

**EFFICIENCY PERFORMANCE OF MALAYSIAN LISTED GOVERNMENT LINKED
COMPANIES (GLCs) : A STOCHASTIC FRONTIER ANALYSIS**



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When the government launched the Government Linked Companies Transformation (GLCT) Programme in May 2004, the main thrust, amongst others, was to improve the firms' operational performance. Since these government-controlled firms are the frontrunners in their respective industries, their performance should gradually converge with the international standard. This preliminary study on GLCs performance attempts to gauge the technical efficiency of GLCs and benchmarks the result with top foreign owned firms listed in *Bursa Malaysia*. The study uses an unbalanced panel dataset of 31 existing GLCs over a period of 9 years (2000-2008) using the stochastic frontier model. The findings show mean technical efficiency of GLCs is gradually moving towards the frontier but it still relatively low compared to the benchmarked firms that represent international standard. The trend even declined drastically at the later period showing a wider gap against the international benchmark, hence, questioning its sustainability in the wake of global trade competitiveness and economic challenges. The PCG monitored GLCs do not show significant variation from the other GLCs and this should spark further study as to why transformation has not much improved the performance of these firms. The findings hope to contribute to the growing literature on firms' efficiency focusing on privatized firms in developing countries.

1.0 INTRODUCTION

1.0.1 Background of Study

The creation of government linked companies (GLCs) started when the Malaysian government implemented its privatization programme in the 1980s. The privatization policy includes many privatization techniques, amongst them, is the transfer of former state owned enterprises (SOEs) to private ownership and to participate in profit oriented business concern. As private transfers are minimal and equity ownership is still largely in the hand of the state, these privatized firms are often known as government linked companies.

At the federal government level, the creation of GLCs was made via the Ministry of Finance (MOF) Inc. MOF invested heavily through its Government-Linked Investment Companies (GLICs), namely Khazanah Nasional Bhd (Khazanah), Kumpulan Wang Amanah Pencen (KWAP), Employees Provident Fund (KWSP), Lembaga Tabung Angkatan Tentera (LTAT), Permodalan Nasional Bhd (PNB), and Lembaga Tabung Haji (LTH) which directly holds ownership to the GLCs (Putrajaya Committee on GLC High Performance Report, 2006).