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Corporate Governance Practices and Firm's Capital Structure

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Abstract: Corporate Governance (CG) in Malaysia has been improved after the Asian financial crisis in 1997. Good CG will provide companies with better financial decision, including capital structure. Therefore, this research is focusing on the Top 100 public listed companies in Malaysia to investigate current practice of CG and to determine whether there is a relationship between CG practices (board size and independence) and firm's capital structure which is measured by debt ratio and debt to equity ratio. Secondary data from company's annual report covering 5 years periods of 2008-2012 were used. Descriptive and correlation analysis were utilized to analyze the data. Results show that the Top 100 public listed companies are found to be complying with the practices of a good CG in their business. Results also proved that there is no relationship between firm's corporate governance practices and their capital structure. Findings of this study shed new informative knowledge on CG practices among public listed companies in Malaysia and the relationship between CG practices with the firm's capital structure.

Key words: Corporate governance, capital structure, top 100 companies, financial decision, investigate

INTRODUCTION

After the 1997 Asian Financial Crisis, the adoption of the High Level Finance Committee embark a significant milestone in Malaysia's journey to address corporate governance issues (Securities, 2011). Poor execution of corporate governance will result in heavy burden to minority shareholders, in emerging markets (Hassan *et al*., 2008).

Thus, good corporate governance practices will assist companies to measure the sustainability of performance and profitability of the firm's operation such as decisions on long term investment (Securities, 2011). There are some components of corporate governance that will affect the capital structure decision in the company. For example, does the board size and board independence have any association with the capital structure of the firm? This research is therefore attempting to investigate the relationship between the corporate governance practices and firm's capital structure.

Research background: Malaysian government decided to implement corporate governance that will enhance the performance and quality of good corporate management practices in Malaysia's companies after the Asian Financial Crisis in 1997. The recognition of corporate governance was significantly evidenced by the released of the Malaysian Code on Corporate Governance (MCCG) by committee in year 2000. In 2011, Securities Commission Malaysia has published the Corporate Governance Blueprint. This is followed by an updated MCCG which come into effective in December 2012.

Capital structure plays an important role in maximizing the value and performance of the company. Effective management of capital structure will help the company to gain competitive advantage and increase the profitability of company. The capital structure decision of the company was proven to be associated with the company's corporate governance practices. For example, board size of the company is found to have an influence on the company's capital structure decision (Lawal, 2012). Besides, more independent directors in a company will help to reduce the amount of debt for the provision of finance due to the presence of more effective supervision and management (Vakilifard *et al*., 2011).

Scope of study: This study is focusing on investigating the corporate governance practices among selected sample of public listed companies in Malaysia. Data are gathered using secondary data available from Bursa

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Malaysia website and companies' website. These data are taken from Top 100 Public Listed Companies' (PLCs) annual report over the period of 2008-2012. These Top 100 PLCs were selected based on the performance on the market capitalization, representing the entire companies listed in Bursa Malaysia and the overall performance of Malaysian economy in term of market performance. Within the selected sample of Top 100 PLCs, the database that were analyzed only comprise of those companies with complete data on selected corporate governance practices and firm's performance indicators from 2008-2012. Those companies with uncompleted data will be omitted and will not be replaced.

Research questions and objectives: Reviews of previous literatures shows that there are limited number of studies focuses on the relationship between firms' corporate governance practices and the firm's capital structure. The main underlying issue here was is there are any relationship between firm's corporate governance practices and the firm's capital structure? Therefore, clear understanding on such issue in Malaysia is required. This study try to investigate the relationship between the corporate governance practices and the firm's capital structure in Malaysia and guided by the following research questions: what is the current state of corporate governance practices among Top 100 public listed companies in Malaysia? Is there any relationship between the firm's corporate governance practices with the firm's capital structure? These research questions were then translated into the following research objectives: to investigates the corporate governance practices among Top 100 public listed companies listed in Bursa Malaysia and To study the relationship between the firm's corporate governance practices with the firm's capital structure.

Literature review

Corporate governance: The corporate governance is defined as "the process and structure used to direct and manage the business affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value whilst taking into account the interest of other stakeholders" (Securities, 2011). Corporate governance mechanisms have two differences perspective which are internal perspective and external perspective (Singham, 2003). Another mechanism was the market-based governance model (or Anglo American model) and the control model (or Franco-Germany) (Bai *et al*., 2004). The Malaysian governance reform agenda has suggested the corporate governance mechanisms that applied by the Malaysian corporate sectors. These mechanisms are ownership structure, board structure (which include CEO duality, board size, board independence, professionalism or qualifications), board activity (which include board meeting and board committee), remuneration, transparency and disclosure and alliances or mergers (Singham, 2003). Board size and board independence were two indicators chosen for this study and were further discussed in the following sections.

Board size: Malaysian Code on Corporate Governance stated that "every board should examine its size with a view to determining the impact of the number upon its effectiveness". There are some factors that a company needs to consider in determining the number of seats in a board. The changing in environments or circumstances and needs of the company in term of size, scope or geography; the executive and non-executive directors and the independent elements of non-executive directors need to be balanced (balance composition in a board will ensure there is no individual or small group of individual will dominate the decision making). According to Lipton and Lorsch (1992) and Jensen (1993), a minimum of seven and maximum of nine board members was recommended and optimal size of the board was eight. The board size was flexible depend on the circumstances and qualifications of proposed candidates. The MCCG has highlighted that "the need for a board to determine the appropriate size required for the effective discharge of its roles and responsibilities for the benefit of the company and its business".

Board independence: Board independence is also known as independence director or non-executive director. They are defined as "one who is independent of management and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interests of a listed company". The purpose of the independent directors to take part on the board is to ensure that objective decision-making of the board is achieved and that no single party can dominate the decision in the company (Securities, 2011). MCCG also stated that "the board should disclose on an annual basis whether one-third of the board is independent and in circumstances where the company has a significant shareholder whether it satisfies the requirement to fairly reflect, through board representation, the investment of the minority shareholders in the company". The positive aspect of the board independence will help company's survival during the thrift crisis due to the greater proportion of independent directors on the board.

Capital structure: Capital structure is defined as the specific mix of debt and equity a firm uses to finance its operations. The result of preview studies had shown that capital structures are an important determinant of a company's value. External sources of capital structure can be classified under two main subjects which is equity and debt (Madan, 2007). Measurement of capital structure usually includes debt and debt to equity ratio. These two indicators were chosen to be used in this study and discusses in the following sections.

Debt ratio: This ratio compares company's total debt to its total assets which is used to gain a general idea as to the amount of leverage being used by a company. Debt ratio will help investors looking for a quick take on a company's leverage. It gives users a quick measure of the amount of debt that the company has on its balance sheets compared to its assets. The more debt compared to assets a company has which is signaled by a high debt ratio, the more leveraged it is and the riskier it is considered to be.

Debt to equity ratio: The debt to equity ratio is another leverage ratio that compares a company's total liability to its total shareholders' equity. This is a measurement of how much suppliers, lenders, creditors and obligators have committed to the company versus what the shareholders have committed. According to Madan (2007), the debt to equity ratio "shows the proportion of debt funds to equity". The higher the value of debt to equity ratio shows a higher firm's leverage level. The formula for the debt to equity ratio is total liabilities over the shareholders' equity.

The relationship between corporate governance practices and firm's capital structure: The corporate governance practices plays a vital role in all companies in order to have better performance in the marketplace. Hence, to understand the financial development of a company, it is necessary to determine their financial practices or capital structure decision. The process or system used to manage the company will affect the capital structure decisions. Therefore, the underlying issue is whether the corporate governance practices of a firm have any association with the firm's capital structure. There were some studies that have examined the relationship between corporate governance and capital structure and most of the previous studies comes with mixed results. The company which has the bigger board member for example can effectively monitor and manage the actions of management and provides better expertise and performance (Adams and Mehran, 2003). Conversely, Lipton and Lorsch (1992) found that large board size is less effective compared with small board size because some directors will put less effort than others.

In addition, some research had shown that leverage is significantly lower when the friction of independent directors is small (Berger *et al.*, 1997). Based on the study by Pfeffer (1972), there is a significant positive relationship between the proportion of board independent and capital structure. Whereas Anderson *et al.* (2004) reported that there is a negative relationship between board independent and capital structure. On the other hand, some research shown that there is no relationship between corporate governance and capital structure (Kumar, 2015; Rehman *et al.*, 2010). Board independence, for example is found to have no significant relationship with the capital structure (Ahmadpour *et al.*, 2012).

MATERIALS AND METHODS

This study discusses the methods that applied to carry out this study which includes the research framework, data collection and data analysis. The discussions of the research methodology will provide better understanding of the appropriate research approach to be implemented.

Research framework: The study of corporate governance (independent variable) in this research were indicated by on two selected indicators which are the board size and board independent while capital structure (dependent variable) were indicated by debt ratio and debt to equity ratio. Figure 1 represents the research framework of this study.

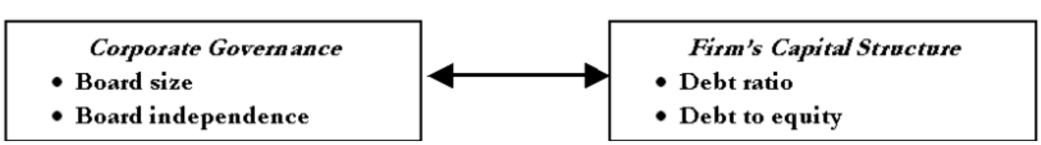

Fig. 1: Research framework

Data collection: This research used secondary data which was compiled from the company's annual report to investigate corporate governance practices and also the relationship between corporate governance practices and firm's capital structure. Top 100 PLCs' annual report were taken from Bursa Malaysia's website and company's website. Financial data from the latest 5 years company's annual report will be analyzed, covering from the year 2008-2012. The data collected consists of company name, year, board size, number of independence director or non-executive director, total asset, total liability and shareholder's equity.

Data analysis: Data analysis is one of the important elements of the research in order to determine and find out the results and proves the hypothesis being accepted or rejected. The research data were analyzed by using Statistical Package for Science Social (SPSS). The descriptive analysis was used to investigate the first objective while correlation analysis was used to study the second objective of this study. Descriptive analysis was used to describe the original characteristics of the data set and act as the key to summarizing variables. Descriptive analysis also present measurement of central tendency, dispersion and distribution shape. The objective of inferential analysis was to sketch conclusions that extend beyond the data or sample (O'Leary, 2013). On the other hand, correlation analysis can be used to test various hypotheses about the relationship between different variables or to estimate characteristics of a population from sample data. Besides, the correlation analysis was referred to determine the strength of the relationship between two variables.

RESULTS AND DISCUSSION

In this study, the finding and results of data analysis were discussed based on a total sample of 86 companies with complete financial data.

Descriptive analysis and results

Distribution of sector: Figure 2 shows the percentage and frequency distribution of each sector. Out of the 86 PLCs consist of 10 sectors of public listed companies in Bursa Malaysia, Trading/Services sector has the highest frequency of companies (29 companies or 34%). This is followed by the Consumer Products and Finance sectors with both 13% of the total sample. There is only 1 company from the hotel sector which represent 1% of the total sample of this study.

Market capitalization: Figure 3 shows the trend of the market capitalization among the sample. The market capitalization is an approach in order to utilize the stock price to determine the value of a company. Malayan Banking Berhad (Maybank) from the finance sector has shown the highest market capitalization which was RM50536.8 million. On the other hand, the MEDIAC from Trading/Services sector has the lowest market capitalization with RM1314.3 million.

Based on the above figure, most of the company's market capitalization was below RM1000.0 million (65 companies). The 12 companies have a capital between RM10000.0-RM20000.0 million; 5 companies were between RM20000.0-RM30000.0 million and 3 companies were between RM40000.0-RM50000.0 million.

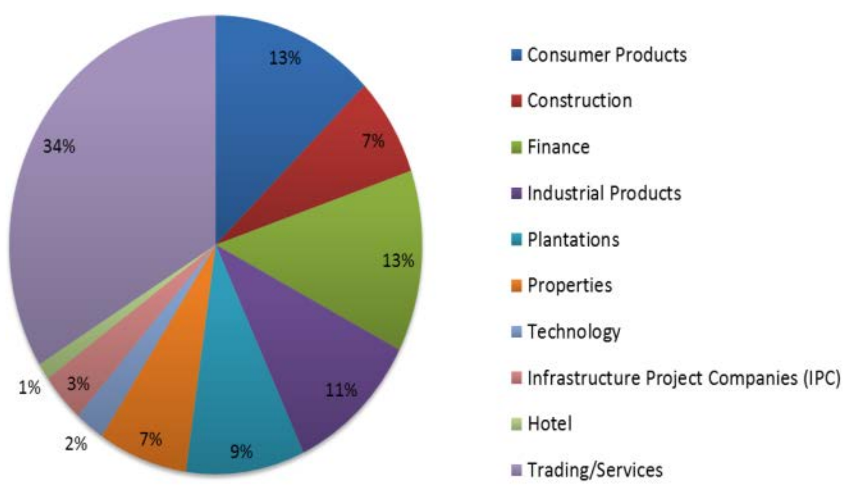

Fig. 2: Percentage distribution of top 100 public listed companies in each sector

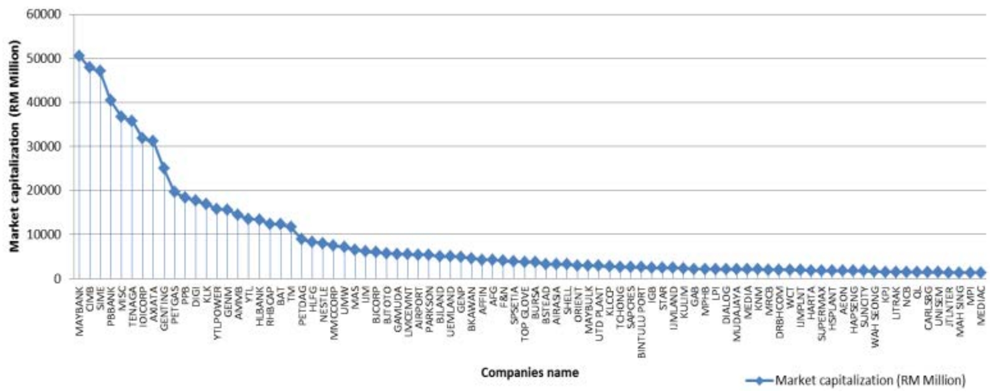

Fig. 3: Market Capitalization of 86 public listed companies

Table 1: Percentage distribution of board size in range

Year/range	2008 Frequency	2008 %	2009 Frequency	2009 %	2010 Frequency	2010 %	2011 Frequency	2011 %	2012 Frequency	2012 %	Mean Frequency	Mean %
4-6	7	8	7	8	6	7	9	10	7	8	7	8.2
7-9	53	62	50	58	52	60	48	56	48	56	50	58.4
10 and above	26	30	29	34	28	33	29	34	31	36	29	33.4
Total	86	100	86	100	86	100	86	100	86	100	86	100.0

Table 2: Descriptive statistics of board size

Years	2008	2009	2010	2011	2012	Overall
Mean	9.13	9.17	9.09	9.09	9.06	8.928
Median	9.00	9.00	9.00	9.00	9.00	8.600
Mode	8	8	8	8	9	8.6
SD	2.152	2.132	2.156	2.145	1.948	1.8494
Minimum	5	5	5	5	5	5.0
Maximum	14	14	15	14	14	13.2

Corporate governance practices

Board size: Table 1 represents the percentage distribution of board size in range of total 86 PLCs. The results showed the frequency for the board size in the range of 7-9 people was the highest frequency over the five years which the mean was 50 companies (58.4). Whereas, there was average in 7 or 8.2% of companies that had the board size between the ranges of 4-6 people.

Table 2 shows the results of descriptive analysis for the board. The overall mean of the board size among 86 PLCs and over five years was 8.93 which were between the range 7-9 people. The median was about 8.6 and the mode was 8. The minimum board size was 5 people while the maximum board size was about 14 or 15 people. Therefore, the companies in Malaysia had complied with the requirement of the board size which is one part of the corporate governance on their organization.

Board independence: Over a sample of 86 PLCs in this study, there were 8 companies does not complied with the MCCG which stated that the board should comply at least one-third or 0.33 of the board is independent. On the other hand, majorities of the PLCs had complies the board independence which included 78 companies. Table 3 revealed the ratio, means and compliance of board independence. The descriptive statistics is summarized and presented in Table 4 Within the 5 years, the overall mean of the board independence was 0.46 and the median was 0.43. The mode was stated as 0.35. While the minimum board independence was 0.20 and the maximum board independence was 0.82. Therefore, based on the analysis, most of the companies in Malaysia had complied with the guidelines of good corporate governance practices which suggested the board independence to be one-third of the board or 0.33 of the ratio.

Firm's capital structure

Debt ratio: Table 5 and 6 summarized the results of the debt ratio based on company's sectors and descriptive statistics of debt ratio among the companies. Table 5 revealed that based on sector, the finance sector has the highest debt ratio (0.830) compared with other sectors. This is then followed by Infrastructure Project Companies (IPC) which consists 0.760. Furthermore, the sector which had the lowest debt ratio was consumer products sector and plantations sector which has 0.382 and 0.212, respectively. As presented in Table 6, the overall mean for

Table 3: Percentage distribution of board independence

	2008		2009		2010		2011		2012		Mean	
Year/range	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
>1/3	77	90	74	86	76	88	81	94	83	97	78	91
<1/3	9	10	12	14	10	12	5	6	3	3	8	9
Total	86	100	86	100	86	100	86	100	86	100	86	100

Table 4: Descriptive statistics of board independence

Years	2008	2009	2010	2011	2012	Overall
Mean	0.4242	0.4312	0.4536	0.4593	0.4660	0.4603
Median	0.4000	0.4300	0.4300	0.4400	0.4400	0.4300
Mode	0.33	0.38	0.50	0.50	0.50	0.35
SD	0.12600	0.12819	0.12623	0.12080	0.12019	0.11264
Minimum	0.00	0.00	0.25	0.23	0.25	0.20
Maximum	0.71	0.71	0.71	0.75	0.78	0.82

Table 5: Analysis of debt ratio by sectors

	Years					
Sectors	2008	2009	2010	2011	2012	Mean
Consumer products	0.352	0.399	0.371	0.379	0.410	0.382
Construction	0.524	0.545	0.525	0.501	0.550	0.529
Finance	0.856	0.845	0.837	0.809	0.803	0.830
Industrial products	0.429	0.398	0.379	0.406	0.407	0.404
Plantations	0.218	0.214	0.188	0.204	0.238	0.212
Properties	0.435	0.457	0.421	0.450	0.430	0.439
Technology	0.426	0.374	0.373	0.361	0.456	0.398
IPC	0.639	0.772	0.781	0.768	0.839	0.760
Hotel	0.544	0.486	0.441	0.574	0.559	0.521
Trading/services	0.465	0.460	0.475	0.486	0.478	0.473

Table 6: Descriptive statistics of debt ratio

Years	2008	2009	2010	2011	2012	Overall
Mean	0.49030	0.48516	0.48035	0.49441	0.50053	0.48583
Median	0.49200	0.45350	0.47150	0.48500	0.49250	0.46700
Mode	0.535	0.105	0.128	0.485	0.310	0.412
SD	0.239006	0.239878	0.237582	0.242262	0.241368	0.233338
Minimum	0.018	0.025	0.022	0.022	0.025	0.022
Maximum	0.948	0.946	0.940	0.949	0.935	0.940

Table 7: Analysis of debt to equity ratio by sectors

	Years					
Sectors	2008	2009	2010	2011	2012	Mean
Consumer products	0.860	0.867	0.787	0.850	0.855	0.844
Construction	1.470	1.493	1.275	1.226	1.447	1.382
Finance	9.982	9.598	9.124	9.952	9.004	9.532
Industrial products	0.859	0.873	0.870	1.005	1.076	0.936
Plantations	0.325	0.318	0.272	0.295	0.363	0.314
Properties	0.846	0.948	0.878	0.962	0.923	0.912
Technology	0.759	0.603	0.603	0.572	0.613	0.630
IPC	2.015	3.719	3.654	3.554	7.443	4.077
Hotel	1.194	0.946	0.791	1.345	1.270	1.109
Trading/services	1.146	1.377	1.118	1.420	1.253	1.263

debt ratio was 0.486. Overall median was 0.467; the minimum and the maximum debt ratio were 0.022 and 0.940, respectively. The results show that the companies of Malaysia have very low level of debt ratio when conducted their business. Meanwhile, the company has more assets than debt when the company's debt ratio is lower than 1.00. This illustrated that the financial situation of the company was in good condition. Besides that, the company's risk level was rudimentary.

Debt to equity ratio: According to the information provided in Table 7, the finance sector has the

Table 8: Descriptive statistics of debt to equity ratio

Years	2008	2009	2010	2011	2012	Overall
Mean	2.38892	2.46322	2.25386	2.63163	2.48212	2.20998
Median	1.04950	1.00800	0.96950	1.03350	1.02900	0.90000
Mode	0.500	0.305	0.151	0.023	0.026	0.405
SD	3.942330	3.902502	3.516958	4.166247	3.810911	3.439054
Minimum	0.018	0.026	0.023	0.023	0.026	0.023
Maximum	19.497	18.635	16.613	19.542	18.801	15.848

Table 9: Results of normality test

	Kolmogorov-Smirnov			Shapiro-Wilk		
Variables	Stat	df	Sig.	Stat	df	Sig.
Mean_BS	0.105	86	0.020	0.969	86	0.038
Mean_BI	0.118	86	0.005	0.967	86	0.025
Mean_DR	0.094	86	0.056	0.969	86	0.039
Mean_DER	0.311	86	0.000	0.595	86	0.000

Table 10: Results of correlation analysis

Variables	Correlation analysis	Mean_DR	Mean_DER
Mean_BS	Correlation coefficient	0.040	0.060
	Sig. (2-tailed)	0.713	0.581
	N	86.000	86.000
Mean_BI	Correlation coefficient	0.059	0.070
	Sig. (2-tailed)	0.589	0.520
	N	86.000	86.000

highest debt to equity ratio compared with other sectors which contained 9.532. Besides that, the sector which held the lowest debt to equity ratio was technology sector and plantations sector which has 0.630 and 0.314, respectively.

Descriptive statistics of debt to equity ratio were presented in Table 8. The overall mean of debt to equity ratio among these 86 companies was 2.210. The minimum debt to equity ratio was 0.023 and the maximum was about 15.848. The mean of debt to equity ratio was indicated at low level. The company needs to contain a low value of debt to equity ratio which it was beneficial to them with less risk. It is unfavorable to a company when the debt to equity ratio was high.This is because it shows that the company was more relying on external financial sources and is exposed to a higher financial such as burdened high interest rate.

Results of correlation analysis: The following section discusses the correlation analysis conducted in this study.

Testing for normality of distribution of data: Prior to conducting a correlation analysis, normality test was conducted in determining the type of correlation analysis to be employed in this study. Normality if the data distribution is one of assumptions that needs to be fulfilled in conducting parametric-correlation analysis. Normality test is a test to compete for random variable and mean and determine whether the data is well established (normally distribued). In this study, the Kolmogorov-Smirnov significant value for board size, board independence, debt ratio and debt to equity ratio were all found to have a value of <0.05 which indicated that the data were not normally distributed. Therefore, the non-parametric test for correlation analysis which is Spearmen test will be used to test the hypothesized relationship between the corporate governance practices and the firm's capital structure. The results of normality test were shown in Table 9.

Correlation test: Results of correlation analysis are presented in Table 10 shows the correlation between the corporate governance practices (board size and board independence) with the firm's capital structure (debt ratio and debt to equity ratio). Based on the results, it can be concluded there is no statistically significant relationships between firm's corporate governance practices and firm's capital structure.

Table 11 summarized the findings of the correlation test for the relationship between the corporate governance practices and firm's capital structure. The following sections discusses the findings of this study, limitation of study and provide recommendations for future research in the area of corporate governance and firm's capital structure.

Corporate governance practices and firm's capital structure: The first objective was to investigate the corporate governance practices and capital structure among Top 100 PLCs listed in Bursa Malaysia. The results showed that the board size of the firm's in Malaysia was between 7-9 members and the overall mean of was 8.93. These were consistent with the recommendation by the Lipton and Lorsch (1992) which they highlighted that a minimum of seven and maximum of nine board members. Meanwhile, Jensen (1993) also stated that the optimal size of the board was eight members. In Corporate Governance Blueprint 2011, it state that the optimal board size of the firm was from six to seven members. Besides that, the

Table 11: Summary of correlation test

Relationship	Results
BS and DR	The r = 0.040 which was a weak positive relationship The p = 0.713 which was greater than 0.05. Thus, there was no relationship. ≈H_1 rejected; H_0 accepted
BS and DER	The r = 0.060 which was a weak positive relationship The p = 0.581 which was greater than 0.05. Thus, there was no relationship. ≈H_1 rejected; H_0 accepted
BI and DR	The r = 0.059 which was a weak positive relationship The p = 0.589 which was greater than 0.05. Thus, there was no relationship. ≈H_1 rejected; H_0 accepted
BI and DER	The r = 0.070 which was a weak positive relationship The p = 0.520 which was greater than 0.05. Thus, there was no relationship. ≈H_1 rejected; H_0 accepted

r = correlation coefficient; p = significant value (greater than 0.05 means insignificant)

basis board independence on the board is at least one-third or 0.33 in ratio based on the MCCG. In Malaysia, most of the companies comply with the guidelines on the board independence. Overall the board independence for 78 companies were greater than 0.33. The overall mean was contained 0.46.

For the capital structure, the debt ratio of overall companies in Malaysia was found to be at low level among the mean range with all the mean of debt ratio was <0.99. However, a different level of debt to equity ratio was found among Malaysia's companies under studies. Therefore, different companies will have different capital structure decision of their management. This finding was consistent with the issue that state by Suhaila *et al*. (2008) which in order to achieve the best or optimal capital structure, the top management need to have certain arguments and debates. Nevertheless, there was still lacking of specific guidelines or consensus to assist the firm's management in achieving efficient capital structure.

Relationship between corporate governance practices and firm's capital structure: The second objective was to study the relationship between firm's corporate governance practices with firm's capital structure. Based on the data, all the p values were greater than 0.05, it is insignificant to reject the H_0. Therefore, H_0 was accepted and it can be concluded that there is no statistically significant relationship between corporate governance practices and capital structure. These findings were consistent with Kumar (2015) which stated that the capital structure has no relationship with the corporate governance. Rehman *et al.* (2010) also indicates that "there is no relationship between corporate governance and capital structure". In additional, based on the research by Ahmadpour *et al*. (2012), the results shows that board independence has no significant relationship with the capital structure.

According to numerous empirical research, capital structure of the firm is corresponding to both firm-level and macro-level characteristics. The macro-economic and industry condition are one of the factors that will influence the capital structure (Frank and Goyal, 2009). The others empirical studies also demonstrated that the key factors affect the capital structure are include growth opportunities, asset tangibility, inflation, profitability and others (Tongkong, 2012).

LIMITATIONS

The research limitation of this study was during the data collection. There was some lack of information or data for companies' annual report over the period of 2008-2012. Thus, the uncompleted or insufficient data had been omitted and no replacement. Besides that, there were some companies had changed the format and duration time for their financial statement. Therefore, the data of capital structure were not absolutely accurate.

RECOMMENDATIONS

Future research can attempt to investigate the other corporate governance practices. Thus, more knowledge can provide to the public or companies in Malaysia. For example, other internal perspective such as ownership structure, CEO duality, board meeting, transparency and disclosure and external perspective of corporate governance. Next, the number of companies involved as the sample of study can be increased. This will increase the consistency and reliability of the results. Moreover, the future research should contain review more literatures in order to get more information on previous research. This can prevent the error occur during data collection and analysis.

CONCLUSION

The Top 100 public listed companies in Malaysia were found to implement the corporate governance practices in managing their business. However, their level of practices are found to be at different level across companies with some complying with suggested guidelines while other does not. On the other notes, it is also found that the capital structure of the company will have a great influence on their operation and stability, such as the level of firm's financial leverage which directly influence the firm's level of financial risk. With that, this study has achieved its objectives which are to investigate the corporate governance practices and capital structure among Top 100 companies in Malaysia and the relationship between corporate governance practices and the firm's capital structure.

The importance of understanding the guidelines of good corporate governance practices among business entities in Malaysia's can be explored through the study of this particular area of business management. Different groups of people such as potential investors, shareholders and managers will also benefited with the knowledge of the importance of complying with corporate governance to their companies. Moreover, this research may give recommendation to the policy maker or regulators on improving the corporate governance policies in the future.

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