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**RISK MANAGEMENT COMMITTEE, OWNERSHIP STRUCTURE AND
FINANCIAL PERFORMANCE**

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UUM
Universiti Utara Malaysia

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**RISK MANAGEMENT COMMITTEE, OWNERSHIP STRUCTURE AND
FINANCIAL PERFORMANCE**

By

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**A Thesis Submitted to College of Business in partial
fulfillment of the requirement for postgraduate Master of
Science of International Accounting
Universiti Utara Malaysia**

May 2017



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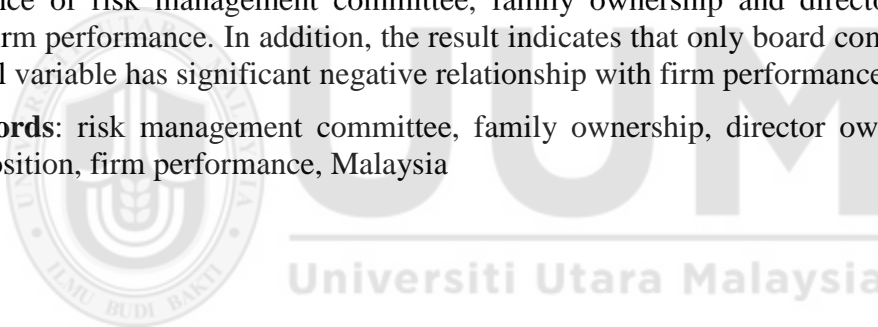


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ABSTRACT

The role of risk management committee (RMC) under the corporate governance consist of monitoring the risk strategies, policies and risk tolerance level as well as reviewing the sufficiency of risk management policies and framework. Risk management committee performs a very important function in the monitoring of the risk and internal control. Thus, the main objective of the study is to examine the effect of the existence of risk management committee on firm performance of companies listed in the Main Market of Bursa Malaysia. In addition, the study also examines the effect of ownership structure of director and family ownership on firm performance. ROA and ROE are used as proxy to measure the firm performance. Sample of the study is based on 20% companies in each industry excluding finance companies. Data were collected from 154 companies in the financial year 2015. The study uses agency theory to predict the relationship. Descriptive analysis shows that only 18% of the sample companies have stand-alone risk management committee and 28% of the sample companies have joining risk management committee with other committees such as audit committee. The mean of family ownership is 21.93% and the mean of director ownership is 36.81%. The regression analysis revealed that there is no significant relationship between the existence of risk management committee, family ownership and director ownership with firm performance. In addition, the result indicates that only board composition, the control variable has significant negative relationship with firm performance.

Keywords: risk management committee, family ownership, director ownership, board composition, firm performance, Malaysia



ABSTRAK

Peranan jawatankuasa pengurusan risiko (RMC) tertakluk kepada tataurus korporat meliputi pengawalan strategi risiko, polisi risiko dan paras toleransi risiko di samping mengkaji samada polisi dan rangka kerja pengurusan risiko sesebuah syarikat adalah mencukupi. Jawatankuasa pengurusan risiko memainkan peranan yang penting dalam mengawal selia kawalan dalaman dan risiko syarikat. Oleh itu, objektif utama kajian ini adalah untuk mengkaji kesan kewujudan jawatankuasa pengurusan risiko ke atas prestasi kewangan syarikat-syarikat yang tersenarai di Pasaran Utama Bursa Malaysia. Di samping itu, kajian ini juga mengkaji kesan struktur pemilikan oleh pengarah dan keluarga ke atas prestasi syarikat. ROA dan ROE digunakan sebagai proksi untuk prestasi syarikat. Sampel kajian adalah berdasarkan kepada 20% syarikat bagi setiap kategori industri tidak termasuk syarikat kewangan. Data telah dikumpul daripada 154 buah syarikat pada tahun kewangan 2015. Kajian ini menggunakan teori agensi dalam membuat ramalan tentang hubungan tersebut. Analisa deskriptif menunjukkan hanya 18% daripada sampel syarikat mempunyai jawatankuasa pengurusan risiko sendiri dan sebanyak 28% daripada sampel syarikat mempunyai jawatankuasa pengurusan risiko yang bergabung dengan jawatankuasa lain seperti jawatankuasa audit. Purata bagi saham pemilikan keluarga adalah 21.93% manakala purata saham yang dimiliki oleh pengarah syarikat adalah sebanyak 36.81%. Analisa regresi juga menunjukkan tiada hubungan yang signifikan di antara kewujudan jawatankuasa pengurusan risiko, saham pemilikan pengarah dan saham pemilikan keluarga dengan prestasi syarikat. Di samping itu, kajian ini menunjukkan komposisi lembaga pengarah sebagai pembolehubah kawalan mempunyai hubungan yang positif dan signifikan dengan prestasi syarikat.

Kata kunci: jawatankuasa pengurusan risiko, saham pemilikan keluarga, saham pemilikan pengarah, komposisi lembaga pengarah, prestasi syarikat, Malaysia.

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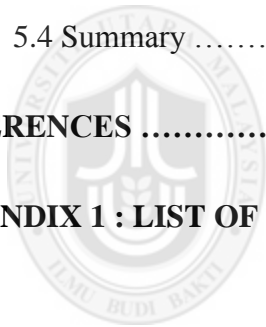
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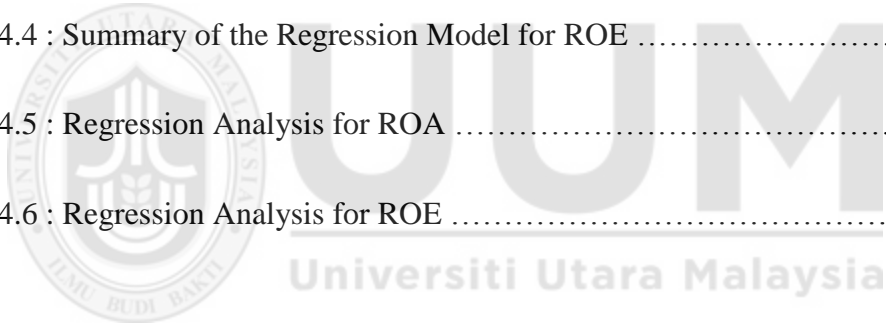
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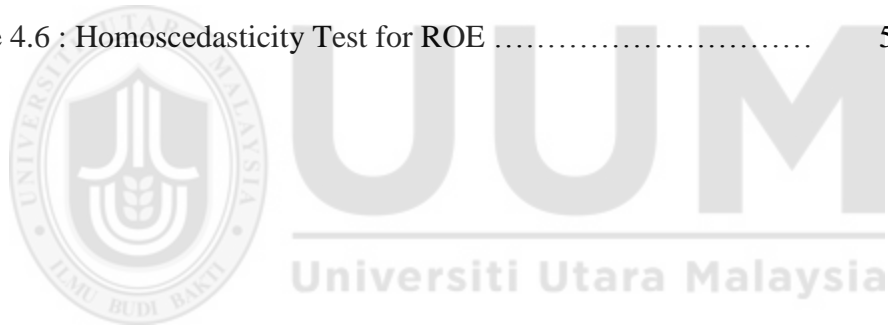
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Every listed company in Malaysia needs to disclose about the way they manage risk in their annual report every year. The consequence, in the public listed annual report, there is a part called a statement about risk management and internal control that disclose about directors responsibility in managing risk and risk management framework of the company. Risk management is defined as the way and procedure used by firms to control risk or grab an opportunities consistent to the achievement of their objectives (Amran & Hassan, 2008). The important of risk management was highlighted due to the uncertainty of world economic growth that gives a major impact on the business performance worldwide. Investopedia (www.investopedia.com) states that risk management becomes one of the factors looked by the investors besides other factors for examples business model, competitive advantage, management and corporate governance before making a decision to invest in a company.

The person who is responsible for managing risk in a company is directors. Corporate Governance Guideline issued by Bank Negara Malaysia stated that, a member of Risk Management Committee (RMC) must be at least three non-executive directors and the chairman must be an independent director (Kallamu, 2015). It is because directors' have an important role in making a decision on behalf of the company before entering into a business agreement or make an investment. So, directors of the companies should have a

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