

**THE EFFECT OF GOVERNMENT AND STATE
OWNERSHIPS ON PERFORMANCE: AN
ANALYSIS OF MALAYSIAN LISTED
COMPANIES**

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FEBRUARY 2011**



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PERFORMANCE: AN ANALYSIS OF MALAYSIAN LISTED
COMPANIES**

by

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**A Dissertation Submitted in Partial Fulfillment of the Requirements for
the Degree of
Master of Science (Finance) at the Graduate School of Management,
Universiti Utara Malaysia**

DECLARATION

I hereby declare that the project paper is based on my original work except for quotations and citations that have been duly acknowledge. I also declare it has not been previously or concurrently submitted for any other Master's programme at Universiti Utara Malaysia or other institutions.



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ABSTRAK

Penyelidikan ini bertujuan untuk mengetahui pengaruh pemilikan kerajaan dan negeri terhadap prestasi di Malaysia. Syarikat pelaburan kerajaan (GLICs) digunakan sebagai proksi kepada pemilikan kerajaan. Kami menggunakan ROA, ROE, Tobin's Q dan keuntugan pemegang saham untuk mengukur prestasi. Penyelidikan ini berdasarkan sampel dari 200 dan 180 syarikat yang berdaftar di pasaran utama Bursa Malaysia, dengan 400 dan 360 pemerhatian tahun syarikat. Analisis regresi menunjukkan bahawa EPF secara signifikan dan positif terhadap ROA, ROE dan Tobin's Q selepas mengawal ciri-ciri syarikat yang tertentu seperti saiz dan hutang.

Kata kunci: pemilikan kerajaan, pemilikan negeri, syarikat pelaburan kerajaan

ABSTRACT

This study aims to determine the effect of government and state ownerships on performance in Malaysia. The study used Government-Linked Investment Companies (GLICs) as proxies of government ownership. We used ROA, ROE, Tobin's Q and shareholder's return to measure performance. The study based on sample of 200 and 180 listed companies in Main Market of Bursa Malaysia, with 400 and 360 company-year observations. The regression analysis shows that EPF is significantly and positively related to ROA, ROE and Tobin's Q after controlling for company specific characteristic such as company size and leverage.

Keywords: government ownership, state ownership, government-linked investment companies

ACKNOWLEDGEMENTS

All my praises and gratitude to Allah, the Merciful, for His kindness and for meeting me with many wonderful people who, with His Grace, have had helped me tremendously in the successful completion of this research.

This research would not have been possible without the constructive comments, suggestion and encouragement received from my supervisor who has read the various draft. In particular, I would like to acknowledge my debt to Dr. Kamarun Nisham Taufil Mohd, without, of course, holding him responsible for any deficiencies remains in this research.

I would like to thank my parents, who have been a continuous source of inspiration and encouragement. Thanks for giving a great support throughout the duration of my studies and unceasing prayers for my success.

In addition, thanks to Khairul Zharif, Siti Salwani, Nur Azizah and Nur Hamidah that helped, support and provided insight and useful ideas, constructive comments, criticism and suggestion throughout the duration of completing this research.

Thank you.

TABLE OF CONTENTS

| | |
|-------------------|-----|
| DECLARATION | |
| PERMISSION TO USE | |
| ABSTRAK | i |
| ABSTRACT | ii |
| ACKNOWLEDGEMENT | iii |
| TABLE OF CONTENTS | iv |
| LIST OF TABLES | vi |
| LIST OF FIGURES | vii |

CHAPTER ONE: INTRODUCTION

| | | |
|-----|---------------------------|----|
| 1.1 | Background of the Study | 1 |
| 1.2 | Problem Statements | 8 |
| 1.3 | Research Objectives | 10 |
| 1.4 | Research Questions | 11 |
| 1.5 | Significance of the Study | 12 |
| 1.6 | Summary | 12 |

CHAPTER TWO: LITERATURE REVIEW

| | | |
|-----|------------------------|----|
| 2.0 | Introduction | 13 |
| 2.1 | Theoretical Literature | 13 |
| 2.2 | Empirical Literature | 14 |
| 2.3 | Summary | 17 |

CHAPTER THREE: RESEARCH METHODOLOGY

| | | |
|-------|---------------------------------|----|
| 3.0 | Introduction | 18 |
| 3.1 | Development of the Hypotheses | 18 |
| 3.1.1 | Government and State Ownerships | 18 |
| 3.1.2 | Control Variables | 20 |
| 3.2 | Theoretical Framework | 21 |
| 3.3 | Data and Sample Selection | 22 |
| 3.4 | Sources of Data | 23 |
| 3.5 | Research Design | 23 |

| | | |
|-------|------------------------|----|
| 3.6 | Data Analysis | 26 |
| 3.6.1 | Descriptive Statistics | 26 |
| 3.6.2 | Correlation Analysis | 26 |
| 3.6.3 | Regression Analysis | 27 |
| 3.7 | Summary | 27 |

CHAPTER FOUR: FINDINGS AND ANALYSIS

| | | |
|---------|------------------------------|----|
| 4.0 | Introduction | 28 |
| 4.1 | Descriptive Statistics | 28 |
| 4.2 | Correlation Analysis | 31 |
| 4.3 | Multicollinearity Test | 32 |
| 4.4 | Regression Analysis | 33 |
| 4.4.1 | General Regression Analysis | 33 |
| 4.4.1.1 | Return on Assets (ROA) | 34 |
| 4.4.1.2 | Return on Equity (ROE) | 36 |
| 4.4.1.3 | Tobin's Q | 37 |
| 4.4.1.4 | Shareholder's Return | 39 |
| 4.4.1.5 | Combined Dependent Variables | 40 |
| 4.4.2 | Robustness Analysis | 42 |
| 4.4.2.1 | Truncated Variables | 43 |
| 4.4.2.2 | Combined GLICs | 44 |
| 4.4.2.3 | Split Government Ownership | 45 |
| 4.5 | Summary | 46 |

CHAPTER FIVE: CONCLUSIONS

| | | |
|-----|---------------------------------|----|
| 5.1 | Introduction | 47 |
| 5.2 | Conclusions | 47 |
| 5.3 | Suggestions for Future Research | 48 |

| | |
|------------|----|
| REFERENCES | 49 |
|------------|----|

APPENDICES

LIST OF TABLES

| | |
|---|----|
| Table 3.1: <i>Description of variables</i> | 25 |
| Table 4.1: <i>Descriptive statistics of variables</i> | 30 |
| Table 4.2: <i>Pearson's correlation of independent variables</i> | 31 |
| Table 4.3: <i>Multicollinearity test by using variance inflation factor</i> | 32 |
| Table 4.4: <i>Regression model: ROA (400 observations)</i> | 34 |
| Table 4.5: <i>Regression model: ROE (400 observations)</i> | 36 |
| Table 4.6: <i>Regression model: Tobin's Q (400 observations)</i> | 37 |
| Table 4.7: <i>Regression model: Shareholder's return (360 observations)</i> | 39 |
| Table 4.8: <i>Regression model: All dependent variables</i> | 41 |
| Table 4.9: <i>Regression model: Truncated Variables</i> | 43 |
| Table 4.10: <i>Regression model: ROA and Tobin's Q (Combined GLICs)</i> | 44 |
| Table 4.11: <i>Regression model: ROA and Tobin's Q (Split GLICs)</i> | 45 |

LIST OF FIGURES

| | |
|--|----|
| Figure 1.1: <i>Categories of GLICs</i> | 5 |
| Figure 3.1: <i>Factors Influence Company Performance</i> | 21 |

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The Malaysian Code on Corporate Governance was first issued in March 2000 after the formation of High Level Finance Committee and the Malaysian Institute of Corporate Governance (MICG) in 1998, which is responsible to educate and create awareness amongst corporate sector, investors and public on the best practices of corporate governance (Shakir, 2008). Prior to this date, the importance of corporate governance was not really emphasized and put into practise by a corporation.

The Malaysian Code on Corporate Governance brought into full effect in January 2001 with the amendments to the Kuala Lumpur Stock Exchange's listing requirement where public listed companies in Malaysia are required to attach the statement of corporate governance, a statement of internal control, compositions of board of directors, composition of audit committee, quorum of audit committee, and any additional statements by the board of director in the annual report. The principles underlying the annual report should focus on four areas including; board of directors, director's remuneration, shareholders and accountability and audit. The code is hybrid in nature, which is similar to the Combined Code on Corporate Governance. Under the approach, the companies in Malaysia should apply the broad principles of good corporate governance, sets out by the code flexibly and with common sense to the varying circumstances of individual companies. Then, the code has been revised

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