

**THE RELATIONSHIP BETWEEN OWNERSHIP STRUCTURE AND BANK
PERFORMANCE: A MALAYSIAN CASE**

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**Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
In Fulfillment of the Requirement for Degree of Master of Science (Finance)**

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ABSTRAK

Kajian ini menganalisis hubungan antara struktur pemilikan dan prestasi bank di Malaysia. Kajian ini adalah terhad kepada Bank Perdagangan Malaysia dalam tahun 2001 hingga 2011. Objektif utama kajian ini adalah untuk mengkaji hubungan antara struktur pemilikan dan prestasi dalam bank komersial di Malaysia.

Kesan kepada prestasi bank menunjukkan bahawa ada kesan tersendiri berdasarkan kepada jenis pemilikan dalam perbankan. Hasil kajian juga menunjukkan bahawa pemilikan asing mempunyai kesan terbesar kepada prestasi bank berbanding dengan struktur pemilikan lain. Pemilikan yang tinggi daripada pemilikan institusi cenderung kepada pengawalan yang besar iaitu memimpin kepada prestasi yang lebih baik kepada bank.

Walau bagaimanapun, hasil kajian menunjukkan bahawa pemilikan dalaman dan pemilikan keluarga akan menyebabkan peningkatan masalah agensi kepada bank. Pemilikan Kerajaan didapati tidak mempunyai sebarang kesan dalam prestasi bank.

ABSTRACT

This study analyzes the relationship between ownership structure and bank performance in Malaysia. The empirical analysis of this study is restricted to Malaysian Commercial Banks during the period of 2001- 2011. The main objective of this study is to examine the relationship between ownership structure and performance in commercial bank in Malaysia.

The results show that different types of ownership have different impact on bank performance. The result also shows that foreign ownership had largest impact to bank performance compared to other types of ownership structure. Higher shares by institutional tend to induce larger monitoring which leads to better performance of the banks.

However, the results indicate that higher insider ownership and family ownership would increase agency problem in the banks. Government ownership is found to have no impact on the banks performance.

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, kindness and encouragement received from my supervisor who has read the various draft. In particular, I would like to acknowledgement my debt to Dr. Nora Azureen Bt Abdul Rahman for holding her responsible for any deficiencies remains in this research.

I would like to thank my parents (Samri Bin Kamin and Nurhayati Bt Mohd Diah) who have been a continuous sources of inspiration and encouragement. Thanks for giving a great support throughout the duration of my studies and unceasing prayers for my success.

In additional, thanks to Normaliza, Norashikin, Tasya, Nurnabila, Sarah, Surianti, Khairul, Amira and Farhana that helped, support and provided insight and useful ideas, constructive comments, criticism and suggestion throughout the duration of completing this research. Thanks again to everyone including those who I have probably forgotten to mention here.

Thank you

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CHAPTER ONE

BACKGROUND OF THE STUDY

1.0 Introduction

This chapter provides a brief discussion on the relationship between ownership structure and bank performance. This chapter starts with explanations on corporate governance and ownership structure and followed by explanations about the relation between bank's ownership structure and performance on section 1.2. Then, it continues with section 1.3 provides the problem statement and briefly explanation from where that problem generated from. Section 1.4 and 1.5 provides the research question and objective of this study. The significant of the study is discussed in section 1.6. Finally, section 1.7 explained the organization of the study.

1.1 Corporate Governance and Ownership Structure

Corporate governance describes a range of issues relating to the ways in which companies may be directed and controlled. It is a system and process for ensuring proper accountability, honesty, and openness in the conduct of an organization's business (Investopedia, 2013). Usually, good corporate governance involves management judgment and is essentially voluntary in nature. However, in the context of the Financial Services and Markets Act 2000, provisions for certain “*corporate governance rules*” are

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