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The Impact of Corporate Governance Characteristics on Firm Performance in Malaysia

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ABSTRACT

A good corporate governance structure is a prerequisite for supporting and sustaining business growth, while an effective board seems to be an important element that can lead to better firm performance in the competitive industrial market. This study aims to examine the impact of corporate governance characteristics on firm performance of public listed companies in Malaysia under the industrial products and services industry. 100 PLCs were purposively sampled with data spanning in the year 2020. The results of regression analysis indicate that board size significantly leads to the negative firm performance of ROA, whereas professional qualification of board members positively contributes to the firm's performance of ROE. Unfortunately, the findings reveal that board independence, board meeting frequency, and role duality have no association with firm performance. Overall, the result indicates that board size and professional qualification are essential to foster good corporate governance along with the enhancement of company success within the organization.

Keywords: Board size, board independence, board meeting, role duality, professional qualification, firm performance

1. INTRODUCTION

Corporate governance is perceived as the rules, policies, and processes that steer and regulate a corporation (Scherer & Voegtlin, 2020). It is the process of taking into account the interests of a company's various stakeholders (Chen et al.,2021). The basic concepts of corporate governance include accountability, transparency, fairness, and responsibility management (Kyere & Ausloos, 2021). In general, the public demand for corporate governance elements following the high profile corporate scandals also stimulated policymakers, academics, and public/private sectors to strengthen the effort of good corporate governance in corporations (Mallin, 2016). Besides, potential investors are concerned about a company's corporate governance since it shows business direction and commercial ethics. Addressing corporate governance concerns through the business decision-making process has not only benefited potential and existing investors, but also employees, consumers, and society by strengthening their voices at general shareholders' meetings. As a result, corporate governance contributes to financial viability by offering long-term investment opportunities to market participants. This is the main reason for most firms that strive to have a high level of corporate governance exercises.

The Malaysian Code on Corporate Governance (MCCG), which was enacted in 2000, has been a key tool in corporate governance reform. The establishment of this Code has evident a positive influence on corporate governance practices in Malaysia such as in oil and gas PLCs (Baharudin & Marimutthu, 2019), family-controlled firms (Lode & Noh, 2019), companies with political connections (Sejati & Jones, 2019), and others. The MCCG promotes internationally recognized corporate governance principles and practices that go beyond what is needed by law, rules, or requirements by the Malaysian Stock Exchange (Bursa Malaysia). The MCCG was revised in 2007, 2012, 2017, and 2021 to ensure that it was still relevant to the current situation and supported the implementation of effective corporate governance culture and practices (Securities Commission Malaysia, 2021). Besides, the Securities Commission of Malaysia also had issued Corporate Governance Blueprint 2011. CG Blueprint 2011 emphasizes the self and market regulation to complement the comprehensive regulatory framework and also to promote good compliance and corporate governance culture. One of the CG Blueprint 2011 recommendations is the directors are permitted to hold directorship in the public listed firm for not more than five (Securities Commission Malaysia, 2021).

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Several high-profile corporate collapses have revealed the failure of corporate governance systems internationally. In the Malaysian context, the corporate scandal reported has shown weaknesses in corporate governance due to political interference, financial misuse, corporate scams, and other conflicts of interests that led to corporate failure. For instance, 1Malaysia Development Berhad (1MDB) scandal in 2016 (Latiff, 2020), Malaysia International Shipping Corporation Berhad (MISC) scandal in 2018 (Gomez et al., 2018), and the fake Halal meat scandal in 2020 (Raghu, 2020) are among the examples of corruption scandals involving the huge value of claims and other adverse issues towards the society. Based on these scandals' consequences, it can be concluded that a good corporate governance mechanism is significantly vital for ensuring better firm performance, especially regarding financial performance.

The responsibility to develop a good corporate governance atmosphere that can be trusted by society lies in the hands of corporate entities and Malaysian government authorities. Investors and society perceived that firms with good corporate governance tend to have higher performance and better credibility (Dinh & Calabro, 2019). Otherwise, the nation may be facing several other series of corporate scandals if the corporate governance practices have not been taken seriously. This definitely may worsen and slow the nation's development progress to become a developing country and to simultaneously establish competitive edges in international trade. Besides, the prolonged scenario of corporate scandals will cause adverse drawbacks to the country's economy and social issues among the society. Overall, poor governance may harm lowering a country's reputation in the global arena.

A large number of previous studies emphasized the association between corporate governance and firm performance and they have proved that corporate management has a certain impact on firm performance (Danoshana & Raviyathani, 2019; Khatib & Nour, 2021; Kyere & Ausloos, 2021). In Malaysia, many empirical studies are consistent with the argument that well-governed firms have high performance (Jakpar et al., 2019; Jamaludin et al., 2018; Karim et al., 2020; Khanifah et al., 2020; Mohamad et al., 2020; Wasiuzzaman & Wan Mohammad, 2020). Most previous studies have emphasized board size, board independence, board meeting frequency, and role duality, yet according to Jamaludin et al. (2018), limited scholars have included the directors' professional qualifications. Hence, this study aims to evaluate the impacts of corporate governance on firm performance of Malaysian PLCs with special focuses on the industrial products and services industry.

2. LITERATURE REVIEW

This section focuses on explaining and discussing the review of the empirical studies and presenting a clear picture of the potential corporate governance characteristics that may influence firm performance. The attention is given to the elements of board size, board independence, board meeting frequency, role duality, and professional qualification.

2.1 Corporate Governance on Firm Performance

The influence of corporate governance on the performance of corporations has been widely documented in the literature (Guney et al., 2020; Khatib et al., 2020). Corporate governance is defined as the processes and structures used to direct and manage corporate business towards increased business sustainability and corporate accountability (Bilal et al., 2018). It involves a set of relationships between a company's management, its board, its shareholders, and other stakeholders (Hassan & Marimuthu, 2018). A 'good' corporate governance system ensures that the corporation sets the right goals and puts in place a system and structure to ensure that these goals are met. It is also considered as a tool for all shareholders to control and monitor the activities of the company so that early warnings or red flags could be identified to ensure any wrongdoings can be eliminated (Mohamad et al., 2020).

Saha et al. (2019) noted that there is a big difference between western countries and Asian countries' business structures in terms of the relationship between corporate governance and a firm's stock value. Prior studies indicate that the western world has a strong practice of corporate governance (Pillai & Al-Malkawi, 2018) whereas Asian countries have very weak practices. However, Saha et al. (2019) identified that few countries in Asia such as Malaysia, Indonesia, Singapore, and Thailand are identified as having strong corporate governance practices. For instance, Shamsudin et al. (2018) found that there is a significant positive association between the revised MCCG with the firm performance of 100 firms listed on Bursa Malaysia for the period from 2012 to 2014. Another study by Bhatt and Bhatt (2017) revealed that the performance of 113 PLCs in Malaysia is positively and significantly related to corporate governance measured by the Malaysian Corporate Governance Index (MCGI). Besides, the corporate governance of sample firms shows marked improvements after the implementation of MCCG 2012 as compared to MCCG 2007. Overall, past empirical analysis also showed that the higher the level of governance, the stronger the correlation between governance and corporate value.

2.2 Board Size

Board size refers to the total headcount of directors on an organization's board (Lawal, 2012). There were different arguments with a mixed association between the board size and firm performance. Some may argue that a larger board is not definitely to have much better firm performance, while others argue that a smaller size of a board is not absolutely to have poorer corporate performance in terms of financial results contributed from the business operations (Shamsudin et al., 2018). An optimal number of board members should be appropriately determined by the entire board of directors to ensure that there are enough members to perform their duties and perform various functions. The MCCG makes no

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specification for the number of members that a corporation should sit on board. However, it was suggested that the board size be neither too large nor too small, but just right for active and effective involvement to carry out their tasks effectively, as well to mitigate the problem of free-ride directors on the effort of others (Mohd Ghazali, 2020).

According to Ghabayen et al. (2018), the larger board has become a symbol of authority and has been involved in personal rivalries. They suggested that the optimal board size of a corporation is within the range of 9 to 12 directors. Apart from that, Paniagua et al. (2018) stated that a big board can also give a variety of options for the firm development and decrease environmental uncertainty even though it may be beneficial and productive to firm performance. On the other hand, Kumar and Zattoni (2016) argued that a larger board leads to higher firm performance since more fresh ideas and talents maybe exist, allowing them to manage business operations more efficiently. Contrary, Kajola et al. (2017) and Mohamad et al. (2020) suggested that the board size should be small since its role is to monitor and supervise management's activities as well as participate in decision-making. Besides, small boards are seen to be more successful since they concentrate on resolving difficulties and making efforts to improve the firm's performance (Jakpar et al., 2019).

Based on the above arguments, how the board size affects the firm performance remains ambiguous. In line with the above arguments, this study proposes the following hypothesis.

H1: Board size is negatively associated with firm performance

2.3 Board Independence

Board independence refers to the extent to which there are a majority of non-executive directors on the board who also have no previous affiliation with the firm or any individuals within it (Mcintyre et al., 2007). The independence of the board of directors is a critical component of the corporate governance system because when they are independent, they will provide better and more effective monitoring and control thus increasing the overall firm performance (Rashid, 2018). MCCG suggests that an independent director be someone who has no ties to the firm and can assess the board's matters and management. Wong and Hooy (2018) described that a board should include more than 50 percent of independent directors, as indicated in the MCCG to provide appropriate managerial supervision. From the Resource Dependence Theory perspective, independent directors can provide external resources to the business such as knowledge, network or social resources, skill, and legitimacy (McLeod, 2019).

In general, studies exploring the association between board independence and firm performance have delivered inconsistent results. For instance, several studies indicate that board independence enhances firm performance (e.g. Ararat et al., 2015; Farhan et al., 2021; Jakpar et al., 2019; Terjesen et al., 2016). According to Terjesen et al. (2016), independent directors have unique experiences and information gained from other companies, and these resources may assist the firm to grow profit and achieve success. Farhan et al. (2021) and Ararat et al. (2015) stated that the independent board of directors has a positive effect on improving the firm's financial performance in UAE and emerging markets, respectively. Similarly, Zhu et al. (2019) found that empowering independent directors may improve business value through promoting efficient monitoring. On the other hand, various other studies found there is a negative or no association between board independence and firm performance (Fuzi et al., 2016; Rashid, 2018). Fuzi et al. (2016) argued that an independent board exists to comply with business and company regulations only, thus no association between board independence and firm performance is observed. Nevertheless, Rashid (2018) argued that independent directors may not be capable of carrying out their responsibilities since they have lack insider information about the firms.

Based on an argument that an independent director can give a positive impact on the monitoring function, hence a positive association is expected. In line with the above arguments, this study assumes the following hypothesis.

H2: Board independence is positively associated with firm performance

2.4 Board Meeting

The board meeting is an organized set up arranged to assemble a board of directors to discuss and address relevant issues relating to the prior and current predicament, and forward looking matters as they relate to the firm survival (going concerned) (Eluyela et al., 2018). The frequency of board meetings reflects the amount of board activity (Mohd Ghazali, 2020). The board of directors must meet regularly, retain control over the company, be clear about their duties, as well as maintain a risk management framework. There are two conflicting arguments on the frequencies of board meetings whereby firms having fewer board meetings are anticipated to have fewer disputes among board members. On the other hand, high frequencies of board meetings might generate negative investors' perceptions that businesses may have bad performance concerns that require the high attention of the board of directors. The MCCG encourages regular board meetings and regular disclosure of details of frequency as well as member attendance. This is said to increase board effectiveness and also bring the board members into one mind by serving as a medium for disseminating salient information to all board members as regards the progress of the company.

Concerning the impact of board meetings frequency on firm performance, it is reported that the fewer the meetings, the better performance of the firm as a whole (Eluyela et al., 2018). This argument is supported by Johl et al. (2015) whereby their study revealed a negative association between a board meeting and firm performance and one of their recommendations was that the meetings should be more important and less frequent. Similarly, Jamaludin et al. (2018)

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supported the statement recommended by other academic scholars which is frequent board meetings indicate a company's reaction to its poor performance. Although frequent board meetings might indicate active engagement among the board of directors, businesses with essential or critical concerns are more likely to hold frequent board meetings. In contrast, Taghizadeh and Saremi (2013) claimed that a board meeting has a positive impact on firm performance since all directors engaged with collective responsibility. According to Saleh and Islam (2020), it is possible to enhance firm performance when the board of directors meets up regularly, and therefore performing their duties for the interests of company's shareholders.

Based on the suggestion by the MCCG for the board of directors to meet regularly for the purpose to increase board effectiveness, therefore a positive association is expected. This is based on the argument that the higher the board meetings frequency, the greater the capabilities of the board to advise, discipline, and monitor managers, and hence the better the performance of the firm. In line with the above arguments, this study conjectures the following hypothesis.

H3: Board meeting is positively associated with firm performance

2.5 Role Duality

CEO duality refers to the situation in which the two most influential positions within a firm, the CEO and board of directors' Chairman, are held by the same person (Krause & Semadeni, 2013). This creates an imbalance of power inside the firm as one person's control over all aspects of the business might lead to incredibly biased and inefficient judgments (Ali et al., 2019). The MCCG emphasizes the separation role of Chairman and CEO for the sake of stakeholders' benefits to foster good governance among Malaysian PLCs (Chandren et al., 2021). According to Jayendrika et al. (2020), there should be a clear division of duties to ensure a balance of power and authority, so that no single person has unrestricted decision-making ability.

There is conflicting evidence on the association between role duality and firm performance. For instance, Pham and Pham (2020) found that role duality had a positive effect on firm performance in the growth stage due to the unity of the presented command. Contrary, Waheed, and Malik (2019) revealed that the majority of Pakistani companies have the same CEO and chairman on the board, but it is difficult for the CEO to assert control over companies with bigger boards. Similarly, research findings by Duru et al. (2016) supported that role duality brings a statistically significant negative influence on firm performance. This implies that outside board members can act as effective monitors, reducing management opportunism, and acting as a disciplinary authority while also benefiting from the advantages of decisive leadership that come with a combined board leadership structure. In addition, Jayendrika et al. (2020) found that combining both responsibilities into a single post would undermine board governance and negatively influence firm performance. Differently, Nas and Kalaycioglu (2016) discovered that when both positions of the chairman and CEO are held by the same person, the business may perform better. However, their study found no evidence of such a significant association. One probable explanation is that the presence of the duality position has no impact on firm performance, but other corporate governance mechanisms may have a higher impact (Jamaludin et al., 2018). In line with the suggestion by the MCCG that stressed the separation role of Chairman and CEO, this study predicts the following hypothesis.

H4: Role duality is negatively associated with firm performance

2.6 Professional Qualification

A board exists to serve as the organization's backbone, overseeing management's activities while also safeguarding shareholders' interests (Ali, 2016). Therefore, the board members' talent such as education qualification must be improved for them to be able to evaluate current conditions and take appropriate strategies. Besides, the board must be well-versed with the market condition. For making better judgments, directors must have significant professional expertise. According to Ramli and Ramli (2016), the presence of directors with professional accounting qualifications is critical in transmitting their expertise in financial reporting preparation. It is said that directors with a professional accounting background are to be more thorough in calculating the selling price of a firm's goods and services, which, in turn, may boost the firm's overall income. Further, Al Matari and Mgammal (2019) concluded that members with higher education are more tolerant of uncertainty, more open to change, and more likely to innovate. Through their supervision function, they may reduce financial fraud and improve their investors' informed decision-making in the investment process.

Majority of previous studies suggest that the greater qualifications of board members can offer greater competencies, capabilities, and strategic resources in managing the firm, and finally able to enhance firm performance (Akinwunmi et al., 2019; Ishola et al., 2018; Khatib & Nour, 2021; Serra et al., 2016; Shahrier et al., 2020). For instance, Serra et al. (2016) revealed that CEOs of a firm who have a background in finance, accounting, or other qualification related to the commerce field are better suited to make more successful strategic decisions. Similarly, Akinwunmi et al. (2019) found that educational diversity within board members with academic degrees equips directors with managerial experience and networking opportunities, both of which are extremely valuable in the strategic administration of a firm. Those traits are critical for board members to execute their responsibilities, such as overseeing the business and monitoring the upper executive's performance. In line with this discussion, this study predicts the following hypothesis.

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H5: Professional qualification is negatively associated with firm performance

3. RESEARCH METHODOLOGY

This paper aims to determine the influence of corporate governance characteristics on firm performance among PLCs in Malaysia. Currently, there are 18 sectors comprised of different business nature of PLCs listed in the main market (Bursa Malaysia, 2022). As of September 2021, the total market capitalization of Malaysian PLCs was reported at RM1,802.132 billion. This study focuses on the industrial products and services industry which is considered as one of the major sectors that consists of 320 companies related to auto parts, building materials, diversified industrials, and other industrial services. The reason for choosing this sector is to understand the financial health of this target industry as it is believed that a strong industrial products and services sector is crucial for the sustainability of the nation's economy. It tends to increase purchasing power and confidence of existing and potential consumers for major business transactions. Malaysian industrial firms are now expected to be benefited from the country's diversification and competitive economy with ample economic resources. The selection process of the PLCs is based on the total market capitalization whereby 100 PLCs are chosen based on the largest market capitalization in the industry. All the financial data in the year 2020 was obtained from the annual report of the respective PLCs retrieved from the Bursa Malaysia website.

3.1 Measurements

The influence of corporate governance characteristics on firm performance can be explained by using financial indicators such as return on equity (ROE) and return on assets (ROA). The measurement of firm performance using ROE and ROA are adapted based on previous researchers that have applied these financial indicators to evaluate the companies' financial health (Bhatt & Bhatt, 2017; Jamaludin et al., 2018; Jayendrika et al., 2020; Shahrier et al., 2020; Shamsudin et al., 2018; Wong & Hooy, 2018). From the standpoint of business stakeholders, ROE is a credible measurement of corporate performance (Bhatt & Bhatt, 2017), while the ability of a firm to maximize its profit from the assets can be measured by its ROA (Jamaludin et al., 2018). ROE is calculated as "net income scaled by total shareholders' equity", while ROA is calculated as "net income scaled by total assets".

Table 1
Summary of Variables, Symbols, and Its Description

Variables	Symbol	Description
Return on Equity	ROE	Net income scaled by total shareholders' equity.
Return on Assets	ROA	Net income scaled by total assets.
Board Size	BSIZE	Number of directors constituting a board.
Board Independence	BIND	Average independent directors on the board.
Board Meeting	BMEET	Number of board meetings held in a year.
Role Duality	RDUAL	One, if the CEO is also the chairman of the board, and zero otherwise.
Professional Qualification	PQUAL	Directors who hold professional qualification in finance or accounting.

Further, this study measures the corporate governance characteristics using five indicators as depicted in Table 1. The board size measurement is adapted from Mohd Ghazali (2020) and Ghabayen et al. (2018) which refer to the number of directors constituting aboard. Meanwhile, board independence is measured by using the average independent directors on the board (Wong & Hooy, 2018). The measurement of the board meeting is referred to the number of board meetings held in the year 2020 (Jamaludin et al., 2018; Mohd Ghazali, 2020). For role duality, PLCs, where the positions of Chairman and CEO were held by the same persons, are coded as 1, otherwise as 0 (Jayendrika et al., 2020; Wong & Hooy, 2018). Finally, professional qualification is measured using the number of directors who hold a professional qualification in finance or accounting (Ramli & Ramli, 2016).

3.2 Model Specification

All data were analyzed using the IBM Statistical Package for the Social Sciences (SPSS) version 25.0, and all tests were conducted based on two-tailed with a 5% level of significance. A standard multiple regression analysis was conducted to examine the association between the predictor variables included in the model. The proposed standard multiple regression model can be expressed as follows: Model 1:

$$\mathrm{ROE} = \beta_0 + \beta_1\mathrm{BSIZE} + \beta_2\mathrm{BIND} + \beta_3\mathrm{BMEET} + \beta_4\mathrm{RDUAL} + \beta_5\mathrm{PQUAL} + \varepsilon \qquad \textit{Equation 1}$$

Model 2:

$$\mathrm{ROA} = \beta_0 + \beta_1\mathrm{BSIZE} + \beta_2\mathrm{BIND} + \beta_3\mathrm{BMEET} + \beta_4\mathrm{RDUAL} + \beta_5\mathrm{PQUAL} + \varepsilon \qquad \textit{Equation 2}$$

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Where,
ROE denotes for return on equity; ROA refers to return on assets; β0 represent intercept; β1 to β5 refers to the beta coefficient for each corporate governance determinants as depicted in Table 1; ε refers to the random error term.

4. RESULTS

4.1 Descriptive Results

The descriptive statistics with regards to the firm performance and corporate governance determinants are illustrated in Table 2. The finding shows that the mean value of ROE and ROA for the entire PLCs in the industrial products and services industry is 11.14 percent and 65.04 percent, respectively. This indicates that the ability of the PLCs to generate income from the utilization of their assets is considered high. Meanwhile, the average board size is seven with each PLC having around 51 percent of board independence. This indicates that half of the board members consist of independent directors as proposed by the MCCG. Further, the result demonstrates that the PLCs under the industrial sector has conducted an average of at least four to five boards meetings per year. Therefore, it can be assumed that these PLCs organized the board meetings at least once every quarter. The result also shows that only 9 percent of PLCs have the same person that holds the position of CEO and Chairman. Finally, the finding shows that 33.94 percent of directors hold a professional qualification in the finance or accounting field.

Table 2
Descriptive Statistics for Corporate Governance Determinants and Firm Performance

Variables	Mean	Standard Deviation
Return on Equity	0.1114	0.2540
Return on Asset	0.6504	0.9089
Board Size	7.2300	1.4760
Board Independence	0.5133	0.1298
Board Meeting	4.8500	1.4170
Role Duality	0.0900	0.2880
Professional Qualification	0.3394	0.1588

4.2 Standard Multiple Regression Analyses Results

Standard multiple regression analysis is conducted to explore the influence of corporate governance characteristics towards firm performance from the viewpoint of ROE and ROA. Two series of regression analyses were executed for two different models according to the measurement of the dependent variable, i.e. firm performance, whereby Model 1 is using return on equity (ROE) and Model 2 is based on return on assets (ROA). Table 3 and Table 4 reveal that the *F*-statistics for Models 1 and Model 2 are 3.346 and 1.894, respectively, while the *p*-value is significant (*p*-value < .05) at a 1% level for Model 1 only. In addition, the R2 values for both models are 0.151 and 0.092, respectively. These show that the estimated models explain respectively 15.1 percent and 9.2 percent in the variation of firm performance.

Further, Table 3 shows that only professional qualification has a significant association with firm performance (ROE) (*t*-statistic =3.216; *p* <.05). Nevertheless, the findings reveal that board size, board independence, frequency of board meetings, and role duality are not significantly related to firm performance (ROE). Therefore, H5 is supported, while the other hypotheses are rejected.

Table
Summary Results of Model 1-Return on Equity

Variables	B	SE	t-statistics
Constant	-0.130	0.229	-0.565
Board Size	-0.015	0.018	-0.842
Board Independence	0.180	0.205	0.882
Board Meeting	0.016	0.018	0.890
Role Duality	0.015	0.085	0.175
Professional Qualification	0.526	0.164	3.216**
R square (R^2)		0.151	
Adjusted R-squared		0.106	
F statistic		3.346	
Significance F		0.008***	

Note: Association is significant at the *** 1 percent level; ** 5 percent level; * 10 percent level, respectively, using two-tailed test.

The influence of corporate governance characteristics towards firm performance that measured using return on assets (ROA) is presented in Table 4. The finding reveals that board size is proved to have a negative influence on firm performance (ROA) (*t*-statistic = -1.701; *p* < .10), and it is significant at the 10 percent level. Contrary, this study fails to find any association between board independence, board meeting, role duality, and professional qualification on firm performance as measured by ROA. Therefore, all hypotheses are rejected except for H1 is partially supported.

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Table 4
Summary Results of Model 2-Return on Assets

Variables	B	SE	t-statistics
Constant	0.093	0.085	1.090
Board Size	-0.011	0.007	-1.701*
Board Independence	0.105	0.076	1.384
Board Meeting	-0.003	0.007	-0.391
Role Duality	0.009	0.031	0.290
Professional Qualification	0.033	0.061	0.544
R square (R^2)		0.092	
Adjusted R-squared		0.043	
F statistic		1.894	
Significance F		0.103	

Note: Association is significant at the *** 1 percent level; ** 5 percent level; * 10 percent level, respectively, using two-tailed test.

5. DISCUSSION

The finding shows that board size has a significant negative effect on the firm's ROA. This finding seems consistent with previous studies such as Jakpar et al. (2019), Kajola et al. (2017), and Mohamad et al. (2020) which asserted the negative association of board size and firm performance among Malaysian PLCs. A possible interpretation for this result is that a larger board size might incur huge financial costs for paying directors' remuneration. Besides, the directors become less effective when they grow and tend to involve in bureaucratic problems. As a result, larger boards are likely to have difficulty in coordinating, communicating, participating, and overseeing financial reporting and improving firm performance. Besides, more problems could arise from the larger board such as free riding directors in the board meeting, slow in decision-making, and ineffective discussion. Perhaps, a small board is considered more effective because every director's performance can be evaluated and monitored rigorously. Therefore, they are more likely to execute their responsibilities effectively. However, the MCCG advises that board size should not be set in stone for everyone; rather, it should be determined by the firm's needs.

With regards to board independence, the study fails to find any impacts of this determinant on firm performance. This result is similar to the studies by Fuzi et al. (2016) and Rashid (2018) as they proved that the proportion of independent directors on board has an insignificant influence on firm performance. The reason is, the effectiveness of the independent directors is assessed when they execute their roles particularly on monitoring the management in ensuring that the management is comply with business and company regulations. Even though the independent directors can provide external resources to the corporation such as knowledge, network or social resources, and skill, the decision making in regards to the business operation is made by executive directors. Thus, there is no impact on firm performance that could be observed based on monitoring roles of independent directors.

Similarly, this study fails to prove a significant association between a board meeting and firm performance. Contradicted with the suggestion by the MCCG, perhaps the frequency of board meetings is not able to represent the effectiveness of the meeting. Besides, the result shows that even though the association between a board meeting and firm performance is not significant, it harms ROA. This indirectly shows that frequent board meeting consumes additional managerial time and commitment as well as financial cost to the PLCs such as travel expenses, administrative support, and directors' meeting fees. All these expenses would eventually reduce profits and thus firm performance. Therefore, the way the board meeting is conducted is very important so that the board of directors can prepare themselves before the meeting with sufficient information provided by the company secretary and help directors to provide constructive arguments to top management during board deliberation.

For leadership structure, the study finds insignificant results between role duality and firm performance. Even though the result is insignificant, the direction of the association is found to be positive for both models. This finding is in tandem with Jamaludin et al. (2018) and Nas and Kalaycioglu (2016) that discovered an insignificant positive association between role duality with ROA and ROE. A possible explanation for the insignificance result is that perhaps, the presence of the duality position has less impact on firm financial performance since other corporate governance mechanisms have a bigger impact. Another argument is perhaps, the nature of family-controlled firms might be a reason for not splitting the roles but at the same time, the CEO act in the best interest of shareholders for the survival of their firm's legacy.

Finally, this study successfully proves that holding a professional qualification has a significant positive influence on firm performance (ROE). From the shareholders' perspective, they could be more confident when the firm is managed by directors that hold either finance or accounting qualifications. Perhaps, they believe that a genuine qualification may offer greater competencies, capabilities, and strategic resources in managing the firm, and finally able to enhance firm performance. This result is consistent with several previous studies that also believe directors can use their

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knowledge in finance or accounting to detect any red flags on financial fraud (Al Matari & Mgammal, 2019; Akinwunmi et al., 2019; Ishola et al., 2018; Khatib & Nour, 2021; Serra et al., 2016; Shahrier et al., 2020). Besides, firms also can improve their decision-making process in major investment vehicles under their qualified expert's supervision.

6. CONCLUSION

This study provides empirical evidence on the impact of corporate governance mechanisms on the firm performance of PLCs in Malaysia. This study is done by using corporate governance determinants such as board size, board independence, board meeting, role duality, and professional qualification. Using a sample of 100 PLCs in the year 2020, it is found that board size is associated with the decline in firm performance, while director with professional qualification is associated with an increase in firm performance. Therefore, the implication of this finding is the presence of a larger board size has an unfavorable impact on the firm performance. On the other hand, having more directors with finance or accounting qualification perhaps could help the firm is performing successfully. Overall, this finding supports the Resource Dependence Theory whereby professional qualifications that bring by the directors to the business such as knowledge and skills able to assist firm's business survival and performance sustainability. Therefore, it is suggested that the directors should equip themselves with a genuine qualification as it may give them a personal advantage while exercising their role to monitor and supervise management's activities.

Some limitations of this study should be acknowledged and directions for future studies should also be suggested. First, this study is focused on the PLCs under the industrial products and services industry listed on the Bursa Malaysia, and therefore the findings of this study do not represent other sectors or companies listed on other stock exchanges. Hence, to get a better picture for future studies, it can include more sectors such as construction, plantation, infrastructure, and others in the research. Besides, it was restricted to the financial data of PLCs for the one year only, which is the year 2020. It thus suggested that future studies can extend the analyses time to cover a longer period. This will give a full understanding of how corporate governance determinants can affect the overall performance of the company. Although this study focuses on the variables that were repeatedly used by other researchers to explain firm performance, however, this study found low explanatory power of these variables. Thus, suggestion for further researchers should seek other firm's performance indicators such as Tobin's Q and net profit margin (NPM) that might provide a better explanation of firm performance. Finally, future studies could consider any other corporate governance elements for mediating or moderating effects such as audit board structures or Shariah compliance indicators.

COMPETING INTEREST

The authors declare no competing interests exist.

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