UNIVERSITI TEKNOLOGI MARA

GOVERNMENT OWNERSHIP AND FINANCING STRUCTURE OF GOVERNMENT-LINKED COMPANIES (GLCs) AND THEIR PERFORMANCE

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Dissertation submitted in partial fulfillment of the requirements for the degree of Master of Accountancy

Faculty of Accountancy

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Page 1
ABSTRACT

The relationship between government ownership and GLCs performance has been an issue of interest among academics, investors and policy makers. This is due to certain GLCs have been reported underperformed in their market and financial performance. Hence, the current study aims to examine the effect of government ownership on firm performance among government-linked companies (GLCs) in Malaysia. It is believed that government ownership serves as a control mechanism that lead to better company performance after controlling company characteristics and after the introduction of Transformation Program in 2005. Beside, this research examines the interaction between government ownership and financial leverage on company’s performance. This study was based on a sample of 25 companies listed on Bursa Malaysia over a period from 2007 to 2010 and used ROA and ROE as performance measures. The regression analysis showed that there was no significant relationship between government ownership and company’s performance. However, financial leverage appears to have significant relationship with GLCs performance only in 2007 and 2009. This finding is consistent with the argument that certain GLCs in Malaysia have been more concerned with political and social objective rather than profit maximization motivated.

Keywords: Government Ownership, Government-Linked Companies, Financial leverage
# TABLE OF CONTENT

Abstract                                           ii
Acknowledgement                                    iii
Table of Contents                                  vi
List of Tables                                     viii
List of Figures                                    ix
List of Appendices                                ix
List of Abbreviations                             x

## CHAPTER 1  INTRODUCTION

1.1 Background of GLCs in Malaysia                  1
1.2 GLCs' Transformation Program                   2
1.3 Performance of GLCs                             5
1.4 Problem Statement                               8
1.5 Objective of the Study                         13
1.6 Research Question                              15
1.7 Contribution of the Study                      15
1.8 Organisation of the Chapter                    18
1.9 Summary                                        19

## CHAPTER 2  LITERATURE REVIEW

2.0 Introduction                                    20
2.1 The Development of GLCs in Malaysia             20
  2.1.1 The GLCs' Transformation Program            22
2.2 Government Ownership and Firm Performance       23
2.3 Financial Leverage and Firm Performance         29
  2.3.1 Financial Leverage and Financing Structure  29
  2.3.2 Financial Leverage and Firm Performance     31
2.4 Board Structure and Firm Performance            34
  2.4.1 Corporate Governance Mechanism              34
  2.4.2 Board Size and Firm Performance              36
2.5 Agency Theory                                   39
2.6 Theoretical/Conceptual Framework                41
2.7 Summary                                         43
CHAPTER 3  RESEARCH METHODOLOGY

3.0 Introduction 44

3.1 Development of Hypothesis

3.1.1 Government Ownership and Firm Performance 45

3.1.2 Financial Leverage and Firm Performance 46

3.1.3 Board Size and Firm Performance 48

3.1.4 Control Variable – Firm Size 50

3.2 Measurement of Variables 51

3.2.1 Measurement of Dependent Variable Profitability Analysis Ratio 54

3.2.1.1 a) Return on Asset 55

3.2.1.2 b) Return on Equity 56

3.2.2 Measurement of Independent Variable 56

a) Government Ownership 57

b) Financial Leverage 57

c) Board Size 58

3.2.3 Measurement of Control Variable 59

3.3 Sample of Population 60

3.4 Data Collection Method 62

3.4.1 Annual Report and Content Analysis 62

3.5 Data Analysis 64

3.5.1 Test of Normality 64

3.5.2 Reliability Test 65

3.5.3 Descriptive Statistics 65

3.5.4 Correlation Statistics 66

3.5.5 Level of Significance 67

3.5.6 Multiple Regression 67

3.5.7 Summary 68