

GOVERNMENT OWNERSHIP AND PERFORMANCE: AN ANALYSIS OF LISTED COMPANIES IN MALAYSIA

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Abstract

The relationship between ownership structure and company performance has been issue of interest among academics, investors and policy makers because of key issue in understanding the effectiveness of alternative governance system in which government ownership serve as a control mechanism. Therefore, this paper examines the impact of an alternative ownership/control structure of corporate governance on firm performance among government linked companied (GLCs) and Non-GLC in Malaysia. It is believed that government ownership serve as a monitoring device that lead to better company performance after controlling company specific characteristics. **We used Tobin's Q as market performance measure while ROA is to determine accounting performance measure.** This study is based on a sample of 210 firms over a period from 1995 to 2005. we use panel based regression approach to **determine the impact of ownership mechanism on firm's performance. Findings appear to suggest that** there is a significant impact of government ownership on company performance after controlling for company specific characteristics such as company size, non-duality, leverage and growth. The finding is off significant for investors and policy marker which will serve as a guiding for better investment decision.

Keywords: Government ownership; Government linked companies; corporate governance

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1. Introduction

Modern corporate finance literature focuses on two important issue that govern the management activities and their behavior. These are ownership and control mechanism that ensure that the placement good governance mechanism may have positive impact on company value. Therefore, the relation between ownership structure and company performance has been an issue of interest among academics, investors and policy makers alike because of the importance of alternative governance system in which government ownership serve as a control mechanism.

In Malaysia, GLCs are defined as companies that have a primary commercial objective and in which the Malaysian Government has a direct controlling stake. GLCs and their controlling shareholders constitute a significant part of the economic structure of the Malaysian economy. GLCs account for approximately RM260 billion or approximately 36% and 54% respectively of the market capitalization of Bursa Malaysia and the benchmark Kuala Lumpur Composite Index. Though there is increasing empirical evidence on the impact of government ownership and company performance in developed markets but little attentions have been given in this modern developing

economies such as Malaysia to examine what constitutes governance structure and its impact on company's performance.

The objective of this study is two folds: first, this paper aims to determine whether or government ownership lead to better company performance after controlling company specific characteristics such as corporate governance, agency cost, growth, risk and profitability. Secondly, to ascertain whether or not other factors such as growth opportunities, leverage, size, and profitability factor have any impact on company performance beyond governance ownership. Hence this paper may shed new light into corporate finance literature on government involvement in company through government agency and their performances. Secondly, this research may contribute to the existing corporate finance literature review by providing a new data set on government linked companies for Malaysia

The reminder of this paper is organized as follows: Section 2 we will briefly discuss both theoretical foundation and empirical evidence. In Section 3, the data selection procedure and research methodology are outlined, meanwhile Section 4 present our results and analysis. And last but not least in Section 5 we summarize and conclude our research.

2. Literature reviews

The understanding on the empirical differences in corporate control particularly government involvement has advanced recently. However, search has been very limited for Malaysian capital market to ascertain whether or not the involvement of government in corporate control system provides additional explanation for company value. The relationship between ownership structure and company performance has been an important research topic during the last decades, and produced ongoing debate in the literature of corporate finance. Theoretical and empirical research on the relationship between ownership structure and company performance was originally motivated by the separation of ownership from control (Berle and Means, 1932) and currently by agency theory (Jensen and Meckling, 1976; Fama and Jensen, 1983). In agency theory, shareholders of company wish to maximize value while managers prefer self-interested strategies which are far from maximizing company value, and in the absence of either appropriate incentives or sufficient monitoring, managers can exercise their discretion to the detriment of owners.

In this circumstance, government ownership might provide a control mechanism to discipline the management self-interest behavior more inline with company objectives, hence improving performance. Seminal work on such issued was addressed by LaPorta (1999) who investigates the ultimate ownership control in company. He divided into five types of ultimate owners: (1) a family or an individual, (2) the State, (3) a widely held financial institution such as a bank or an insurance company, (4) a widely held corporation, or (5) miscellaneous, such as a corporative, a voting trust, or a group with no single controlling investors. State control is a separate category because it is a form of concentrated ownership in which the State uses companies to pursue political objectives, while the public pays for losses (Shleifer and Vishny (1997)).

In a related study, Claessen, Djankov and Lang (1999) investigate the separation of ownership and control in 2980 public companies in 9 East Asian countries. Their findings suggest that corporate control is typically enhanced pyramic structure and cross holding companies in all East Asian countries except Singapore where about half of the samples companies are controlled by state. Orden and Garmendia (2005) examined the relationship between ownership structure and corporate performance in Spanish companies. Ownership structure has been analyzed in terms of concentration of control and the type of investor exerting control. Company performances which used in research were return on assets (ROA) and return on equity (ROE). One of hypotheses findings is companies which under controlled government showed negative impact and have worse performance that other ownership structures.

More recently, Zeitun and Tian (2007) examined the impact of ownership structure mix on company performance and the default risk of a sample of 59 publicly listed companies in Jordan from 1989 to 2002. they documented that the ownership structure has significant impact on performance based on accounting measure however, government involvement are significantly negative related to the company's performance based on ROA and ROE (return on equity) but shows positively related to market performance based on Tobin's Q.

Similar study was done Gursoy and Aydogan (2000) on Turkish Market which address on main characteristics of ownership structure of the Turkish non-financial companies listed on the Istanbul Stock Exchange (ISE) and examine the impact of ownership structure on performance and risk-taking behavior. They describe form ownership structure into foreign ownership (FRGN), government ownership (GOV), cross ownership (CROSS), family ownership (FAM) and affiliation to a conglomerate (CONG). The results exhibit a negative relationship between t government ownership and company performance based on (ROA and ROE) after controlling leverage and size, meanwhile it's negative but significant with market measurement (share price to EPS, P/E).

The literature on government ownership and performance has been limited and no systematic pattern of relationship between government ownership and company performance has been uncovered. it could be due to fact that Government controlled companies may respond have different set of objective which not only to enhance national welfare or other non-profit considerations, but also a goal of value maximization. Ang and Ding (2005) compare the financial and market performance of Government Link Companies (GLC) with non-GLCs in Singapore through government agency (Temasek Holdings). The findings from their study suggest that the GLCs on average exhibit higher valuations than non-GLCs, even after controlling for company specific factors such as profitability, leverage, company size, industry and foreign ownership. However, Kumar (2003) compared the financial performance of state owned, private owned, and mixed state-private ownership companies in India from 1973 to 1989. Findings appear to be differing with Singapore based study and suggest that the most profitable companies were the private owned followed by mixed ownership. While state owned enterprises had the worst performance. A majority of other studies in India and abroad draw similar conclusions (Shleifer and Vishny, 1997; Shleifer, 1998).

Meanwhile in China, Tian and Estrin (2005) find that government ownership reduce corporate value due to political interference. Also in other paper done by Xu and Wang (1999) found that government enterprise perform worse in profitability than non-government. Wei (2005) examines the performance of domestic Chinese companies in various ownership categories versus foreign-invested enterprises (FIEs) based on

two nation-wide surveys conducted by the National Bureau of Statistics in 1998 and 2002. It was found that both domestic non-state-owned companies and foreign-invested enterprises performed better than state-owned enterprises.

Meanwhile, three categories of Chinese companies privately owned, collectively owned, and shareholding had higher performance levels than the foreign invested enterprises. For Europe country, especially in Germany, Companies which under Treuhand (govt.'s privatization agency) and Management KGs (government ownership organization) performed better than before privatization (Dyck and Wruck, 1998).

Bortolotti and Faccio (2006) studied on the change in government control of privatized companies in OECD countries. In their research, they use term of golden share which is defined as a set of State's special power and statutory constraints on privatized companies.¹ One of findings state dependent variable which state voting rights the ultimate voting rights held by government in company (i), in year (t) showed positive and significant after controlling country and company specific explanatory variables (which one of variables is ROE and market to book value). Meanwhile, Kirchmaier (2006) on corporate ownership structure and performance in Europe identified state ownership is a third larger shareholder in Italy and France. Summary results for both countries are find that state ownership showed negative relationship between performance and corporate governance and other control variables. It's happen according to them, major factor was the influences of politician on company decision making, as well as protection from market discipline.

As general and conclusion, we find that majority studies shown negative result when looking on government ownership and performance or company valuation. There are many reasons may lead to why government ownership results in poor financial performance. First, the government is guided by social altruism, which may not be in line with the profit motive. Second, the government is not the ultimate owner, but the agent of the real owners – the citizens. And it is not the real owners who exercise governance, but the bureaucrats. There is no personal interest that bureaucrats have to ensure that an organization is run efficiently or governed well since they do not have any benefits from good governance.

3 Data and methodology

In this paper, we examine the impact of government involvement as the governance mechanism that has an important impact on company performance of Malaysian GLCs and Non-GLC over an 11 year period

¹Special power include (i) the right to appoints members in corporate board;(ii) the right to consent to or to veto the acquisition of relevant interests in the privatized companies; (iii) other rights such as to consent to the transfer of subsidiaries, dissolution of the company, ordinary management, etc.

from 1995 to 2005. We select a sample of 210 companies which met basic selection criteria. The basic criteria to deduce the sample companies are as follows:

1. companies are listed with Main Board of Bursa Malaysia
2. Complete set of data are available (Data stream, Worldscope, perfect analysis) from 1995 until 2005
3. All the financial based companies were excluded as these companies face a different set of regulation with different operational structure.

3.1 Methodology

Following Multivariate regression, we use panel based data analysis to analyze the impact of government involvement on company performance. Panel based data analysis is more informative as compared to cross-sectional based regression as this my avoid certain assumption promulgated by simple multiple regression.

Performance = f {Government ownership, Corporate Governance, Risk, Growth and Profitability }

3.2 Parametric Test

The parametric test of the differences in mean value of the characteristics of the sample companies (GLCs) and Non-GLC companies was conducted. The characteristics are Tobin-Q, ROE, ROA, size, leverage, profitability, growth opportunity, and government ownership agency cost ratio. This test will provide a clear cut evidence of existence of the difference between two groups of the companies.

3.3 Operational Model

Panel based multivariate regression were used to analyze the relationship between the various specific characteristics and company performance. Model is based on two measures namely market based performance and accounting based performance. The operational form of the models is as follows:

Model 1

$$Tobin's\ Q = \beta_0 + \beta_1 Gowned + \beta_2 Size + \beta_3 nDual + \beta_4 Debt + \beta_5 AC + \beta_6 Growth + \beta_7 PM + \varepsilon_i$$

Model 2

$$ROA = \beta_0 + \beta_1 Gowned + \beta_2 Size + \beta_3 nDual + \beta_4 Debt + \beta_5 AC + \beta_6 Growth + \beta_7 PM + \varepsilon_i$$

3.4 The variables and the expected relationships

In our study we use two dependent variables which are *Tobin Q* and *Return on Assets (ROA)*. *Tobin Q* is the market based performance measure is defined as the ratio between the market value of company plus total debt and total asset. Meanwhile *ROA* is a ratio of net income over total asset is used to proxy the corporate

based performance measure. Any increase or decrease in these two variables may signal about market perception about the effectiveness of companies' performance and effective utilization of asset more efficiency to increase performance.

For **Gowned**, this is a dummy variable is for companies having a government holding more than 20% of the voting shares. Studies by Ang and Ding (2005) and Dyck and Wruck (1998) find that with government owned share more than 20% will contribute better performance than non government owned company. Therefore, a positive result will be expected when it's related to company performance.

Size is one of control variables. Company size has an ambiguous effect a priori on the company performance. Larger company can be less efficient than smaller ones because of the loss of control by top manager over strategic and operational activities within company (Himmelberg, Hubbard, and Palia 1999, Sarkar and Sarkar 2000). Lang and Stulz (1994) suggests a decrease in company performance as company becomes larger and more diversified. We used the logarithm of total asset ($\ln(\text{Total Assets})$) to control for company size and expected negative relationship with company performance.

For variable of **Debt**, we divided total debt (long and short term debt) by total debt in determine whether leverage have significant different with company performance. **Debt** financing may play a significant role in reducing management's discretionary control over free cash flow and their incentive to engage in non-optimal activities (Jensen, 1986, and Stulz, 1990). **Debt** also force managers to consume fewer perks and become more efficient to avoid bankruptcy, the loss of control as well as loss of reputation (Grossman and Hart, 1982). **Debt** contracting may result in improved company performance and reduced cost of external capital (John and Senbet, 1998). In short, **Debt** may help a positive disciplinary effect on company performance.

In content of agency costs, we used two variables which are **nonDual** and **AC** (which total expenses to sales). A dummy variable on one value is when chairman and CEO is different person when determine on nonDual variable. Rhoades (2001) found that companies with a separation of the two roles consistently have higher accounting return compared to those that have the roles combined. Role duality is not common in Malaysian corporations (PwC, 1998), but MCCG (Malaysian Code of Corporate Governance)

recommended companies to separate the two roles to ensure proper checks and balance on the top leadership of the corporation. Therefore, we expect that positive relationship between **nonDual** and performance. In AC, previous studied by Ang (2000) indicated that government with lower expense to sales ratio will lead to better performance in government linked companies in Singapore. In this situation we expect that a negative relationship between AC and company performance.

In explaining the **Growth** variable, Morck, Shleifer & Vishny (1998) argue that a high growth rate indicates greater flexibility in future investments and it will lead to better performance. Companies with their own cash reserve can use when company have a financial distress especially during crisis and with higher cash balance show company have better cashflow and at same time provide better performance. Therefore, we expect **Growth** to be positively related to company performance.

In profitability, we used **Profit Margin** is ratio of net income over sales. We want to know how efficient of company managed their sales for getting profit. A positive relationship between Profit Margin and company performance is expected.

4. Result and analysis

While various forms of acceptable governance in each country evolve from a country's history values, and culture, certain characteristics of superior governance have been documented in the literatures (e.g., Shleifer and Vishny, 1997). We have consider the role of corporate governance and government control in the context of Malaysian companies and its capital market and examine the issue of value relevance of corporate governance and governmental control in assessing company value. We compare the financial performance of GLCs with non-GLCs, and determine whether government ownership and various governance measures contribute to accounting and market based company valuation, using panel and pooled regression analyses.

Before estimating the proposed models, the stationary normal distribution of the data, multicollinearity, autocorrelation and heteroskedasticity problems and some econometrics issues addressed. This section will provide results of the various econometrics tests that help detect these problems. In addition various remedies to these problems are also suggested.

Table 1. Normality Test Statistics Of 210 Malaysian companies

	Mean	Median	Std. Dev.	Skewness	Kurtosis	Jarque-Bera	Probability
TOBINQ	1.4922	1.0167	1.5246	4.2299	31.2301	83593.94	0.0000
ROA	0.0278	0.0345	0.1223	-3.9809	54.3881	260272.10	0.0000
GOWNED	0.1429	0.0000	0.3500	2.0412	5.1667	2056.01	0.0000
NGOWNED	0.8571	1.0000	0.3500	-2.0412	5.1667	2056.01	0.0000
SIZE	13.4739	13.4609	1.3647	0.1278	3.2416	11.91	0.0026
nDUAL	0.8758	1.0000	0.3299	-2.2783	6.1906	2978.25	0.0000

DEBT	0.4076	0.3757	0.3969	11.3182	210.8240	4206434.00	0.0000
AC	0.4571	0.2748	0.5638	2.6947	13.4908	13388.58	0.0000
GROWTH	0.1169	0.0743	0.1253	1.8319	7.4696	3214.82	0.0000
PM	0.0076	0.0626	4.1529	20.0851	958.4282	88016461.00	0.0000

4.1 Results of Data on normality test

The findings of the normality tests are shown in Table 2. Results show that the variable are not are not normally distributed. Based on Jarque Bera, Skewness and Kortosis suggest that there is a problem of normality, therefore likely that the utilization of Ordinary Least

Square (OLS) to analyze the data would produce biased and imprecise estimators. Hence for this reason, the Generalized Least Square (GLS) method is more appropriate and can be expected to yield a much better result (Gujarati, 2002).

Table 2. Differences characteristics of GLC and Non-GLC companies

Variables	GLCs	Non-GLC	t-statistic	significant
no of company	30	180		
Observations	330	1980		
Market measurements				
Tobin's Q (TobinQ)	1.2865	1.5265	-2.6518	*
Accounting measurements				
Return on Assets (ROA)	0.0546	0.0233	4.3238	*
Control variables				
Size (Growth)	14.457	13.3100	14.7869	*
Leverage (Debt)	0.3610	0.4154	-2.3063	**
Other variables				
Non-Duality (ndual)	0.9970	0.8556	7.2896	*
Agency cost (AC)	0.1325	0.8451	-19.4068	*
Cash to Assets (Growth)	0.1340	0.1141	2.6773	*
Profitability (PM)	0.1481	-0.0158	0.6635	
*** significant at 0.01 level				
** significant at 0.05 level				
* significant at 0.1 level				

Table 2 present the mean difference of the characteristics of GLCs and Non-GLC companies. Findings appear to suggest a significant difference exist between two groups based on performance, governance ownership, leverage and risk, growth opportunities, agency cost. The hypothesis of no difference between the two groups is rejected at the conventional level. Results show that portfolios of control companies (nonGLCs) outperform GLCs for market performances (Tobin's Q). At the same time, result of test for Tobin's Q shows negative and significant at the 1% level. As mentioned earlier, government owned large percentage of market capitalization therefore, it will show big impact of decreasing in market price when crisis hit Malaysia until recovery section in 2000 onwards. This some how contradict with the findings by Ang and Ding (2005) and Singh and Siah (1998). They suggested that shown GLCs outperform non-GLCs on both counts of

profitability (ROA and ROE). For example, Ang and Ding's result in Singapore study shows that GLCs are able to achieve at least similar levels of profitability with that of and non-GLCs.

In the context of the difference in leverage, the study found that GLCs record lower debt ratio compare to non GLCs with negative correlation, significant at 5% level. Similarly growth opportunities for GLCs tend to be lower than nonGLCs. We also find that GLCs maintain a significantly higher cash to asset ratio than nonGLCs and positively correlated and significant at the 1% level. In measuring agency costs, we examining the expense to sales (Ang et al, 2000) and results show that GLCs in fact have lowers expenses at the 1% level. This finding supported by Pearson's correlation in Table 3 which show negative correlated and significant for both ratios.

Table 4. Fixed Panel Regression result for Tobin's Q and ROA as performance

Model 1: Tobin's Q with Fixed effect				Model 2: ROA with Fixed effect			
Variable	Coefficient	t-Statistic	Prob.	Variable	Coefficient	t-Statistic	Prob.
C	2.3027	10.0614(***)	0.0000	C	-0.1156	-5.3029(***)	0.0000
Gowned	0.1140	1.7750(*)	0.0760	Gowned	0.0223	3.6445(***)	0.0003
Size	-0.1066	-6.5991(***)	0.0000	Size	0.0082	5.3016(***)	0.0000
nDual	0.0131	0.2078	0.8354	NDual	0.0139	2.3013(**)	0.0215
Debt	0.7343	11.9148(***)	0.0000	Debt	-0.0394	-8.3389(***)	0.0000
AC	0.1898	4.9237(***)	0.0000	AC	0.0212	5.7367(***)	0.0000
Growth	1.8251	10.5691(***)	0.0000	Growth	0.2140	13.4237(***)	0.0000
PM	0.0000	0.1534	0.8781	PM	0.0007	22.8840(***)	0.0000
R-squared	0.2276			R-squared	0.3060		
Adj R-squared	0.2219			Adj R-squared	0.3008		
F-statistic	39.6916			F-statistic	59.3949		
Prob(F-stat)	0.0000			Prob(F-stat)	0.0000		

Notes:
 *** Correlation is significant at the 0.01 level
 ** Correlation is significant at the 0.05 level
 * Correlation is significant at the 0.1 level

In summary, we can conclude that GLCs tend to exhibit higher valuation than nonGLCs due to their ability to earn higher returns on their investments, including running more efficient and lower expenses operations nonGLCs. The results support our hypothesis that GLCs outperform nonGLCs not only in market based valuation measures, but also in accounting based measures of internal process efficiency.

4.3 Panel and pooled regression analysis

To provide objectives evaluation of the impact of good governance as proxied by government ownership and control, the model includes 7 important variables to address corporate governance issue, size, role of CEO, leverage, growth opportunities, agency cost and profitability issues. Panel based regression is run over a period from 1995 to 2005 for both Findings are presents at the following Table.

$$Value = \beta_0 + \beta_1 Gowned + \beta_2 Size + \beta_3 nDual + \beta_4 Debt + \beta_5 AC + \beta_6 Growth + \beta_7 PM \dots (Eq.1)$$

4.3.1 Result Based on Market measure

Findings from Model 1 based on Tobin's Q, a model fitness with the F-value of 39.6916 is significant at any level and adjusted R² is 22.19%. The joint null hypothesis of none of the variables are significant is rejected. The coefficients of the explanatory variables are consistent with the hypothesized objective in the Malaysian Context. Results support the contention that government ownership does provide an important impact on performance in Malaysia with a (t = 1.7750), significant at 10% level. This is consistency with findings by Ang and Ding (2005 et. al.) and Dyck and

Wruck (1998) who documented that government involvement through government agency will lead to better performance of company. The results also indicate a positive and significant (p<0.01) relationship between market performance and leverage factors (t = 11.9148), implying that the market perceive leverage as an effective mechanism to control management and improve performance. For agency costs, result appear to document a significant positive association between agency cost and company performance at 1% level (which t = 4.9237). However, this appears to be inconsistent with Ang and Ding (2000) who record a negative association between agency cost and company performance. While growth opportunities (cash to total assets), appear to have an important impact on company performance significantly at 1% indicate that cash rich companies will have more leverage in improving company's performance by engaging in growth activities. While cash rich company performance meet any due obligation and potential downfall. Surprisingly, both duality and Profit Margin are not found to have any significant impact on market based performance measure Tobin Q.

Result Based on Accounting Measure

Result from Model 2 which we use ROA as company performance (accounting measurement) shows that a model appropriateness with the F-value of 59.3949 is significant at any level of significant and also adjusted R² is 30.08%. The joint null hypothesis of the variables are significant is rejected except size and debt. These two variables seem are inconsistent with the hypothesized objective in the Malaysian Context. For example, in this result a positive relationship between size of company and performance (t- 3.6445 and significant at 1% level). It shows that company with

larger assets seems show better performance than small company. This result is consistency with finding by Ang and Ding (2005 et al.) and RosHaniffa (2000).

Meanwhile in debt ratio, a negative result ($t = -8.3389$ and significant at 1% level) explain that company with lower debt show better performance and this result reliable with the findings of McConnell and Servaes (1995) and Weir et al (2002). As Model 1, results support the contention that government ownership does provide an important impact on performance in Malaysia with a ($t = 3.6445$), significant at 1% level. This is consistency with findings by Ang and Ding (2005 et. al.) and Dyck and Wruck (1998) who documented that government involvement through government agency will lead to better performance of company. For agency costs, result appear to document a significant positive association between agency cost and company performance at 1% level (which $t = 5.7367$). However, this appears to be inconsistent with Ang and Ding (2000) who record a negative association between agency cost and company performance.

For nonduality, a result show positive relationship ($t = 2.3013$) at 5% level of significant shows that with separate person between Chairman and CEO will lead to better performance and align with MCGG recommend. While growth opportunities (cash to total assets) with $t = 13.4237$, appear to have an important impact on company performance significantly at 1% indicate that cash rich companies will have more leverage in improving company's performance by engaging in growth activities. While cash rich company performance meet any due obligation and potential downfall. Then, profit margin shows positive relationship with accounting performance with t-statistics is 22.8840 at 1% level of significant

5. Summary and conclusion

In this paper, we have discussed on the ownership/control structure of Malaysian company and its performance in generally and comparing GLCs and non GLCs specifically with some company specific characteristics. We take sample of 210 companies listed in Main Board in Bursa Malaysia. We then compute the Tobin's Q as proxy of company value (as market performance) and ROA as accounting performance. These two different measurements use to make comparison whether its show same or different result. Based from our study, we find that in market measurement, non GLC outperform GLCs but in accounting measurement, otherwise when GLCs perform better. As general, we can conclude that GLC is better than nonGLCs base on mean performance of company specific characteristics such debt, growth, agency cost and profitability.

Our main objective is to determine whether government involvement in company lead to better company performance after considering company specific characteristics such as risk, corporate

governance, growth and profitability. Result show government ownership of company performance better than non-government after controlling these specific characteristics for both measurements (market and accounting). This result is happened because government through Khazanah Nasional and other seven investment bodies as mentioned earlier is a major shareholder in main services and utilities provider to nation which including electricity, telecommunications, postal services, airlines, airport, public transport, water and sewerage, banking and financial services. With that, government will do something to avoid any circumstances from underperforms of their investment companies.

In finding from our studies, we believed that it may shed new light into corporate finance literature on government involvement in company through government agencies and their performances. Secondly, it may contribute to the existing corporate finance literature by providing a new data set on government linked companies for Malaysia

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Appendix

Table 3. Pearson correlation matrix

	Gowned	Ngowned	Size	TobinQ	Duality	Debt	ROA	TEpTAs	CashToAs	PM
Gowned	1.0000	-1.0000(***)	0.2942(***)	-0.0551(***)	0.1500(***)	-0.0480(*)	0.0896(***)	-0.2746(***)	0.0556(***)	0.0138
		0.0000	0.0000	0.0081	0.0000	0.0212	0.0000	0.0000	0.0075	0.5071
Ngowned		1.0000	-0.2942(***)	0.0551	-0.1500(***)	0.0480(**)	-0.0896(***)	0.2746(***)	-0.0556(***)	-0.0138
			0.0000	0.0081	0.0000	0.0212	0.0000	0.0000	0.0075	0.5071
Size			1.0000	-0.2344(***)	0.0088	0.1175(***)	0.0586(***)	-0.2003(***)	-0.1290(***)	0.0338
				0.0000	0.6727	0.0000	0.0048	0.0000	0.0000	0.1041
TobinQ				1.0000	-0.0170	0.1402(***)	0.1962(***)	0.1389(***)	0.2111(***)	0.0127
					0.4137	0.0000	0.0000	0.0000	0.0000	0.5429
Duality					1.0000	0.0275	0.0693(***)	0.0613(***)	0.0206	-0.0423(**)
						0.1863	0.0009	0.0032	0.3228	0.0421
Debt						1.0000	-0.1719(***)	0.0995(***)	-0.1566(***)	-0.0393(*)
							0.0000	0.0000	0.0000	0.0590
ROA							1.0000	0.0839(***)	0.2297(***)	0.1737(***)
								0.0001	0.0000	0.0000
AC								1.0000	0.1187(***)	0.0015
									0.0000	0.9418
Gowth									1.0000	0.0392(*)
										0.0598
PM										1.0000

*** Correlation is significant at the 0.01 (2-tailed)

** Correlation is significant at the 0.05 (2-tailed)

* Correlation is significant at the 0.1 (2-tailed)

A. MARKET CAPITALIZATION AND SHAREHOLDING LEVELS OF LISTED GLCS

No	Company	Market Cap (RM millions)	Total Govt Shareholding (%)
1	Malayan Banking Berhad	44,708	63.5
2	Telekom Malaysia Berhad	34,871	63.8
3	Tenaga Nasional Berhad	32,966	73.7
4	M.I.S.C Berhad	29,387	72.1
5	Sime Darby Berhad	14,214	57.3

6	Petronas Gas Berhad	14,148	89.8
7	PLUS Expressways Berhad	13,350	77.0
8	BCH Berhad	12,495	47.9
9	Golden Hope Plantations Berhad	5,466	78.8
10	Malaysia Airline System	4,838	80.8
11	Proton Holdings Berhad	4,586	68.8
12	Petronas Dagangan Berhad	3,954	78.0
13	Island & Pennisular Berhad	3,781	56.3
14	UMW Holdings Berhad	2,523	58.6
15	Kumpulan Guthrie Berhad	2,224	82.5
16	Affin Holdings Berhad	2,112	54.3
17	Malaysian Airports Holdings Berhad	1,639	77.3
18	Bintulu Port Holdings Berhad	1,568	71.3
19	POS Malaysia	1,471	35.4
20	NCB Holdings Berhad	1,298	60.2
21	UEM World Berhad	1,291	50.8
22	MIDF Berhad	1,259	40.1
23	Boustead Holdings Berhad	1,004	71.3
24	BIMB Holdings Berhad	963	67.6
25	CCM Berhad	881	69.4
26	Malaysian Nasional Reinsurance Bhd	714	69.3
27	MNI Holdings Berhad	707	84.6
28	UDA Holdings Berhad	692	56.7
29	MRCB	542	30.6
30	Pelangi Berhad	429	43.2
31	Time Engineering Berhad	336	51.9
32	Malaysia Building Society Berhad	252	79.1
33	Faber Group Berhad	127	41.4
34	Formosa Prosonic Industries Berhad	111	28.5
35	Central Industrial Corporation Berhad	66	38.6
36	Ya Horng Electronics (M) Berhad	51	29.6
37	Hunza Consolidation Berhad	47	19.1
38	D'Nonce Technology	41	24.4
39	Johan Ceramics Berhad	31	73.4

B. MARKET CAPITALIZATION OF SUBSIDIARIES OF GLCs

No	Company	Holding Company	Market Cap (RM millions)
40	CIMB Berhad	BCHB (formerly Commerce Asset Holdings Berhad)	4,371
41	Highlands & Lowlands Berhad Kumpulan	Guthrie Berhad	2,176
42	Sime UEP Properties Berhad	Sime Darby Berhad	1,739
43	UEM Builders Berhad	UEM World Berhad	1,002
44	Time Dotcom Berhad	Time Engineering Berhad	974
45	Boustead Properties Berhad	Boustead Holdings Bhd	939
46	Tractors Malaysia Holding Berhad	Sime darby Berhad	785
47	Pharmaniaga Berhad	UEM World Berhad	551
48	Guthrie Ropel Berhad	Kump Guthrie	467
49	Sime Engineering Services Berhad	Sime Darby Berhad	441
50	UAC Berhad	Boustead Holdings Bhd	366
51	Negara Properties (M) Berhad	Golden Hope Plantations Berhad	280
52	Cement Industries of Malaysia Berhad	UEM World Berhad	231
53	Sykt Takaful Malaysia Berhad	BIMB Holding Berhad	172
54	Vads Berhad	Telekom Malaysia Berhad	163
55	Acoustech Berhad	Formosa Prosonic Industries Berhad	131
56	Mentakab Rubber Company (Malaya) Berhad	Golden Hope Plantation Berhad	129
57	Opus International Group PLC	UEM World Berhad	128