

**OWNERSHIP CONCENTRATION AND FIRM'S PERFORMANCE
EVIDENCE FROM THE MALAYSIAN EXCHANGE**



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TAJUK PROJEK: CORPORATE GOVERNANCE AND PERFORMANCE

Dengan hormatnya perkara di atas adalah dirujuk.

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1. Meluluskan cadangan penyelidikan yang dikemukakan oleh puan serta Encik Hamri Tuah dari Universiti Malaysia Sarawak.
2. Tempoh penyelidikan adalah selama 1 tahun, iaitu mulai 12 April 2003 hingga 11 April 2004.
3. Kos yang diluluskan adalah sebanyak RM 10,000.00.
4. Penggunaan geran yang diluluskan hanya akan diproses setelah perjanjian ditandatangani.
5. Semua pembelian peralatan yang kosnya melebihi RM 500.00 setiap satu perlu dibuat melalui Bahagian Bendahari, UiTM Cawangan Sarawak. Pihak Puan juga dikehendaki mematuhi peraturan-peraturan yang berkaitan dengan penerimaan peralatan tersebut. Panduan penerimaan peralatan baru dan pengurusannya, dilampirkan.

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ABSTRACT

This study investigates the effect of ownership structure and concentration on firm's performance. Ownership structure and concentration were determined by observing ownership with regard to identity and ownership with significant variables and the relative importance of each predictor on the performance indicators i.e. firms profitability. Firm's profitability is measured by return on assets, return on capital employed and operating margin. The study involved pooled data over a period of 4 years (1998-2001) with a total of 402 observations extracted from the Malaysian Stock Exchange Berhad. The results showed that 80% of the owners were individual owners, other companies and nominees. There is minimal government, social responsible funds and family involvement in these companies. Apparently, diffused ownership is the norm. The top 5 and 10 shareholders hold an approximate 50% and 60% respectively of the shares in these firms. The finding revealed that none of the variables were consistently significant over the 4 years. Implicitly, this implies that ownership structure and concentration of ownership were not able to exert total control over the governance of the firm through monitoring the actions of the managers. Arguably this study makes a contribution to the extant literature on governance and an interesting perspective on a developing country.

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter highlights the background, objectives, significance and scope of the research.

1.1 Background of the Study

According to the encyclopedia of corporate governance (ENCYCOGOV.COM), the ownership history of large enterprise began with entrepreneurial capitalism, which started about 1650 in Western Europe. This was the era when corporations were controlled and owned by the managers. It evolved into managerial capitalism, which started about 1860 in Western Europe and USA. This was the era of listed corporations controlled by managers but mainly owned by various non-managers. Finally, in the information age, it culminated into institutional capitalism, which started about 1980 in Western Europe, USA and Japan. This was the era of corporations controlled by managers but mainly owned by financial institutions.

Low (2002) reviewed literature dating from Berle's and Means (1933) work on separation of ownership and control until La Porta et. al.'s recent works on the issue and found that contemporary evidence suggests that a concentrated ownership exists, particularly in East Asia. They further revealed that empirical research on corporate governance, with the exception of Japan, in the rest of East Asia is minimal. In Malaysia, corporate governance was given the extra attention only after the Asian Financial Crisis.

1.2 Statement of the Problem

Observers had pinned downed one of the major contributors of the vulnerability of certain companies and the economy in general was poor governance. Against this observation, the high-level Finance Committee on Corporate Governance (Finance Committee) was established by the Minister of Finance in 1998, which culminated in the publication of the Malaysian Code on Corporate Governance in 2000.