

**DIRECTOR OWNERSHIP AND FINANCIAL
PERFORMANCE OF LISTED COMPANIES IN MALAYSIA**

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ABSTRACT

The ability to align managerial and shareholder interests via the managerial ownership of equity is an important topic of inquiry, with the governance issues arising from the separation of ownership from control. The primarily US and UK based literature and findings suggest that management is aligned at low and possibly high levels of ownership but is entrenched (pursuing self interest) at intermediate ownership levels. This paper examines the relationship between the performance of public-listed companies (PLC) and director ownership in Malaysia using accounting and market performance measures. The empirical results of the paper shows that as director ownership in a firm increases, a firm's performance increases. The analysis of a more generalised form of relationship confirm the general finding of the US and UK literature of a non-linear relationship between firm performance and managerial ownership.

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ABBREVIATIONS

ILBS	International Law Book Services
KLSE	Kuala Lumpur Stock Exchange
PLC	Public-listed companies
TARC	Tunku Abdul Rahman College
UK	United Kingdom
US	United State

VARIABLES

ROSF	Return on shareholders' fund
VAL	Valuation ratio
DIR	Percentage of shares held by directors
SIZE	Log of the firm's sales
GROWTH	Average annual growth in sales
DEBT	Total debt divided by book value of total asset

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