

Ownership Structure and Firm Performance: The Moderating Effect of Audit Quality

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ABSTRACT

Malaysia, like many other countries, has experienced several corporate scandals that have raised concerns regarding the credibility and integrity of financial reporting. The study examines whether audit quality plays a key role in reducing the impact of management's entrenchment activities, increases the credibility of the financial report, hence improving the overall firm performance. The data are derived from 540 firm year observations collected over five years (2019-2023). To analyse the data, the Panel Corrected Standard Error is used. The findings show that firms audited by big4 together with the existence of ownership structure (family, government and foreign) perform better. This result indicated that external audit quality is an effective corporate governance mechanism that is likely to monitor family, government and foreign corporate decisions. The result gives understanding to investors, regulators, and financial analysts that the moderating effect of audit quality on the ownership structure would strengthen the corporate board monitoring and deter management from engaging in perpetual unethical practice and improve the overall firm's performance.

Keywords: family, government, foreign, audit quality, firms.

INTRODUCTION

Malaysia like the rest of the world has witnessed several corporate scandals which have raised doubt about the integrity and credibility of the financial statement. For example, the financial crisis of Southern Bank Bhd, Polymate Holdings Bhd, Oilcorp Bhd, Transmile Group Bhd and Megan Media Bhd have increased public awareness of Malaysia's financial reporting errors and poor corporate governance (CG) (Wasiuzzaman, Sahafzadeh, & Rezaie Nejad, 2015).

These events have made it clear that a strong and effective corporate governance system is required at the firm level (Din, Arshad Khan, Khan, & Khan, 2021). The financial reliability and profitability of a firm are entirely reliant on the practice and implementation of its corporate governance. It's expected that putting in place effective corporate governance would improve the value of the shareholders in the long run (Kao, Hodgkinson, & Jaafar, 2019). The accounting and finance literature has identified ownership structure as an important CG mechanism that can influence firm's performance (Hooy, Hooy, & Chee, 2020; Rashid, 2020; Laporšek, Dolenc, Grum, & Stubelj, 2021).

Ownership structure has attracted the public's interest in developing markets like Malaysia, particularly since the Asian financial crisis (Haniffa & Hudaib, 2006). Based on the report published by the Organization for Economic Corporation and Development (OECD) regarding Corporate Governance Framework in Asia, Malaysia's ownership structure is generally concentrated. Under the concentrated ownership structure, the controlling and minority shareholders' conflict of interest (Agency type II) is a significant problem in developing countries such as Malaysia (Liew & Devi, 2021). Agency type II is the conflict of interest between minority and majority shareholders (Liew & Devi, 2021). About 10-12 family groups dominate a variety of businesses and numerous investment funds that are thought to be connected to the government control of 30% of the market capitalization (Karim, Naeem, & Ismail, 2022).

The ownership structure in Malaysia can pose challenges as a significant number of Malaysian firms are owned by families, a small group of individuals, and government shareholders, leading to a concentration of ownership. Additionally, in the Malaysian context, minority shareholders face challenges in exercising their rights and having their voices heard, particularly in firms with a concentrated ownership structure (AlQadasi & Abidin, 2018; Haniffa & Hudaib, 2006; Liew & Devi, 2021). This can result in a lack of protection for minority shareholders, transparency, accountability, and potentially detrimental decision-making, as the interests of the owners may not align with those of the firm and its stakeholders.

The link between ownership structure (family, government, and foreign) and firm performance has been the subject of several studies (Aleqadat & Tangl, 2020; Din, Khan, Khan, & Khan, 2021; Fauzi & Musallam, 2015; Rashid, 2020). However, these studies reported mixed and inconclusive results. For example, Amran and Ahmad (2013), Bentivogli and Mirenda (2017), Chu (2011), Musallam, Fauzi, and Nagu (2019), Maury (2006), Zulaikah, Larasati, and Harymawan (2019) indicated that ownership structure (family, government, and foreign) improves firm performance. In contrast, some scholars showed that ownership structure (family, government, and foreign) reduces firm performance (Ongore, 2011; Tian & Lean, 2015; Tran, Nonneman, & Jorissen, 2014; Zeitun & Tian, 2007). Such mixed findings highlight the need to moderate the relationship between ownership structure and firm performance.

The agency theory by Meckling and Jensen (1976), emphasises the need for an effective corporate governance to monitor and improve firm transparency, thus reducing information costs within the firm. Under the agency theory the managers and shareholders relationship is such a conflictive relation. Several studies have suggested that better audit quality are efficient in restraining managerial opportunistic behavior thereby reducing agency conflict between shareholders and managers ((Fossung, Mukah, Berthelo, & Nsai, 2022; Omer, Aljaaidi, & Habtoor, 2020; Yang & Chen, 2016). Accordingly, Better audit quality (external auditor) has been identified as the factor that provides assurance on the true and fair view of financial statement. Poor audit quality as in the case of Enron, Tyco, WorldCom, and Xerox has increased the demand for a better audit quality (Fajri, 2019).

This paper differs from the prior studies. Previous research has only looked at the level of ownership concentration in general, without distinguishing between different types of owners. Therefore, this study considers different types of ownership structures pertinent to Malaysian listed companies: family ownership, government ownership, and foreign ownership, which may also display considerable change after the corporate governance reform, and thus might be another determinant of firm performance.

There are relatively few empirical studies that investigate the link between company ownership structure (family, government, and foreign) and performance in developing countries, like Malaysia (Ting & Lean, 2015). Most of the studies on company ownership structure (family, government, and foreign) were largely conducted in developed economy. As a result, we obtained data from Malaysia, a developing economy with a different institutional framework.

Our research has made a unique contribution in the following areas: First, as far as we believe, this study in Malaysia is the first to provide evidence to prove the audit quality moderation on the association between ownership structures (family, government, and foreign) and firm performance. In terms of the relationship between ownership structure and firm performance, the present study extends the existing literature using the agency theory to investigate the influence of family, government, and foreign ownership on firm performance. Also, this research recommends that the regulatory agencies in Malaysia that greater expertise provided by the

Big four auditors will contribute to better company performance, since large-scale audit firms are always perceived to have higher audit quality that can increase the confidence of investors.

The second part reviews the literature and discusses the proposed hypotheses. The third introduces the methodology used in this study, while the fourth section shows and discusses the results. Lastly, the fifth section shows the conclusions.

LITERATURE REVIEW

Malaysian Code on Corporate Governance (MCCG)

Following the Asian Financial crisis, a number of corporate scandals have developed in Malaysia due to the inability of listed companies to implement effective CG measures (Haji, 2014; Khan, Al-Jabri, & Saif, 2021). As a result, the Security Commission Malaysia developed CG code (MCCG) which serve as a breakthrough in Malaysia's overhaul of corporate governance to review and start reforms of CG standards (Bhatt, 2016). The MCCG outlines good CG principles and advises companies on how to increase their long-term value. As a result, companies that follow the MCCG's guidelines are predicted to outperform their competitors (Mohd Ghazali, 2014).

The MCCG was updated severally (2007, 2012, and 2017) in light of changing market trends, global changes, and the need to continually recalibrate and strengthen the corporate governance system's efficacy (Ng et al., 2017). Finally, in 2021 the code was again revised and updated. Part of the requirements set by the new code is that a minimum of 50% of the board should comprise of independent directors, and in the case of big firms, the majority of the board members should be independent. The code further stated that for big firms women should comprise at least 30% as board of directors. The MCCG also urges corporations to include women in senior management positions, not just on the board of directors.

Family Ownership and Firm Performance

Family ownership refers to the situation where a family or group of related individuals is an officer or director or hold significant stake or control in a company. Under this condition, the ownership and management entity of the firm are closely related to the family members (Anderson & Reeb, 2003). According to the existing literature, the relationship between a family-controlled firm and performance is unclear and mixed.

The agency theory suggested that there is a positive relationship between family ownership and firm value (Villalonga & Amit, 2006). According to Chu (2011), there is a strong positive relationship when family members hold executive roles (such as CEO, top management, chairman, or director) within the companies; however, the relationship weakens when family members do not hold such positions. According to Amran and Che Ahmad (2013), family ownership in Malaysia significantly improves firm performance. According to Dow and McGuire (2016), family ownership has a favourable impact on a company's performance in some situations, such as when minority shareholders are well-protected. Similarly, Musallam et al. (2019) found that family firms positively affect the TQ of 139 Indonesian non-financial companies.

Minh, Do, and Ngo (2022) documented a negative relationship between family ownership and the performance of Vietnamese companies. Bambang and Hermawan (2013) reported no positive association between family ownership and ROA in Hong Kong firms. According to certain studies, the performance of family-owned firms decrease when the percentage of ownership reach certain level (Muntahanah, Kusuma, Harjito, & Arifin, 2021; Srivastava & Bhatia, 2022; Shyu, 2011; Beuren, Politelo, & Martins, 2016; Bhatt & Bhattacharya, 2017). Under the family ownership the repercussions of the majority-minority shareholder dispute is knowledge asymmetry or inequality between the majority and minority shareholders (Achmad et al., 2009; Ibrahim & Samad, 2011).

Government Ownership and Firm Performance

Government ownership is an important means of aligning the interests of owners and managers and curbing agency conflicts (Jensen & Meckling). To date, empirical studies on earnings management and managerial

ownership provide inconclusive results. Fukuda, Kasuya, and Nakajima (2018) suggested firm financial cost is minimise when there is a presence of government ownership. Tran et al. (2014) found the evidence that an increase in government ownership in big firms improves the profitability of Vietnamese firms from 2004–2012. Fauzi and Musallam (2015) discovered the positive effect of government ownership on the performance of Malaysian firm. Contrarily, Ting and Lean (2015) reported that government ownership has a negative effect on ROA and TQ for 257 companies listed on Bursa Malaysia. Zeitun and Tian (2007) found that state ownership is negatively associated with the ROE of Jordanian companies. Moreover, they documented that firms may grow their profitability by reducing state ownership.

Similar to this, Alipour (2013) found a negative association between GLC and ROA, ROE, and TQ and explained this by the government placing social and political goals above shareholder wealth. Furthermore, a positive relationship between government ownership and performance has been found by many studies (Fauzi & Musallam, 2015; Fukuda et al., 2018; Mohd Ghazali, 2014), while a negative relationship has been found by some studies (Alipour, 2013; Darko, Aribi, & Uzonwanne, 2016; Karim, Naeem, & Ismail, 2022; Laporšek, Dolenc, Grum, & Stubelj, 2021).

Foreign Ownership and Firm Performance

Foreign ownership is the involvement of non-nationals in a company's ownership structure (Farouk & Bashir, 2017; Tsegba, Herbert & Ene, 2014). According to Guo et al. (2015), foreign investors can act as an external monitoring mechanism and use their external knowledge to help resolve agency conflicts. Douma et al. (2006) provided evidence of the positive effects of foreign ownership on company performance. Furthermore, a company performs better with more foreign ownership.

Research conducted on Kenyan firms by Ongore (2011) on the influence of ownership structure on firm performance. The author reported a positive association between foreign ownership with financial performance. The author further explain that foreign investors can assist to increase the management system and have easy access to resources due to their cross boarder experience. Arouri et al. (2014) documented positive effect of foreign ownership, with financial performance. More recently, Rashid (2020) showed that foreign ownership significantly improves the financial and market performance of 527 Bangladeshi listed companies.

Furthermore, a number of research discovered that the presence of foreign owners enhances performance (Kao, Hodgkinson, & Jaafar, 2019; Gurbuz & Aybars, 2010; Wellalage & Locke, 2012; Mohd Ghazali, 2020). In contrast, Din, Khan, Khan, & Khan (2021) found foreign ownership has an insignificant relationship with ROA and TQ, while a significant positive association with ROE for the 146 manufacturing firms in Pakistan. Some other studies found no association between foreign ownership and performance (Carney, Estrin, Liang, & Shapiro, 2019; Le, 2015).

Ownership structure, audit quality, and firm performance

Prior research found mix result when examining the relationship between ownership structure and firm performance. According to some studies, family ownership, government ownership, and foreign ownership have negative impact on firm performance (Ongore, 2011; Tian & Lean, 2015; Tran, Nonneman, & Jorissen, 2014). While some studies indicated that ownership structure (family, government, and foreign ownership) have positive effect on firm performance (Amran & Ahmad 2013; Bentivogli & Mirenda, 2017; Musallam, Fauzi, & Nagu, 2019; Zulaikah, Larasati, & Harymawan, 2019). In light with the present gap in literature, this study explores the indirect effect of audit quality on the relationship between ownership structure (family, government, and foreign) and firm performance. This is motivated by the finding that audit quality strengthen the corporate board monitoring and reduce agency conflict (Rompotis & Balios, 2023).

The presence of audit quality may be able to reduce the impact of management's entrenchment activities, increase the credibility of the financial report, hence improving the overall firm performance (Dakhli, 2022; Afifa, Saleh, & Haniah, (2021; Elewa & El-Haddad, 2019). In Mlaysia Fooladi & Shukor, (2012), reported that audit quality positively influences firm performance. The authors further explained that firms audited by big four

audit firm performs better than the firms audited by non-big firms. Similarly, Aledwan, Yaseen, and Alkubisi (2015) investigate the effect of audit quality on the financial performance of listed firm in Jordan. The outcomes of their research demonstrate that audit quality has a considerable effect on the financial performance of listed cement firm in Jordan.

Research Methods

The study sample selection was extracted from the non-financial companies on Bursa Malaysia from 2019-2023. However, this study excluded financial service firms as they are subject to different regulations. Hence, this study only selected 109 consumer product and service publicly listed companies in Bursa Malaysia by excluding the 10 other sectors from the sample selection. The reason for focusing on consumer product service sector is because is a major contributor to Malaysia's economy. Thus, highlighting its importance can provide insights into economic trends and opportunities. The present study obtained data from published annual report and Thompson Reuters DataStream.

Dependent Variable

Consistent with previous studies, this study used Return on Asset (ROA) to measure firm financial performance (Abubakar, Ibrahim, Zakaria, & Kassim, 2023; Saputra, 2022). The return on assets is computed by dividing the net income earned before interest expenses by total assets for the current year (Heriyah, 2020; Husna & Satria, 2019).

Independent Variables

Family ownership is measured by the ratio of shares held by family members over the firm's issued shares (Randolph & Memili, 2023). Additionally, government ownership is measured as a percentage of the share held by the government (Mohd Ghazali, 2020). The proportion of shares owned by foreign individuals and institutions are used to calculate foreign ownership (Bhakar, Sharma, & Kumar, 2024).

Moderating Variable

Audit quality (AQ) is calculated using a dummy variable coded 1 if a firm is audited by Big 4 and zero if not (Lakhal 2015).

Control Variables

Board financial expertise is calculated as the proportion of directors with accounting or finance-related qualifications or membership of professional accounting or finance-related bodies (Bala and Kumai 2015). Additionally, board independence is measure as the number of independent non-executive directors to the total number of directors (Mohd Ghazali, 2020).

Model Specification

The following regression models were used. Model 1 tests the effects of ownership structures (family, government, and foreign) on ROA. Model 2 determines how audit quality moderates the relationship between ownership structures (family, government, and foreign) and ROA.

Model 1

$$ROA = \alpha_0 + \beta_1 FAMOWN_{it} + \beta_2 GOVOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 AQ_{it} + \beta_5 BI_{it} + \beta_6 BE_{it} + \varepsilon \quad \text{Model 1}$$

Model 5

$$ROA = \alpha_0 + \beta_1 FAMOWN_{it} + \beta_2 GOVOWN_{it} + \beta_3 FOROWN_{it} + \beta_4 AQ_{it} + \beta_5 FAMOWN_{it} * AQ_{it} + \beta_6 GOVOWN_{it} * AQ_{it} + \beta_7 FOROWN_{it} * AQ_{it} + \beta_8 BI_{it} + \beta_9 BE_{it} + \varepsilon \quad \text{Model 5}$$

Where: ROA = Return on assets, α_0 = Constant, FAMOWN= Family ownership, GOVOWN = Government ownership, FOROWN = Foreign ownership, AQ = Audit quality, BI = Board independence, BE = Board financial expertise, and ε_{it} = Error term.

Hypotheses

H1: There is a significant relationship between family ownership and firm performance.

H2: There is a significant relationship between government ownership and firm performance

H3: There is a significant relationship between foreign ownership and firm performance.

H4: Audit quality moderate the relationship between ownership structure (family, government, and foreign) and firm performance.

RESULTS

Descriptive Statistics

Table 1 Descriptive statistics

Variable	Obs	Mean	Std. Dev	Min	Max
ROA	540	4.395	11.785	-104.43	62.230
FAMOWN	540	28.598	25.522	0.000	86.560
GOVOWN	540	3.176	6.646	0.000	37.760
FOROWN	540	13.461	19.556	0.000	76.360
AQ	540	0.592	0.492	0.000	1.000
BI	540	0.730	0.114	0.167	0.929
BE	540	0.537	0.165	0.000	1.000

Note: ROA = Return on asset: FAMOWN = Family ownership: GOVOWN = Government ownership; FOROWN = Foreign ownership; AQ = Audit quality; BI = Board independence; BE = Board financial expertise

Table 1 shows the result of the descriptive analysis for the whole sample. The mean value of the ROA of the pooled sample is 4.395, which is smaller than the mean value of ROA (7.7) reported by Mohammad, Bujang, and Abd Hakim (2019), suggesting that the firms were profitable during the analysis period. Moreover, the range of the minimum and maximum values of ROA is between -104.43 and 62.23. Regarding the ownership structure, the mean of family ownership (FAMOWN) in consumer product and services sector is 28.598, and ranging from 0 to 86.56%. The statistics support the view that there is a concentration of family members in Malaysian market. Comparatively, the mean for FAMOWN in this study is slightly higher than what was reported by Ghaleb, Kamardin, and Tabash (2020). The mean for government ownership (GOVOWN) is 3.176%, with a minimum level of ownership of 0% and a maximum of 37.76% for government ownership (GOVOWN). Hence, the result is lower than that of Kweh et al. (2019) which reported a mean of 0.638%. Moreover, the average mean of holding for foreign ownership (FOROWN) is 13.461, with a minimum of 0% and a maximum of 76.36. However, this study's mean is lower than that of Mohd Ghazali (2010), who reported a mean of 23.83% in a sample of 87 Malaysian non-financial listed companies. The average mean of audit quality (AQ) is 0.59, indicates that 59% of consumer product service sector were audited by Big 4 firms. Regarding the control variable, the result shows that the average percentage of board independence (BI) serving on the board is 73%, similar with the findings of Kweh et al. (2019). It approximates the percentage recommended in the MCCG (2021), i.e., "at least half of

the board must comprise of independent directors and, for large firms, there must be a majority of independent directors”. Lastly, board financial expertise (BE), the result shows that financial expertise directors represent 53% of the total board members.

Correlation Matrix

Table 2 Correlation Matrix

Variables	ROA	FAMOWN	GOVOWN	FOROWN	BI	BE
ROA	1					
FAMOWN	0.005	1				
GOVOWN	0.241***	-0.198***	1			
FOROWN	0.279***	-0.381***	0.095*	1		
AQ	-0.028	-0.011	0.153***	-0.043	1	
BI	0.023	-0.027	-0.096*	-0.036	0.070	1
BE	0.006	0.026	-0.042	-0.144***	0.012	0.079

Note: ROA = Return on asset; FAMOWN = Family ownership; GOVOWN = Government ownership; FOROWN = Foreign ownership; AQ = Audit quality; BI = Board independence; BE = Board financial expertise

Table 2 shows the outcomes of the correlation test. The result shows that none of the coefficients is greater than 0.9, suggesting no severe correlation in the dataset (Pallant 2011; Tabachnik and Fidell 2012). Therefore, multicollinearity does not pose a threat to the estimation variables. In particular, the highest correlation is 0.38, which is between FAMOWN and FOROWN. Table 2 also shows that FAMOWN, GOVOWN, FOROWN, BI, and BE positively correlate with ROA. While audit quality has a negative relationship with ROA.

Regression

Table 3 displays the regression outcome between the study variables. Because the data included both cross sectional and time series variant, we performed heteroscedasticity and autocorrelation test to prevent displaying biased statistical inference. As a result, our data analysis shows the existence of heteroskedasticity and autocorrelation. The study used the Panel Corrected Standard Error (PCSE) as recommended by Beck and Katz (1995) to address these issues. PCSE was established as superior for panel data with heteroskedasticity and autocorrelation (Moundigbaye et al. 2018).

Table 3 Regression Analysis

	Model 1		Model 2	
ROA	Coefficient	P-value	Coefficient	P-value
FAMOWN	0.085	0.000	0.079	0.011
GOVOWN	0.467	0.000	0.119	0.080
FOROWN	0.200	0.000	0.334	0.000
AQ	0.360	0.021	0.802	0.695
FAMOWN*AQ			0.008	0.082

GOVOWN*AQ			0.420	0.001
FOROWN*AQ			0.242	0.000
BI	0.067	0.040	0.052	0.154
BE	0.084	0.008	0.029	0.045
Const			-0.079	0.004
Firm fixed effect	Yes		Yes	
Year fixed effect	yes		Yes	
R-square	0.160		0.205	
Prob > F	0.000		0.000	
Obs	540		540	

Note: ROA = Return on asset; FAMOWN = Family ownership; GOVOWN = Government ownership; FOROWN = Foreign ownership; AQ = Audit quality; BI = Board independence; BE = Board financial expertise

Table 3 presents the outcomes for Model 1 and Model 2 on the dependent, independent, moderator, and control variables. The regression results for Model 1 reveal that the coefficient for FAMOWN is positive and significant (0.085, $p=0.000$) with ROA. This result supports H1 and suggests that FAMOWN affect firm performance in Malaysia. The findings are consistent with the agency theory, which claims that family-owned businesses are considered to perform better. Furthermore, the agency theory suggests that family members can efficiently supervise the company's performance, thereby reducing agency problems. This result suggests that family owners are highly motivated to control managers and improve firm performance. The outcome is similar with previous studies by Srivastava and Bhatia (2022), who documented a positive significant relationship between family ownership and firm performance. Also the regression result indicated that GOVOWN has a positive relationship with ROA (0.467, $p=0.000$). Hence, H2 is supported. The results are consistent with the agency theory, which states that government ownership may be employed to preserve consistency between the interests of the owners and managers (Jensen & Meckling, 1976).

Further, the result means that government ownership can provide stability and a long-term perspective to the firm, as the government is less likely to engage in short-term profit-seeking behaviour. In addition, it indicates that government ownership managers have incentives to monitor the performance of the companies. In addition, the results are consistent with Aguilera et al. (2021), who provided that government ownership positively and significantly influences firm performance. Also, the result reveal that FOROWN has a significant positive effect (0.200, $p=0.000$) on ROA. The finding entails that higher percentage of foreign shareholding in a firms are more likely to enhance firm performance due to their knowledge and superior capabilities. They have fewer relations with insiders in monitoring and reducing agency problems than domestic investors.

The result supported the argument that foreign investors may bring managerial efficiency, technical expertise, and technology to local firms as well as access to new markets and resources, enhancing their performance. Also, the outcome is similar to the finding of Jusoh, Rashid, and Ajis (2020) that the presence of foreign shareholders can lead to increased innovation, productivity, and competitiveness, which in turn can positively impact the financial performance of the company. Foreign investors who are managerial personnel are more familiar with global markets and skilled in modern management practices and control mechanisms, which helps lower agency costs. The direct result of AQ is positively significant (0.360, $p=0.021$) with RAO. This finding implies that firms audited by big four are likely to have higher financial performance. The outcome is similar to the agency theory, which indicates that AQ serves as a strong external control mechanism that will improve the quality of financial report and lower agency conflict. This is similar with Wijaya (2020) who found that the presence of a strong, experienced and proficient external auditor significantly improves and enhances the financial performance of the company.

However, in model 2, the finding revealed that the interaction of audit quality with ownership structure (Family, government and government). The results shows that the existence of AQ along with FAMWON (0.008, $p = 0.082$), GOVOWN (0.420, $p = 0.001$), and FOROWN (0.242, $p = 0.000$) are likely to improve firm performance. The results supported the agency theory that audit quality can assist companies to provide accurate and reliable assessment of financial statements to prevent accounting malpractice and to unearth any deviations from adopted accounting principles and practices. This shows that the effective of ownership structure as a critical factor on firm financial performance is more pronounced for firm audited by Big 4 auditors. The finding supported prior research (Abba & Sadah, 2020; Rajgopal, Srinivasan, & Zheng, 2021; Bacha, Ajina, & Ben Saad, 2021; Aobdia, Choudhary, & Newberger, 2023) external audit serves as a corporate governance tool to minimize information discrepancies and safeguard the interest of all shareholders. Implying that Big 4 auditors adhere to high quality standards which will encourage firms to adopt accounting standards, ensuring their financial reports are credible and reliable.

Regarding the control variables, the results reflect that BI is positively significant (0.067, $p=0.040$) with ROA. This indicate that firms with a large percentage of outside directors improve the monitoring mechanism thereby improving firm performance. The finding is similar with Pucheta-Martínez and Gallego-Álvarez (2020), who reported a positive relationship between board independence and firm performance. Board financial expertise is shown to be positively significant with ROA (0.084, $P=0.008$). this indicated that the presence of directors with financial knowledge will assist the firm to ensure financial matters being managed efficiently and effectively.

CONCLUSION

This study examine whether audit quality can moderate the relationship between ownership structure (family, government, and foreign) on firm performance. The motivation for this study is that external auditor (Big 4) is useful due to its effectiveness as a critical corporate governance mechanism in countries characterized by a weak legal protection and minority shareholders facing challenges in performing their rights and having their voices heard, especially in countries having a concentrated ownership such as Malaysia. In this context the presence of Big4 audit firm will protect minority shareholders, promote transparency, accountability, and protect detrimental decisionmaking, hence, ensure the interests of the owners are align with those of the firm and its stakeholders. Since this study is based on Malaysian context, where corporate governance and financial transparency are crittical for attracting both domestic and foreign investment, the study findings can guide investors in making informed decisions, thereby promoting a healthy investment environment. This can ultimately lead to more stable and robust financial market in the countries.

DISCUSSION

The findings of this study provide important insights into the relationship between ownership structure and firm performance in Malaysian listed companies, as well as the moderating role of audit quality. The results indicate that family ownership has a positive and significant relationship with firm performance, suggesting that family members tend to closely monitor managerial activities and align managerial decisions with the long-term interests of the firm, which is consistent with the agency theory. This finding supports prior studies such as Amran and Ahmad (2013) and Srivastava and Bhatia (2022), which reported that family involvement improves firm performance through stronger monitoring and commitment to long-term value creation.

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