Chapter 5

CONCLUSION

5.1. Summary and Conclusion

In general, the statistical analysis shows no significant different in performance between bumiputera companies and non-bumiputera companies. Bumiputera and non-bumiputera were equally competitive during the economic booming period! Although, bumiputera had better means for ROA, NPM, and SA, while non-bumiputera had encouraging means for ROE, DT, and G; there was lack of statistical evidence to prove that one of the two groups was more superior in performance than the other.

The possible explanation for such result could be due to the profile of each group. Mainly, bumiputera companies had gained lots of assistance from the government. The assistance included the priority in taking up government projects, quotas of bumiputera involvement in business activities, as well as privileges for government facilities. Hence, these assistance and intervention by the government through NEP had helped the bumiputera to generate more sales and become more competitive. Meanwhile, the competitive performance of non-bumiputera could be due to their productivity and excellency in entrepreneurial.

Consistent with Kwabena (1993), there was no significant relationship could be assumed on the impact of ethnic ownership on firms' performance. The statistically insignificant results for the relationship were consistent for the three performance indicators used namely ROE, ROA, and NPM. These findings were in line with the earlier findings that bumiputera and non-bumiputera companies were equally competitive. The strengths that each group was having had managed to bring them to the same level of competitiveness. Malays had managed to utilize the privileges given by the government to improve their status in the Malaysian economy. Meanwhile, the Chinese had continuously improve
their productivity and utilize their expertise in entrepreneurial to remain competitive in the economy, despite of the priorities given to the bumiputera. Thus, in other words, ethnic ownership could not justify the level of performance of companies in Malaysia. However, the analyses were done on the performance of accounting profit merely. Ethnic ownership might have some impact on non-accounting performance of those companies, such as in terms of technology advancement, expansion, and innovations.

When concentration of ownership was concerned, bumiputera companies showed no statistical evidence to justify the impact of high concentrated bumiputera ownership on firms' performance, regardless of the performance indicators. The possible explanation could be because most bumiputera companies as indicated before, had been receiving various kinds of help from government. Thus, regardless of the level of ownership concentration, any bumiputera companies deserved equal access to the government privileges. Thus, level of concentration would not determine the ability to get active and be competitive in the market in order to gain higher accounting profits.

When the impact of concentration of ownership was analyzed on non-bumiputera, the similar findings with the findings on bumiputera companies could be observed. Concentration of ownership would not give any significant impact on ROE, ROA, and NPM of non-bumiputera companies. The possible explanation could be when the Chinese companies were highly concentrated, the large shareholders of the companies were mainly large institutions and individuals with family bonding. Thus, the superiority of accounting profit performance would always be secured.

Meanwhile, the Chinese companies with less ownership concentrated might have diluted portion of equity to influential bumiputera politicians and bureaucrats in order to get easy access to better business opportunities in the state-protected national economy (Jomo and Gomez, 1997). Furthermore, Chinese also mostly
funded their businesses with equity financing. Thus, low ownership concentration would also represent one of the strategies in making use of the equity market effectively. Gomez (1999) explained the main reasons how Chinese capital has managed to grow in Malaysia; "productive, entrepreneurial deployment of economic benefits secured from the states, effective use of stock market to secure funds to finance the expansion of their groups, and cultivation of patrons from the political leadership," (p.186). Apparently, in any situations, the Chinese would always work hard to find ways and means in maintaining their accounting profit performance. Therefore, level of concentration ownership would not influence their accounting profit performance.

In order to answer the first and second research questions, it is found that bumiputera companies were highly dependent to the governments' help. They mostly survive on the governments' protections and assistance. Most of the Malays companies in general had not been able to establish a strong core-competence of their businesses.

In conclusion, after analyzing the results on equity ownership and concentration of ownership, it is safe to say that ownership structure would not have significant impact on Malaysian public listed companies' accounting profit performance, like ROE, ROA and NPM, during the booming period. This result is similar to most of the previous findings in this area, especially, the findings done locally by Kwabena (1993), Ling (1995), and Yee (1998). However, this study was totally done on the performance of accounting profit, some relationship could be observed between ownership structure and non-accounting performance of companies, like name recognition among the communities itself, management skills, expansions, and innovations.
5.2. Recommendations for Future Research

This research could have demonstrated how NEP had changed the outlook of Malaysia's economy by bringing in more Malays or Bumiputera to participate actively in business activities. However, the study was only considering the period of economic booming. A continuing study to compare the bumiputera and non-bumiputera performance after the July 1997 economic crash could be essential in order to see how independent or dependent the bumiputera companies to the government.