

**Corporate Performance and Ownership Structure:
A Comparative Analysis Between
Bumiputera and Non-Bumiputera Controlled Companies**

Nor Aizurawati Aminudin

**Bachelor of Business and Economics
Lehigh University
Bethlehem, PA.
United States of America
1998**

**Submitted to the Faculty of Business and Accountancy,
University of Malaya, in partial fulfillment
of the requirements for the Degree of
Master of Business Administration**

February 2000

Perpustakaan Universiti Malaya



A510146782

ABSTRACT

New Economic Policy (NEP) 1970-1990, in general had changed the outlook of Malaysian economy. Resulted from the policy, Bumiputera companies have been awakened to compete more aggressively with the Non-bumiputera companies in exploiting the country's wealth. This paper attempts to see the performance of bumiputera companies as compared to the non-bumiputera companies after the NEP era. The objective is to analyze whether ownership structure has influence over the performance of Malaysian public listed companies. Ownership structure is viewed from two perspectives, ethnic ownership and concentration of ownership. Performance of companies is mainly viewed from the aspect of accounting profit performance, like ROE, ROA, and NPM. The results show that ethnic ownership would not have influence over the companies in Malaysia. In other words, the performance of bumiputera and non-bumiputera were equally competitive. This could be due to the distinguished strong motivating factors that each ethnic had. The bumiputera companies managed to remain competitive, as they had been receiving various kinds of privileges and support from the government. The non-bumiputera, especially the Chinese communities, on the other hand, were known for their productivity and excellent entrepreneurial skills. Therefore, there was no indication that ethnic ownership would determine the performance of companies, as each ethnic had their distinguished motivating factors to boost up the performance. In addition, the study also found the level of concentration ownership would not influence the performance of companies. Regardless of the level of concentration of ownership, bumiputera controlled companies would have equal opportunity for the government support. As for the non-bumiputera companies they could fully utilize their entrepreneurial skills if they have high level of ownership in the companies. There was also a claim that some non-bumiputera companies were less concentrated, because they were willing to dilute the ownership to bumiputera in order to have access to bumiputera privileges and continue being competitive in the market. Hence, ownership structure would not have impact on the performance of companies' accounting profits.

ACKNOWLEDGEMENT

To these very important people,

Dearest supervisor, Assoc. Prof. Dr. M. Fazilah Abdul Samad

Abah, Haji Aminudin Haji Wahab

Emak, Hajjah Maria Haji Ibrahim

Siblings, Kak Ija, Ali, Ami, Ana, & Ifi

Lecturers of UMMBA

Coursemates of UMMBA, especially, Lua Yoke Ping, Priscilla, Chan See Yan, & Maran

The people at Faculty of Business & Accountancy, University of Malaya

... thanks for the guidance and inspiration !

TABLE OF CONTENTS

Abstract	
Acknowledgement	
Table of Contents	
List of Tables	

Chapter 1 : INTRODUCTION

1.1 Overview	1
1.2 Significance and Objectives of the Study	3
1.3 Research Questions	4
1.4 Scope of the Study	5
1.5 Limitations of the Study	5
1.6 Organization of the Study	6

Chapter 2 : LITERATURE REVIEW

2.1 NEP and the Bumiputera	8
2.2 NEP and the Non-Bumiputera	10
2.3 Ownership Structure and Firms' Performance	11
2.3.1 Agency Problem and Managerial Ownership	12
2.3.2 Agency Problem and Ownership Concentration	14
2.3.3 Malaysian Findings on Ownership Structure and Firms' Performance	17

Chapter 3 : RESEARCH METHODOLOGY

3.1 Hypotheses Formulation	19
3.2 Sample Selection	
3.2.1 Definition of Bumiputera and Non-Bumiputera Controlled Companies	22
3.2.2 Definition of Concentrated Companies	22
3.2.3 Period of the Study	23
3.2.4 Sample Size	23
3.3 Empirical Analysis	
3.3.1 T-Test	24
3.3.2 Regression Analysis	25
a. Dependent Variables	25
b. Independent Variables	26
c. Regression Models for the Hypotheses	28

Chapter 4: RESEARCH RESULTS

4.1 Performance of Bumiputera and Non-Bumiputera Controlled Companies	29
4.2 Analyses for Hypothesis 1	
4.2.1. The Impact of Ethnic Ownership on ROE	33
4.2.2. The Impact of Ethnic Ownership on ROA	35
4.2.3. The Impact of Ethnic Ownership on NPM	37
4.3 Analyses for Hypothesis 2	
4.3.1. Analyses for Hypothesis 2a	
4.3.1.a. The Performance of Highly Concentrated and Less Concentrated Bumiputera Companies	39
4.3.1.b. The Impact of Ownership Concentration on Bumiputeras' ROE	42
4.3.1.c. The Impact of Ownership Concentration on Bumiputeras' ROA	44
4.3.1.d. The Impact of Ownership Concentration on Bumiputeras' NPM	45
4.3.2. Analyses for Hypothesis 2b	
4.3.2.a. The Performance of Highly Concentrated and Less Concentrated Non-Bumiputera Companies	46
4.3.2.b. The Impact of Ownership Concentration on Non-Bumiputeras' ROE	49
4.3.2.c. The Impact of Ownership Concentration on Non-Bumiputeras' ROA	51
4.3.2.d. The Impact of Ownership Concentration on Non-Bumiputeras' NPM	52
4.4. Summary of the Findings	53

Chapter 5 : CONCLUSION

5.1. Summary and Conclusion	55
5.2. Recommendations for Future Research	58

References
Appendices

List of Tables

1. Table 4.1: T-Test for the Performance Variables Measured – Comparison of the means for Bumiputera and Non-bumiputera Companies.
2. Table 4.2: Regression Analysis: ROE with Respect to Dummy, SA, DT, and G
3. Table 4.3: Regression Analysis: ROA with Respect to Dummy, SA, DT, and G
4. Table 4.4: Regression Analysis: NPM with Respect to Dummy, SA, DT, and G
5. Table 4.5: T-Test for the Performance Variables Measured – Comparison of the means for Bumiputera companies with high concentration and low concentration ownership.
6. Table 4.6: Regression Analysis: ROE_{Bumip} with Respect to SA_{Bumip} , DT_{Bumip} , G_{Bumip} and C_{Bumip}
7. Table 4.7: Regression Analysis: ROA_{Bumip} with Respect to SA_{Bumip} , DT_{Bumip} , G_{Bumip} and C_{Bumip}
8. Table 4.8: Regression Analysis: NPM_{Bumip} with Respect to SA_{Bumip} , DT_{Bumip} , G_{Bumip} and C_{Bumip}
9. Table 4.9: T-Test for the Performance Variables Measured – Comparison of the means for Non-Bumiputera companies with high concentration and low concentration ownership.
10. Table 4.10: Regression Analysis: $ROE_{Non-Bumip}$ with Respect to $SA_{Non-Bumip}$, $DT_{Non-Bumip}$, $G_{Non-Bumip}$ and $C_{Non-Bumip}$
11. Table 4.11: Regression Analysis: $ROA_{Non-Bumip}$ with Respect to $SA_{Non-Bumip}$, $DT_{Non-Bumip}$, $G_{Non-Bumip}$ and $C_{Non-Bumip}$
12. Table 4.12: Regression Analysis: $NPM_{Non-Bumip}$ with Respect to $SA_{Non-Bumip}$, $DT_{Non-Bumip}$, $G_{Non-Bumip}$ and $C_{Non-Bumip}$
13. Table 4.13: Results Summary of the Regression Analyses