The Influence Of Dividend In Sustaining Corporate Governance And Corporate Social Responsibility On Shariah Compliance Companies Performance

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Abstract: This paper aims to examine the influence of dividend in sustaining Corporate Governance and Corporate Social Responsibility on Shariah Compliance Companies Performance. Times series cross-sectional data, also known as panel data were employed. Both the direct effect as well as the moderating effect of dividend with Corporate Governance and Corporate Social Responsibilities toward Shariah Compliant Companies performance were analysed by Ordinary Least Square (OLS) with Panel Corrected Standard Error (PCSES) model. The findings of this study will contribute to the knowledge to public, shareholders, stakeholders, standard rulers such as Securities Commission & Bursa Malaysia especially the shariah compliance companies on the effect of dividend payout as a motivational tool to improve the company performance especially when company sustained a good corporate governance and corporate social responsibility.

Keywords: corporate governance; corporate social responsibility; dividend; performance,

1. INTRODUCTION

Corporate governance (CG) has been a strong indicator in evaluating a company's performance, mainly due to the mandatory and obligatory practices prescribed by the government to raise the standard of good governance momentum amongst the companies in Malaysia. Whereas the Corporate Social Responsibilities (CSR) has been a great tool to measure the ability of the company to contribute their wealth to the society as whole. Both CG and CSR were important component the need to be maintained by the companies in order to gain the shareholders and the stakeholders trust to continuously invest in their companies. In order to sustain the momentum of CG and CSR practices, the companies need to attract the potential investors and new shareholders with outstanding dividend pay-out record that could lead to a long term performance achievement since it signal the quality of the company to the market (Bakar & Ali, 2014). In agency theory, dividend payments is one of the tools for controlling agency behaviour, even though it increases transaction costs associated with raising external funding (Ruparelia & Njuguna, 2016). It can also be stated that, in corporate governance, dividends serve as a disciplining and monitoring mechanism used by the board to reduce the agency costs of equity. In order to achieve a high standard of CG and CSR, the board of directors and management team need to mitigate agency problems by strengthening the level of responsibility and accountability amongst the directors in the companies

1.1 Performance of Syariah Compliance Companies

Generally, the Malaysian Syariah compliance companies are monitored by the SC and Bursa Malaysia. Not every company has the capabilities needed to be listed under Bursa Malaysia since there are several requirements which need to be complied with from the Securities Commission (SC, 2012). In order to maintain their positions as public listed companies, consistency in maintaining a standard performance is very crucial. (Refer Figure 1). The decline of the number of the Syariah Compliance Companies listed in the Main Market Bursa Malaysia has also effected the Malaysian companies' stock returns as shown in Figure 2 portray the Malaysian public listed companies have failed to maintain a consistent level of stock returns from 2009 until 2013, and it has effected the companies' long-term performances.

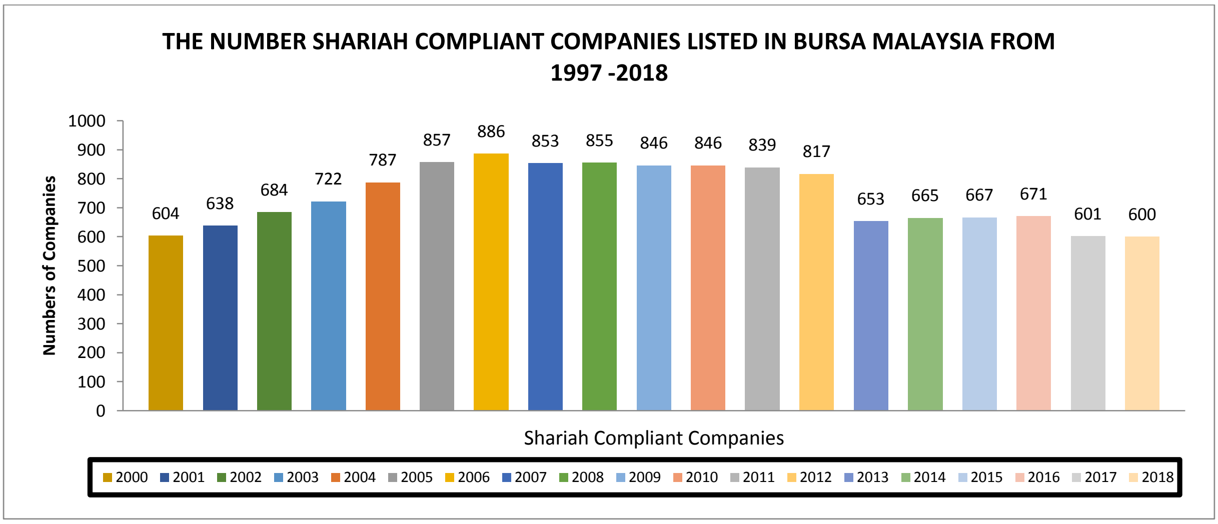

Figure 1. The number of Syariah Compliance Companies from 2000-2018

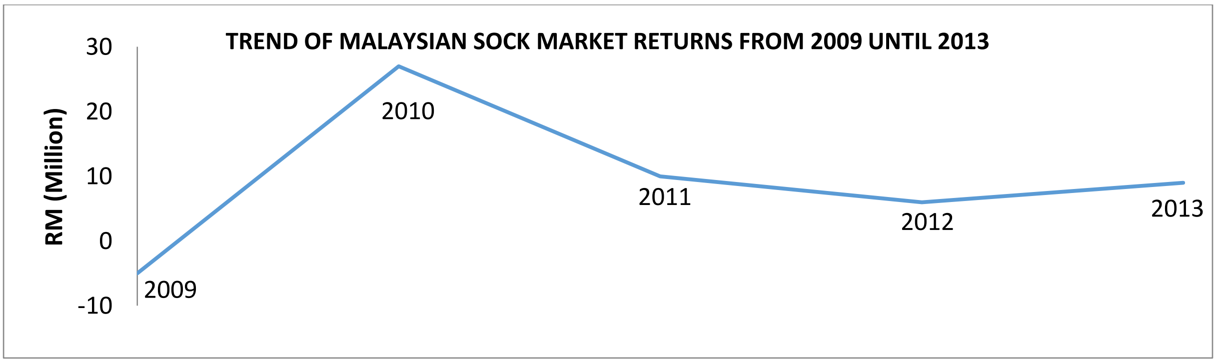

Figure 2. Trend of Malaysian Sock Market Returns from 2009 until 2013

1.2 Corporate Governance

Corporate governance is one of the mechanisms that ensure investors safely gain their returns on investments (Takiah, Norazura, Muhammad, & Norman, 2011) and increase the responsiveness of the company toward societal needs for long term performance (Roszaini & Muhammad, 2006). The Finance Committee of Corporate Governance (MCCG 2000) defined that:

> *"…Corporate Governance is the process and structure used to direct and manage the business and affairs of the company toward enhancing business prosperity and corporate accountability with the ultimate objectives of realising long-term shareholders value, whilst taking into account the interest of other stakeholders".*

Effective corporate governance has emerged as an issue of global since the year financial crisis occurred and cause several high profile companies collapses in US and UK including the East Asian countries. The financial crisis in late 1997 has illustrated the failure of corporate governance systems internationally. Corporate scandals have also been reported in Malaysia, such as Perwaja Steel, Malaysia Airline, Technology Resources Industries, Sime Darby and Bumiputra Malaysia Finance (Sulong & Nor, 2008). Conyon, Judge, & Useem, (2011) stated that a weak corporate governance standard was one of the multiple reasons contributed to the global financial crisis in the year 2000.

Bursa Malaysia and Securities Commission took the initiative to overcome the situation Two years after the financial crisis, the Securities Commission and Bursa Malaysia launched the first Malaysian Code of Corporate Governance 2000 (Jaafar & James, 2014). In early 2007 and the end of 2008, financial crises struck the United States and other Western countries again. However, the impact was not too serious on developing countries, especially Malaysia, because the Securities Commission and Bursa Malaysia had revised and launched the Malaysian Code of Corporate Governance 2007 to strengthen the current corporate governance policies and improve the economic growth (Jaafar & James, 2014). The question was how far would the Malaysian Code of Corporate Governance (MCCG) requirements sustain the survivability of the company when facing the financial crises and maintain the company performance?.

1.2 The Stewardship and Agency Theory

The basic theoretical aspects that relate to Corporate Governance and Corporate Social responsibilities mostly focus on the roles or responsibilities played by the boards towards the stockholders. The stewardship theory defines a situation in which the managers are not motivated by individual goal, or self-interest, but rather, they are committed to work hard on behalf of the organisation's goals. Z. Othman & Abdul Rahman, (2014) claimed that the stewardship theory recognizes a strong relationship between the managers and shareholder in order to achieve company performance and at the same time, maximise the shareholder's wealth. The stewardship principle has some similarity with the Agency Theory introduced by Jensen and Meckling (1976) which has been known as "a theory of the corporate ownership structure" and has been used as a framework for ownership–performance studied by Hu (2008). The theory is related to the contractual relationship between the shareholders (principal) that provides capital to the company, and the Chief Executive Officer (CEO), including the top management team (agents), who have been given a duty to fulfill their obligation maximising the shareholder's wealth (Othman & Abdul Rahman, 2014).

The stewardship theory and agency theory principles are quite similar with the concept of the Unity in Islamic Accounting. Arsad, Ahmad, Fisol, Said, & Haji-othman (2015) stated that as Muslims, we are the trustees appointed by Allah so we are accountable not only to Allah but also to the society as a whole. However, as a human being, the principal cannot avoid being an opportunist individual who acts to maximise his or her own personal interest due to the separation of ownership and control within the company (Othman & Abdul Rahman, 2014). The conflict of interest not only happened between owner (principal) and manager (agents) but it also occurred between controlling (large) shareholders and minority (small) shareholders. The conflict of interest between owner (principal) and manager (agents) will cause the agent to bare an additional cost to monitor the management's behaviour, such as appointment of a watchdog group and hiring external auditors known as agency cost. This costly monitoring device acts as a contractual covenant to ensure that the managers actively runs the company to maximise the wealth and interests of both parties rather than enhancing his or her own private benefits or interests. Therefore the corporate governance and corporate social responsibilities is important element to identify the roles and responsibilities played by the managers were not influence by self-interest but based on the trust given by the shareholders ensure the company shareholders and communities benefit from the companies wealth.

1.3 Corporate Social Responsibilities

Bursa Malaysia and Securities Commission had taken initiatives and efforts at national level making Malaysia as a global hub for Islamic Capital Market. Nevertheless, Corporate Social Responsibility reporting is still very minimal. Furthermore, current corporate social responsibility disclosure practice amongst *Shari'ah* compliant companies is lacking of Islamic principles and value (Arsad, Ahmad, Fisol, Said, & Haji-othman, 2015). High demand exist on corporate social responsibility reporting, as Gulf Cooperation Countries and Western countries have identified Malaysia as one of the primary investment in Islamic country in Asia. In Malaysia CSR is defined as:

> *"open and transparent business practices that are based on ethical value and respect for the community, employees, the environment, shareholders and other stakeholders. It is designed to deliver sustainable value to society at large" (Bursa Malaysia, 2006)*

Based on the above definition Corporate social responsibility benefit the nation. However not all Malaysian companies seriously act responsibly to CSR activities because CSR issues are not integrated in their decision-making and governance structures (Spitzeck, 2009). Corporate Responsibility such as human rights, climate change or discrimination has a strong impact on the reputation of any organization when they engaged and helped to solve the issues. Salleh (2013) claimed that over the year CSR disclosure had resulted an increased on recognition from the public including the stakeholders after the company provide CSR reporting in their annual reports and on corporate websites.

CSR activities in Malaysian public listed companies were limited to mainly community investment and environmental initiatives, mooted mainly by social and welfare oriented associations and NGOs, in a rather piece meal and isolated manner (Muniandy & Lisa, 2010).For example The National CSR steering committee chaired by the Securities Commission of Malaysia makes an attempt to address CSR issues in an industry dialogue forum. The Committee has not been very active. The Institute of Integrity Malaysia (IIM) established in 2005 has a working committee looking into a holistic definition for CSR and at ISO26000. However CSR is an important element in the companies that showed the continuous commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families and the local community rather than a destination and that business should integrate responsible business practices into its fundamental business operations. Therefore this study will examining the level of CSR disclosure among Malaysian syariah compliant companies as they are there one who should concerned more on the CSR compare to other public listed companies since they are more bound by the syariah compliance.

1.4 Dividend as Motivational tool

Dividend policy has always been one of the most controversial issues in the financial literature. Past literature documents that firms' characteristics and market structure are the factors that most strongly affect dividend policy (Mili, Jean-Michel, & Frédéric, 2017). Dividend is a cash disbursement strategy for public listed that seeks to return cash or assets to their shareholders. The distribution of excess cash to shareholders constitutes the most fundamental device that eliminate conflicts between corporate insiders and shareholders (Sulong & Nor, 2008). A theory related to this study is the Signalling theory. According to the signalling theory, dividend can mitigate information asymmetries between managers and shareholders. Ameer, Ramli, & Zakaria (2010) find that size of the company and profitability levels are positively and statistically significantly related to dividend ratio. These results agree with Kowalewski (2012) and Okafor, Ugochukwu, & C (2016). The above findings were inclusive in identifying the effect of dividend payout on company performance. Baron & Kenny (1986) claimed that, for a variable classified as a moderator variable when tested as an independent variable, the finding of the study will be inconclusive. Therefore, this study will analyse dividend as moderator that will sustaining Corporate Governance and Corporate Social Responsibility on Syariah Compliance Companies Performance.

The agency theory states that outside stockholders have a preference for higher pay-outs to the detriment of reinvested earnings to limit the waste of internal funds by insiders. Developing countries provide lower investor protection, and the preference for dividends may be more relevant because outside shareholders perceive a higher risk of expropriation by insiders.(Mili et al., 2017) Based on previous study, the dividend had been empirically discussed by the past researchers on the factors, policies and characteristics Therefore, this study will investigate the influence of dividend in sustaining Corporate Governance and Corporate Social Responsibility on Syariah Compliance Companies Performance. Based on the above scenario, the purposes of carrying out this research were:

a. To examine the levels of the Corporate Governance and Corporate Social Responsibilities of Malaysian Syariah Compliance Companies for the year ended 2009 until 2013.

b. To investigate the relationships between the Board Governance and Corporate Social responsibilities toward performance of the Malaysian Syariah Compliance Companies for the years ended 2009 until

2013.

c. To examine the influence of dividend as a moderating variable on the relationships between the Board Governance and Corporate Social responsibilities toward performance of the Malaysian Syariah Compliance Companies for the years ended 2009 until 2013.

2. LITERATURE REVIEW

2.1 Corporate Governance and Performance

The board of directors are responsible to ensure that the high level management performed their duties effectively according to the shareholders' best interests (Alnasser, 2012). The corporate governance issues occurred when there is a conflict of interest among parties within the company because of difference objective, domination and behavior which in turn affect company performance which known as Agency Problem as argued by Jensen (1976).

Several studies had been done in the past, on the relation Abidin, Kamal, & Jusoff (2009) studied the relationship between the board structure and performance of 75 Malaysian Companies in 2003, by referring to the Board Matters proposed in the MCCG 2000, regarding the composition of executive and non-executive directors on the board, including the separation of the chairman's and CEO's responsibilities (CEO duality), and found that, there was a significant positive relationship between board composition and board size with performance but there was no significant relationship between CEO duality and board ownership with performance. Whereas, Anum & Ghazali (2010) carried out a study on the influence of the MCCG 2000's implementation on 87 non-financial listed companies in Malaysia, based on the 2001 annual reports. They found that none of the corporate governance variables were statistically significant in explaining the market performance (Tobin's Q). Others researchers, such as Ghazali (2010); Abidin, Kamal, & Jusoff (2009); Bhagat & Bolton (2008); Chang & Leng (2005); and Roszaini & Muhammad (2006) found that their studies showed inconclusive results on the relationships between corporate governance mechanisms (board size, duality, board composition, board meeting, board independence, audit committee, and others) and performance; whether by using the MCCG 2000 or the MCCG 2007, the results were not consistent.

The inconclusiveness of the corporate governance findings had forced the researchers to change their styles and patterns of examining corporate governance mechanisms, from testing the effect of each individual corporate governance mechanism or item to developing them into a new standard form of corporate governance indexes to ensure the robustness and reliability of the findings Bacidore, Boquist, Milbourn, & Thakor (1997). For example, Martani & Saputra (2009) studied 64 Indonesian companies from the year 2003 until 2004 and found that the companies with high corporate governance (Index) had high performance, compared to companies with low corporate governance (Index). Black, Jang, & Kim (2003), who studied 515 Korean listed companies, found that corporate governance proxied by the Korean Corporate Governance Index (KCGI) had a significant positive relationship with performance (Tobin's Q). Klapper & Love (2004) who also used the corporate governance index of Credit Lyonnais Securities Asia (CLSA) on 495 companies in 25 countries in the year 2000, found that good governance was positively correlated with market performance variables (Tobin's Q and Market Value Equity (MVE)). Based on the study found in this literature, it was hypothesised that:

H1 : Corporate governance have significant positive relationship with Performance

2.2 Corporate Social Responsibility and Performance

CSR disclosure representation expression organization's role as a 'good' citizen in society for beneficial exchanges between the both parties (Salleh et al., 2013) . CSR disclosure has become an important driver for various stakeholders in influencing their opinion, decision and perception toward organization. Failure to communicate their CSR could lead to withdrawal of support from stakeholders. Consequently it may have an adverse impact on the firm performance. In order to portray that an organization meet the expectation of various stakeholders, greater disclosure of CSR practices is paramount. Some studies has found that CSR disclosure reflected the corporate image and performance of the company (Arsad, Ahmad, Fisol, Said, & Haji-Othman, 2015; Esa, Anum, & Ghazali, 2012; Mawdudur Rahman, 2012). These finding was in line with the stakeholder theory which suggest that when corporations meet the expectations of various stakeholders, they are more capable in creating superior firm performance (Edward Freeman & Phillips, 2002).

However, Crisóstomo, De Souza Freire, & De Vasconcellos (2011) has prevailed inconclusive results when testing the relationship between CSR and performance. They analysed the relationship between CSR and firm performance of 78 non-financial listed companies in Brazil and they did not found any significant effect of CSR and firm performance. This was consistent with studied done by Luethge & Han (2012) and Smith, Yahya, & Amiruddin (2007). But it was contrast with studied done in Malaysia by Arshad, Othman, & Othman (2012). They identified that *i*-CSR disclosure was significantly positively related to firm performance. This is consistent with past empirical studies that highlighted CSR disclosure had become important tool for stakeholder to assess company reputation and in turn have a positive impact on firm performance. Based on the study found in this literature, it was hypothesised that:

H2: Corporate Social Responsibilities have significant positive relationship with Performance

2.3 Dividend as the Moderator

The payment of dividends has been proposed as useful in minimizing manager-shareholder agency conflicts Dividend was paid out to the shareholders from the percentage of net earning determined by the management and the dividend can be paid either in cash or as bonus. Dividend received not only can increased the wealth of the shareholders but also increased the level of confident of the shareholders that the management have utilized the companies resources effectively and companies performance (Okafor et al., 2016). According to Rozeff (1982), dividends is generally viewed as a control device that helps reduce managerial discretion and part of the firm's optimal monitoring/ bonding package. He also suggested that higher dividends reduced agency costs. Reduced agency costs are expected to lead to higher firm value. However, Adelegan (2002) claimed that dividend payments reduce free cash flow of the company.

Another theory related to this study is the Signalling theory. According to the signalling theory, dividend can mitigate information asymmetries between managers and shareholders. Ameer et al. (2010) finds that size of the company and profitability levels are positively and statistically significantly related to dividend ratio. These results agree with (Eugene F & Kenneth R (2011). All the above finding were inclusive in identifying the effect of dividend payout on company performance. Baron & Kenny (1986) claimed that, for a variable classified as a moderator variable when tested as an independent variable, the finding of the study will be inconclusive. Therefore, this study will analyse dividend as moderator that will sustaining Corporate Governance and Corporate Social Responsibility on Syariah Compliance Companies Performance. Therefore, it was hypothesised that:

H3: Dividends moderates the relationship between the Corporate Governance and Performance

2.4 Control Variables

Control variables are also part of the studies conducted on corporate governance, such as firm size, firm age, leverage, type of industries, liquidity, and others. Ling (2009) clarified that the leverage ratio (debt ratio) and performance were found to be important predictors of financially distressed companies. The higher the debt, the higher the probability of the companies being classified under the term financially distressed company when the return is negative. This is because defaulting on a debt contract would likely be the effect if there was a sudden down turn of the income in the company.

Liquidity refers to the firm's ability to meet maturing obligations and to convert assets into cash. Liquidity is sometimes related to leverage. It is usually used to analyse the ease and quickness of the company cash management's capability to convert its non-cash assets into cash (Salehi, 2009). Salehi, et al.(2009) stated that companies with less debt have more opportunities for investment and have more liquidity, especially when they are active industries.

On the Main Board of the Board of Bursa Malaysia, the securities or the companies were divided into eleven major industries, which were: the Consumer Product, Industrial Product, Construction, Trading & Services, Plantation, Property, Mining, Technology, Finance, Hotels, and Trusts and Infrastructures (IPC). Different types of industries have their own unique ways of defining the relationship between the corporate governance and performance. Klapper & Love (2004) revealed that the levels in the governance mechanism practices in other countries were different because they were influenced by the country, level of legal environment, and industries. Therefore, the type of industries has been used in this study as a control variable.

Size and company Age are the popular control variables usually used in governance research study. Yudi (2003) found that the size and age of the company had significant positive relationships with performance. Black, et al. (2005) and Klapper, et al.(2002) explained that big companies and old cooperated companies had a lot of agency problems as compared to small companies because the boards had difficulties in managing the big companies although the companies had high Net Operating Profits and more attention from the regulators. To ensure the robustness of this research, this study also utilised the control variables such as firm size, type of industry, leverage, and liquidity to validate the correlation between board governance and performance when moderated with them different type of ownership structures

3. METHODOLOGY

This study will used secondary data from DataStream where the population of this study was made up of all the companies listed on the main board of Bursa Malaysia from the year ended 2009 until 2013. The total number of Malaysian Companies on the main board of Bursa Malaysia in 2013 was 923 companies, including mining and finance. There was a sample of 210 companies selected from the total population of the top 500 highest market capitalisation companies for over 5 years starting from 2009 until 2013. The total of the 500 companies' population was finalised by deducting the 290 companies that had not maintained their positions in the top 500 companies for the past 5 years, including the deduction of PN17 companies, delisted companies, and newly formed companies because these companies were deemed as having financial problems and might have failed to continue trading in the index trading list in the future. Beside that previous literature or framework generated by past researchers in term of journal, books, newspapers articles, conference proceedings and other generic material were also employed in this study for references in order to development the a general checklist of the matters.

This studied started by adopt corporate governance index and Corporate Social Responsibility Index from Minority Shareholder Watchdog Group (MSWG) with some modification with the up-to-date listing requirements of the new code of corporate governance 2016 (MCCG 2016), which was released by the Securities Commission and Bursa Malaysia on April 2016. In order to cater to the new requirements stated under the MCCG 2016, a well-designed corporate governance index needs to be developed together with better empirical findings.

The development of both indexes analysing the Descriptive Analysis of the dependent variables represented by Tobin's Q and the independent variables (Corporate Governance Index and Corporate Social responsibilities Index). This was followed by the moderating variables dividend. Lastly, the control variables explaining the mean, minimum, maximum, and standard deviation of each variable tested. The Pearson Correlation analysis was carried out to identify the correlations between the dependent and independent variables. The correlation coefficient was used to for check multicolinearity, in addition to the Variance Inflation Factor (VIF) test. In order to to accommodate the times series cross-sectional data known as panel data, a pooled Ordinary Least Square (OLS) with Panel-Corrected Standard Errors (PCSEs) were employed in the regression equations and to estimate the regression coefficients in testing the five-year mean values of the dependent and independent variables using STATA Econometric Software. The Ordinary Least Square (OLS) with Panel-Corrected Standard Errors (PCSEs) regression analysis can cater the unbalanced panel data and estimates efficient estimators robust to potential heteroscedasticity and autocorrelation (Barako, 2007). The summary of the variables used in this study presented below.

3.1 Development of Corporate Governance Index's

In this study, corporate governance has been measured by adopting and adapting items from the Corporate Governance Index developed by the Malaysian Corporate Governance 2016, Minority Shareholder Watchdog Group (MSWG), Malaysian Corporate Governance Index (MCG) 2017, ASEAN Corporate Governance Scorecard 2017, and some variables taken from the past researchers, who constructed, adopted and adapted existent governance indexes, to suit the objectives of this study, such as Fallatah & Dickins (2012); Black, et al.(2003); Bhuiyan & Biswas (2007); Yudi (2003); and Klapper & Love (2004).The MCCG also assured that those responsibilities can be achieved when a company has an effective board of directors. Thus, the MCCG stated that the characteristics of an effective board of directors include:

Table 1: Characteristics of The Board MCCG 2012

1.	One third of the board of director members are independent non-executive directors.
2.	The board should have a nominating committee which is responsible to propose new nominees and assess directors on an on-going basis.
3.	The board should examine the impact of size or number of directors on its effectiveness.
4.	The new recruitment of board members should follow the orientation and education programme (training).
5.	The board should meet at least 4 times a year and should disclose the number of meeting and the details of the attendance of the individual directors.
6.	The board should appoint a remuneration committee consisting wholly or mainly of non-executive directors to recommend to the board the remuneration of executive directors in all its forms.
7.	The board should have access to all information within the company, and advice and services of the company secretary.
8.	The board should establish an audit committee of at least three directors, a majority of whom are independent, with written terms of reference dealing clearly, with its authority and duties. The chairman of the audit committee should be an independent non-executive director.
9.	The audit committee should meet regularly, and disclose the number of meetings and the detail of the attendance of the individual directors.

Sources: (Rahayati, Roshima, & Syahiza, 2017)

However, several adjustments had been made to the index because the Malaysian Corporate Governance 2008 and 2012 (part 1 and part 2) and some of the items also selected under the MSWG governance scorecard and MSWG corporate governance index developed in 2009 were mostly based on the disclosure of the whole governance mechanism. But for this study, there were some modification to deeply analyze the board of directors' responsibilities and fiduciary roles in the company as stated in the MCCG 2012 since this study aimed to analyse the governance mechanisms of the board of directors. Based on previous literature, including discussions with several industry players and academicians, the new indexes titled, Board Governance Mechanisms Indexes (BGM), were drafted which consisted of board matters (14 items), nomination matters (8 items), Risk Management matters (4 items), remuneration matters (9 items), audit committee matters (13 items), and communication (4 items). The ranking system of the indexes were divided into three dichotomous levels, which were: the score of "2" if the company disclosed the item clearly, "1" if the company moderately disclosed the item, and "0" if it was not, to ensure the accuracy of the indexes used. Below are the detailed explanations of the BGMI used in this study.

- Board matters index disclosure measured the independence of the board, disclosure of directors' details, such as previous employment and educational qualifications, CEO-chairman separation, frequency of board meetings, and attendance at board meetings.
- Nomination matters index disclosure measured the existence, independence, and activities of the nomination committee.
- Remuneration matters index disclosure measured the independence of the remuneration committee, frequency and attendance of the remuneration committee meetings, and disclosure of the directors' remuneration.
- Audit Committee Matters index disclosure measured the independence of the audit committee, frequency of audit committee meetings, attendance at audit committee meetings, and tasks of the audit committee.
- Communication matters index disclosure measured the effectiveness of a company's communication with the shareholders, such as board committee and external auditor present in the annual general meeting of shareholders, and the availability of the company's annual report in the web site.
- Risk Management Matters measured the existence, independence, and activities of the risk management committee.

There were six matters or indexes used as mentioned earlier. The method used to score them was based on an unweighted index or dichotomous scores. All information was equally valued using the content analysis method and relevance to the items in each matter of the BGMI, which was given the score of "2" if the company made a full disclosure of all the items required by the MCCG 2012, "1" if the company disclosed limited information required by the MCCG 2012, and "0" if it was not disclosed. The unweighted method scores adopted with modification from by the studies of Che Haat, *et al*. (2008); Noor, Abdullah, Ismail, Bakar, & Yusni (2012); and Saleh, Zulkifli, & Muhamad (2010) were as follows::

$$i\text{-BGM j} = \frac{\sum_{t=1}^{nj} \text{Mij}}{Nj*2}$$

i-BGM j	Board Governance Mechanism Index
Nj	Number of items expected for the company n*j* ≥ 50 items
Mij	"2" if the company made a full disclosure of all the items required by the MCCG 2012, "1" if the company disclosed limited items required by the MCCG 2012, and "0" if it did not disclose the items.

3.1 Development of Corporate Social Responsibilities Index's

The importance of companies to be engaged with CSR activities have been emphasized by former Prime Minister, Abdullah Badawi (Badawi, 2006). Following that, on September 5, 2006 CSR framework was established by Bursa Malaysia in order to help the Malaysian Public Listed Companies (PLCs) practicing of CSR. This voluntary framework focuses on four dimensions namely:

- Marketplace, through the promotion of green product, social branding, vendor development and corporate governance;
- Workplace, through the promotion of human capital development, labor and human rights and employee health and safety;
- Environment, through the sourcing of renewable energy, protecting flora and fauna; and
- Community, through the supporting employee involvement in community issues, supporting education, contribution to children, youth development and the under-privileged.

This study will develop Corporate Governance index and Corporate Social Responsibilities Index by adding all the 92 items and attributes based on previous studies by using the nominal score to record the absence (represented by "0") or the presence (represented by "1") of an item which was called the un-weighted approach as mention in Table 2.

Table 2: Total items in *i*-Corporate Social Responsibility (*i*-CSR) Disclosure Index

Themes	Total Items
Marketplace	27
Workplace	29
Environment	19
Community	17
Total items for four themes	92

Lastly, the process will add all the scores and equally weighted. The scores will be calculated as follows:

$$CSRD_j = \frac{\sum_{t=1}^{n_j} X_j}{N_j}$$

CSRD j	CSR Disclosure Index
Nj	Number of items expected for the company nj≤ 74 items
Xj	of "1" , if the company disclose the items and "0", if it is not

Table 3: Summary of the variables

Variables	**Proxies**	**Symbol**
Dependent Variables	Performance : :TOBIN'S Q Modified : Return on Assets	 TOBINQ ROA
Moderators Variables	Dividend paid	DIV
Independent Variables Board Governance Mechanisms Index(BGMI)	Board Matters	BOD
	Nomination Matters	NOM
	Risk Management Matters	RMM
	Remuneration Matters	REM
	Audit Committee Matters	AUM
	Communication Matters	COM
Corporate Social Responsibilities Index	Marketplace	
	Workplace	

(CSRi)	Environment	
	Community	
Control Variables	Log Liquidity	LGLIQ
	Leverage	LEV
	Log Size (Fixed Assets)	LGSIZE
	Type of Industries	TYPE
	(Dummy1: Manufacturing Industries (Consumer Products, Industrial Products And Trading And Services Companies)	TYPEDM1
	Dummy 2: Heavy Industries (Property, Plantations And Construction Companies)	TYPEDM2
	(Dummy 3: Other Industries (Technology, Infrastructures)	TYPEDM3

4. LIMITATION OF THE STUDY

There are several major limitations in this study. First, the application of the corporate governance index and the assessment of corporate governance ratings are very subjective and open to individual bias since the main sources of the data produced from the 5 years annual report of 210 public listed companies from various industries with difference financial background.. Furthermore, the corporate governance ratings are based on the relevant information in the annual reports; hence the assessment of the corporate governance practices based on what is disclosed. Second the usage of performance indicators such as financial indicators or market performance such EVA, Earning Per Share, Return on Investment, Return On Assets or other financial ratio may be appropriate. The performance measure are based on formula and the raw data taken from Data Stream database. The data collected from Data Stream data based exposed to error due to large data mining .Third, the sample selected in this study based on big public listed company with high capitalized share market companies which maintained higher corporate governance standards practices, since these companies could afford to obtain best advice and services from investment professionals and accountants during the corporate reporting period.

5. CONCLUSION

The main objectives of this study is to investigate the the influence of dividend in sustaining Corporate Governance and Corporate Social Responsibility on Syariah Compliance Companies Performance by analyzing the levels of the Corporate Governance and Corporate Social Responsibilities of Malaysian Syariah Compliance Companies for the year ended 2009 until 2013. Besides that, this study also will investigate the relationships between the Board Governance and Corporate Social responsibilities toward performance of the Malaysian Syariah Compliance Companies over the five years started 2009. Although the dividend had been frequently tested in the past studies with performance but few researchers tested dividend as moderators that works as a monitoring tool to the companies to strengthened the existent CG and CSR toward better performance. This study optimistic that when the dividend were consistently paid at an acceptable rate, the level of agency problem and asymmetry information problem will reduced and the company performance will increase consistently in the future.

6. REFERENCES

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