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icar2021.kuptm.edu.my

e ISBN 978-967-26577-0-5



9 78 9672 6577 05

THE EFFECTIVENESS OF BOARD DIVERSITY IN FINANCIAL DISTRESS COMPANIES IN MALAYSIA

**Nurain Johan¹*
nurain@kuptm.edu.my
Nurisyah Muhamad^{2,3}
nurisyah@kuptm.edu.my
Wan Sallha Yusoff³

**Corresponding author*

Institute of Professional Studies, Kolej Universiti Poly-Tech MARA Kuala Lumpur¹
Faculty of Business, Accountancy & Social Sciences, Kolej Universiti Poly-Tech MARA Kuala Lumpur²
Centre of Excellent Social Innovation and Sustainability, Faculty of Applied and Social Sciences, Universiti Malaysia Perlis³

ABSTRACT

The declining of financial performance is often associated with weak function of the role of the board in the companies. The number of public listed companies that categorized as Practice Note (PN17) by Bursa Malaysia shows an increasing due to financial distress. This study examines the effectiveness of board diversity in financially distressed companies that categorized as PN17 by Bursa Malaysia using content analysis of annual reports for five years as secondary data. The characteristics of board diversity include board professionalism and politically connected board whereas the proxy of financial distress will be measured using Altman Z Score for multiple regressions in evaluating financial performance ratios. The implementation of Malaysian Code on Corporate Governance (MCCG) in 2021 also will be assessed on the effectiveness of board diversity and its interaction on financial distress. The findings from this study is expected to provide evidence that board diversity may has a significant relationship with financially distressed companies. Overall, this study may assist investors, practitioners as well as external regulators in monitoring the company by assessing the effectiveness of board diversity from being classified as financially distressed companies.

Keywords: Board Diversity, Financial Distress, PN17 Companies, MCCG