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Characteristic of Board Directors and Financial Performance: Evidence from Companies Listed in Ftse Bursa Malaysia KlcI Index

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Abstract

Corporate governance is an effective mechanism to supervise and evaluate decisions made by a firm. It also could curtail the agency cost and information asymmetry between the management and stakeholders. The role of corporate governance thru the presence of board of directors has received increased attention across a number of disciplines in recent years. Thus, this study intended to examine the relationship between board characteristics and firms' performance. Panel data regression of Fixed Effect Model was applied to estimate the influence of the board characteristics and performance (ROA) of firms listed in the FTSE Bursa Malaysia KLCI Index starting from 2011 to 2019. The findings have indicated that board size, board meeting and director's higher educational qualification are the characteristics that significantly influenced firm's performance. However, in oppose to the expectations of the study, inconclusive results are found concerning board independence. The result also shows that composition of board gender does not influence firms' performance, although several initiatives have been made to reform corporate governance. This result managed to ascertain the board directors' characters that influence the firms' performance

and provided a useful insight to policy makers for their supervision purposes. As such, this paper offers several implications for corporate governance and firm performance.

Keywords: Behavioural Finance, Corporate Governance, Board of Director, Fixed Effect Model, FTSE Bursa Malaysia Index.

Introduction

Observing the current challenges in business settings, the role as the board directors is tremendously challenging as it is to safeguard the interest and maintain sustainability of the firm. The board of directors' tasks are not limited to monitoring the performance of the firm, but they also need to offer strategic guidance and provide support if the firm is having any financial difficulties. The board of directors must ensure that every firm acts on any chances that can enhance the value to all stakeholders, and to avoid negative management practices that may expose it to corporate failure and scandals. There are several evidences of failures that can be observed on some big corporations around the globe and corporate scandals such as Parmalat Inc, Enron Inc, Ahold Inc, Adelphia Inc, Worldcom Inc, Felda Berhad, 1MDB and many more. The failures of the above mentioned firms were due to the ineffectiveness of the role of the board of directors.

Board composition is a part of corporate governance which focuses on the interaction among directors, shareholders, and corporate managers where it is designed to minimize any potential problem that arises in the interest management among shareholders. Besides that, corporate governance affects the way on how the firm is being controlled, directed, and administered. According to Shah, Butt and Saeed, (2011), they found that corporate governance influences the management of the firm being by the way of the general public, customers, governments, employees, creditors, managers, and shareholders. On the other hand, corporate governance is the mechanism that protects shareholder's interests (Shahid & Abbas, 2019) as there is a possibility of abuse of power by management of the firm when organizational governance structures are weak (Core, Holthausen, & Larcker, 1999). Corporate governance will give the assurances to shareholders that managers will run the companies accordingly which eventually will increase the value of the firm. Based on the study of Denis, and McConnell (2003), they found that an effective corporate governance and utilizing resources of a firm have a positive relationship with the firms' performance and improve shareholders' confidence toward the firm. Last but not least, corporate governance via effective function of their board can prevent the firms from any expropriation of the funds by the manager and help the management on making a better decision making.

In Malaysia, to establish corporate governance practice, the Malaysian Code on Corporate Governance (MCCG) was first issued in 2000 and later reviewed in 2007 and 2012 to ensure that it continued to be significant and is in line with internationally accepted best practices and standards. Eventually in 2017, the MCCG, which replaced its previous edition, took on a new method to encourage better internalisation of corporate governance culture.

Due to the importance of corporate governance especially identifying the effective characteristic of the board director, there are numerous studies conducted on the relationship between the role of the board and the firm's performance. For example, (Prabowo, 2010; Rashid, Zoysa, Lodh, & Rudkin, 2010; Adika, Maru, & Mugambi, 2018; García Martín & Herrero 2018; Al-Swidi, Fadzil, & Al-Matari,

2012; Kaur, & Vu, 2017) have discussed every aspect from composition, characteristics and the effect on firm performance. Certain factors such as transparency, independence of the board, the board diversity and active participation of strategic decision making have been observed to improve the effectiveness of the board. Nevertheless, the final findings are still unfounded. There is still no final outcome among the researchers that find specific variables that can explain the performance of firms' relationship with board characteristics. For example, Dalton, Daily, Ellstrand and Johnson (1998), Laing and Weir (1999); Weir, Laing & McKnight (2002) find no evidence to suggest that board characteristics affect firm performance. However, other studies have established a positive effect between certain characteristics of board and firm's performance (Bhagat & Black, 2002; Kiel & Nicholson, 2003; Bonn et al., 2004). There are several studies in the area of corporate governance, revealing that a negative relationship between board characteristics and board composition on firm performance (ROA) in Malaysia listed companies and Saudi Arabia (Jakpar et al., 2019; Ghabayen, 2012). Meanwhile, there is a positive relationship between the board size and CEO duality on firm performance in Romania and Kuwaiti (Moscu, 2013).

Due to inconclusive previous findings, this study attempted to provide an insight into how board characteristics influenced the firm performance. Besides, this study focusses on firms listed on FTSE Bursa Malaysia Index Series as it encompasses the largest companies by a full market capitalization that consists of 30 constituents in the index. The index represents the shares listed on Bursa Malaysia Main Market which represents the performance of the largest Malaysia blue-chip companies that are accepted by their size, free float, and liquidity screens. As such, it is considered as the best company listed on Bursa Malaysia and a good proxy for the whole companies listed on Bursa Malaysia. Therefore, the outcomes of this study is expected to bring new approaches for researchers and regulators on the importance of board of director's characteristics and firm performance.

Literature Review and Hypothesis Development

A conflict between managers and shareholders is suggested to be mitigated through the effective internal corporate governance with the presence BOD. The literatures suggest that board of director is a body to monitor, discipline and advice the top management (Chow, Muhammad, Bany-Arifin, & Cheng, 2018; participate in strategic decision process (Kamardin & Haron, 2011); became resource dependence roles (Ntim, 2015); have the authority to appoint, dismiss, evaluate and compensate the management team including CEOs (Baysinger & Butler, 1985); and monitor the firm's performance (Kamardin & Haron, 2011). These duties are closely related to the fundamental roles of BOD in mitigating the agency cost that arise between managers and shareholders; and therefore, would increase the firm's performance and protect the shareholders' wealth. For that reason, most of the past evidences show that board of director have significant influence on strategic decision-making (Heng et al., 2012; Tarus & Ayabei, 2016; and Hasan & Butt, 2009) and positively related to firm's performance (Gurusamy, 2017; and Erhardt, Werbel, & Shrader, 2003). Besides, previous studies found that board diversity is one of the main and important elements for internal governance characteristics (Nuhu & Ahmad, 2017), and plays an essential function in monitoring the firms' manager (Bear, Rahman & Post, 2010). In the governance literature, there are several variables used in measuring board characters for example board size, frequency of annual board meetings, gender board diversity, board independence, board education, etc.

Board size refers to the number of members on the board of directors (Isik & Ince, 2016). There are other findings that show a positive relationship between board size and firm performance by used theory agency theory and resource dependency theory (Kalsie, & Shrivastav, 2016; Agyemang Badu, & Appiah, 2017; Kapil, & Mishra, 2018). However, study by Hidayat and Utama (2017) using the sample data from the Indonesian Stock Exchange found that the relationship between board size and firm performance is found to have a negative result. Similarly, the result obtained from a study by Shukeri, Shin and Shaari (2012), shows that 300 Malaysian companies are listed publicly, they used an ROE and ROA as proxies and the relationship between board size and firm performance is found to be negative.

Though the result is inconclusive, it is assumed that larger boards sizw provide more expertise, greater management oversight and access to a wider range of resources. Therefore, the research hypothesis is established as follows:

Hypothesis 1: Board size positively affects the firm performance

The frequency of annual board meetings is measured to estimate the impact on firm performance. According to Lipton et al. (1992) and Jensen (1993), the frequency of board meetings can be considered to evaluate the supervising authority and effectiveness of the board of directors. If the board meetings are held often throughout the year, the better the firm performs. There are various studies of the frequency board meeting and firm performance, such as the study implemented by Aryani et al. (2017), the result shows the number of board meetings does not affect the firm performance - Return on Assets (ROA) as proxy. The sample data is from several companies registered in the Jakarta Islamic Index from 2006 to 2016. This is contrasting to the research by Ting, Kiong, Kweh, and Hoanh, (2018), which found that the frequency of board meetings exerts a negative effect on the financial performance of the firms. Sample data consisted of 94 firms listed on the Ho Chi Minh Stock Exchange from 2013 to 2015. Contrary to the result of the study by Buchdadi et al. (2019), the findings reveal that board meeting, and the board meeting attendance has a positive impact on market value and accounting-based performance respectively.

Hypothesis 2: High number of board meeting positively affects the firm performance

Gender diversity encompasses an unbiased board of directors that represent fair numbers of men and women. Chen, Leung, Song, and Goergen (2019), Terjesen et al. (2016) and Bear et al. (2010) found gender diversified of board significantly leads to better corporate decisions. Given that note, Marinova et al. (2010), suggested that improvement of firm performance is an attribute to the higher number of women on the board and top executive positions. The participation of women on the board is expected to help firms to enhance performance and increase competitive advantages. Female directors on the board are expected to offer a further cooperative style to leadership, which improves effective communication management on the board (Konrad & Kramer, 2006). According to Burke (2003), further advantage of having women on board will lessen the possibility of further corporate board crisis therefore improves an efficient performance by the board. Besides, according to Carter et al. (2003), there is a positive relationship between the percentage of women on the board of directors and firm value. Nonetheless, according to Rose (2007), there is an insignificant

relationship between female board representation and firm performance in Denmark. According to the resource dependency theory, if women can reach the highest of their capabilities, they can definitely conduct the company successfully based on their skills, ingenuity, and flexibility (Salancik & Pfeffer, 1978; Krishnan & Park, 2005).

Hypothesis 3: More female directors positively affects the firm performance

Board independence are the outside non-executive (Terjesen et al., 2016; and Alkdai and Hanefah, 2012), which do not have a material interest in the firms (Hooy & Ali, 2017). Board independence can be measured by using the fraction of independent non-executive directors to the total number of directors (Prabowo & Simpson, 2011; Abdullah & Nasir 2004). Bursa Malaysia defined independent directors as a director who is free from business or other relationships which could influence the independent judgment. According to Makhoul, et al. (2017), they examined the board's independence as one of the factors towards firm performance based on a final sample of 120 firms (Industry and services sectors) listed on the Amman Stock Exchange over a period from 2009 to 2013. Their result found that the relationship between board independence and firm performance was positive by using Tobin's Q and ROA as proxies.

Hypothesis 4: Board independent positively affects the firm performance

According to Gottesman and Morey (2006), levels of education represent intelligence, as the educated managers are expected to perform better than their peers. Nevertheless, managerial skills or not solely based on educational level.

The findings of the paper from Nigeria by Okon, (2014), Endraswati, (2018), Saidu, (2019), they find out that the relationship between the board of directors, women and CEO with education and the firm performance was positive. The ROA, ROE and stock price as a proxy have measured that CEO with education gives an impact on firm performance positively by applying agency theory.

Hypothesis 5: Higher Board Director education positively affects the firm performance

Table 1: Explains the proxies used for dependent variables and independent variables.

Variables	Measurement	Author
<u>Dependent Variables</u>		
Firm Performance (ROA)	$ROA = \frac{\text{Net income}}{\text{Total assets}}$	Jakpar et al., (2019) and (Ghabayen, 2012)
<u>Independent Variables</u>		
Board Size (BSIZE)	Total number of board members	Hidayat and Utama (2017); Shukeri, Shin and Shaari (2012)
Board Meeting (BMEET)	Number of board meetings annually	Aryani et al. (2017)
Gender of boards members (GEND)	$\frac{\text{Number of female directors}}{\text{Total of board members}} \times 100$	Shahdila-Shahar, Ahmad, and Jaafar, N (2019)
Independence of board (INDE)	$\frac{\text{Number of outside directors}}{\text{Total of board members}} \times 100$	Makhlouf, et al. (2017), Azar, Rad, and Botyari (2014)
Board Education (EDU)	$\frac{\text{Number of directors with Master and PhD}}{\text{Total of board members}} \times 100$	Endraswati, (2018), Saidu, (2019); Shahdila- Sahar, Ahmad, N and Jaafar, N (2020)
<u>Control Variables</u>		
Firm size	Natural logarithm of total assets	Jaafar, N, Muhamat, A, Ismail and Sharifah (2017).
Leverage	$\frac{\text{Total debt}}{\text{Total Asset}}$	Jaafar, N, Muhamat, A, Hairul Nizam, Ahmad, I and Syed Alwi, S (2017)
Growth	$\frac{\text{Current year sales} - \text{prev. year sales}}{\text{Previous year sales}}$	Babu and Chalam (2014).

Methodology

a. Sample

We conducted descriptive and analytical research designs. The study used secondary data collection and the data was retrieved from annual report of 30 companies listed on the FTSE Bursa Malaysia KLCI Index from year 2011 to 2019. The study has analysed 270 observations (n=270) d.

b. Model Specification

This study use fixed-effects panel regression analysis because sample contained data across firms and over time. Besides, panel data sets are better to identify and estimate effects that clearly are not

investigable in pure time series or cross-sections data. Fixed effects regressions control for, or partial out, the effects of time-invariant variables with time-invariant effects. When firm heterogeneity is unobservable, a fixed effects specification helps capture the effect of the unobservable variable (Chi, 2005) otherwise random effect regression should be employed.

As such, to determine the effect of board characteristic on firm performance, the following baseline regression is established Equation (1).

$$ROA_{it} = \alpha_0 + \beta_1 BSIZE_{it} + \beta_2 BMEET_{it} + \beta_3 GEND_{it} + \beta_4 INDE_{it} + \beta_5 EDU_{it} + \beta_6 FSize + \beta_7 LEV + \beta_8 Growth + \varepsilon_{it} \quad (1)$$

Where,

ROA_{it} = Firm Performance (ROA)

α_0 = Constant

$BSize_{it}$ = Board Size of company i at year t

$BMEET_{it}$ = Board Meeting of company i at year t

$GEND_{it}$ = Gender of boards members of company i at year t

$INDE_{it}$ = Independence of board of company i at year t

EDU_{it} = Board Education of company i at year t

$FSize_{it}$ = Firm Size i at year t (control variable)

Firm Leverage $_{it}$ = Firm Leverage i at year t (Control Variable)

Firm Growth $_{it}$ = Firm growth i at year t (control Variable)

ε_{it} = Error term.

$\beta_1, \beta_2, \beta_3, \beta_4$ and β_5 = Regression coefficients

The label ROA_{it} shows the dependent variable in this study and represents firm performance which is used for profitability (return on asset) for firm i in year t . Meanwhile, the other independent variables are $BSize_{it}$, board size which shows the relationship between numbers of boards over the firm performance. $BMEET_{it}$, board meeting is measured by the frequency of board meetings annually and its relation to the return on assets. $GEND_{it}$, gender of boards' members expresses the relationship between proportions of female on boardroom with the profitability of firm. $INDE_{it}$ as the independence of board shows the ratio of board independent in board and its relation to return on assets of firms. EDU_{it} is the indicator of the percentage of directors with a higher educational qualification and its relation to the firm performance. Meanwhile, Firms' size, Firm's Leverage and Firms' Growth are our control variable. Lastly, it labels are represented as cross-sectional and time series in this panel data study.

Results and Discussion

Table 2 presents a summary of statistics for variables used in the analysis. Total observations in this study were 30 companies listed on the FTSE KLCI INDEX Market of Bursa Malaysia stock exchange. Firm performance as measured by return on assets is represented by a 7.6% return on each dollar on assets invested. The average firm in FTSE Index market is 23 which is considered as big size and classified as a blue chip counter. Meanwhile, grow opportunity is an average of 7.4% with the standard deviation is 0.32. Average Board Size for the companies listed under FTSE KLCI Index is 9

members with 8 times meetings per annum. 17% of the board members consist of female directors and 33% directors are highly qualified.

Table 2: Descriptive Analysis

	ROA	BSIZE	BMET	INDE	EDU	FSIZE	LEV	GRO
Mean	0.076 21	9.185 18	8.	0.64	0.3358 15	23.86 03	0.527 643	0.07400 8
Median	0.052 50	9.000 00	7.	0.57	0.3100 00	23.83 59	0.495 000	0.05638 2
Maximum	0.472 00	15.00 00	25.	1.0	0.8600 00	27.44 59	0.950 000	2.21130 9
Minimum	- 0.082 00	5.000 00	4.	0.14	0.0000 00	17.53 66	0.041 700	- 2.85700 0
Std. Dev.	0.079 07	1.993 22	4.52	0.19	0.1880 19	1.979 60	0.278 268	0.32804 7
Skewness	1.871 70	0.632 35	1.22	0.37	0.4032 71	0.735 268	0.066 379	1.27859 7
Kurtosis	7.611 88	2.727 3	3.72	2.19 -	2.9427 47	4.147 78	1.754 494	39.2580 0
Jarque-Bera	396.9 24	18.82 37	73.55 63	13.5 63	7.3551 6	39.14 86	17.65 024	14863.3 0
Probability	0.000 0	0.000 08	0.000 00	0.00 12	0.0252 5	0.000 00	0.000 147	0.00000 0
Sum	20.59 09	2480. 00	2314. 0	171. 79	90.670 06	6444. 63	142.4 635	19.9820 9
Sum Sq. Dev.	1.681 95	1068. 71	5566. 16	9.50 47	9.5094 33	1051. 35	20.82 953	28.9483 4
Observations	270	270	270	270	270	270	270	270

Diagnosis Test

Pearson Correlation Matrix is used to detect multicollinearity. According to Astreiou and Hall (2015), the large number of researchers which consider value of 0.9 is the threshold. If the correlation between sampled variables is more than 0.9, then it shows the multicollinearity problem exists in the sample data. In this study, the highest correlation was between ROA and EDU which was at 0.114939 and significance at $\alpha = 0.10$. Thus, it can be concluded that there was no multicollinearity issue in the sample data for 30 companies listed in the FTSE Bursa Malaysia KLCI Index. Please refer to table 3 in the appendix for the Pearson Correlation Matrix.

Likelihood Ratio Test

Likelihood Ratio Test is applied in this study to choose the best model between Pooled Ordinary Least Squares (POLS) model and Fixed Effects Model (REM). The hypotheses under Likelihood Ratio Test are as follows:

H0 = POLS model is preferred

H1 = Fixed Effects Model is preferred

Table 4: Likelihood Ratio Test

Effects Test	Statistics (P-Value)
Cross-section F	23.625466 (0.0000)***
Cross-section Chi-square	371.995974 (0.0000)***

P-value of cross-section F and cross-section Chi-Square statistics were 0.0000. Therefore, it is statistically significant as the p-value is less than $\alpha = 0.01$. The null hypothesis in Likelihood Ratio Test is rejected and the Fixed Effects Model (FEM) is chosen.

Hausman Test

The Hausman specification test was conducted to compare fixed effects and random effects estimations in selecting the most appropriate model estimation (Baltagi, Bresson and Pirotte, 2003; Hsiao, 2007). As the random effects model assumes the exogeneity of all of the regressors and the random individual effects, the fixed effects model allows for endogeneity of all of the regressors, as well as individual effects (Mundalk, 1978). Therefore, Hausman and Taylor (1981) introduced a model in which some of the regressors are correlated with individual effects. This indicates that the individual means of the strictly exogenous regressors are used as instruments for the time invariant regressors, which are correlated with the individual effects. Therefore, the choice of exogenous regressors is a testable hypothesis.

The hypotheses statement are as follows:

H0 = Random Effects model is preferred

H1 = Fixed Effects model is preferred

Based on Table 5 above shows p-value of cross-section random statistic for 30 companies listed on the FTSE Bursa Malaysia KLCI Index was 0.0010. Since the p-value less than $\alpha = 0.10$, the statistics are significant. This means that the null hypothesis was rejected and it can be concluded that Fixed Effect Model was preferred.

Table 5: Hausman Test

Test Summary	Statistics (P-Value)
Cross-section random	26.219461 (0.0001)***

Note: *** denotes significant at 1%

For 30 companies listed on the FTSE Bursa Malaysia KLCI Index for the period of 2011 to 2019, the p-values of board size (BSIZE), board meeting (BMEET) and board education (EDU) were 0.0000, 0.0002 and 0.0054 respectively. The p-values were less than $\alpha = 0.01$ which means these variables were statistically significant at 1% level of significance. However, gender of board (GEND) and independence of board (INDE) were having results of p-values that have insignificant effect for firms' ROA that constituted more than 10% level of significance which are 0.2098 and 0.6767.

This study showed that the negative coefficient for BSIZE and BMEET constituted that 1% change in BSIZE and BMEET could negatively impact about 0.009910 and 0.003895 of the firms' ROA. However, GEND and INDE should be considered as having no significant impact on 30 companies listed on the FTSE Bursa Malaysia KLCI Index for the period of 2011 to 2019. The number of female directors and non-executive directors in a boardroom does not affect the profitability of companies listed on the FTSE Bursa Malaysia KLCI Index. Whereas, EDU has a positive significant impact towards ROA. Thus, more directors with master and PhD holders on board, more gained profit by companies listed on the FTSE Bursa Malaysia KLCI Index.

Model Fit Test was conducted in order to see whether the Fixed Effects model could fit the data well in this study. The F-statistic contributed to 21.72051 with 0.000000 p-values. The p-value was less than $\alpha = 0.01$ which indicates that the Fixed Effect model is significant at 1% and fits the sample data well. Additionally, the adjusted R-squared value was 0.381274, which indicates that 38% return of assets of the 30 companies listed on the FTSE Bursa Malaysia KLCI Index can be explained by the selected independent variables.

Based on the regression results obtained, that the board education (EDU) which was represented by the board characteristics of the company was a statistically significant determinant of return on asset (ROA) of the 30 companies listed on the FTSE Bursa Malaysia KLCI Index for the period of 2011 to 2019. It can be concluded that EDU portrays the most influential variable that affects the performance of the companies listed on the FTSE Bursa Malaysia KLCI Index in terms of profitability as it has the highest coefficient as compared to other variables. Empirical result on directors higher educational qualification (Master degree and PhD), their presence was significantly and positively related with firm performance. This indicates that educational qualifications equip directors with knowledge, better managerial and administrative skills in the managing of the company's affairs. Also, directors with Master and PhD holders in the company are vital and paramount in determining the firms' performance. Previous research by Amran (2010) and Ujunwa (2012) proved that directors with degree qualification significantly affect firm performance.

For Board Size (BSIZE) and Board Meeting (BMEET), it was found that they are statistically significant at 1% significance level which gave a negative impact to firms' ROA. For BSIZE, the findings showed

that the larger number of members in the boardroom will negatively affect the profitability of firms (ROA). This implies that the large board size tends to ineffectiveness on performance of firms. For BMEET, the results explained that the more meetings held annually, it will negatively affect the firms' performance (ROA). This indicates that higher frequency board meetings held annually, the lower profit acquired. This happens may because of the low quality of the meeting and the regular meeting held does not give a positive impact on the profitability of companies.

Besides, for both of the gender diversity (GEND) and Board Independence (INDE) were found to be statistically insignificant and did not give any influence towards firm performance of the 30 companies listed on the FTSE Bursa Malaysia KLCI Index. For GEND, the results show that the numbers of females in the boardroom was not a vital aspect to drive the ROA of the companies. Moreover, the percentages of board independent in boardroom (INDE) is also to be found as not an important factor in determining the profitability of the 30 companies listed on the FTSE Bursa Malaysia KLCI Index.

The results of female on board (GEND) and board independence (INDE) were similar to studies done by Yasser (2012), Julizaerma & Sori (2012) and Prabowo & Simpson (2011). Based on previous studies, the results proved that the presence of females on board is not a contribution towards good governance. In addition, Wang & Clift (2009) explained based on their result that there is no strong correlation between gender diversity on the board and financial performance. Contrasting to this, Kramer, et. al. (2008) elaborate that decision making can be better and fulfill the interest of the stakeholders when having more number of women in the boardroom. Also, the consistent results with Liu et al. (2014), Bianco et al. (2015) and Terjesen et al. (2016), suggest that female and non-executive directors in the boardroom do not necessarily contribute to a better firm performance. Based on the perspective of agency theory, independent directors may lack skills in supervising management because they lack insider information about the operating activities of their firms.

Additionally, the relationship board size (BSIZE) and board meeting (BMEET) are negative but there is a significant association with the firm performance. For the board meeting, the result shows negative correlation but the p-value is significant with the firm performance. This result may be due to the condition that frequent organised meetings resulted in high energy costs, travel expenses and expenses incurred for such meetings. Therefore, firms suffer because these costs negatively influence performance. Based on Bublykova, (2014) which revealed the similar result that the size Supervisory Board gives a negative impact on firm performance. Thus, the larger board size has more adverse impact on financial performance (ROA) as well as the huge board size are greatly inefficient because it leads to overweight benefits (Bublykova, 2014). Meanwhile, for the board education (directors who hold a master and PhD) has a positive and significant impact on financial performance. The study has established that the directors are majority in higher level education hence they are broader in functional and educational background with a specialist's knowledge and have experiences to create a better chance of improving performance of firms (Kokeno & Muturi, 2016).

Table 6: Fixed Effect Regression analysis

Variables	Coefficient	t-statistics	(P-Value)
BSIZE	-0.009910	-4.616147	(0.0000)***
BMEET	-0.003895	-3.829457	(0.0002)***
GEND	0.037765	1.257175	(0.2098)
INDE	0.010300	0.417406	(0.6767)
EDU	0.070523	2.807703	(0.0054)***
FIRMSIZE	-0.018124	-8.136455	(0.0000)***
LEVERAGE	0.038221	2.194274	(0.0291)**
GROWTH	0.002193	0.187724	(0.8512)
C	0.575998	10.88545	(0.0000)***
F-Statistics		21.72051	(0.000000)***
Adjusted R-Squared		0.381274	
Durbin Watson		0.365475	

Note: **, * denotes significance at 5%, 10% respective

Conclusion

We have investigated the relationship between board characteristics and firm performance. Based on 30 companies-years observations of ROA, our analysis provide evidence that board size, board meeting and director's higher educational qualification are the characteristics that significantly influenced firm's performance. However, in oppose to the expectations of the study, inconclusive results are found concerning board independence and gender.

Our study provides several implications for policy and literature. First, the findings could be beneficial to the management, policymakers and regulators in the area of corporate governance. In other words, the regulators should strengthen the Board of directors' credentials, particularly in terms of ensuring they have good qualification background, as opposed to merely being a director in order to enable then to contribute effectively safeguarding the interest and maintain sustainability of the firm. Besides, our analysis shows that the firms should reduce the number of board members and the frequent board meeting which have negative relationship with firms' return on assets. Third, this study contributes to the extant literature on corporate governances, particularly on the characteristic of board members that influence their firms' performance.

However, this study has some limitations which should be addressed in future research. The first limitation is a small data sample as it only covers the nine years between 2011 and 2019. Hence, increasing the time duration under study for more years can be a prospective continuation in this regard to produce more substantial results. This study is having good prospects for future research by extended to the whole company listed on Bursa Malaysia rather than only selected one. In addition, the findings relied on quantitative analysis (regressions) which is insufficient. Therefore, more qualitative analysis is required (interviews with key decision-makers) to understand the position of board characteristic relationship

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