Board Characteristics and Foreign Direct Investment in Public Listed Property Companies: A Malaysian Evidence

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Abstract

The Malaysian government has encouraged the corporate sector to be seriously committed in supporting sustainable development. One of the elements in sustainable development is the inclusiveness of foreign direct investment (FDI) in the corporate sector. FDI plays an important role in the economy as it generates an economic growth by increasing the domestic capital formation and hence, promoting sustainability. This study examines the relationship of corporate governance characteristics on foreign direct investment among property public listed companies in Malaysia. Specifically, this study examines the effect of board of directors' characteristic namely board size, board meeting, board independence and CEO-Chairman duality role on foreign direct investment of the property public listed companies. This study relies on content analysis on the annual reports of 50 public listed property companies in in Malaysia for year 2007-2016. The results show that board meetings and board independency have a significant positive relationship on foreign direct investment of the public listed property companies. However, the results show that board size and CEO-Chairman duality do not have a significant relationship on foreign direct investment of the public listed property companies. The findings in this study implicate the importance of the board of directors' involvement in ensuring effective and efficient decisions related to foreign direct investment.

Keywords: foreign direct investment (FDI), board characteristics, public listed property company, Malaysia

1. Introduction

Foreign Direct Investment (FDI) plays an important role in the economy of a country as it generates an economic growth by increasing the domestic capital formation, thus ensuring the sustainability of the country. In Malaysia, FDI has been considerable throughout the years since the opening of the market to the foreign investors due to the 1997 Asian financial crisis. For the companies, FDI is regarded as an important way for them to obtain the benefits of globalization. According to the National Statistic Department, in 2017 (Quarter-2), the Malaysian's economy has rose to about 5.8 percent as compared to 4.0 percent recorded in 2016 due to FDI. Such figures have also been highlighted by the Bank Negara whereby the Malaysian's economy has expanded between 4.3 percent and 4.8 percent in 2017. Similarly, the policy makers have recognised the benefits of FDI in achieving the targeted economy not only in terms of capital formation and job creation but also in terms of technology, production and management techniques. However, one may pose a question. What actually influence the companies to be involved in FDI? Bekaert, Harvey and Lumsdaine (2002) proposed that corporate governance may play an important role in determining the FDI of a company.

In Malaysia, the introduction of corporate governance in 1993 was due to the requirement of the then Kuala Lumpur Stock Exchange (KLSE), now known as Bursa Malaysia in imposing companies to establish audit committee (Haniffa & Hudaib, 2006). The effort was then continued by the Malaysian Securities Commission (SC) when the SC moved from merit based to a disclosure based regulatory regime in 1996 (Haniffa & Hudaib, 2006). Subsequently, SC introduced the Malaysian Code on Corporate Governance (MCCG) in 2000 as a result of the Asian financial crisis in 1997 which derived from the recommendations of 1992 Cadbury Report and the 1998 Hampel Report in the UK. Initiatives were taken to further improve the MCCG by the issuance of the revised MCCG2012 that focused on strengthening the board structure and board composition that recognises the role of directors as active and responsible fiduciaries (Securities Commission, 2012). The new revised MCCG in 2016 streamlined the corporate governance practices into two categories: *Core and Core+* where the companies are expected to disclose their adherence to the Core practices on an 'apply or explain an alternative' basis, which encourages greater thought

process in undertaking the practices, and in making disclosures.

Studies have shown that foreign investors can be an important source of financing to the companies (Bekaert et al. 2002; De, et.al 2018). In addition, foreign investors can affect the corporate governance of companies indirectly as their decision to buy and sell shares in the companies can create an incentive for better governance to attract foreign capital. This is because foreign investors prefer companies with better corporate governance practices in order to secure better returns on investment. In this regard, foreign investors serve as a unique monitoring tool of a company's management. This is especially true in the Malaysian market whereby the domestic institutional investors and outside directors are not in the proper position to supervise management and control corporate governance of the companies (Haniffa & Hudaib, 2006). Large shareholders have also claimed to have greater incentive to monitor their management and have the necessary power to influence the company's policies since they bear a significant proportion of the managers' value destroying actions (Haniffa & Hudaib, 2006).

This study aims to examine the factors influencing FDI in the public listed companies. Specifically, this study examines the effect of corporate governance in terms of board characteristics on FDI in the public listed property companies in Malaysia. The findings in can provide understanding on the role of the board of directors in ensuring effective and efficient decisions related to FDI. The remainder of this paper is organised as follows. Section 2 provides the literature review. This is followed by Section 3 that explains on the research design. Section 4 presents the research framework and hypotheses development whilst Section 5 presents the results and discussion. The last section, Section 6 summaries and concludes this study.

2. Literature Review

2.1 Foreign Direct Investment

Foreign direct investment (FDI) includes investors who invest in the economy of another country for a positive return on their investment and thus, would ensure effective monitoring on the management of the companies they have invested in in order to avoid managerial expropriation. Foreign ownership is expected to improve the corporate governance practices of the companies. According to Stulz (1999), foreign investors reduce agency cost. In addition, foreign investors may come from countries that have good corporate governance practices that drive them to have the same practices at the foreign companies that they have invested in. Arguably, FDI promotes continuous economic and social development by transferring technology, skill development, innovation and management efficiency. Substantial investments have been invested in countries that have strong economic fundamentals, such as a large market size, stable macroeconomic environment, availability of skilled labour, and infrastructure that positively influences the country's FDI inflows (Dunning 1993; Globerman & Shapiro 2002; Globerman & Shapiro, 2003).

The Organisation for Economic Cooperation and Development notes (OECD, 2008) noted that FDI occurs when companies invest directly in production or other facilities in a foreign country over which they have effective control. Such control comprises composition in the equity share capital, reinvestment of earnings, intra-company loans, other long-term capital and short-term capital. However, Shenkar and Luo (2008) argued that the mode of FDI entry includes international franchise, branches, contractual alliances, equity joint venture, and wholly owned foreign subsidiaries that could take in the Greenfield investment, cross border mergers, cross border acquisition and sharing utilities. In Malaysia, FDI is classified into four principal means of foreign market entry namely, exporting, licensing, joint venture partnering and wholly-owned foreign investment (Buckley & Casson 1998). Studies have suggested that FDI can accelerate the transition process by forming a basis for more effective corporate governance system and by promoting enterprise restructuring (Djankov & Murrell 2002). Corporate governance has appeared to be one of the major factors that can influence investment decisions (Gibson 2003; Durie & Beshir 2018), such as FDI.

2.2 Corporate Governance

According to O'Sullivan (2000), corporate governance refers to the control exercise on the distribution of resources in a particular company. Corporate governance is a system on how a company is being directed, engaged and controlled (OECD, 1999). Mat Rabi, Zulkafli and Che Haat (2010) argued the need for the board of directors to provide more attention to be given on monitoring and assessing the chief executive officers and managers through corporate governance characteristics.

2.2.1 Board Size

The size of the board of directors is important in monitoring the business operation and managerial control. In Malaysia, the optimum number of directors is subjected to the discussion and approval of the whole board members to ensure sufficient members in discharging responsibilities and perform other various functions (Securities Commission, 2016). Previous studies have provided different views in relation to the impact of board size. A group

of studies have found larger board size is more effective in managing a company (Pearce & Zahra, 1992; Goodstein, Gautam & Boeker, 1994; Abdul Rahman & Mohamed Ali, 2006; Eketu, 2018). They suggested that more human capitals and brains might contribute to more physical attribution and ideas into the companies. The reason is simply because the board of directors has diverse expertise that could improve the synergetic monitoring of the board of directors in reporting earnings (Abdul Rahman & Mohamed Ali, 2006). In addition, many members would be at ease in monitoring the top management's action. Besides, larger board size is said to be constructive for some companies as they provide diversity that could help the companies to secure critical resources and reduce environmental uncertainties (Pearce & Zahra, 1992; Goodstein et al. 1994).

Another body of the corporate governance literature provided contrasting findings. These studies argued that an oversized board would provide opportunities of "free rider" as too many members may lead to high reliance on each other to monitor their management (Ahmed & Duellman, 2007; Elad, Ngan & Bongbee 2017). Hermalin and Weisbach (2003) also indicated that when the size of directors grows too big, the board would not likely become part of the management process. Abdul Rahman and Mohamed Ali (2006) noted that effective board size that would make timely strategic decisions would be between 4 to 6 members. Lipton and Lorsch (1992) recommended that the board members to be between 8 and 9 members. The reason is simply due to the benefit of monitoring gain by the increased number which will outweigh the cost that is associated with slow decision-making by the CEOs (Jensen & Meckling, 1976).

Within Malaysia, there are a group of studies that have investigated the relationship between board size and company performance. For example: Haniffa and Hudaib (2006) found that board size is significantly associated with market and accounting performance in the Malaysian listed companies The results of their study provided different views of how the Malaysian market perceives large board of directors. Despite the hypothesis that large board size would lead to negative company performance, Haniffa and Hudaib (2006) found that large board size actually benefited a company as it brings many experts and experienced personnel into the company. However, Ahmed and Duellman (2007) found no significant relationship between board size and financial performance. Similar findings were found in Ujunwa (2012). Ujunwa examined the relationship between board size and conservative accounting practices in Nigeria and found no significant relationship.

2.2.2 Board Meetings

Board activities that are linked to resource dependency theory include regularity of board meetings (Lipton & Lorsch, 1992) and board attendance (Brown & Caylor, 2006). Frequent board meetings could help to improve the effectiveness of the board. When there is a need or requirement for tight control and supervision, the board should be flexible to have regular meetings (Shivdasani & Zenner, 2004). Based on Shivdasani and Zenner's findings, conclusion could be made that board meeting frequency and attendance of board members can be used by companies to discuss important issues such as making decisions on investments and activities. Mat Rabi et al. (2010) found that the number of board meetings moderates the relationship between investments and company performance.

The board of directors plays an important role in monitoring the activities and company's operation (Bhagat & Black, 1999). Particularly, there is only one element that links to the action of the board namely all the actions in the company are discussed and decided during a meeting (Conger, Finegold & Lawler, 1998). The number of board meetings seems to be an open question with regards to its effectiveness and contribution towards company success (Xie, Davidson and DaDalt, 2003). Krishnan and Lee (2009) suggested that board meetings would give better and potential ideas that relate to the company governance. This is supported by Jensen (1993) that stated board meeting is the best tool to measure board activity that is related to the company's operation. Crucial internal problems in the company will significantly impact the high frequency of board meeting (Adam & Ferreira, 2007).

A body of the governance literature that has examined the link between corporate governance in terms of board characteristics and company performance found significant relationship. The results of these studies are mixed. For example: Vafeas (1999) found board meetings allow directors to effectively monitor and execute the company's strategy. In other words, the more frequent the board meetings, the closer control that the board have over the managers which in turn would lead to a positive influence on the company performance. In addition, Schwartz-Ziv and Weisbach (2012) found board meetings provide extra cost to a company thus, directors fully utilising the board meeting time to discuss and settle any matters raised. However, Conger et al. (1998) found more board meetings would influence board effectiveness and consequently, company performance. Chen, Firth, Gao and Rui (2006) suggested that frequent board meetings reduce possibility of fraud. In the case of earnings management, the high frequencies of board meeting reduce chances of committing earnings manipulation (Xie et. al, 2003). Jensen (1993) also found that board meetings are useful if they are frequent and longer.

2.2.3 Board Independence

Board independence is important for the directors to perform their duties. This is because the directors are obliged to protect the interest of the shareholders who are their principals. Shareholders are the ones who put in the money in order to get high return thus the performance of a company is very crucial. Beasley (1996) defined board independence as an outside director who has no connection with the company, other than solely being a director of the company. He is responsible in compensating, hiring and firing CEO and oversees the CEO duties through business strategies (Matoussi & Gharbi, 2011; Eze, 2018). Hermalin and Weisbach (1988) defined outside independent directors as grey directors. They may consist of lawyer, former employee or family members. However, if they are appointed as grey directors in the family-owned business, the monitoring system is less efficient compared to totally independent directors (Hermalin & Weisbach, 1988).

The SC recommended that public listed companies should adopt good governance practices such as having a balanced board composed of at least one-third non-executive directors (MCCG, 2000). The SC has also provided several recommendations to enforce independence of directors among the Malaysian companies. The MCCG 2016 suggested that the board should have policies and procedures to ensure effectiveness of independent directors (MCCG, 2016). Among others, the recommendation outlines that an assessment of a company’s independent directors shall be made annually. This is because the existence of independent directors does not necessarily ensure the exercise of independent and objective judgment as independent judgment can be compromised by, among others, familiarity or close relationship with other board members (MCCG, 2012). In view of that, an annual assessment of independent board is important. When assessing independence, the board should focus beyond the independent director’s background, economic and family effects and consider whether the independent director can continue to bring independent and objective judgment to board deliberations (MCCG, 2016).

Previous studies have found mixed results on the effect of independent directors on corporate governance effectiveness. One of the reasons to such results is the independent directors would usually request for more board meetings in order to know the performance of their company as well as to oversee their management system (Cotter, Shivdasani & Zenner, 1997). In addition, more independent directors and small board size would result in less financial misrepresentations (Chidambaran, Palia & Zheng, 2010). In contrast, few studies have shown adverse results when investigating board independence and company performance. For example: Persons (2005) found that there is no significant relationship between board independence with the likelihood of investment decision. In Malaysia, Abdullah (2006) has studied on the impact of board structure and ownership of Malaysian companies on financial distressed status. He found no significant relationship between independent directors and financial distressed status companies.

2.2.4 CEO-Chairman Duality

CEO–Chairman duality refers to a director holding two posts at the same time namely a CEO and also the chairman of the company. The individual who is in a position with holding too much power in handling day-to-day business operation is not permitted by MCCG. The prohibition of holding two posts at the same time is on the basis that the chairman who is the ultimate key personnel of a company should be independent from any company’s affairs. Therefore, if the chairman is also holding a post of CEO of a company, the individual’s independence is questionable and thus would not be able to perform work effectively. This is similar to UK where the roles of CEO and chairman are separated since the board’s responsibilities are to monitor the management including the CEO. This is clearly mentioned under the Code Provisions A.3.1 of the UK Corporate Governance Code 2012.

Many studies in the governance literature have shown that CEO duality function often resulted to companies’ bad performance (Xie et. al, 2003; Abdul Rahman & Ali, 2006). Such findings suggested that due to the duality function which may jeopardize the effectiveness of monitoring top management as suggested by agency theory. The role of CEO who is also a chairman of a company may not be exercised effectively as he or she may make a decision that benefits a chairman’s interest instead of choosing the right decision as a CEO. Alternatively, duality is found to be beneficial to complex companies and if the CEO is a reputable person. This is because the reputable CEO must maintain his or her reputation thus the interest of shareholders must be safeguarded (Faleye, 2003). Krishnan and Visvanathan (2008) also indicates that the split structure is more efficient as it is associated with more accounting conservatism.

2.3 Board Characteristics and FDI

There are a large number of studies that have emphasized on the importance of an effective corporate governance system in attracting FDI (Rajan & Zingales 1998; Vafeas, 1999 Claessens & Fan 2002; Chung, Wright & Kedia,

2003 Gillan & Starks 2003; Leuz & Wysocki 2006). Bedõ and Ozsvald (2007) and Mejstřik and Mejstřik (2007) contended that companies relying on foreign capital to finance their business activities have to improve their corporate governance system and characteristics. According to Filatotchev and Wright (2011), governance characteristics which include board characteristics would influence the internalization tactics and the outcomes of the strategic decision which in return increases company performance.

There is also an increasing attention given on education and expertise of the directors (Francis, Hasan, & Wu, 2015) as these board characteristics could also influence FDI and company performance. Aligned with further observation into corporate governance, the board of directors has two main functions which are to monitor and provide resources for their companies (Korn & Ferry, 1999) and in theory; it is correlated to company performance (Hillman & Dalziel, 2003). This brings the need for the board of directors and shareholders to be more involved in the company especially on FDI decisions. Millstein and Macavoy (1998) described corporate governance as the relationship between the managers, directors as well as shareholders. According to Fama and Jensen (1983), the board of directors is the most significant corporate governance characteristic as it monitor, provide relevant resources and advises to the management to ensure that the management is carrying out responsibilities and making decisions that protects the overall shareholder's interests. The characteristics of corporate governance that are commonly studied include board size (Moscovici & Zavalloni, 1969; Khanchel, 2007), board independence (Chung et al., 2003; Chen, 2013) number of board meetings (Vafeas, 1999; Al-Musali & Ismail, 2014), and ownership structure (Choi, Park & Hong, 2012). However, there is yet a study that has examined the effect of board characteristics on FDI in Malaysia.

3. Research Framework and Hypotheses Development

3.1 Research Framework

Figure 1 presents the research framework of this study. The research framework depicts the relationship between board characteristics on FDI. Four independents variables related to the board of directors are chosen in this study. The four independent variables are board size, board meetings, board independence and CEO-Chairman duality. These independent variables may influence the dependent variable namely, FDI among the public listed property companies.

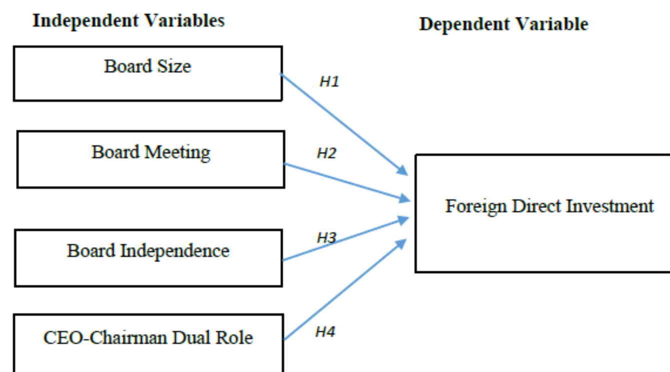

Figure 1. Research framework

3.2 Hypotheses Development

3.2.1 Board Size and FDI

Board size and its impact on company performance is one of the most debated issues in the corporate governance literature. Previous studies have indicated that board size does matter in influencing foreign direct investments in companies (Yermack, 1996; Karamanou & Vafeas, 2005). These studies found various results regarding board size. Theoretically, board size is being viewed as the perfect measurement of organization from any prospect and link towards it (Boone, Casares, Karpoff & Raheja, 2007). Guest (2008) has provided strong empirical evidence for the notion that smaller boards are better boards. He found a positive association between board size and company performance. Other studies argued that larger board size would lead to more effective monitoring (Saleh, Iskandar & Rahmat, 2007). Lipton and Lorsch (1992) also found that small board size is controllable by the CEO and lead towards better performance of the company. However, Wang, Tsai and Lin (2013) argued that board size varies across companies to accommodate the specific characteristics of the company. Large, diversified, and leveraged

companies may have more advisory needs.

One of the channel foreign investors use as principal shareholders to control and monitor management is board membership, where foreign investors recommend foreign outside directors. Foreign outside directors have remained as an investigated contributor to company value in attributing FDI but companies should have taken into account (Hyang, Wonsik & Sang, 2012). The relationship between board size and performance may differ not just by company specific characteristics but also by national institutional characteristics. In countries with different institutional backgrounds, the functions of boards are different, and therefore the expected board size performance relation may differ. This study aims to provide insight on whether board size has had any relationship on FDI. Thus, the following research hypothesis is developed:

H_1: There is a significant relationship between board size and FDI among the public listed property companies in Malaysia.

3.2.2 Board Meetings and FDI

In order for the board of directors to play their role, there is one element that connects to the action of the board, which is the board meeting. All actions within the company are discussed and decided during the board meeting (Conger et. al, 1998). Jensen (1993) suggested that board meeting is the best tool to measure board activities that are related with the company operations. The result of Vafeas (1999) stated that the more frequent board meeting is, the more companies performed badly, and having an inactive board cannot solve the companies' problem effectively. In supporting Vafeas (1999), Adams and Ferreira (2007) explained that due to the poor performance of companies, the board will focus more towards the companies' problems; hence the companies with high problems tend to have more frequent board meetings. Crucial crisis and major problems arises in the company, have significant impact on the frequent board meeting (Adams and Ferreira, 2007). In other words, high performance companies tend to have less number of board meetings.

In contrast, Conger et al. (1998) stated that high frequencies of board meetings lead to a more effectiveness board, and thus company performance will be enhanced. In the case of earnings management, Xie et. al (2003) found that high frequencies of board meetings reduce earnings manipulation. Based on Shivdasani and Zenner's (2004) findings, conclusion can be made that board meeting frequency and attendance of board members is one method which firms could use to discuss the important issues such as making decision on investments and activities. The foreign investors that intended to exert management control are able to exercise their shareholders' rights in various way such as convening general meeting and inspecting corporate affairs of board meeting (Hyang et al, 2012). Hyang et al. (2012) found that 37 percent of the foreign investors in Korean public listed companies publicly disclosed that they intended to participate in management whilst the remaining foreign investors who invested for the purpose of portfolio investment were not interested in direct control over management. To provide insight on the issues, this study examines whether the number of board meetings impact FDI. Therefore, the following research hypothesis is developed:

H_2: There is a significant relationship between board meeting frequency and FDI among the public listed property companies in Malaysia.

3.2.3 Board Independence and FDI

The board of directors is given many responsibilities such as compensating, hiring and firing CEO (Matoussi & Gharbi, 2011). More independent directors and small board size influence less financial misrepresentation (Chidambaran et. al, 2010). Fich and Shivdasani (2007) documented evidence that directors with multi-directorship are concerned with their reputations. This is consistent with a study conducted by Beasley (1996). On the other hand, Abdul Rahman and Ali (2006) summarised that a company's performance does not improve when non-executive directors dominate a company's board. Similar results were found in Singh and Guar (2009). Singh and Guar found non-independent executive directors play an important advisory role that improves the companies' performance in India.

Hyang et al (2012) found that Korean business conglomerates are characterized by the given separation of ownership and management where independent directors existed to represent and protect shareholders from inefficient decision making. Board of directors are often assigned based on the recommendation of controlling shareholders, representing their interest but also incurring interest misalignment between controlling shareholders and foreign shareholders. Moreover, foreign investors also affect corporate governance indirectly as their decision to buy or sell shares in particular Korean companies create an incentive for better governance to attract foreign capital because foreign investors prefer companies with better governance practices to secure better return on investment (Hyang et al, 2012;

Fengyang, 2018).

Many studies have shown significant relationship between independent board and company performance, either of positive or negative way. Other studies found insignificant association between independent directors and company performance. Hence, this study aims to provide an insight to whether board independence has had any impact on foreign direct investment. Therefore, the following research hypothesis is developed:

H_3: There is a significant relationship between the proportion of independent directors and FDI among the public listed property companies in Malaysia.

3.2.4 CEO-Chairman Duality and FDI

A person role that serves as the CEO of the company and also the chairman of board of the company is known as CEO duality (Pheng, Zhang & Li, 2007). The separation roles of the CEO and board enhance more efficient monitoring towards management and CEO as suggested by the agency theory (Rechner & Dalton, 1999). The role of CEO-Chairman duality has no association to the manipulation of earnings (Rahman & Ali, 2006, Abed et. al, 2006). Since ownership and control have not been separated by the duality, the domestic shareholders are frequently affiliated with expectation that foreign shareholders lead to more efficient management through independent monitoring. Foreign shareholders bear the liability of foreignness in terms of information accessibility, a handicap that result in their preference for the transparency and accountability of an improved corporate governance system (Hyang et al, 2012). Hence, a globalised governance structure improved by foreign investors can play important role in increasing the firm's value by improving the reputation of the companies in the market and leads to attribution of foreign direct investment. The study aims to provide evidence to whether CEO–Chairman duality really has had any impact on foreign direct investment. Therefore, the following hypothesis is developed:

H_4: There is a significant relationship between CEO–Chairman duality and FDI among the public listed property companies in Malaysia**.**

4. Research Design

4.1 Sample and Data Collection

The population of this study is 97 property companies which are currently listed on the main board of Bursa Malaysia as at 31st December 2016. The sample frame consists of 50 companies that are selected for this study. The data length to be used for the purpose of this study covers a period of 10 years starting from the financial year in the end of 2007 to financial year in the end of 2016. The reason of selecting property industry is due to its significant contribution towards national GDP and total employment opportunity that it provides to the Malaysian populations. Previous studies were mostly confined to the more mainstream industries with very minimal studies conducted on a less popular industry such as the property industry. Since the era of the 1970s, the property industry has contributed significantly to the development of the Malaysian economy. The property industry in Malaysia is fragmented and dominated by the large industry players as it is capital intensive.

Up to December 2016, there were 904 firms listed on KLSE by which 95 companies or 10.5% were listed under the property industry classification. The residential property segment has been the mainstream over the last five decades due to favourable demographics and the government efforts to promote infrastructure and home ownership. For the purpose of this study, the data were gathered from annual report information because it is a standard report and required by statute, thus the information is reliable. The annual reports of the property public listed companies were gathered from the Bursa Malaysia online database.

4.2 Variable Measurements

4.2.1 Dependent Variable

The dependent variable in this study is FDI. FDI in this study is measured by the number of foreign shares in the Malaysian public listed property companies.

4.2.2 Independent Variables

There are four independent variables that related to corporate characteristics namely, board size, board meeting, board independence and CEO-duality role. Table 1 provides the explanation on the measurement for the independent variables.

Table 1. Variable measurement

Explanatory variable	**Explanation**	**CODE**
Board size	Board size is the total numbers of directors in the board of directors.	BODSIZE
Independent directors	The board independent director is calculated by the numbers of independent directors in the total board size.	BODINDP
Board meeting	Board meeting represented by the frequencies of board meeting held in the financial year.	BODMEET
CEO-Duality	CEO-Chairman duality is represented by a dummy variable: If the chairman and CEO is the same person, value 1 is assigned, otherwise 0.	DUALITY

4.3 Data Analysis

The Statistical Package for Social Sciences (SPSS) software was used to analyse the data collected for this study. In this study, descriptive statistics, followed by normality test and regression in examining the relationship between all variables are provided. A multiple regression analysis is used to test the hypotheses, that is, to examine the association between DV and IVs. This study tests four independent variables; board size (BODSIZE), board meeting (BODMEET), number of independent directors (BODINDP) and CEO-duality (DUALITY) in determining their relationship with FDI.

Consequently, this study develops the model as follows:

$$FDI = \beta_0 + \beta_1 BODSIZE + \beta_2 BODMEET + \beta_3 BODINDP + \beta_4 DUALITY$$

Where β_0 is the constant coefficient of regression; β_1- $\beta_{8,}$ represents the regression coefficients of independent variables; β_9, and ε, presents the random error term. Variable definitions are as follows:

BODSIZE : the total numbers of directors in the board of directors;

BODMEET : the frequency of board meeting held in the financial year;

BODINDP : the numbers of independent directors divided with total board size;

DUALITY : a dummy variable that takes value 1 if the chairman and CEO is the same person, otherwise 0;

5. Results and Discussion

5.1 Descriptive Statistics

The total data items number is 4,122 extracted from the 50 public listed property companies with the data length covering up to 10 years period, starting from financial year end 2006 to financial year end 2017. The descriptive statistics shows the range of missing data due to unavailability of such data in the published annual reports as well as outlier data that were taken out to address non-normality issues. Nevertheless, the number of remaining data is still sufficient to perform data analysis.

Table 2. Descriptive statistics

Variables	Minimum	Maximum	Mean	Std. Deviation	N
FDI	0	9,985,505	3,276,024.98	2,473,620.781	458
BODSIZE	4	13	7.80	2.026	500
BODMEET	3	14	5.32	1.455	500
BODINDP	2	8	3.59	1.180	500
DUALITY	0	1	.98	.147	500

Table 2 summarizes the descriptive statistics shows the amount of FDI concentration in property companies with a maximum of 9,985,505 units of foreign shares. The mean score for the FDI in the property companies is 3,276,024.98 units. For board size, the minimum number of board in one of the companies observed is 4 persons and the maximum person in the board is 13. The results also show that the minimum number of board meetings is 3 whilst the maximum number of board meetings is 13. For the number of independent directors, the results show that the minimum number of independent directors in a company is 2 persons, whilst the maximum number of independent directors in the companies is 8 persons.

5.2 Normality Test

Table 3 presents the data normality according to the value of Kolmogorov-Smirnov, Skewness and Kurtosis. The test of skewness is to check on the normality and the outliers of the data. According to Byrne (2010), when the skewness is between the range of -2 to +2 and the kurtosis is between -7 to +7, the data is considered as normal. Therefore, according to Table 3, it can be concluded that the data are normally distributed for FDI, board size and board independence. Since the kurtosis value for board meetings and CEO duality exceeded the range of accepted kurtosis value, it can be concluded that the data is not normal.

Table 3. Data normality

Variables	Kolmogorov-Smirnov	Skewness (p-value)	Kurtosis
FDI	.129	0.924	-0.075
BODSIZE	.193	0.733	-0.207
BODMEET	.271	2.126	6.838
BODINDP	.228	1.112	1.569
DUALITY	.536	-6.537	40.897

5.3 Pearson's Correlation

Table 4 presents the results of the Pearson's Correlation which was performed to establish the direction as well as the association strength between model variables. According to rule of thumb of Guilford's Rule, the relationship strength can be regarded as negligible very high (>0.9), high (0.7 - 0.9), moderate (0.4 - 0.7), low (0.2 - 0.4), and negligible (<0.2).

Table 4. Pearson's correlation

Variables	FDI	BODSIZE	BODMEET	BODINDP	ACSIZE	ACMEET	ACINDP	EXPERT
FDI	1							
BODSIZE	.086	1						
BODMEET	-.108*	-.072	1					
BODINDP	.097*	.582**	.076	1				

*. Significant at the $p < 0.05$, **. Significant at the $p < 0.01$

Table 4 represents the Pearson's Correlation analysis results for all variables used in this study. The results exhibited that all variables have a relationship or association with each other with the strongest relationship noted between board size and board independence with a value of 0.582 units. The result shows no correlation that has exceeded 0.700, indicating that there is no multicollinearity problem among any two variables (Pallant, 2007) thus, there is no serious multicollinearity problem detected.

5.4 Multiple Linear Regressions

This study performed the multiple regression analysis to examine the relationship between board characteristics and

FDI in the public listed property companies in Malaysia. From Table 5, the model summary shows a low R^2 value which is less than 60%. A high R^2 value interprets the variation in the response variable that can be explained by the predictor. In most situations is 0.01, a very small R squared value, so our conclusion is that there is a weak linear relationship for all the other models with R^2 value of less than 0.5. The Durbin-Watson statistic lies in the range 0 to 4. A value of 2 or nearly 2 indicates that there is no first-order autocorrelation. An acceptable range is 1.50 - 2.50. Since the value of Durbin Watson for all the model is between the ranges, it can be concluded that there is no autocorrelation. Where successive error differences are large, Durbin-Watson is high (more than 2.50); this indicates the presence of negative autocorrelation. Negative autocorrelation is not particularly common. The p-value which is less than significant value (0.05) indicates that the model is significant.

Table 5. Model summary[b]: untransformed multiple linear regression

Model	R Square	Adjusted R Square	Durbin Watson	P-Value
1	0.036[a]	0.018	1.389	0.037

a. Predictors: (Constant), BODSIZE, BODMEET, BODINDP, DUALITY, ACSIZE, ACMEET, ACINDP, EXPERTb. Dependent Variable: FDI

The multiple regression analyses (standard enter method) were conducted to examine the relationship between the companies' FDI and board characteristics. The multiple regression model as shown in the four predictors produced R^2 = .036, F (8,449) = 2.069, p <.001. It can be interpreted that the model significantly reflects its ability to predict the outcome variable. The result can be viewed in Table 6.

Table 6. Analysis of variance (ANOVA[a]): relationship between IVs and FDI

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.942	4	1.243	2.069	.037[a]
	Residual	2.697	449	6.006		
	Total	2.796	457			

a. Predictors: (Constant), BODSIZE, BODMEET, BODINDP, DUALITY, ACSIZE, ACMEET, ACINDP, EXPERT

b. Dependent Variable: FDI

5.5 Tolerance and Variance Inflation Factor (VIF) Value

Table 7 presents the results of examining multicollinearity. Based on the results shown in Table 7, the model indicates the presence of collinearity among the variables in the model. Since all of the variables do not have VIF values exceeding 2.5, it can be concluded that the model does not have multicollinearity.

Table 7. Variance Inflation Factors (VIF) Result

Variables	Tolerance	Variance Inflation Factors (VIF)
BODSIZE	0.596	1.678
BODMEET	0.690	1.448
BODINDP	0.495	2.022
DUALITY	0.962	1.039

Table 8 presents the regression result of the basic equation consisting of independent and dependent variables. Based on t, the significant value (or p-value) indicates the degree of significant relationship between independent variables (or predictors) with dependent variable which could be explained by using the rule of thumb of p-value less than .05

(< .05). The result shows that the coefficient for board meeting and board independence are associated with FDI. The coefficient for board meetings of 0.020 is significant at 5% confidence level, suggesting that the number of board meetings is associated with FDI. In other words, it is showing that companies with more frequent board meetings are more likely to be associated with FDI. This result is similar with Vafeas (1999) and Adams and Ferreira (2007) who suggested that high number of board meetings is associated with management decision, thus supporting a notion saying that board meeting is one of the monitoring actions for directors to made decision to increase company value (Hyang et al. 2012).

Table 8. Relationship between IVs and FDI coefficients model

Dependent Variable	Independent Variables	β	Sig.
FDI	Constant	2.072	0.148
	BODZISE	11609.830	0.872
	BODMEET	-247379.302	0.020
	BODINDP	270781.869	0.048
	DUALITY	1.145	0.200

Moreover, the coefficient for board independence of 0.048 is significant at 5% confidence level, suggesting that the interaction between board independence has a significant positive relationship with FDI. Board independence enhances company value to a greater extend when combines with the presence of independent directors. In other words, board independence is an essential prerequisite for independent directors to be able to supervise management adequately. When board structure is not independent from majority shareholders or management, outside directors are limited in their ability to contribute to the firm value as well as independent outside monitors. Therefore, it supports the notion saying that board independence serves as a significant positive moderator between board membership and firm value (Hyang et al, 2012). In contrast, the other independent variables show insignificant relationship with foreign direct investment. Board size is not significant at 10% level, indicating that FDI is not associated with board size. Similar result is shown for CEO-duality. Based on the Table 8, the significant value (or p-value) indicates the degree of significant relationship between independent variables (or predictors) with dependent variable which could be explained by using the rule of thumb p-value < .05. Hence, it is showed that board meetings and board independence are significant to the dependent variable since the p-values < α (0.05).

6. Summary and Conclusion

This study examines the relationship of corporate governance on FDI among property public listed firms in which are registered on the main board of Malaysia stock exchange, also known as Bursa Malaysia (rebranded from its former name of Kuala Lumpur Stock Exchange). The idea of choosing property industry was due to minimal number of studies that have been performed on this industry, although property industry has played its important roles in nation economy. In achieving this study objective, multiple linear regression test was conducted with eight characteristic of corporate governance characteristics namely, board size, board meetings, board independence and CEO-duality role as the independent variables whilst FDI as the dependent variable. The data was gathered from the published annual reports of 50 property companies listed on the Bursa Malaysia.

Based on the multiple linear regression conducted, it can be concluded that the research hypotheses assumptions are partially supported. Out of the four hypotheses developed, only two hypotheses are successfully met, whilst the rest are not met. Based on the multiple regression conducted, all variables have a significant value of less than .05 (p-value <.05). In other words, it can be said that all the independent variables are significant in explaining the companies' FDI. This study also concludes that the research hypotheses (H_2: Board meeting has significant relationship with FDI, and H_3: Board independence has a significant relationship with FDI are met. Such results are consistent with the study performed by Hyang et al (2012) in examining the impact foreign board membership and firm value in Korea of foreign ownership and company value where it revealed a significant positive relationship between board independence and company value. Additionally, Sanjaya, Hanoku and Deeksha (2015) in their study that examined the impact of ownership concentration, board characteristics and company performance revealed that the CEO duality shows an insignificant relationship to company performance consistent with the results in this study.

The result that examined the link between corporate governance and FDI shows that the public listed property

companies has an average of 47 percent independent directors on the board. Therefore, this indicates that most of the companies prefer to have more insider rather than independent directors although it is found that independent directors could be more effective monitoring agents. Past studies reported that the monitoring role of the independent directors is ambiguous on company performance (Bhagat and Black, 2001; Kor, 2006; He and Wang, 2009; Devos, Prevost & Puthenpurackai, 2009). Kor (2006) reported that technology companies with higher percentage of independent directors do not lead to an effective governance characteristic in terms of expenditure. This is because the high monitoring cost of the independent directors could outweigh its benefits. In addition, most of the chairmen in the public listed property companies are having education levels from junior college to graduate school and on average most of the chairman hold Bachelor Degree, meanwhile, board consists of directors with professional accounting qualification for director expertise. The number of board meetings and chairman with academic background shows a positive relationship on FGI. The results on corporate governance and company performance are in contrary to prior findings (Zona, Gomez-Mejia & WIthers, 2013). However, there are studies that obtained similar results (Mat Rabi et al., 2010; Bhatt and Bhattacharya, 2015).

The impact of increasing numbers of FDI on company value has not yet been determined. While some researchers have concluded that foreign shareholders improve corporate governance of a company which resulting to the increase in the company value, others have argued that foreign ownership will reduce company value because of the request for excessive payments of dividend and favour of short-term profitability. This study provides some clues to the extent findings concerning the impact of FDI to company value with specific focus on corporate governance characteristics.

There are several limitations of this study. Firstly, although the overall framework of this study involved analysis of foreign direct investment, it only focused on corporate governance characteristics of board of directors thus, ignoring other part such as the proportion of female director where now is discussed and promoted by the government in Malaysian corporate for the purpose of effective corporate governance. Secondly, this study ignores other non-financial characteristics that could act as a potential reliable predictor for property companies' FDI, such as innovation strategy by companies, geographical locations, number of years in business, types of property activities and others.

In view of several limitations identified, several initiatives could be taken to further improve the study as well as to make it more meaningful to the audience. Firstly, the framework could also consider other types of corporate governance characteristic that could be used as potential predictors of firms' performance of foreign direct investment. This among others is simply by including board gender diversity, board ethnicity and board structure which normally used by the analysts or financial strategist in assessing firms' annual performance on foreign direct investment in periodic basis. Among non-financial information that could be considered are number of years in business operations, type of property based activities, geographical locations of business operations, changes in national tax policy changes, and others. Industry comparison study could also be performed in enabling generalization of the overall results of this study. Different types of industry would provide different views taking into considerations that there are industries which are highly geared as compared to others.

In sum, the findings in this study implicate the importance of the board of directors' involvement in ensuring effective and efficient decisions related to FDI. Therefore, in order to strengthening the corporate governance mechanisms, and improving foreign direct investment, it is important for the board of directors to be involved to ensure effective and efficient decisions making. This would help increase the overall activities and performance of the property companies in Malaysia.

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