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
ABSTRACT

New Economic Policy (NEP) 1970-1990, in general had changed the outlook of Malaysian economy. Resulted from the policy, Bumiputera companies have been awaken 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, Hajah 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 ................................................ 22  
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 .............................................. 24  
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 with Respect to SA, DT, G and C

7. Table 4.7: Regression Analysis: ROA with Respect to SA, DT, G and C

8. Table 4.8: Regression Analysis: NPM with Respect to SA, DT, G and C

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 with Respect to SA, DT, G and C

11. Table 4.11: Regression Analysis: ROA with Respect to SA, DT, G and C

12. Table 4.12: Regression Analysis: NPM with Respect to SA, DT, G and C

13. Table 4.13: Results Summary of the Regression Analyses