UNIVERSITI TEKNOLOGI MARA

THE DETERMINANTS OF PUBLIC LISTED COMPANIES' SIZE: A COMPARISON BETWEEN GOVERNMENT LINKED COMPANIES (GLC) AND NON-GLCS.

AHMAD SYAHMI BIN AHMAD LIZA
2019814238

Thesis submitted in partial fulfillment
of the requirements for the degree of
Bachelor of Business Administration
(Investment Management)

Faculty of Business and Management

July 2021

ABSTRACT

The purpose of this study is to evaluate the determinant of company's size from government link companies (GLCs) and non-GLCs. The GLCs and as well as non-GLCs have played a significant role in shaping the economic structure of Malaysia and they have a significant presence in the corporate sector. The independent variables use to conduct the study is return on assets (ROA), debt ratio, profitability and return on equity (ROE). The panel data is used for the comparative of GLCs and non-GLCs based on 5 years data selected from 2016-2020 in assessing the relationship between the dependent and independent variables. The financial data is taken from an annual report company and Bursa Marketplace financial report. The result for GLC companies in this study shows that return on assets (ROA) and debt ratio are the significant variables toward the size of company as they have a p-value that is lower than 5 percent significant level. Among the 2 variables, return on assets (ROA) is the most affecting variable toward the size of company as it has the highest coefficient among the 2 significant variables. On the other hand, for the non-GLC companies, only profitability has a significant relationship with company size.

ACKNOWLEDGEMENT

First of all, I would like to express our gratitude to Allah S.W.T for the completion of this assignment. Without His blessing, this assignment will not be completed.

I would also like to express my gratitude and appreciation to all those people who help me in completing this assignment. It would not have been possible without the kind support and help of many individuals. I would like to extend our sincere to all of them.

I am highly grateful to my advisor, Puan Ruziah A. Latif, for her guidance and constant supervision as well as for providing necessary information regarding this study and also for her support in completing this research paper.

Finally, I am highly appreciating my parents, families and friends for their kind cooperation, stimulating suggestion and encouragement which help me in completion of this research. Also, thank you for their support and advices to me that make me feel enthusiasm in completing this research paper.

TABLE OF CONTENT

CHAPTER 1 - INTRODUCTION

1.1 INTRODUCTION

In Malaysia, the government has proactively involved in government linked companies (GLCs). GLCs, which comprise of 36 percent of the market capitalization of the Malaysian stock market, play a significant role in the development of the country's economy. Government linked companies (GLCs) are defined as companies which Malaysian government hold a substantial control stakes through government investment arms, namely Khazanah Nasional Berhad (KNB), Kumpulan Wang Simpanan Pekerja (KWSP), Kumpulan Wang Amanah Pencen (KWAP), Lembaga Tabung Angkatan Tentera (LTAT), Lembaga Tabung Haji (LTH), Kementerian Kewangan Diperbadankan (MKD), and Permodalan Nasional Berhad (PNB).

Through these government-linked Investment Companies (GLICs), these GLCs enjoy benefits such as political connection, government subsidies, tax discounts, market power or monopoly and to some extent, government obligations to rescue the outstanding debt from default, Ismail (2014). As the majority shareholders, government plays a crucial role in setting the financial policy of GLCs to ensure their success. Government-linked companies (GLCs) and government-linked investment companies (GLICs) have played a significant role in shaping the economic structure of Malaysia and they have a significant presence in the corporate sector.

The main objective in this study is to determine which independent variable that affected the most toward the size of GLCs and non-GLCs. In this situation, the study concentrate on government involvement in public listed companies in Bursa Malaysia and compare with other selected companies which categorized as non GLCs.

1.2 BACKGROUND OF THE STUDY

Over several decades, rationalised by the need to further strengthen the economic performance, public sector reform in Malaysia continues to be an important government agenda. The Malaysia GLCs play a major role in helping to develop the economy of the country. However, due to the impact of 1997/1998 Asian Financial Crisis, the GLCs performance had been weak over the years reported by the Ministry of Finance in year 2007.