

**MANAGERIAL SHAREHOLDINGS AND PERFORMANCE OF LISTED COMPANIES IN
MALAYSIA**



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4. Enhanced Research Title and Objectives

Original Title as Proposed:

Managerial and Institutional Shareholding and Performance of Malaysian Public Listed Companies

Improved/Enhanced Title:

Managerial Shareholding and Performance of Listed Companies in Malaysia

Original Objectives as Proposed:

1. To investigate whether ownership by manager and institutions will improve firm performance.
2. To determine whether managerial and ownership concentration will affect firm performance.

Improved/Enhanced Objectives:

1. To examine the effect of different managerial ownership levels on firm performance (ROA, ROE and EPS)
2. To determine whether a significant non-linear relationship exist between managerial ownership and firm performance

2. Letter of Offer (Research Grant)

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Tarikh : 17 Mei 2012

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KELULUSAN PERMOHONAN DANA KECEMERLANGAN 01/2012

Tajuk projek	:	Managerial And Institutional Shareholding And Performance Of Malaysian Public Listed Companies
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Dengan segala hormatnya perkara di atas adalah dirujuk.

Sukacita dimaklumkan bahawa pihak Universiti telah meluluskan cadangan penyelidikan puan untuk membiayai projek penyelidikan di bawah Dana Kecemerlangan UiTM.

Bagi pihak Universiti kami mengucapkan tahniah kepada puan kerana kejayaan ini dan seterusnya diharapkan berjaya menyiapkan projek ini dengan cemerlang.

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Sekian, Terima kasih.

"Transformasi Berkualiti Ke Arah Kecemerlangan"

Yang benar

PROF. MADYA DR. HAIDAR DZIAUDDIN
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5. Report

5.1 Proposed Executive Summary

The issue of corporate governance in Malaysia emerged in 1997 and fast became a very important topic. Corporate governance is, to a large extent a set of mechanisms through which outside investors protect themselves against expropriation by insiders. Managerial and institutional ownership are the corporate governance mechanisms used in corporations to overcome agency problem between manager-shareholders. However greater used of this mechanism will not necessarily ensure that corporations could eliminate the problem of wealth expropriation by managers, whereas it may be create another agency problem. The controlling shareholders, either individuals/families, or institutional/corporations, are in the position to expropriate minority interest using their dominant voting right This suggests that large ownership will adversely affect corporate value; increasing ownership has negative relation with firm performance. An issue arise here is what is the effect of institutional and managerial ownership on firm performance of companies in Malaysia?

This research is going to investigate whether increasing ownership by manager and institutions to a certain level will improve firm performance.

Managerial and institutional ownership will be measured through percentage shareholdings of companies' directors and institutions of a particular company. Firm performance will be measured by two ratios namely return on equity(ROE) and stock return. Multiple linear regressions will be used to test the value of a firm and its relation with managerial and institutional ownership. The data on shareholdings, ROE and stock return will be averaged over the few years period.