

**EVALUATING THE PERFORMANCE OF PRIVATISED GOVERNMENT
COMPANIES AFTER PRIVATISED AND AFTER LISTED ON
THE KUALA LUMPUR STOCK EXCHANGE**

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ABSTRACT

Privatisation program has been expanding throughout the world. The Government role in implementing this program is cannot be denied. Privatisation has been known as one of the way for the Government to eliminate monopolies, increase efficiency and lower prices to the consumers. It is based on the realisation that Governments only function is to govern and not to engaged in profit-making enterprises.

Malaysia has initiated the privatisation program in March 1983 in conjunction with Malaysia Incorporated policy which aims to increase not only the level of cooperation between the Government and the private sector but at the same time to maintain the economic growth. Privatisation has expanded the Malaysian capital market whereby 11 out of the 15 privatised companies listed on the KLSE have achieved the RM1 billion market capitalisation and the 15 companies represent 22% of total market capitalisation of RM535.6 billion of the KLSE.

This project paper is emphasizing on the performance of 2 privatised government companies; Syarikat Telekom Malaysia Berhad (STMB) and Tenaga Nasional Berhad (TNB). The performance of these 2 privatised government companies are evaluated after the companies are privatised and after it has been listed on the KLSE until the year 1994. In conducting the evaluation of the financial performance, ratio analysis will be used as the tools to determine its performance. The ratios used to determine its performance are liquidity, profitability, leverage and activity ratios.

CHAPTER 1

INTRODUCTION

Privatisation was initiated in March 1983 to maximise profitability and improve economic and general performance of several key services to ensure rapid growth of the nation. Under the National Development Policy and the Second Outline Perspective Plan (1991 - 2000) the private sector is encouraged to play an active role in the growth of the economy.

Privatisation is based fundamentally on the superiority of market forces to achieve efficiency through competition in the privatised industries. The privatisation policy in Malaysia is now about 12 years old. Over the past 12 years, privatisation has been known as the tools for higher efficiency, lower public sector expenditure and sustained growth. And the successful privatisation exercises undertaken by local merchant banks are Malaysia International Shipping Corporation (MISC), Malaysian