the%2030%25%20target.>
- Shukla, H., & Limbasiya, N. (2020). Determinants of Board Characteristics: Evidence from India. *IUP Journal of Corporate Governance*, 19(4), 7-31. Retrieved from <https://www.proquest.com/docview/2486200996/fulltextPDF/FD717EC4F52E4C6APQ/1?accountid=50218&sourcetype=Scholarly%20Journals>
- Singhania, A. K., & Panda, N. M. (2024). Does Audit Committee Composition Influence Firm Performance? Evidence From the Top NSE-Listed Non-Financial Companies of India. *Asian Journal of Accounting Research*, 10(1), 2-18. doi:<https://doi.org/10.1108/AJAR-10-2023-0333>
- Tshipa, J. (2017). *Corporate Governance and Financial Performance: A Study of Companies Listed on the Johannesburg Stock Exchange*. Dissertation . Retrieved from <https://ezproxy.help.edu.my/login?url=https://www.proquest.com/dissertations-theses/corporate-governance-financial-performance-study/docview/2901493867/se-2>
- Tun, Y., & Low, S. (2024). Panel Data Analysis on the Impact of Corporate Governance on Firm Performance: Evidence from Bursa Malaysia Companies with Good CG Disclosures. *MANAGEMENT AND ACCOUNTING REVIEW*, 23(1). Retrieved from <https://ir.uitm.edu.my/id/eprint/93606/1/93606.pdf>
- Ujunwa, A. (2012). Board Characteristics and the Financial Performance of Nigerian Quoted Firms. *The International Journal of Business in Society*, 12(5), 656-674. doi:<https://doi.org/10.1108/14720701211275587>
- Wai, S. M. (2022). *The Effect of Board Characteristics on Firm Financial Performance of Listed Companies in Hong Kong*. Dissertation. Retrieved from <https://www.proquest.com/docview/2778642170/57A3EF5241E84FD4PQ/1?accountid=50218&sourcetype=Dissertations%20&%20Theses>

- Xiong, Y., & Li, X. (2024). The Dynamic Mechanism of Tentative Governance for Emerging Technologies: A Case Study of China's New Energy Vehicle Subsidy. *Journal of Cleaner Production*, 484. doi:<https://doi.org/10.1016/j.jclepro.2024.144328>
- Yakob, N. A., & Hasan, N. A. (2021). Exploring the Interaction Effects of Board Meetings on Information Disclosure and Financial Performance in Public Listed Companies. *Economies*, 9(4), 139. doi:<https://doi.org/10.3390/economies9040139>
- Yermack, D. (1996). Higher Market Valuation of Companies with a Small Board of Directors. *Journal of Financial Economics* , 185-211. doi:[https://doi.org/10.1016/0304-405X\(95\)00844-5](https://doi.org/10.1016/0304-405X(95)00844-5)
- Zábojníková , G. (2016). *The Audit Committee Characteristics and Firm Performance: Evidence from the UK*. Thesis. Retrieved from <https://ezproxy.help.edu.my/login?url=https://www.proquest.com/dissertations-theses/audit-committee-characteristics-firm-performance/docview/3039725575/se-2>