CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

This is a study of ownership structure and performance on Malaysian public-listed companies. The effect of ownership structure on corporate performance is significant because of the impact of corporate economy on the society. Corporations are important for the economy as its roles as the generators of income for the state and country, employers of people, owners of tangible wealth and earners of income.

In this paper, we studied the relationship between ownership structure and corporate performance. We examined the ownership structure in two ways, i.e. ownership concentration and insider ownership in the companies. The corporate performance is measured using the book value of accounting ratios, i.e. ROE, ROA, and MBR, the market value of the corporation.

Corporate performance is related to ownership structure because of the distribution of shares in a corporation will determine whether the management will always act at the best interest of the owners and affects the performance or value of the corporation.

5.1 MAJOR FINDINGS

Based on the 100 sample corporations, there are three major findings from our study. First, stock ownership in Malaysian corporations is still concentrated, i.e. an average of 51.37% of shares is owned by top five largest shareholders from the 100 sample corporations. This result is consistent with Lim's analysis in 1981. It seems that the distribution of stock ownership in Malaysian corporations did not improve since 1970s.

Second, there is insignificant relationship between ownership concentration and corporate performance. Third, there is no effect from the insider ownership on corporate performance. This study simply suggests that ownership structure might not be the factor that contributes to the performance of the corporation. The paper shows additional evidence to the earlier empirical studies, especially studies by Kwabena (1993) and Yee (1998) indicating an insignificant effect between ownership structure and performance of Malaysian Public-listed Companies.

5.2 RECOMMENDATIONS FOR FURTHER STUDIES

The study might be suffered from unavoidably sample selection bias and missing data bias as the sample companies selected are limited and restricted to those companies with full data of the variables of interest. We would suggest that an additional study should be carried out to cover large range of corporations in Malaysia. Besides, as the regression model used in this paper is the repetitive study from Xiaonian Xu and Yan Wang (1997) on Chinese Stock Companies, the model used might not perfectly suitably to be applied in the Malaysian companies context. Further studies should be conducted by using different measurement of ownership and performance variables or different methodologies as applied in this paper. Nevertheless, the paper provides another contribution to the study on ownership structure of Malaysian corporate economy.