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SHARE OPTIONS, SHARE AWARD AND FIRM'S PERFORMANCE: EVIDENCE FROM MALAYSIAN PUBLIC LISTED COMPANIES

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ABSTRACT

The main intention of this paper is to examine the impact on firm's performance once the directors are granted with the share options and share award. This study also intends to briefly identify the Shariah compliance impact towards the performance of firms that have granted the share options and share award. Earnings per share (EPS), Operating Cash Flow over Total Assets (OCFTA) and Tobin's q used to examine seven hypotheses in this paper. The results exhibit share award presented better results in EPS and OCFTA. On the other hand the share options and the share award revealed significant relationship with Tobin's q when Shariah compliance was included in the regression analysis model.

Keywords: Share options, Share awards, Firm performance, Corporate governance, Shariah compliance, Agency theory and stewardship theory.

Contribution/ Originality

This study contributes in the existing literature on the share-based compensation as an important component in the directors' compensation package and how it can boost the performance of the firms. Besides, this study contributes in the existing Islamic perspective literature by taking into consideration the implication of Shariah-compliance status.

1. INTRODUCTION

East Asian faced economy collapse in the second half of 1997 and consequently corporate governance was introduced in Malaysia after. Due to currency devaluation in Thailand, the foreign investors lost their confidence and started to withdraw capital caused the financial crisis to begin and filtered to Malaysia. It was realized that the existing initiatives on protecting shareholders were inadequate and as such contributed to the plunge in the value of their investment. According to IMF (1999) the reasons of the crisis were weak on the domestic policy

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and one of the emphasized factors was the poor governance and poor risk management. This is supported by [Shleifer and Vishny \(1997\)](#) who found investors in organizations will receive adequate returns in their investments as assured by the corporate governance mechanisms. Meanwhile, [Doidge et al. \(2007\)](#) stated that better governance attracts the investors to contribute funds in the firm because these investors expect the firms to be well governed after the funds have been increased. Hence, firms will comply with high-quality governance in order to be comfortable and gain funds from the investors after the financial crisis.

Corporate governance is an illustration on how firms should be directed and managed as defined by [Koh et al. \(2007\)](#) and [Mohd Sulaiman and Bidin \(2002\)](#). Meanwhile, [Mohd and Noriza \(2010\)](#) interpreted one of the benefits if firms implemented and complied with the Best Practices is the shareholders enjoy higher returns from their investment. Thus, it concludes that the corporate governance covers the aspects of fairness, transparency, accountability and responsibility in running the organizations. The introduction of corporate governance has attained the accountability of the directors not only on the quality of reporting but also on accountability to maximize corporate value in the long term for the shareholders.

Additionally, the directors believed they should to be accountable to the shareholders when each idea, strategic succession planning, decisions for risk avoidance and error free decisions are calculated and rewarded by the compensation ([Abdul Rahman and Ali, 2006](#)). They identified the advantages of granting share-based compensation. First and foremost, share-based compensation aligns the interest of shareholders and directors through share price. It is granted to reward performance and growth. It also helps to raise the directors' commitment to the shareholders and the firm. Finally, it increases loyalty of the directors. The proponents clarified that when the directors are granted with share-based compensation, the share prices the directors received will bind the directors to align their interest with the shareholders' interest.

Subsequently, the directors who are granted share-based compensation are motivated to perform their responsibilities of the highest-quality as they have been rewarded and are accountable to the shareholders. The performance as well the reputation of the firm will increase and the shareholders enjoy the returns. The firm will get more funds from the investors and the shareholders and this makes the capital structure of the firm stronger. According to [Triki and Ureche-Rangau \(2012\)](#) share options is exercised to align shareholders and employees interests as the shareholders enjoy returns of their wealth through the firm's stock price. [Fich and Shivdasani \(2005\)](#) found that investors show positive reaction towards the incentive effects of the share options plan granted to outside directors and this could reflect on the impact of investment opportunity. Discharging their responsibilities effectively will bring transparency and good governance of the firm and shows the accountability of the directors to the shareholders and the firm. Thus, greater use of directors' incentive compensation in the form of share options and share award will lower the agency costs and lead to superior firm performance.

1.1. The Development of Shariah Compliant Securities

Islamic-oriented economic system has taken this opportunity to develop in the market as the public and investors lose their confidence in the conventional economic system after corporate scandals and financial crisis occurred. Malaysia took the advantage by initiating the so-called Islamic economy; a system that Islam prescribes for individual and social behaviour in economics, which emphasizes social justice. It is not only to increase the foreign investors' confidence that was lost after the Asian financial crisis of 1997 as well as an opportunity to develop economic growth. Shariah Committee (SC) has established Shariah-compliance status which is adaptable with the Islamic principles of Shariah. [Wan et al. \(2012\)](#) found that Shariah-compliant firms have significantly higher quality earnings as compared to other Shariah non-compliant firms. The researchers provided support for the arguments those Shariah-compliant firms: (1) supply higher quality reported earnings to attract foreign investments; (2) have greater reliability for high-quality financial reporting due to their Shariah compliant status, and (3) are subject to greater scrutiny by regulators and institutional investors. Hence, this paper is motivated to establish whether the share-based compensation granted directors' could enhance the firm's performance from the Islamic perspective. The results could reveal a difference in the use of conventional versus Shariah compliant firms.

1.2. Agency Theory

Agency theory mainly clarifies the agency relationship between the principal and the agent, whereby the principal engages the agent to perform some services on their behalf and the principal will normally delegate decision making authorization to the agent.

This theory demonstrates the shareholders or investors peculiarly desire sensible returns on their investment for instance the capital gained from the share price appreciation or in terms of cash from the distribution of dividends. Meanwhile, the directors are more concerned on the compensation that brings possessions to their selves. It can be simplified that the directors are motivated only by tangible monetary-based rewards such as fees and bonuses and long-term compensation plan for example pension plans and share-based or equity compensation. [Brooks and Dunn \(2010\)](#) deem that to motivate and influence the directors to stay on the right path is by applying the incentive and punishment systems. The incentive system demands ethical acts to the shareholders' interests and in future avoids conflict of interests. Thus, the principal will compensate the agent well enough with rewards if they perform well.

1.3. Stewardship Theory

Stewardship refers to the attitudes and behaviours that put the long-term best interest of a group ahead of personal goals that serve an individual's self-interests ([Hernandez, 2008](#)). It means the stewards' effort to ensure the achievement of firms' goals with regards to no interference between the personal want and organisational needs. As the steward's interests are aligned with

the investors' interests, there will be less engage in self-serving behaviours (Brooks and Dunn, 2010). Therefore, the stewardship theory can be used to represent the board of directors' behaviour and it is also a model that presumes a natural motivation for the directors to act in the best interest of the organization as to serve the shareholders. Though, to counterbalance the workload and burdens as well as appreciation to the directors as the steward, the entitlement of directors to grants with share options and share awards are alternatives to compensate them. Consequently, this will again align the interest of the directors with the shareholders.

Agency theory's primary flaw is less concern for human behaviour and is motivated by the extrinsic monetary reward (Brooks and Dunn, 2010). Nevertheless, the stewardship theory is motivated by both intrinsic and extrinsic and thus is more self-actualized. It is the interrelation between the agency and stewardship theory to make it balanced. Thus, these two theories are relevant in this study since the agency theory is applicable on the directors' share-based compensation and firm performance that look into extrinsic reward. Meanwhile, the stewardship theory is relevant when the shariah values are incorporated in the firm that leads the leader to be a good and accountable.

2. LITERATURE REVIEW

Hillegeist and Penalva (2003) studied on the share options and firm performance who found the share options has significant relationship with ROA and Tobin's q. The researchers explained the firms with unexpected high level of share options have significant influence to the high level of firm performance.

Cordeiro *et al.* (2005) examined the share options and share grants (share award) with the firm performance. The study found share option ratios have stronger impact on firm performance than the share grants. Moreover, both directors' share-based compensation have positive significant relationship with stock returns but only share option has positive relationship with Jensen's Alpha.

Fich and Shivdasani (2005) reviewed on the characteristics of firms that implemented share option plans for outside directors. The results showed that firms that granted outside directors with option plans have substantial association with higher market to book ratios and profitability calculation. Further, the implementation of share option plans has significant positive correlation with cumulative abnormal stock returns (CARs).

Kato *et al.* (2005) examined the costs and benefits of executive share options. It was found firms that granted share option plans have more growth opportunities and more intangible assets than non-adopting firms. It was proved from the CAR that the investors view the adoption share option plans positively average. Moreover, these adopting firms also have lower leverage compared to non-adopting firms. The researchers concluded that the results portrayed share option plans adopted by the Japan firms are designed to improve managerial incentives and increase the value of the firm.

Cheffou (2007) surveyed and found that the CEO share options could improve the firm's value. The result of the study recommended the value of share options granted to the CEO does not affect the firm's accounting performance however it improved the firm's Tobin's Q with this form of compensation.

Triki and Ureche-Rangau (2012) conducted study to look into the impact of share option plans adopted on the financial performance based on French firms. The result pointed that the share options has a significant relationship with the return on equity. This study also exposed that the investors agreed with the granted share options as the investors found that the share options granted as an incentive to the employees helps to increase shareholders' wealth.

Additionally, most of the prior studies found that the share options bring greater firm performance compared to the share awards by applying different measurement. Thus, the researcher is keen to review whether the share options and share award granted still could enhance the firm's performance.

2.1. Previous Research with Emphasis on Shariah Compliance

This section discusses previous studies that justify strong enough motivation for this current study which compares the performance of Shariah-compliant firms with the Shariah non-compliant firms. It has been proven that the performances of Shariah-compliant firms are much better because of the religious influence in the management; greater accountability of the employee and the directors. Bakar *et al.* (2013) demonstrated that there is positive relationship between intellectual capital (IC) and corporate market value for shariah-compliant firms and industries. Besides, the result indicates that consumer shariah-compliant firms/industry have shown greater presence of IC value against other industries within the observations. Abdul Rahman (2012) the researcher examined the religious ethical values and earnings quality between Shariah and non-shariah firms as listed in the Bursa Malaysia. The study found religious ethical values not only could influence to lower managerial opportunism but also aggressive reporting behaviour and it improved the quality of accounting earnings. Mohd Saad (2008) the results revealed that firms which have complied well with the code of best practices and Shariah principles showed significant association to the firm's performance. The key result is that Shariah compliance seems to create higher returns on profitability while with corporate governance the returns are restricted. Shariah compliance requirements also appear to provide better historical returns. Shariah compliant rules and regulations must be restricted to the newly classified Shariah-compliant securities to ensure better performance and to protect stakeholder's interest.

3. RESEARCH OBJECTIVES

- To investigate the relationship between the directors' share options compensation and the firm's accounting performance (EPS and OCFTA)

- To indicate the relationship between the directors' share options compensation and the firm's market performance (Tobin's Q)
- To determine the association between the directors' share award compensation and the firm's accounting performance (EPS and OCFTA)
- To ascertain the association between the directors' share award compensation and the firm's market performance (Tobin's Q)
- To evaluate the influence of Shariah-compliant status on the relationship between directors' share-based compensation and firm's performance.

4. HYPOTHESES

This study examines seven hypotheses to answer research questions, these hypotheses are as follows:

- H1: There is a significant relationship between the directors' share options compensation and the firm's EPS.
- H2: There is a significant relationship between the directors' share options compensation and the firm's OCFTA.
- H3: There is a significant relationship between the directors' share options compensation and the firm's TQ.
- H4: There is a significant relationship between the directors' share award compensation and the firm's EPS.
- H5: There is a significant relationship between the directors' share award compensation and the firm's OCFTA.
- H6: There is a significant relationship between the directors' share award compensation and the firm's TQ.
- H7: Shariah-compliance has an impact on the relationship between directors' share-based compensation and firm performance.

5. METHODOLOGY

The first regression model is to determine the relationship between directors' share-based compensation with firm performance. This regression model is to answer the research questions and on the relationship between the directors' share-based compensation and firm's performance.

. The regression models are as follows:

Regression Model 1

$$FP = \beta_1 [SO] + \beta_2 [SA] + \beta_3 [FS] + \beta_4 [TA] + \beta_5 [RC] + \varepsilon$$

FP : Firm performance

$\beta_1, \beta_2, \beta_3, \beta_4$ and β_5 : Variable coefficients

SO	:	Share option ratio
SA	:	Share award ratio
FS	:	Firms' sales
TA	:	Firms' total assets
RC	:	Compensation committee
ε	:	Error term

The second regression model is to answer the last research question on the implication of shariah compliance status in the relationship of directors' share-based compensation and firm performance.

Regression Model 2

$$FP = \beta_1[SOSC] + \beta_2[SASC] + \beta_3[SO] + \beta_4[SA] + \beta_5[SC] + \beta_6[FS] + \beta_7[TA] + \beta_8[RC] + \varepsilon$$

FP	:	Firm performance
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$ and β_8	:	Variable coefficients
SOSC	:	Share option ratio \times Shariah compliance
SASC	:	Share award ratio \times Shariah compliance
SC	:	Shariah compliance status
FS	:	Firms' sales
TA	:	Firms' total assets
RC	:	Compensation committee
ε	:	Error term

6. RESEARCH SAMPLE

The sample of share options and share award covered of nine years from 2002 until 2010 and cuts across a wide range of industries. The firm performances measured are observed from 2003 until 2011 as the study analysed the financial performance one leap year from the year that the share-based compensation was granted (see [Bacha et al. \(2009\)](#)). The study determined the ideal sample is to begin with year 2002 since the data on the Shariah-compliant firms was already available after 1999 as the KLSE Shariah Index had been launched ([Abdul Rahman, 2012](#)). On the other part, the emphasis on the improvement of good corporate governance (evidenced by the MCGG in March 2000) as well the regulations on granting the share options and share award had been reinforced International Financial Reporting Standard (IFRS 2) after 2001. Firms in the banking and finance sector are not excluded in this study since the variables and information gathered are not influenced by the guideline and governance system.

7. RESULTS AND INTERPRETATION

7.1. Correlation Analysis

Table 1 demonstrates there are insignificant relationships between the share options with the EPS, OCFTA and TQ since the p-values are more than 0.05. However, share award shows positive significant relationship with EPS (p-value = 0.0011 < 0.05).

Table-1. Covariance Analysis

DV \ IV	Share Options	Share Awards
EPS	0.1202	0.0011
OCFTA	0.6303	0.0233
TQ	0.2497	0.0030
FS	0.0976	0.0023
TA	0.1055	0.0464
RC	0.0007	0.1435

Share award also shows positive significant association with OCFTA (p-value = 0.0233 < 0.05). Meanwhile, the share award has strong positive relationship with TQ (p-value = 0.0030 < 0.05).

The share options and share award are compensated as an incentive for the directors to increase the firm's and shareholder's wealth. However the equity form compensated has reflected to the above results. Share options entitle the granted directors to have firm's share but they would have to pay the price of shares after the vested period if they would like to exercise the share options. This creates the granted directors unwilling to exercise their share options as they have to use their own money even though the share price granted is lower than the market price. Thus, the share options granted demotivates the directors to double up their effort and this leads to no improvement in the firms' performance. As for the share award, the directors would receive the firm's shares after the vesting period without any payment.

7.2. Regression Analysis on Share-based Compensation and Firm Performance

Based on the Table 2, the share options showed insignificant results with EPS (p-value = 0.8628). However, the share award has significant finding with EPS (p-value = 0.0014 < 0.05). Share award is granted individually to the directors as a token of appreciation for their contribution in enhancing the reputation of the firm. Besides, it is to tie the directors with the firm and to ensure the directors maintain excellent performance. When the directors are treated well with the firm's shares awarded to them, they feel the sense of belonging and are enthusiastic

to perform much better. Therefore when the awarded directors performed their jobs effectively, the FS and TA of the firm will increase which lead the firm's performance to increase too. It interprets that the share award granted significantly affects the EPS. This is supported by Hillman and Dalziel (2003) who found that equity compensation motivate boards of directors to be better monitors and align the interests of shareholders and directors. This is supported by Lin and Liu (2005) found that EPS is a good indicator for the directors to increase the profit.

Table-2. Regression Analysis (Model 1)

Variables	t-Statistic	Prob.	R ²	Adjusted R ²	Prob(F-statistic)
EPS					
FS	3.167960	0.0020	0.240245	0.204743	0.000016
TA	2.388890	0.0187			
RC	-3.311483	0.0013			
SO	-0.173257	0.8628			
SA	3.289011	0.0014			
OCFTA					
FS	2.467269	0.0152	0.138914	0.098676	0.006235
TA	2.740613	0.0072			
RC	2.744860	0.0071			
SO	1.069676	0.2872			
SA	2.361312	0.0200			
TQ					
FS	5.413489	0.0000	0.522145	0.499815	0.000000
TA	3.534952	0.0006			
RC	-1.794274	0.0756			
SO	-0.612167	0.5417			
SA	6.220957	0.0000			

Significant at $\alpha=0.05$

Further, it is showed that the share award has significant relationship with OCFTA since the p-value is 0.0200. Meanwhile, share options do not bring implications to the OCFTA ($p = 0.2872 > 0.05$). This demonstrates the effects when the directors are more accountable due to the share awards that have been granted to them, they will improve their responsibilities in safeguarding the firm's assets especially the business money so that they will be not misappropriated. This proves that incentives could influence the decision of directors in providing resources for instance advising and counselling, besides monitoring effectively (Hillman and Dalziel, 2003). Additionally, when a firm awarded the directors with the shares of the firm, there is no cash flow involved. This drives the cash operating profit to increase as the cash operating expenses are reduced because the directors' compensation on the share award is excluded from the cash operating expenses. Subsequently, the firm is able to use the excluded cash flow portion to purchase assets in order to increase the firm's sales, which explains why the TA and the FS have significant relationship with OCFTA. According to Triki and Ureche-Rangau (2012) the cost

does not show in the balance sheet and, accordingly, they do not reduce the firm's profit. A successful business uses its assets to produce strong operating cash flow. Thus, the significant result concludes that the awarded directors are accountable in managing the firm's assets efficiently to generate the firm's strong operating cash flow. Table 2 demonstrates favourable explanation of FS, TA, RC and share award on the total variation of TQ as the R-squared is 52.21%. The study found share award has robust relationship with TQ (p-value = 0.000). Once the firm's shares are awarded to the directors, it means the directors' interests are aligned with the shareholders. Thus, the shareholders perceive the directors are accountable to boost the performance of the firm and lead them to acquire more shares of the firm. This would result in a higher market value of the equity. The finding is similar with the result of [Pasternack and Rosenberg \(2003\)](#) and [Abdul Rahman and Mohamed Zawawi \(2005\)](#) which found a strong evidence of a positive relationship between both incentive effects and firm value (TQ). Nevertheless, there exists no correlation between share option and TQ.

Table 2 revealed there were significant relationship between the directors' share award compensation and the firm's EPS, OCFTA and TQ. Thus the H4, H5 and H6 were supported. Accordingly, H1, H2 and H3 were rejected.

7.3. Regression Analysis on Shariah Compliance

Table-3. Regression Analysis (Model 2)

Variable	t-Statistic	Prob.	R-squared	Adjusted R-squared	Prob(F-statistic)
EPS					
FS	2.807183	0.0060	0.246480	0.188517	0.000191
TA	1.915441	0.0582			
RC	3.159890	0.0021			
SO	0.812542	0.4183			
SA	0.993514	0.3228			
SC	0.641559	0.5226			
SOSC	0.799375	0.4259			
SASC	0.647065	0.5190			
OCFTA					
FS	1.706064	0.0910	0.157882	0.093103	0.018585
TA	1.352361	0.1792			
RC	-2.565021	0.0117			
SO	1.251803	0.2134			
SA	1.473646	0.1436			
SC	1.534026	0.1281			
SOSC	1.273523	0.2057			
SASC	1.230207	0.2214			
TQ					
FS	4.470453	0.0000	0.585550	0.553669	0.000000
TA	2.183862	0.0312			
RC	-1.436679	0.1538			
SO	2.718949	0.0077			
SA	4.193106	0.0001			
SC	2.603134	0.0106			
SOSC	2.689531	0.0083			
SASC	3.614342	0.0005			

Significant at $\alpha=0.05$

As referred to the Table 3, SOSC and SASC do not exhibit correlation with the EPS. As discussed earlier, EPS is evaluated on the return of individual basis. Nevertheless, granting share options and share awards do not sway the directors' conduct to increase the individual returns due to reflection of persevere Shariah principles in a firm. This is supported by [Zainal *et al.* \(2013\)](#) whereby the directors' conduct and behaviour align with the Islamic teaching; the wealth or profit is distributed not only for the individuals but also contributes more to the ummah or the society.

Further, the SOSC and SASC do not display association with the OCFTA. Even though the concept is alike there is no cash outflow on the directors' share-based compensation, but in the Shariah-compliant firms, a portion of the returns is used to pay for the Shariah committee and the Shariah advisory. These committees are established to clinch the firm do comply with the Shariah principles and ground. Even so, the FS is significant relationship with OCFTA which shows that the directors strive to increase the firm's sales after being awarded with the firm's shares. It is controlled effectively by the SC and RC as these committees are complementary on monitoring the directors' compensation and to ensure the business operation complied with the shariah principles ([Abdul Rahman, 2012](#)).

On the next dependent variable, SOSC resulted in a positive significant relationship with TQ ($p\text{-value} = 0.0083 < 0.05$). Exceeding the expectation, the SASC as well showed positive significant relationship with TQ with the $p\text{-value} = 0.0005$. It reveals that the application of Shariah principles has a substantial implication on the directors' behaviour - to be more accountable and this enhances the firm's performance. Once the directors are awarded with the firm's shares, the directors feel it is an obligation to them to be more accountable in increasing the firm's performance. In enhancing the firm's performance, the directors do not emphasis basically on the operation revenue as the business operation is restricted to Shariah principles where the revenue is normally lower than non-restricted firms. Besides, [Kumar *et al.* \(2011\)](#) found religious beliefs, through their influence on gambling attitudes could have an impact on investors' portfolio choices, corporate decisions, and stock returns. An alternative action for the Shariah-compliant firm is to boost the market value of the firm in order to attract the potential investors to be more confident to invest in the shariah-compliant firms. Hence the shareholders' interest will not be jeopardised as it in line with the directors' interest along with the consideration of the shariah-compliance. This finding is similar with the recent study done by [Mat Isa *et al.* \(2013\)](#) who found that the Shariah-compliant firms capable to enhance its market performance through leverage.

In a nut shell, H7; shariah-compliance has an impact on the relationship between directors' share-based compensation and firm performance is supported since both share options and share award have significant relationship with firm performance as compared to results in Table 2.

8. CONCLUSION

This study contributes findings on the effects of the firm's performance once the directors are granted with share options and share award. Besides, it accomplishes the research objectives that

examined the relationship between the directors' share-based compensation on share options and share award with the firm's performance. The result shows the share award granted has significant impact towards the firm's performance compared to share options. The Malaysian directors prefer the share award grant rather than share options grant as it is more beneficial to them. The rationale is the directors do not have to pay for exercising the share award and there is no special tax treatment upon the share award granted. This is consistent with the agency theory as the agents are motivated with extrinsic values in order to align with the shareholders' interests. Besides, it supports Brooks and Dunn (2010) on how incentive system reflects the behaviour to act ethically on the shareholders' interests and reduce the conflict of interests.

On top of everything, the effect on the Shariah compliance implementation is most vital. This study found that shariah-compliant firms could boost the market performance, Tobin's q, when the directors are granted with share options and share award. The result highlighted that even though both shariah-compliant and shariah non-compliant firms granted share options and share award to their directors, however share options and share awards are significant with Tobin's q in Shariah-compliant firm's analysis. Meanwhile in normal regression analysis, only share award is significant to Tobin's q. It revealed that the directors of shariah-compliant firms not only conform to the stewardship theory as they play steward role but also attempt to reach firms' goals with no intervention from self-serving and organizational needs. They also conform to the Islamic teaching on accountability. The study recommends that religious ethical values could be a monitoring mechanism in reducing managerial opportunism especially in the management of earnings (Abdul Rahman, 2012). Besides, Shariah principles do insist on accountability from the individual and the individual controls the organisation to be accountable. These stipulated Shariah principles upholds the ethical conduct and thus promotes justice and welfare in the ummah or society. In a nutshell, the finding was able to answer the research objective on whether Islamic value, Shariah, affects the firm's performance differently in Shariah-compliant firms and Shariah non-compliant firms. Moreover, the behaviour of the directors in the Shariah-compliant firms do not deviate from the religious codes and thus are good stewards as in the stewardship theory.

This study deliberated only on the directors' effort and commitment in order for the firm to grant the share options and share award. Thus, further study to include economic conditions and enforcement of new regulation which are not within the control of directors that can affect the granting of the share options and the share award is necessary. Future studies are recommended to compare the firm's performances before and after the adoption of this compensation plans. On the other hand, future study is recommended to compare the Shariah-compliant firms and Shariah non-compliant firms in focus industries so as to determine which industry is more affected by the Shariah principles.

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