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Board Size and Corporate Performance in the Industrial Property Sector in Malaysia

Hanafiah Hasin[1], *Rahayu Mohd Sehat[1], Zaleha Mahat[1], Siti Fatimah Noor Minhad[1], Eka Fauzihardani[2]
[1]Faculty of Accountancy, Universiti Teknologi MARA, Cawangan Melaka, Kampus Alor Gajah, Malaysia
[2]Faculty of Economics and Business, Universitas Negeri Padang, Indonesia
drhana155@gmail.com, *rahayumo@uitm.edu.my
Corresponding Author: Rahayu Mohd Sehat

Abstract: This research investigates the relationship between the size of the board of directors and the financial performance of publicly listed industrial property firms in Malaysia. The study examines secondary data from annual reports, financial statements, and corporate governance disclosures, focusing on key financial performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). The study reveals significant correlations between board size and financial performance using correlation analysis and multiple regression. The findings provide valuable insights for regulators, investors, and business leaders, emphasizing the importance of refining corporate governance standards to ensure long-term financial success in Malaysia's industrial property sector.

Keywords: *Board Size, ROA, ROE, NPM, Industrial Property, Malaysia*

1. Introduction

The industrial property market in Malaysia has experienced notable growth, particularly over the recent past, which has been supported by the increasing manufacturing industry and the efforts put in place to attract FDI. The manufacturing plant, logistic centers, and warehousing facilities have become inevitable in Malaysia due to the increase in demand from electronics trading in e-selling and electrical and electronics (E&E) sectors, as acknowledged by Knight Frank, 2023. However, despite the positive growth trend, Malaysia experiences several domestic and global challenges that can hurt the sector.

This is so because macroeconomic factors affect the overall growth of an economy, and country-specific factors affect the growth of the industrial property market in Malaysia, including geopolitical risks around the world and locally, as well as inflation and political risks. The COVID-19 pandemic hurt the supply chain, causing rising costs of raw materials and labor (Rahim & Co Research, 2023). The following disruptions are some of the challenges that have affected the inflation rates, thus putting pressure on the property sector. The price of construction materials has increased, resulting in increased project costs and longer time to develop industrial projects. Furthermore, the shortage of labor, especially exceptionally skilled labor, has led to bottlenecks in developing projects, which has forced the sector to experience many difficulties (EdgeProp, 2023).

Political instability in Malaysia has also contributed to uncertainties in the business environment. Shifts in government and policy changes have led to investor confidence fluctuations, particularly among foreign investors, who are essential for the continued expansion of the industrial property sector. According to the Malaysian Investment Development Authority (MIDA), in 2022, foreign investments accounted for 60% of total approvals in the manufacturing sector, highlighting the significant role of international capital in driving industrial growth (MIDA, 2023). However, political instability and unclear regulatory frameworks have caused some foreign investors to adopt a wait-and-see approach, which could slow future industrial development.

In addition to economic and political challenges, environmental concerns are becoming increasingly relevant in the Malaysian industrial property sector. Sustainability and compliance with Environmental, Social, and Governance (ESG) standards are growing priorities for developers, mainly as investors increasingly demand green and energy-efficient industrial spaces (Sunway Property, 2022). The push toward sustainable industrial development, while beneficial in the long term, presents short-term challenges, particularly in terms of higher initial costs. Many developers must incorporate green technologies, increasing upfront capital expenditures while navigating land scarcity in prime industrial zones (Knight Frank, 2023). These factors drive up property prices and rental rates, making it harder for businesses to find affordable spaces in critical areas.

Based on the current economic and political challenges the sector faces, ensuring the company can succeed in the industry in the long term is critical. Therefore, effective corporate governance, especially regarding board structure, is vital in how companies navigate market uncertainties and drive financial performance. The board of directors oversees management and provides strategic direction, playing a central role in corporate governance. One of the most debated aspects of board structure is its size. The relationship between board size and financial performance has been an issue of considerable academic debate. In some contexts, larger boards have been associated with higher performance, particularly in terms of Return on Assets (ROA) and Return on Equity (ROE), as the broader range of expertise can contribute to more informed decisions (Coles et al., 2008). However, other studies have found no significant relationship between board size and specific financial performance metrics, such as Net Profit Margin (NPM), suggesting that the benefits of larger boards may be context-dependent (Eisenberg et al., 1998). In Malaysia's industrial property sector, where firms face industrial challenges and global pressures, understanding the optimal board size for financial success remains an open question.

This study will compare the board size of the ten most prominent property development companies listed in Bursa Malaysia with the financial performance of Malaysia's industrial property sector. The quantitative work aims to assess the impact of the board size on the financial performance between 2018 and 2022. We hope that the findings will help understand the effectiveness of corporate governance practices, especially the board structure, in improving the industry's financial performance and contributing to Malaysia's economic growth.

Research Objectives (RO)

The following are the research objectives that are expected to achieve:

RO1: To examine the relationship between board size and Return on Assets (ROA) in the Malaysian industrial property sector.

RO2: To analyze the impact of board size on Return on Equity (ROE) in the Malaysian industrial property sector.

RO3: To investigate the correlation between board size and companies' Net Profit Margin (NPM) in the Malaysian industrial property sector.

Research Questions (RQ)

The following are the research questions that are expected to answer:

RQ1: How does the size of the board of directors influence the Return on Assets (ROA) of companies in the Malaysian industrial property sector?

RQ2: What is the relationship between board size and Return on Equity (ROE) in companies within the Malaysian industrial property sector?

RQ3: Is there a significant correlation between the size of the board of directors and the Net Profit Margin (NPM) of companies in the Malaysian industrial property sector?

2. Literature Review

It is important to note that the relationship between board size and financial performance is complex and influenced by various factors.

Board Size

The corporate board size is one of the critical determinants of governance and performance, and empirical studies have produced inconclusive evidence concerning the optimal board size. Boards with more directors bring more diversity and possibly higher expertise. They may have positive impacts on ESG standards, as those revealed by recent studies showing that firms with larger boards and more women on them provided more substantial ESG promises (Sepulveda-Nuñez et al., 2024). Nonetheless, other works show that there is a negative relation between board size and firm performance; German firms showed that mandated board size increases cause a decline in operating return on assets and Tobin's (Jenter et al., 2023) Consequently, this study's results imply that, although the expansion of board size can be helpful, it might also imply increased decision-making difficulties and coordination issues that need to be counterbalanced to obtain the best results of governance and performance (WAFUKHO et al., 2022). The existing literature on board size can be divided into two main streams: The empirical stream tests the relationship between board size and various measures of corporate performance, such as profitability, market value, growth, innovation, and social responsibility, and the theoretical stream and the empirical stream. The theoretical stream provides different perspectives and

arguments on how board size influences the board's functions and outcomes, such as decision-making quality, monitoring effectiveness, resource provision, and conflict resolution.

Board size significantly shapes the expertise and perspectives contributing to corporate governance (Chatjuthamard et al., 2021). Smaller boards are considered more effective in reducing agency costs and are more likely to hire generalist CEOs (Agrawal & Lakshmi, 2020). However, the impact of board size on financial performance is inconclusive, with some studies finding no significant relationship (Pratiwi & Chariri, 2021). In the banking sector, smaller board sizes, fewer non-executive directors, and minimum activity levels are associated with better performance (Falikhatun & Putri, 2022). Additionally, board size positively correlates with market performance, especially in larger banks, while board activity tends to have a negative correlation. Furthermore, board size is positively related to profitability in public sharia insurance.

As for the effect of board size on financial performance, the findings of the literature are still ambiguous. Some empirical research finds a positive correlation between the effect of greater board size on high financial performance; conversely, a negative or insignificant correlation is also identified. For instance, a study conducted in Nigeria established a direct relationship between board size and corporate financial performance. It recommended the formation of a large board to improve measures such as return on equity (ROE) and return on capital employed (ROCE) (Igbinosa et al., 2024). However, a study in Vietnam established an inverse relationship between board size and financial performance, meaning that financial performance decreases as board size increases. It may be because large boards make decision-making more difficult (Phong Le & Nguyen, 2024). Also, a study on the Indonesian foreign exchange banks was carried out, and the result indicated a non-significant negative coefficient of the board size on the Financial Performance measures such as ROA and ROE (Bahari, 2024). These contradictions accentuate the board size-performance link frictions and imply that contextual aspects and industrial features may cause dramatic outcome differences (Oktriasih, 2024). Thus, while some evidence supports the notion of larger boards enhancing performance, caution is warranted due to varying results across different contexts.

However, large boards may bring drawbacks to the effectiveness of the company's operations. A larger board of directors may face problems in terms of communication and coordination, as well as decision-making. The director may become a free rider as the board size is larger and the director neglects its monitoring and control duties. Consequently, small boards might be more effective in monitoring managerial behavior and positively related to earnings management (Jaggi & Leung, 2007). There is a negative association between board size and firm value (Kumar & Singh, 2013). Therefore, neither argument is likely to explain satisfactorily the relationship between board size and earnings management.

Most of the studies in the empirical stream have shown mixed or no significant signs or negative relationships between the size of the board and the firm's performance, depending on the circumstances, the methods of data analysis, and the measurement of the variables. Some scholars have observed signs of a negative relationship between board size and corporate performance, and the conclusion has been made that larger boards are as effective and efficient as smaller boards (Yermack, 1996; Huther, 1997; Conyon & Peck, 1998; Bhagat & Black, 2001; Cheng, 2008; Belkhir, 2009). Other research has indicated a direct link between board size and firm performance, suggesting that larger boards yield more benefits and resources than small boards (Dalton et al., 1999; Lehn et al., 2003; Raheja, 2005; Coles et al., 2008). Some of the studies have not established any correlation or a curvilinear correlation between board size and corporate performance to suggest that the right board size depends on several factors and contingencies (Eisenberg et al., 1998; Bohren & Odegaard, 2001; Postma et al., 2003; Loderer & Peyer, 2002; Beiner et al., 2004; Bennedson et al., 2004). Also, recent studies have focused on the moderating role of some other corporate governance factors, including board leadership structure, board diversity, board independence, and boards' committees on the board size & corporate performance nexus (Elsayed, 2011; Affes & Jarboui, 2023).

Several more recent articles have investigated the moderating roles of other corporate governance factors, including the board leadership structure, board diversity, board independence, and board committees' structure on the board size and the corporate performance nexus. For instance, Affes and Jarboui (2023) established that board leadership structure influences the association between board size and corporate performance in the sense that the negative association is more pronounced in the group of firms that have

combined chairmen and CEOs than in the group of firms that have separate chairmen and CEOs. Likewise, Al-Matari et al. (2020) claim that firm size and ownership concentration mediate the relationship between board size and corporate performance; the positive correlation is more substantial in firms with low ownership concentration and large firm size.

Financial Performance Indicator

When evaluating a company in the property development industry, one has to look at its various financial and operational indicators for effective evaluation of the company's performance, prospects, and soundness.

Return on Assets (ROA)

As a measure of financial performance, Return on Assets (ROA) is useful for analyzing a company's performance since a business uses its assets to generate returns. ROA is one of the financial ratios, and it computes the company's net income in proportion to its total assets. It is one of the most commonly used indicators that allows investors and other stakeholders to assess the profitability and efficiency of a company (Antić et al., 2022; Mogonta & Pandowo, 2016). Several scholars have realized that ROA positively impacts market share price; this enhances the use of ROA in identifying a suitable investment opportunity for investors(Cronjé & De Beer,2010). Also, it has been predicted that in comparisons, when ROA is adjusted by the efficiency of Operating Income and Operating Expenses, it represents a much stronger projection of future performance, thus establishing a positive correlation between ROA and future earnings (Cernisevs et al., 2023). Consequently, the hypothesis that was developed based on the above discussion was as follows:

H1: The size of the board of directors is positively correlated with the financial performance (ROA) of companies in the Malaysian industrial property sector.

Return on Equity (ROE)

ROE is one of the most popular financial ratios for analyzing the performance and profitability of a firm. It captures the amount of investment income and factors such as gross profit margin, asset turnover, and financial leverage (Antić et al., 2022). Analysts consider ROE to be one of the most critical indicators when evaluating the financial performance of a business, and it is adopted when investing in shares. Yet, ROE can give a distorted picture of an organization's financial performance because of factors, including earnings legerdemain, the influence of financing decisions on risk and procyclicality, and inflation. However, these limitations have not trivialized ROE due to the potential of relating the statement of income with the statement of balance and for being a constituent of the DuPont analysis that provides a broad outlook of organized corporate performance (Moussu & Petit-Romec, 2017). It is pertinent to mention that ROE helps evaluate firm financial performance. However, using this ratio would require other financial ratios and factors to create an all-around appreciation of a company's business operations (Ricordel & Majlath, 2019). Therefore, based on the above discussion, the following hypothesis was proposed.

H2: The size of the board of directors is positively correlated with the financial performance (ROE) of companies in the Malaysian industrial property sector.

Net Profit Margin

The net profit margin is an indication of how efficient a firm's financial operation is (Budiyanta, 2021). This measure is applied to examine the profitability of the company in earning revenues according to the positively recognized revenues (Zager et al., 2016). The net profit margin defines profitability using the relation of gross profit and sales (Antić et al., 2022). The net profit margin could be variable in the relevant years and could be influenced by factors such as market forces and other competitors as well as generally the economy (Moch & Hamdi, 2022). Therefore, it is a key indicator that investors, together with other stakeholders, can use in the evaluation of the financial standing of a firm. Hence, in the above discussion, the following hypothesis was formulated:

H3: The size of the board of directors is positively correlated with the financial performance (NPM) of companies in the Malaysian industrial property sector.

3. Methodology

This research employs quantitative, correlational work, and its objective is to determine the correlation between board size and financial performance in the Malaysian industrial property market. The study used

document analysis to gather data from the annual reports, financial statements, and corporate governance reports of the ten most listed industrial property companies in Bursa, Malaysia. It included only the companies with significant market capitalization and significant positions in the market so the sample could describe the significant actors of the sector. The emphasis is placed on the financial information that has been gathered within five years, starting from 2018 up to 2022. Following this timeline enables one to examine performance trends and governance practices over this period, thereby arriving at a more conclusive result regarding the effects of board size on key financial ratios such as ROA, ROE, and NPM. In this study, the author proposes board size as the independent variable while financial performance indicators are the dependent variables; hence, the study applies multivariate regression analysis to analyze the correlation between board size and these measures of firm performance. Companies have been chosen, and a period of analysis has been considered in line with the fact that this study aims to study the leading firms that hold overwhelming influence over the Malaysian industrial property market to find out how factors such as board size affect financial performance in this crucial industry.

4. Findings

A cross-sectional analysis with a time series component is a research method that examines multiple subjects (in this case, companies) at a specific time and tracks changes in these subjects over a defined period. It allows for a snapshot of the current situation (cross-sectional) and an understanding of how these subjects evolve (time series). This analytical approach is particularly suitable for this study because it enables comparing the financial performance of different companies within the same industry at specific points in time. By combining cross-sectional and time series elements, this analysis provides a comprehensive view of the financial landscape, allowing for a deeper understanding of the factors influencing the performance of these companies.

Figure 1: Board size of the companies (2019-2022)

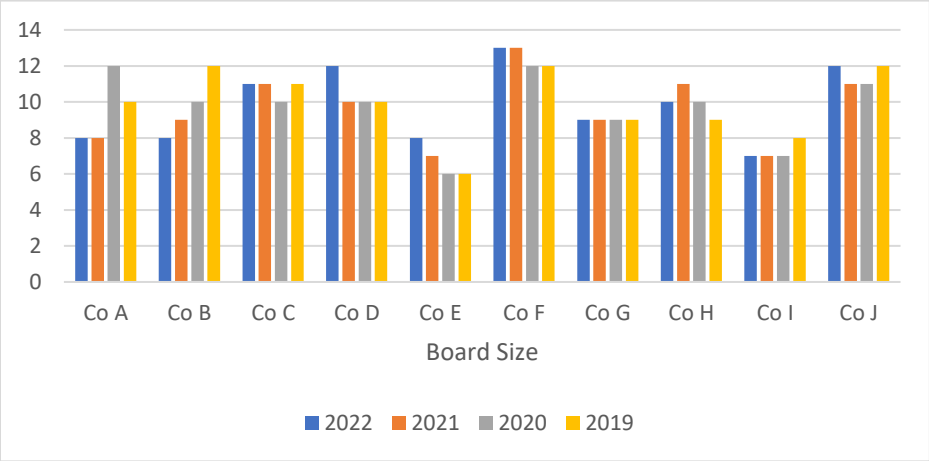

Figure 1 illustrates the board size of ten companies (Co A to Co J) over four years (2019 to 2022). Board size also shows significant variation in the number of members across companies and over the years. What stands out from the data is the considerable variations in the board size: there are variations by company and year. Perhaps they indicate that factors such as companies' performance, changes to the legal requirements, or perhaps shifts in business strategies could affect the composition of the boards. No overall pattern of board increases or decreases in size is apparent for the four years under consideration. Maybe it could mean that small and big enterprises included in the dataset employ a more fluid approach to the factor of board size since there is no general strategy for achieving growth or reduction based on board configuration. As can be observed from the chart, there are different trends in each firm. For instance, it seems that the size of the board of Co A has been relatively consistent over the years, whilst the board of Co B is less consistent. Such trends indicate that several other factors explaining the company's features, like ownership, business model, or the phase of its development, can affect the board size.

Figure 2: Return on Assets (2018-2022)

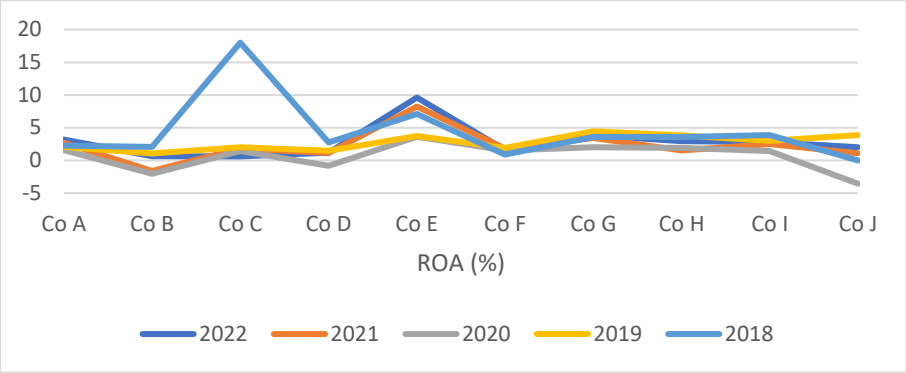

Figure 2 displays the Return on Asset (ROA) of ten sample companies, Co A to Co J, in five years: 2018 to 2022. This graph presents a very active state of the companies' ROA performance, as illustrated above. The most significant level of fluctuation is reflected in ROA, which can sharply differ between companies and years. It suggests that industry forces, firm-level factors, and macroeconomic factors have impacted profitability to a reasonable extent. It was also found that the ROA of most companies moved up and down in the analyzed period. This means sustaining constant profitability is essential in the industry, possibly due to changes in the business cycle regarding competition and operations. The above graph indicates that some firms gave 2021 higher ROA than other firms in a similar industry; for instance, Co C. It may be due to a good strategy implementation process operational efficiency or implementation of cost leadership strategy, or due to some favorable market conditions. Businesses with a rate of return on assets below the industry average, such as Co J, can have issues with the increase in profits. After reviewing the trends for each company, it is possible to note that their performance shapes different trends. However, some companies, such as Co A, offered ROA that fluctuated slightly; others had more volatile profiles. It indicates the different approaches and actions regarding the external environment of the companies.

Figure 3: Return on Equity (2018-2022)

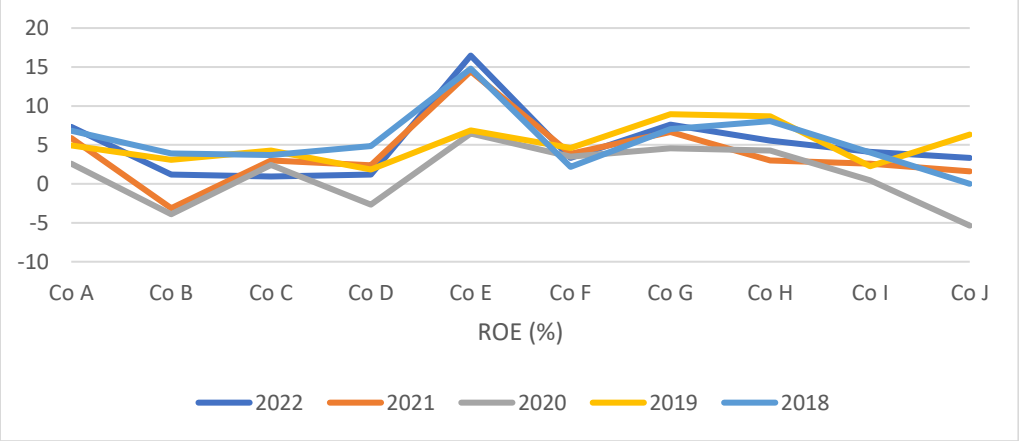

Figure 3 presents the Return on Equity (ROE) for ten companies (Co A to Co J) for five years (2018-2022). One can also observe fluctuations in the performance of ROE in the graph of these companies. The most significant finding is that both inter-firm and inter-annual variation is substantial for ROE. This shows that industry forces, firm-level behavior, and economic factors have significantly impacted shareholders' value. There was consistency in ROE among most of the companies over the analyzed period, as shown in the figure above. There is an inference that steady and sustainable shareholder returns are difficult to achieve in the industry based on economic cycles, competitive pressures, and operations changes. For instance, Co. E had an extraordinarily high ROE in 2022 compared to other firms it competed with. It could result from good strategies invested, good capital management, or pleasant market factors. Industries that record low average ROE, such as Co J, are under pressure to increase shareholders' value. Fig 4 breaks down the trend within each company, and the result

shows that the companies' performances are on different trends. Such strongly fluctuating ROE values existed in some companies, whereas in others, like Co A, they remained within a narrow range. It also shows different activities and organizations' approaches and actions toward external stimuli.

Figure 4: Net Profit Margin (2018-2022)

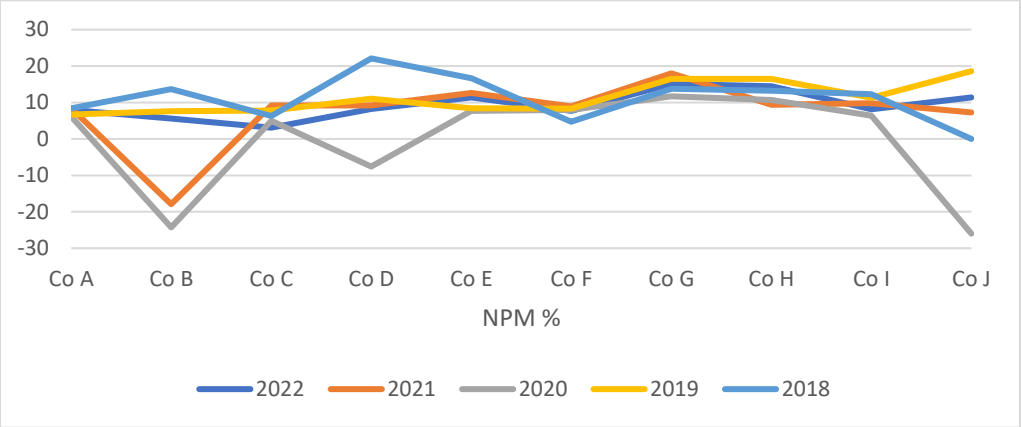

Figure 4 shows the Net Profit Margin (NPM) percentage of Ten Companies (Co A to Co J) in five years. The graph captures variance in NPM performance among companies and the years where performance experiences high volatility in some companies while others record relatively low volatility. The most obvious fact from the above data is that the NPM values vary broadly between companies and over periods. It shows that factors such as the dynamics in the industry, the specifics of the company's management strategies, and the prevailing economic factors have impacted profitability. Most firms displayed variations in the levels of NPM over the analyzed timeframe. It implies variability in making sustained and stable profits in the industry, probably because of economic fluctuations, competition forces, or changes in operation. A few, such as Co. G, realized a relatively high NPM compared to other firms in 2022. It could be due to successful cost control, pricing policies, or the conditions of the marketplace. Organizations with low or negative NPM, like Co J, experience a significant challenge in increasing profitability. Exploring the trends presented within every company, it is possible to conclude that the performance profiles differ. Some companies, such as Co. A showed moderate changes in NPM, while others had higher oscillations in the indicator. It identifies various management strategies and the companies' reactions to external conditions.

Multivariate Analysis

Multivariate regression is designed to analyze the relationship between multiple dependent variables (ROA, ROE, NPM) and one or more independent variables (BDS). By running a multivariate regression, we can simultaneously examine the relationship between the size of the board and each of the three financial performance measures. It will provide a comprehensive understanding of how the board size influences overall financial performance.

Table 1: Multivariate Tests

Effect		Value	F	Hypothesis df	Error df	Sig.
Intercept	Pillai's Trace	.594	19.498[b]	3.000	40.000	.000
	Wilks' Lambda	.406	19.498[b]	3.000	40.000	.000
	Hotelling's Trace	1.462	19.498[b]	3.000	40.000	.000
	Roy's Largest Root	1.462	19.498[b]	3.000	40.000	.000
BDS	Pillai's Trace	.788	2.138	21.000	126.000	.005
	Wilks' Lambda	.366	2.306	21.000	115.409	.003
	Hotelling's Trace	1.323	2.436	21.000	116.000	.001
	Roy's Largest Root	.869	5.212[c]	7.000	42.000	.000

a. Design: Intercept + BDS
b. Exact statistic
c. The statistic is an upper bound on F that yields a lower bound on the significance level.

Multivariate Tests

In Multivariate Analysis, the **Multivariate Tests** table provides multiple test statistics to assess the impact of independent variables on the combination of dependent variables. Pillai's Trace, Wilks' Lambda, Hotelling's Trace, and Roy's Largest Root test the null hypothesis that the mean vectors are equal across groups. If the significance value (Sig.) is less than the level of significance (usually 0.05), you reject the null hypothesis. The significance value of BDS (Board Size) is below 0.05 in all tests, indicating that Board Size has a statistically significant relationship between Board Size and the set of dependent variables (ROA, ROE, NPM) collectively.

Table 2: Tests of Between-Subjects Effects

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	ROA	84.855[a]	7	12.122	3.369	.006
	ROE	271.050[b]	7	38.721	2.875	.015
	NPM	749.639[c]	7	107.091	1.330	.260
Intercept	ROA	218.287	1	218.287	60.665	.000
	ROE	714.229	1	714.229	53.039	.000
	NPM	2212.429	1	2212.429	27.481	.000
BDS	ROA	84.855	7	12.122	3.369	.006
	ROE	271.050	7	38.721	2.875	.015
	NPM	749.639	7	107.091	1.330	.260
Error	ROA	151.126	42	3.598		
	ROE	565.580	42	13.466		
	NPM	3381.309	42	80.507		
Total	ROA	497.042	50			
	ROE	1738.226	50			
	NPM	7211.131	50			
Corrected Total	ROA	235.981	49			
	ROE	836.630	49			
	NPM	4130.948	49			

a. R Squared = .360 (Adjusted R Squared = .253)
b. R Squared = .324 (Adjusted R Squared = .211)
c. R Squared = .181 (Adjusted R Squared = .045)

Tests of Between-Subjects Effects

This table informs about the significance of each predictor (independent variable) on each dependent variable. For Board Size (BDS):

- ROA: The model is significant (p = .006), suggesting that board size has a significant impact on Return on Assets (ROA).
- ROE: The model is also significant (p = .015), indicating that board size significantly influences Return on Equity (ROE).
- NPM: The model for Net Profit Margin (NPM) is not significant (p = .260), suggesting that board size does not have a significant impact on NPM.

R-squared Values

- The R-squared values for ROA and ROE are relatively low (.360 and .324, respectively), indicating that board size explains only a small portion of the variation in these dependent variables.
- The R-squared value for NPM is even lower (.181), suggesting that board size explains very little of the variation in NPM.

Discussion

The findings from the multivariate tests provide valuable insights into the relationship between board size and financial performance in the Malaysian industrial property sector. The results suggest that board size has a statistically significant effect on some financial performance indicators but not all, and this mixed outcome aligns with prior research on corporate governance.

Impact of Board Size on Return on Assets (ROA)
The analysis shows that board size significantly positively affects Return on Assets (ROA), with a p-value of .006, supporting **Hypothesis 1 (H1)**. The R-squared value for ROA is .360, meaning that board size explains 36% of the variation in ROA. Although this indicates a significant influence, it also highlights that other factors beyond board size contribute to how efficiently a company uses its assets to generate income.

The positive relationship between board size and ROA aligns with prior research, which suggests that larger boards can provide a broader range of expertise and insights that contribute to better resource allocation and decision-making (Coles et al., 2008). In the industrial property sector, where strategic decisions about asset utilization are critical, larger boards may help improve oversight of long-term investments in warehousing, logistics, and industrial facilities. Recent studies also emphasize that larger boards contribute to more robust corporate governance, enhancing operational efficiency (Fitrasari, 2023). However, the relatively modest R-squared value suggests that factors such as market dynamics, industry-specific challenges, and operational strategies are also significant determinants of asset efficiency in this sector.

Impact of Board Size on Return on Equity (ROE)
Board size also significantly positively affects Return on Equity (ROE), with a p-value of .015, supporting **Hypothesis 2 (H2)**. The R-squared value for ROE is .324, indicating that board size explains 32.4% of the variation in ROE. It supports the idea that larger boards can contribute to more effective oversight, particularly ensuring companies use shareholders' equity to efficiently generate profits. This finding is consistent with literature suggesting that larger boards provide enhanced corporate governance and reduce agency costs, which can lead to better financial performance (Abdel-Wanis, 2021). In Malaysia's industrial property sector, where companies typically manage large capital investments, the presence of a larger board can help ensure that these investments are used wisely, particularly in capital-intensive projects. Additionally, a diverse and well-rounded board can contribute to strategic financial decisions that improve ROE. However, as with ROA, the moderate R-squared value suggests that factors such as market conditions, capital structure, and executive decision-making also play critical roles in determining ROE (Tatlı et al., 2023).

Impact of Board Size on Net Profit Margin (NPM)
Interestingly, the analysis reveals no statistically significant relationship between board size and Net Profit Margin (NPM), with a p-value of .260, leading to the rejection of **Hypothesis 3 (H3)**. The R-squared value for NPM is only .181, indicating that board size explains just 18.1% of the variation in NPM. This suggests that board size is not a key determinant of profitability relative to revenue in the industrial property sector.

The lack of a significant relationship between board size and NPM may be attributed to the nature of the sector, where profitability is often more affected by external factors such as economic cycles, demand for industrial space, and fluctuations in construction costs. Larger boards may provide strategic oversight, but their impact on operational efficiencies or cost management, which directly influences NPM, appears limited (Igbinosa et al., 2024). Recent studies have found similar results in other industries, where board size does not significantly influence profitability metrics due to external market conditions and operational factors (Wang et al., 2024). This finding highlights the importance of considering other elements, such as market forces and operational management when analyzing profitability in this sector.

Contribution of the Study
This research enriches the knowledge of corporate governance scholars to extend the analysis of board size and firms' performance within the Malaysian industrial property industry. In opposition to the current research that analyzed more extensive environments, the present work provides relevant data for industries and professionals as well as scholars. Completing the paper that describes the effect of board size on financial measures of performance: Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) in a sector that is central to the growth of Malaysia's economy, this research contributes significantly to the knowledge base that researchers and policymakers can draw from in their attempts at advancing understanding of the relationships between board size, and financial performance. The study adds to knowledge in corporate governance by establishing board size as important for particular financial characteristics but not for all aspects of financial performance. Further, this study contributes to the understanding of emerging markets where the context of governance structures can deviate from the context

of developed countries. In this way, the findings of this research would contribute to the theoretical development by outlining a relatively underexplored sector and region, which would highly prove useful for future studies of governance in a similar context.

Practical Implications

Therefore, the findings of this study are a valuable source of knowledge for practitioners in the Malaysian industrial property sector. First, the top management of these firms should review the size of their boards while they seek to enhance the financial performance in terms of ROA and ROE of the company's assets and equity, respectively. The current research reveals that the size of the board since the boards of larger organisations can improve oversight and strategic decision-making, is vital for the significant investments characteristic of this segment. This is substantiated by the findings of the study, which reveal that there is no difference between board size and profit margins (NPM); hence, companies should not rely on the size of the boards to propel their profit margins ahead. However, such aspects as operations efficiency, cost control, and the state of the market contribute to achieving profitability goals to a much greater extent.

These findings may be helpful for regulators and policymakers to deliberate on corporate governance directions in Malaysia, specifically on board size for companies in the industrial property sector. The research also notes that board diversity cannot be solved while neglecting the concept of efficiency, thus conforming to the idea of compromise of balance.

Limitations of the Study

This study has made the following contributions. However, this research study comes with the following limitations. Firstly, the sample is fixated on the top ten industrial property companies listed in Bursa Malaysia. Hence, the results are not general to all the companies, especially the small and the private companies. The results may not be the same as those of other companies, particularly the small ones or those that have different ownership structures. Second, the study limited the analysis to five years of data from 2018-2022 and may miss long-term changes in the board governance or changes in the financial performance. Furthermore, the study looks at board size as the only measure of corporate governance, while other factors that define the board, such as board diversity, independence of directors, and the existence of sub-committees that can affect financial performance, are not included in the research. Lastly, concern about Malaysia's industrial property sector may restrict the results from generalizing to other sectors or regions. These relationships may also differ across industries and countries; therefore, the study of the latter requires further research.

5. Conclusion and Recommendations

Conclusion

This present research seeks to establish the relationship between board size and companies' performances, specifically with the selected industrial property firms in Malaysia in terms of their ROA, ROE, and NPM. The findings observed that board size has a positive relationship with ROA and ROE but is independent of NPM. This implies that boards of large size are effective in the management of organizational assets and deployment of equity resources without improving the profitability level. The study presents evidence that the configurative dimension of corporate governance, particularly board size, is important in as much as it has implications for particular financial consequences. Although, the results analyzed may differ depending on the other performance indicators involved. From such conclusions, corporate managers and policymakers in the industrial property market of Malaysia can understand and appreciate the relevance of paying attention to the board size and composition in a way that enhances the performance of the business outfits. However, depending upon the various components of financial performance, it is necessary to accept that board size cannot directly theorize overall corporate value and other phenomena must be considered in terms of governance and management.

Recommendations

The next scientific findings allow for recommendations regarding further research and practical usage of the given topic. First, it is possible to define the appropriate board size by balancing the board members' specialization and the speed of making decisions for companies in the industrial property sector. Since board size is positively related to Return on Assets (ROA) and Return on Equity (ROE), greater board size could benefit

firms as it provides an opportunity to add members with specialized knowledge of asset management and capital allocation. This would help companies reduce cost and time when making strategic decisions through efficient functioning of the firm's daily business operations. Therefore, the author recommended that future studies focus on other factors that support the conception that board size does not impact NPM and that companies should focus on functional and effective cost control. This may entail setting up technologies to achieve efficiency within supply chain systems or sometimes improving ways and means of using resources to increase profitability levels without necessarily having to rely more on governance structures. In this case, regulators and policymakers should find it more useful to devise particular governance strategies. Such guidelines should be prescriptive but flexible to acknowledge the fact that the best size for a board depends on the sector. In the case of industrial property, dominance, and relatively large boards that should hopefully enhance oversight and planning could have positive implications. However, the regulations should permit the firms to alter their board size depending on the requirements and surroundings that they find themselves in. Sector-based governance reforms would assist organizations in matching their board structure with the needs of different markets, thus improving their performances.

In future studies, it will be useful to focus on the further analysis of governance factors. Research could investigate other governance factors including the board of directors' independence, mix, and operations of the sub-committees. This would in turn give a better view of the role of corporate governance in effecting financial performance. Further, it would be interesting to analyze the impact of the size of the board in various industries and geographies particularly in emerging economies. To this end, this could assist in establishing the level of generalisability of the findings from this study to other settings. Moreover, future empirical research that aims to establish the short and long-run correlation between board size and financial performance would be useful in elucidating the long-run impacts of board structure especially in industries, that take a long time to complete their investment business cycle like industrial property. This would provide a wider perspective on studying the equilibrium between corporate governance and financial performance within different industries and other variables. Taken from this perspective, these recommendations would assist scholars and practitioners in advancing their knowledge on the contribution of corporate governance towards financial performance in industries that are strategic to creating value in an economy through industrial property.

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