



UNIVERSITI TEKNOLOGI MARA

**SHARE PRICE AND PERFORMANCE: THE
EMPIRICAL STUDY ON THE GOVERNMENT-LINK
COMPANIES (GLCS) IN MALAYSIA**

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ABSTRACT

There are massive factors that have been considered as critical constructs of the performance evaluation of the GLCs. In addition, besides the general performance, the shareholder is more interested in the share price. Although the GLCs holding around 36 percent of the market, however, it appears to be performing poorly due to a number of economic events such as recession and pandemic COVID-19. Thus, due to that fact, this study will provide some clear cut on how to assist GLCs in performing at the required level so that they can contribute to the share price. The primary goal of this study is to investigate the possible relationship between Malaysian government-linked enterprises' financial performances (independent variables) with the share price. This study examined the yearly financial statements of five (5) GLCs listed on Bursa Malaysia from 2001 to 2020. Share price is used as the dependent variable, whereas liquidity ratio (measured by current ratio), profitability ratio (measured by return on assets and return on equity) and leverage ratio (measured by debt-to-equity ratio) will be used as independent variables. The information for this study was gathered from internet sources such as Eikon Datastream. Following that, this study was analysed using descriptive statistics and the panel least square (PLS) method. The result of these studies found that the current ratio, return on assets, and debt-to-equity ratio all have a positive effect on the share price of GLCs. They do, however, have a negative effect on the return on equity ratio.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Government-linked companies (GLCs) are those that are owned directly or indirectly by the government. The government should be the majority shareholder or the single largest shareholder, with the authority to make decisions in the corporation. GLCs are enterprises with a primary commercial goal in which the Malaysian government has a direct controlling share. The government's capacity to choose board members, senior management, and/or make significant decisions for GLCs, either directly or through government-linked investment companies (GLICs) is referred to as a "controlling stake." Companies such as Telekom Malaysia (TM), Tenaga Nasional Berhad (TNB), Maybank, and Petronas are examples.

GLICs, often known as the seven sisters, invest on behalf of the government and the general public, with each having its specific mandate. Minister of Finance (incorporated) is MoF's holding corporation and Malaysia's sovereign wealth fund is known as Khazanah. The first goal of Khazanah is to increase financial assets and diversify the country's revenue sources, and the second is to hold assets that bring long-term economic advantages. Both make investments on behalf of the government. Meanwhile, Kumpulan Wang Simpanan Pekerja (KWSP), Tabung Haji, Lembaga Tabung Angkatan Tentera, Kumpulan Wang Persaraan (KWAP) and Permodalan Nasional Berhad (PNB). All of these are investments made on behalf of the people.

GLC can be regarded a company, and GLC can be companies that are owned by GLIC, and GLIC can also indirectly own a GLC. Some GLCs are owned by a small number of GLICs, however there are also GLCs that are not owned by a GLIC. Simply said, think of it as a family tree, and if its lineage can be traced back to the government, it may be called a GLC, and if all of them are combined, it will most likely be one of the world's largest sovereign wealth funds. As a result, GLCs are created to assist with market failures.