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16 April 2017

Online at <https://mpra.ub.uni-muenchen.de/78411/>
MPRA Paper No. 78411, posted 03 May 2017 11:23 UTC

FIRM RISK AND PERFORMANCE: THE ROLE OF CORPORATE GOVERNANCE IN AMFIRST REIT

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ABSTRACT

This paper examines the relationships between corporate government and firm performance and its impact on firm performance and risk of real estate investment trust (AmFIRST REIT). Researchers have to assumed what is the different forms of corporate government and firm performance there is no interact in their effect on its impact on firm performance and risk of real estate investment trust (AmFIRST REIT). The data obtained from annual report of AmFIRST REIT starting from 2011-2015. Focus on ratio which is return on asset, return on investment, return on equity, current ratio, total asset turnover and debt ratio. Corporate executive shareholdings supplement have the relationship between outside institutional shareholdings and with their firms performance in this industry. All this findings suggest that internal and external coalitions interact with each other to influences the firms conduct.

Keyword: credit risk, liquidity, profitability and microeconomics

1.0 Introduction

AmFIRST Real Estate Investment Trust ("AmFIRST REIT" or the "Trust") is a land venture trusts built up in Malaysia and constituted by a Trust Deed dated 28 September 2006 ("Original Deed") (as changed by the First Supplemented, Revised and Restated Trust Deed dated 15 December 2006 ("First Deed") and the Second Restated Deed dated 13 September 2013 ("Second Deed or the "Deed")) went into between Am ARA REIT Managers Sdn Bhd ("Am ARA" or the "Administrator") and Maybank Trustees Berhad, as the Trustee for AmFIRST REIT (the "Trustee"). The Second Deed has superseded the Original Deed and the First Deed.

AmFIRST REIT was recorded on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 21 December 2006. AmFIRST REIT is one of the biggest Malaysian-based business land venture trusts ("REIT") and possesses a various arrangement of nine (9) properties situated in Klang Valley (counting Cyberjaya) and Melaka, with an aggregate net lettable region of 2.8 million sq ft. AmFIRST REIT is overseen by the Manager who is in charge of the administration and organization of AmFIRST REIT, and the usage of AmFIRST REIT's venture and business procedures.

The year 2014 finished with news of tumbling commodity prices, sliding ringgit and proceeding with capital outpouring, a reason for concern which required an overhauled Budget2015 as reported by the Prime Minister. On the monetary front, the nation's GDP finished on an empowering development of 6.0 % (2013: 4.7%), managed predominantly by the solid fare development and versatile nearby utilization. This is reflected by the execution of the nearby bourse, which is holding up superior to anticipate. Speculation action towards the finish of 2014 was to a great extent from mechanical and retail properties. The general execution of reason assembled office have been affected, with lower assimilation of 1.08 million sq. ft. against a retention of 2.4 million sq. ft in 2013 (Source : DTZ Research). Development in pay circulation to REIT financial specialists will in this manner likely be frail given the different difficulties and vulnerabilities influencing the business.

On a more positive note, the testing renting conditions may exhibit more open doors for REITs to secure better yielding resources. The REIT show cases have seen a few declarations of benefit obtaining to develop their yield accretive portfolio and to support and lift their individual share costs. AmFIRST REIT concentrated on the operational exercises of the properties by means of the usage of short to medium term goals and regulated the Property and Facility Managers in the execution of the set destinations. They have speculation portfolio comprises of eight (8) business office structures and a blended advancement involving office hinder, a retail shopping center and a lodging.

The Summit Hotel is rented to an administrator who is in charge of the support with the exception of the basic and basic office. Resource administration includes utilizing on and upgrading the aggressive qualities of the properties and undertaking proactive strides to support the property yields, for example, dynamic renting and proactive advertising of opportunities

considering restoring and supplanting lapsing leases also. These are endless supply of regions for esteem including that will profit their current and potential occupants. Taken a toll control is additionally another essential technique to lift property returns. This would incorporate executing efficient and normal support programs and additionally resource upgrades to reposition.

Am ARA REIT Managers Sdn Bhd ("Am ARA" or the "Administrator"), the Manager of AmFIRST Real Estate Investment Trust ("AmFIRST REIT" or the "Trust") perceives the significance to have great and successful corporate administration culture to advance and shield the best advantages of its Unitholders and different partners, in this way upgrading the believability and notoriety of the Trust. This is additionally basic to the execution of the Manager and therefore, the achievement of AmFIRST REIT.

The Manager has received a decent corporate administration system that is intended to meet the best practice standards. Specifically, the Board of Directors of the Manager (the "Board") and the Management have the commitment to act truly, with due care and steadiness, and to the best advantage of its Unit holders and different partners by underscoring on the straightforwardness of basic leadership process, decency and dependability in overseeing AmFIRST REIT.

The Manager likewise perceives the need to adjust and enhance the standards and practices to meet the progressing changes and difficulties in administrative prerequisites, global improvements and financial specialist desires. The accompanying segments portray the Manager's primary corporate administration practices and strategies which are guided by measures suggested in the REITs Guidelines, The Malaysian Code on Corporate Governance 2012 ("MCCG 2012" or the "Code") and the Main Market Listing Requirements of Bursa Securities ("MMLR" or the "Posting Requirements") and that the Manager's commitments as depicted in the Deed.

In addition, the risk management in charge of the hazard administration of AmFIRST REIT which incorporates however not restricted to recognizing the vital dangers related with the business exercises and guaranteeing proper measures, frameworks and inside controls are set up to relieve the hazard presentation. CMSA was altered to grow the meaning of reserve administration to incorporate administration of advantages in a unit trust plot by a benefit finance

director. Under this new administration, the Manager is required to be suitably authorized keeping in mind the end goal to do the directed movement.

On 22 April 2014, SC issued a Capital Markets and Services License ("CMSL") to the Manager to do the directed action of reserve administration in connection to resource administration confined to land speculation trusts compliant with the necessities under the CMSA. As at the date of this report, the Manager has three (3) Capital Markets and Services Representative License ("CMSRL") holders where the Executive Director/Chief Executive Officer of the Manager is additionally authorized to consent to the permitting prerequisites.

2.0 Literature Review

The finding of this review demonstrates that liquidity proportion (LIQUID) is positively huge with ROA this suggests Islamic banks embrace a traditionalist technique in overseeing liquidity issue by keeping up adequate money save and in the meantime these banks can create benefit. This is confirm from Islamic banks' LIQUID mean of 0.4639. The finding is reliable with past reviews Ghazali (2008), who found a positive relationship amongst Liquidity and ROA. Bourke (1989). Kosmidou and Pasiouras (2005) likewise found a noteworthy positive connection amongst Liquidity and ROA. The finding is conflicting to the discoveries of Choon et al. (2012) who found that LIQUID is contrarily critical to ROA which infers that additionally financing were made by Islamic manage an account with lower liquidity.

The expansion in part focus which is measured by dangerous division fixation to aggregate fund demonstrates positive hugeness to liquidity hazard with a $P > 0.05$. This is particularly applicable to Islamic banks that work their business in a high swelling condition and in the meantime keep up a bigger money save to keep up their sound liquidity position as found in the review by Pappas et al. (2012). The one of a kind structure of the benefits and liabilities of Islamic banks' strength have assumed a critical part in deciding their liquidity strategy. Other researcher examined whether there is the connections between the adequacy of Shariah supervisory board (SSB), their compensation and method of financing Islamic bank. This statement analyzed by Waemustafa, W and Abdullah, A. (2015).

Ahmad and Ahmad (2004) Ahmad and Mohamed (2007) propose that vast hazardous portfolio add to higher hazard which is steady to good risk speculation. Before continuing to a

further phase of hazard administration prepare, it is basic to at first distinguish the procedure of hazard development (Muljawan, 2005). As per Ghazali (2008), he found that liquidity and profit for resource has a positive relationship. Other than that, it additionally can be bolstered with the investigations of Bourke (1989). Kosmidou and Pasiouras (2005) express that there a noteworthy positive association among liquidity and profit for resource.

Various reviews have endeavored to clarify about corporate administration, hazard and benefit. A decent corporate administration, is essential as it has a tendency to energize trustworthiness, respectability, straightforwardness, responsibility and obligation among all partners in an association. In the Corporate Social Responsibility (CSR) composing, the past effect is related to structures masterminded theories, for instance, political economy, genuineness and accomplice hypotheses (Wilmhurst and Frost, 2000; Deegan, 2002; Campbell et al., 2002). The political and social settings have been seen to be basic determinants of the decision to uncover CSR information (Roberts, 1992; Williams, 1999). The money related inspirations point of view is unsurprising with research that illuminates CSR revelation as to association theory (Cowen et al., 1987; Adams, 2002; Campbell, 2000).

As right off the bat as Black (1998), experimental reviews have tried the tricky - do institutional financial specialists have any effect on the execution of recorded organizations? Earlier reviews look at different occasions or results, for example, CEO turnover and ascribe this to institutional observing in view of the extent of proprietorship. In addition, there are different approaches to gauge execution, including stock value developments, and in addition bookkeeping measures, for example, Tobin's Q, which may add to the absence of accord with respect to the effect of institutional financial specialists.

There is a branch of research dedicated to the effect of lobbyist institutional financial specialists on the organizations they put resources into. For instance, Gillan and Starks (2007) give an extensive review of the writing looking at activism and its results. Be that as it may, as Gillan and Starks (2007) take note of, the impact of institutional financial specialists on the connection between corporate administration and firm execution still stays dubious because of the various measures of impact utilized.

In their current audit article, Brown, Beekes and Verhoeven (2011) recognize that an under researched question is whether outside shareholders with a vast stake are dynamic in ways that enhance firm execution. Facilitate, they set that it is all the more intriguing to concentrate the diverse motivators crosswise over institutional financial specialist classes. Thus, additionally research is required keeping in mind the end goal to set up whether institutional financial specialists consider the administration practices of the organizations in which they contribute and whether institutional speculators effectively screen the hazard and execution of these organizations.

3.0 Descriptive Analysis

i) Return On Asset

YEAR	2011	2012	2013	2014	2015
ROA	0.0434	0.0435	0.0399	0.0480	0.0280

Table 1 : return on asset

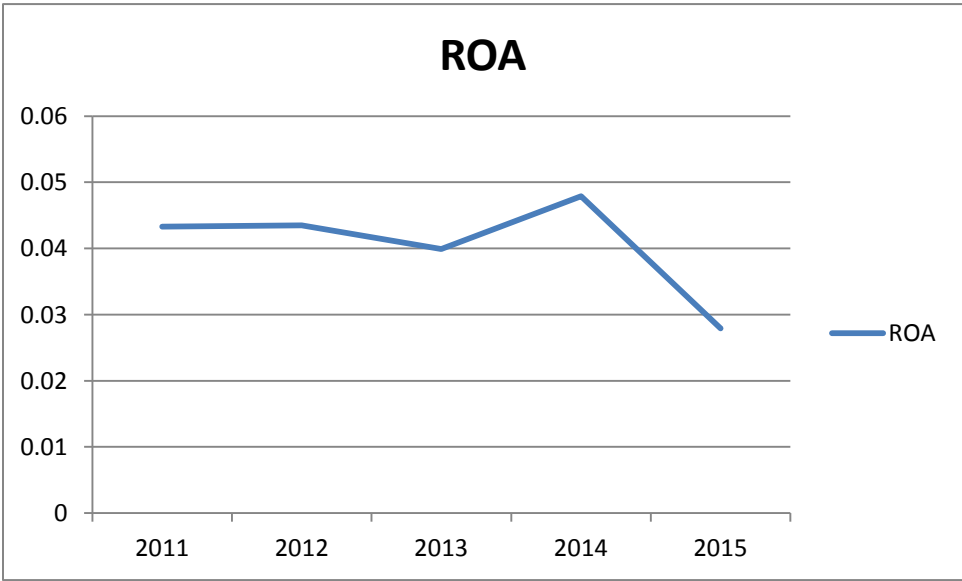


Figure 1 : return on asset

Based on table 1 and figure 1, the return on asset ratio is used to calculated how efficient of the company of AmFIRST REIT that is utilize the assets that has been used by the AmFIRST REIT in order to contribute the revenue for this company. Based on the table above, the return on asset

for this company was recorded in the fluctuated trends from year 2011 to year 2015. From year 2011 the amount is 0.0434@ 4.34% and increase in little amount in year 2012 which is 0.0435@ 4.35%. In 2013, the amount dropped 0.0399 @ 3.99% and increase in 2014 with 0.0480 @ 4.80% and lastly dropped in a big amount in year 2015 with 0.0280 @ 2.80%. We can summarize that the ROA for this company in year 2014 state that most efficient rate and shown very good company in manage to utilize assets for generating more revenue in that year but in year 2015 is dropped.

ii) Return On Investment

YEAR	2011	2012	2013	2014	2015
ROI	-0.9815	-0.9947	-1.0159	-1.0073	-1.0050

Table 2 : return on investment

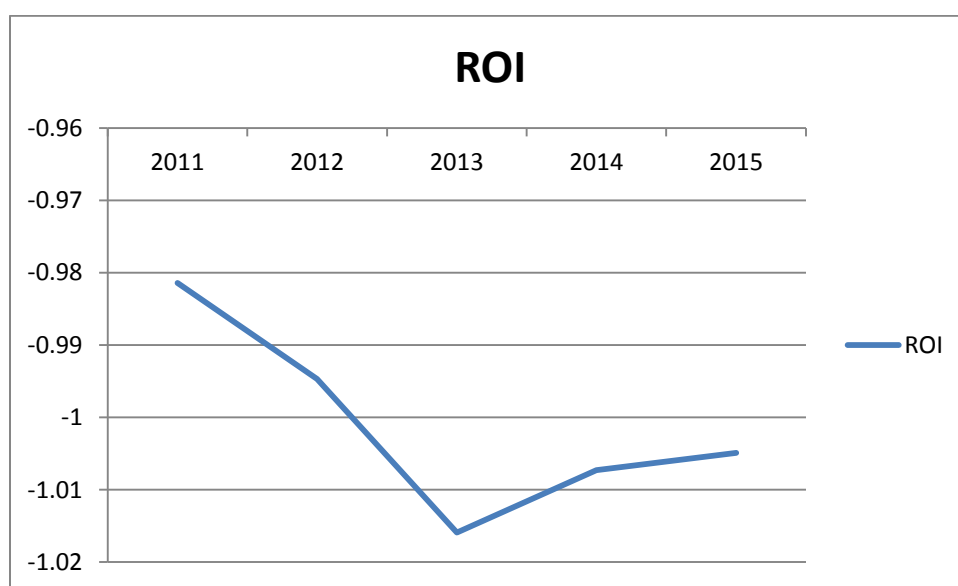


Figure 2 : return on investment

An execution measure used to assess the effectiveness of a speculation or to think about the proficiency of various diverse ventures. Return for capital invested measures the measure of profit for a speculation with respect to the venture's cost. To ascertain ROI, the advantage (or return) of a speculation is separated by the cost of the venture, and the outcome is communicated as a rate or a proportion. Based on the table 2 and figure 2, in year 2011 have the small percent

among the five years. In year 2013 it drop and give the impact of the company because the amount is bigger than previous year. In ROI theory, the small percent is better than bigger percent. Even though the percent in year 2013 is drop but in 2015 is increase and it is shown that the company give the positive feedback on that year.

iii) Return On Equity

YEAR	2011	2012	2013	2014	2015
ROE	0.1063	0.1223	0.0814	0.0991	0.0602

Table 3 : return on equity

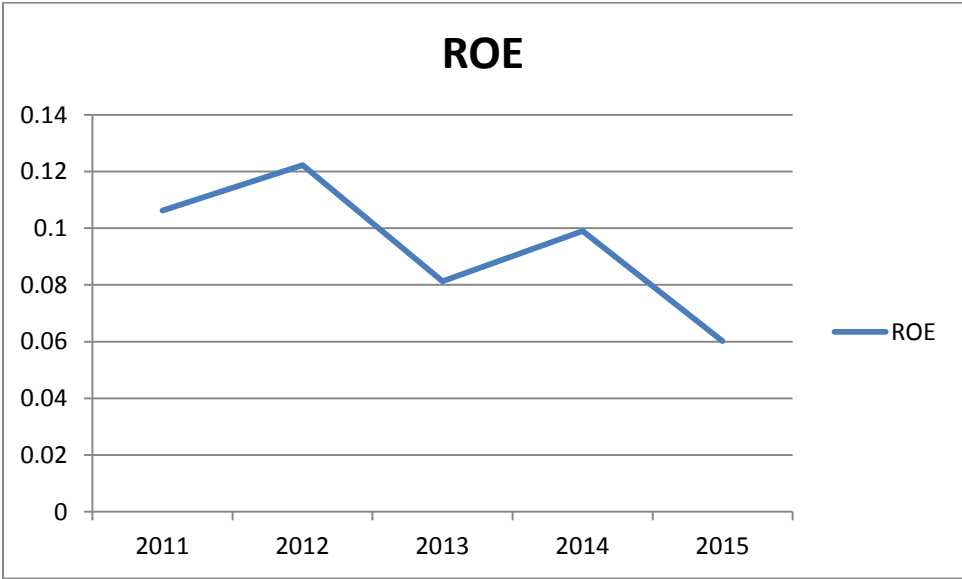


Figure 3 : return on equity

While the return on the equities is used for the companies in order to measure the companies' profitability's that are generating from the amount of money that are invested by the shareholder. Based on the table that has been record, what we can see for the year of 2012, it was recorded the high percentage compare to the year of 2011 and at the year 2013 its dropped from 0.0814 and at the year 2014 the percentage goes highly percentage at 0.0991 but in year 2015 it drops again at 0.0602. From the situations, it can be concluded that for the year of 2012 the AmFIRST REIT has a lot of amount of the shareholder that are invested in the AmFIRST REIT

that leads to the highest percentage of the return on the equities for the AmFIRST REIT compare to the five year that been recorded.

iv) Current Ratio

YEAR	2011	2012	2013	2014	2015
CURRENT RATIO	0.1629	0.0458	0.1815	0.4344	0.2506

Table 4 : current ratio

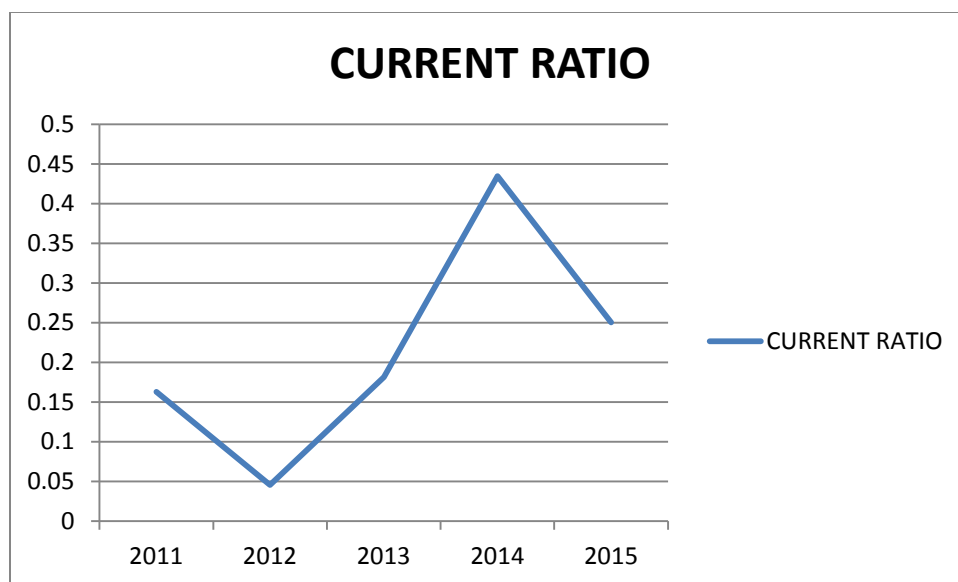


Figure 4 : current ratio

Based on the table 4 and figure 4, the current ratio is used to measure the abilities of the companies to meet or to pay back the short term obligations and also the long term obligations. The current ratio is mainly used to measure the ability of the companies to payback its liabilities such as debt and account payable by using the cash, marketable securities, inventory and account receivable. Based on the table above, it was recorded that the current ratio for the year of 2014 of the AmFIRST REIT was stated the highest percentage compare with the others year in five year latest. For the year 2014 the percentage is 0.4344, for 2015 is 0.2506 and the lowest percentage which is 0.0458 compare with other years. What can be conclude based on this situation, the current ratio for the AmFIRST REIT can be assumed as a not in good condition among these five years from 2011 to 2015. Since the current ratio in 2014 for AmFIRST REIT is highest which

means that is considered manage to meet the short and long term obligations that has been incurred by them.

v) Total Asset Turnover

YEAR	2011	2012	2013	2014	2015
TOTAL ASSET TURNOVER	0.0847	0.0817	0.0846	0.0858	0.0780

Table 5 : total asset turnover

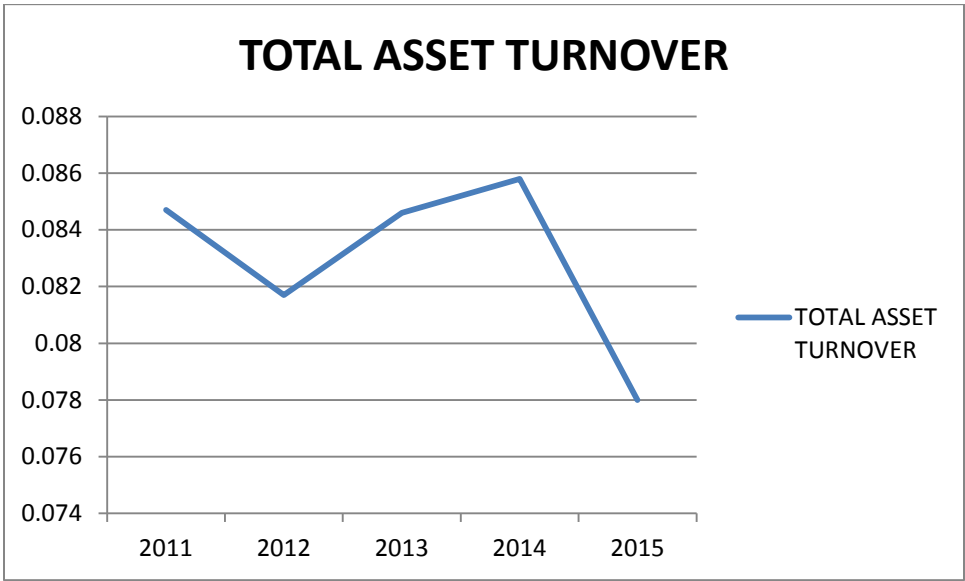


Figure 5 : total asset turnover

The AmFIRST REIT likewise can be considered as a risky organizations in light of the fact that the more prominent the measure of the aggregate resources it will infer the more serious hazard for the budgetary exhibitions. Be that as it may, despite the fact that the AmFIRST REIT is forces with the higher aggregate resource not all that great, but rather the income of the organizations still recorded it the upward patterns which is in the expanding request and also was expressed in the money related exhibitions of the organization AmFIRST REIT. This circumstances likewise can be identified with the back idea, which is high risk, exceptional return. Base on table 5 and figure 5, the amount in year 2014 is highest compare with other years in five years. At the 2015, it is the latest year the amount or percentage were drops in 0.0780.

vi) Debt Ratio

YEAR	2011	2012	2013	2014	2015
DEBT RATIO	0.4203	0.4846	0.3550	0.3533	0.3858

Table 6 : debt ratio

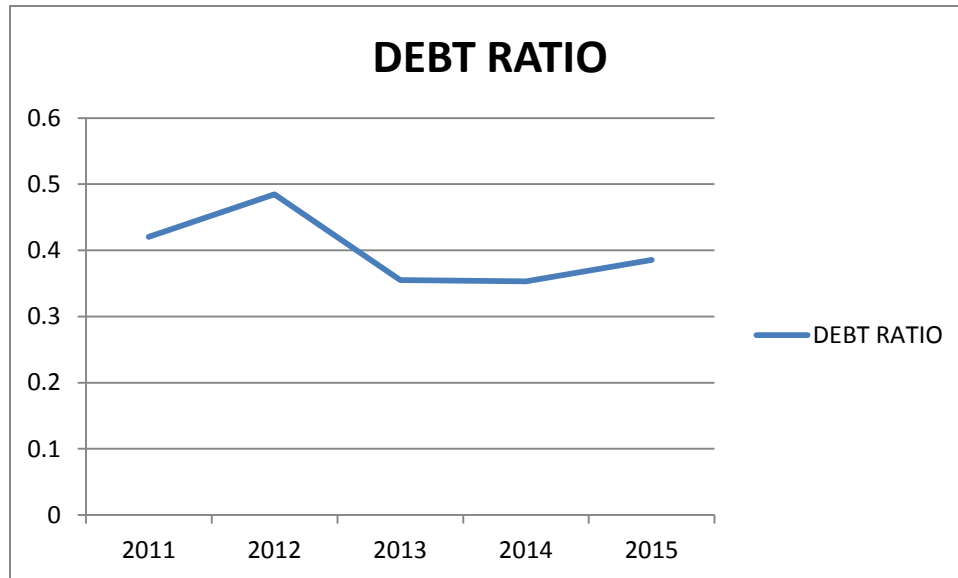


Figure 6 : debt ratio

Debt ratio can be defines as a ratio that calculated in order to measure the level of the levered for the particular companies. For the better explanation, the debt ratio can be describes as a ratio of the total minus long term and the short term minus the debt to total assets. It's also can be claim as a proportions of a company's assets that was financed by incurring the debt in order to expand their business. . Based on the information that has been gathered, the debt ratio for the AmFIRST REIT recorded quite higher percentage between the five years from the years of 2011 and years 2015. The year of 2012 is recorded the highest number of the percentage of the debt ratio for the this company which is by 0.4846 and drops by the year of 2013 that was recorded by 0.3550. Based on this situation, the AmFIRST REIT can be considering as a levered companies since this company are incurring quite high in term of the debt ratio.

4.0 Discussion and Conclusion

Using the data in spss, it shows the descriptive statistics in mean and standard deviation. The mean of return on asset for the 5 year is 0.406 and the standard deviation is 0.00759. This data can refer to appendix 1. The coefficient for the best model is unemployment negatively correlated to return on asset (ROA). This is shows when return on asset is positive and unemployment is negative, they have inversely relationship between them. This is because unemployment influences to return on asset. P value is < 0.001 .

The risk for this company more related to systematic risk which is unemployment. When related in systematic, they cannot be control and just manage the risk properly. Other than that, the GDP ended an encouraging growth to strongly export growth and this is reflected by the company performance. For the total price change for 5 years is (-0.34936). In conclusion, AmFIRST REIT is not related with unsystematic risk because the internal management can control by this company and only related to systematic risk which is uncontrolled. So here, this company not so good in manage risk.

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