

Ownership structure and corporate governance: Further evidence from Malaysia

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ABSTRACT The main objective of this study is to examine the impact of ownership structure on the corporate performance of Malaysian public-listed companies from 2002 to 2004. The results show that Malaysian companies diverge significantly compared to that which was found in earlier studies for American companies. Insider and institutional equity shareholdings do not appear to influence the corporate performance of Malaysian public-listed companies. The results obtained seem to suggest that institutional shareholders had failed in their monitoring role and corporate governance standards, initiated since 2000 on Malaysian companies, had also failed to influence shareholder value creation. In addition, there is no evidence of non-linear function. Subsequently, the study was extended by segmenting the companies according to market capitalisation. Except for big market cap companies, there is no significant change in results. In the case of big market cap companies, insider and institutional shareholding have a significant relationship with corporate performance. Insider shareholding has a negative relationship with dividend yield while institutional shareholding is positively related to dividend yield. The former could be due to management's resource allocation decisions that do not return excess capital to shareholders while shareholders' interests are protected when institutional shareholders play an effective monitoring role.

SHAREHOLDERS HAVE BEEN grappling with the issues of corporate governance and transparency in companies they have invested in for many years. Both factors are of great importance to shareholders as the study by Bacon (1992), for example, has shown that good corporate performance can be related to these two factors. This has subsequently stimulated the interest of government policy-makers, academia, regulators and investors regarding the influence of the shareholding structure on corporate performance. According to Han and Suk (1998), Jensen and Meckling (1976) pioneered the study of the impact of ownership structure on corporate performance, which argued that in order to solve the agency problem, company directors' interests must be aligned to that of outside shareholders. This can be achieved through an increase in insider equity ownership. The latest study by Han and Suk (1998) provides additional evidence to support the above argument when they found that stock returns have a positive relationship with the level of insider and institutional ownership. The study also supports the finding of Stulz (1988) on entrenched management due to excessive insider ownership, which may also produce negative results. However, the role of entrenched management would be more difficult if institutional investors play an effective monitoring role as suggested by McConnell and Servaes (1990), which shows that the Tobin Q ratio is positively and significantly related to institutional shareholders.

In Malaysia, an empirical study by Tan and Hooi (2004) had also been undertaken on the issue of ownership structure of Malaysian public-listed companies. Based on cross-sectional data for the year 2000, the study concludes that insider ownership is, however, insignificantly related to stock returns. This could be due to the directors' low equity ownership, which does not provide a real incentive for them to utilise the company's resources to enhance shareholders' returns. The result is consistent with the theoretical explanation on the need for the alignment of insider ownership and outside shareholders' interests by Han and Suk (1998) and Jensen and Meckling (1976). Tan and Hooi (2004) found that the institutional ownership is positively and significantly correlated to stock returns, a result which is also consistent with the finding of Han and Suk (1998) and Jarrel and Poulsen (1987).

OBJECTIVES OF STUDY

The study by Hermalin and Weisbach (1987) and Morck et al (1988) uses the Tobin q ratio as a dependent variable which acts as a proxy to corporate performance, while the independent variable is the percentage of shares owned by insiders. Han and Suk (1998) replaced the q ratio with stock returns as the dependent variable and regressing it against two primary independent variables, namely insider and institutional ownership in percentage. Our study is modelled after Han and Suk (1998), using Malaysia as a case study for the period 2002 to 2004. This study seeks to achieve the following three main objectives:

- A. Since 2000, Malaysian regulators have consistently beefed up corporate governance standards to provide more transparency in company management. Hence, it is appropriate to find evidence on the effectiveness of the corporate governance standards instituted.
- b. To assess the effectiveness of Malaysian institutional investors as monitoring agents.
- c. We would like to find evidence of whether market capitalisation plays a major role in influencing corporate performance.

SCOPE OF STUDY

The effect of ownership structure on the performance of selected firms listed in the Bursa Saham Kuala Lumpur (BSKL) would be analysed using the panel data approach. The daily KL Composite Index is derived from the daily price movement of the 100 largest companies in terms of market capitalisation. They represent the overall daily performance of the Malaysian stock market. Hence, we chose the sample from this group of companies. Nevertheless, for the sake of homogeneity, the companies selected in the sample must have financial reporting year-end as at 31 December. We agree with the Banz and Breen (1986) homogeneity criterion in calculating a meaningful PE ratio. 56 companies in the BSKL met this criterion based on the index component of the KLCI as at 30 November 2004 (Appendix 1). We further extended our research by allowing the companies to be segmented according to market capitalisation.

With the exception of the insider and institutional shareholder independent variables, all data was derived from the Thomson Datastream files. Data on insider and institutional shareholding was obtained

from the respective companies' annual reports. We adopted the Limdep 7.0 econometric software to analyse panel data.

RESEARCH METHODOLOGY

To study the relationship between ownership structure and corporate performance in Malaysia, we retained the Han and Suk (1998) asset pricing regression model, shown as equation 1, due to its robustness. However, we were introducing a new dependent variable, i.e. dividend yield as another measure of corporate performance in equation 2. Dividend payment is an important measure of corporate performance as there is an increasing trend in dividend distribution in Asia, including Malaysia. Dividend distribution in Asia rose from US\$18 billion in 1998 to US\$70 billion in 2005 (CLSA, 2005). In Malaysia the dividend yield forecast was expected to grow from 3.1% in 2005 to 3.5% in 2006 (CLSA, 2005). This shows the increasing trend of dividend payout to shareholders in Malaysia and Asia, as a whole, in the past 5 years.

$$R_{it} = \alpha_0 + \beta_1 \text{DIRSHR}_{it} + \beta_2 \text{DIRSHRSQ}_{it} + \beta_3 \text{INST}_{it} + \beta_4 \text{BETA}_{it} + \beta_5 \text{MCAP}_{it} + \beta_6 \text{PER}_{it} + \varepsilon_{it} \quad (1)$$

$$\text{DY}_{it} = \alpha_0 + \beta_1 \text{DIRSHR}_{it} + \beta_2 \text{DIRSHRSQ}_{it} + \beta_3 \text{INST}_{it} + \beta_4 \text{BETA}_{it} + \beta_5 \text{MCAP}_{it} + \beta_6 \text{PER}_{it} + \varepsilon_{it} \quad (2)$$

where:

R_{it}	=	Stock return for company i, period t
DY_{it}	=	Dividend yield for company i, period t
DIRSHR_i	=	Director's shareholding for company i, period t
DIRSHRSQ_{it}	=	Square of DIRSQ_{it}
INST_{it}	=	Institutional shareholding for company i, period t
BETA_{it}	=	Beta coefficient for company i, period t
MCAP_{it}	=	Natural logarithm of the market capitalisation for firm i, period t to represent company size
PER_{it}	=	Price earnings ratio for company i, period t and
ε_{it}	=	Error term for company i period t

Based on equations 1 and 2, the methodological data compilation process for each dependent and independent variable is defined below.

Stock return, R_{it} , represents the annual average returns for company i in period t from 2 January till 31 December. We obtained each respective company's annual average stock returns for year t by summing up the daily stock returns for each financial year and dividing it with the number of trading days. Each company's closing stock price was obtained from the Thomson Datastream while equation 3 is used to compute its stock returns.

$$R_{it} = LNP_{it} - LNP_{it-1} + \varepsilon_{it} \quad (3)$$

where:

R_{it} = the stock return of company i at time t

LNP_{it} = the natural logarithm of closing price of firm i at time t

Dividend yield, DY_{it} , represents the annual average dividend yield for company i for year t starting from trading day 2 January till 31 December. This is computed by summing up the daily DY and dividing by the number of trading days to obtain the annual average. Dividend yield fluctuates due to changes in the movement of the daily stock price and the company's dividend policy.

The level of director shareholding (DIRSHR) is obtained from the balance sheet figures reported in a company's annual report as at 31 December each year. Insider ownership in percentage terms is tabulated by:

$$\text{Insider Shareholding (\%)} = \frac{\text{(Direct + Indirect Shareholding by Director)}}{\text{Total Paid-up Capital}}$$

As opposed to most ownership studies, we define insiders as company directors only. In Malaysia, the corporate structure and management system of public-listed companies is top down when it comes to decision making. Thus, according to Chang (2004), it is meaningless to include company officers' shareholding stakes as they have little influence in the company's key decisions. Unlike the Han and Suk (1998) study, we did not average out the shareholdings within the duration because we believed changes in shareholdings within the financial year should be included in our analysis. However, we utilised the squared term of insider shareholding (DIRSHRSQ)

as proposed by Stulz (1988) and McConnell and Servaes (1990) to capture any potential non-linear relationship between stock returns and DY and insider ownership.

Institutional shareholding (INST) is defined by the top 30 largest shareholders as reported each year in the company's annual report. We did not average out the institutional shareholding because we believed our study should reflect the dynamic changes in the company.

The respective security's BETA is derived from the market model. The systematic risk is obtained by regressing the dependent variable, daily stock return, with the independent variable of daily movement in the KLCI as shown in equation 4. We believe that by utilising this non-average BETA approach, the BETA obtained will reflect the dynamic market changes.

$$R_{it} = \alpha_i + \beta_i R_{m,t} + e_{i,t} \quad (4)$$

where:

$R_{i,t}$ = return of security i on time t , and

$R_{m,t}$ = return on a market index in BSKL on time t .

In equation 1, market capitalisation (MCAP) is used as a proxy to represent company size, which is obtained by the natural logarithm of the daily figure. The daily figure is summed up and divided by the number of trading days to obtain the company's annual average market capitalisation for the year.

PER_{it} denotes the price earnings ratio of a company i for period t . The annual average PER is derived by averaging the daily figure. The daily PER fluctuation is due to price movement and company earnings.

Due to the omitted variable problem, we attempted to include more control variables in the equation, e.g. BETA, size and price earnings ratio. However, we had to exclude other control variables that could not be quantified although the influence of these qualitative factors could not be underestimated. It cannot be denied that investors are ready to pay a premium on a company whose integrity, corporate governance and management quality is impeccable (Miles, 2001). In order to view the



unobserved factors affecting the dependent variables equations 1 and are re-written as follows:

$$R_{it} = \alpha_0 + \beta_1 \text{DIRSHR}_{it} + \beta_2 \text{DIRSHRSQ}_{it} + \beta_3 \text{INST}_{it} + \beta_4 \text{BETA}_{it} + \beta_5 \text{MCAP}_{it} + \beta_6 \text{PER}_{it} + a_{it} + \varepsilon_{it} \quad (5)$$

$$DY_{it} = \alpha_0 + \beta_1 \text{DIRSHR}_{it} + \beta_2 \text{DIRSHRSQ}_{it} + \beta_3 \text{INST}_{it} + \beta_4 \text{BETA}_{it} + \beta_5 \text{MCAP}_{it} + \beta_6 \text{PER}_{it} + a_{it} + \varepsilon_{it} \quad (6)$$

$$R_{it} = \alpha_0 + \beta_1 \text{DIRSHR}_{it} + \beta_2 \text{DIRSHRSQ}_{it} + \beta_3 \text{INST}_{it} + \beta_4 \text{BETA}_{it} + \beta_5 \text{MCAP}_{it} + \beta_6 \text{PER}_{it} + \varepsilon_{it} \quad (7)$$

$$DY_{it} = \alpha_0 + \beta_1 \text{DIRSHR}_{it} + \beta_2 \text{DIRSHRSQ}_{it} + \beta_3 \text{INST}_{it} + \beta_4 \text{BETA}_{it} + \beta_5 \text{MCAP}_{it} + \beta_6 \text{PER}_{it} + \varepsilon_{it} \quad (8)$$

where a_{it} is defined generally as unobserved heterogeneity or specifically in this study as firm heterogeneity. Wooldridge (2000) defines equations 7 and 8 as a fixed effect model if a_{it} is uncorrelated with each explanatory variable across all time periods. The idiosyncratic error ε_{it} represents unobserved non-constant factors that affect R_{it} and DY_{it} .

$$v_{it} = a_{it} + \varepsilon_{it} \quad (9)$$

Wooldridge (2000) names the combination of a_{it} and ε_{it} in equation 9 a composite error.

Equations 7 and 8 constitute the random effect, assuming that the unobserved effect a_{it} is uncorrelated with each explanatory variable, which is shown in following equation as:

$$\text{Cov}(X_{it}, a_i) = 0 \quad (10)$$

whereby $t = 2002, 2003$ and 2004 , and $i =$ company

Hausman (1978) suggested a test to determine whether there is a correlation between x_{it} and a_i with the assumption that the idiosyncratic errors and explanatory variables are uncorrelated across all time periods. The null and alternative hypothesis in the Hausman test is stated as follows:

H_0 : = The coefficients estimated by the efficient random effects estimator are the same as the ones estimated by the consistent fixed effects estimator, and

H_a : = The coefficients estimated by the efficient random effects estimator are not the same as the ones estimated by the consistent fixed effects estimator.

HYPOTHESES

We constructed the following hypotheses:

Hypothesis 1: Intuitively, the principal agent problem would have been resolved if directors were given a stake in the company. Hence β_1 is predicted to be positive in terms of stock returns and dividend yield.

Hypothesis 2: However, if entrenched management is present as was discovered by Stultz (1988), McConnell and Servaes (1990) and Han and Suk (1998) study, β_2 is expected to be negative.

Hypothesis 3: In the case of institutional investors, β_3 is positive. Institutional investors tend to find it difficult entering and exiting a company without causing substantial movement in the stock price. An exit from the company will only depress the stock price due to the herd mentality among fund managers. Lowenstein (1988) argues that institutional investors are normally locked into a long-term relationship with the company. As such, fund managers would use their voting rights to ensure company directors make decisions in the interest of shareholders. A positive relationship indicates that institutional investors are playing the role as an effective monitoring agent.

Hypothesis 4: According to the capital asset pricing model theory, BETA will have a positive relationship with stock return in equation 1. Nevertheless, a high BETA does not necessarily pay a high dividend and vice versa, thus β_4 will have a negative sign in equation 2.

Hypothesis 5: In regards to PER, β_6 is predicted to be positive in the case of stock returns and negative when regressed with DY.

Hypothesis 6: In terms of size, big market capitalisation stock returns are lower than small market capitalisation stock returns. Hence, β_5 is predicted to be negative in equation 1. However, big market capitalisation stocks normally operate in a mature industry and tend to return excess cash in the form of special dividends to its shareholders. If that is the case β_5 is positive in equation 2.

DATA ANALYSIS

Effect of Ownership Structure on a Company's Stock

The Hausman test was used to choose between fixed effects and random effects in the case of stock returns.

The hypothesis is constructed as follows:

H_0 = Coefficient estimator by the efficient random effects estimator is the same as estimated by the consistent fixed effects estimator

H_a = Coefficient estimator by the efficient random effects estimator is not the same as estimated by the consistent fixed effects estimator

The Hausman test showed a value of 9.46 with the p-value of 0.09. The null hypothesis cannot be rejected at the 5% significance level when the stock return is used as the dependent variable. Hence, the random effects were used to estimate the effect of ownership on stock returns of the selected companies' performance from 2002 till 2004.

We ran preliminary testing and found no quadratic relationships in the case of insider and institutional shareholdings. As shown in Table 1, insider ownership in fact has a negative relationship on the company's performance in Malaysia. However, the relationship is not significant at either the 5% or 10% level. We see, however, that the percentage of institutional ownership is positively related to the firm's stock returns. Unfortunately, the impact of institutional ownership is not significant at either the 5% or 10% level. Hence, we conclude that insider and institutional shareholders play no significant role in influencing the selected companies' stock returns.

In the case of insider ownership, this could be due to their relative small percentage of shareholding. It was found that only 30% of the sample of Malaysian companies had insider shareholdings which exceeded 30% (Appendix 2). However, this cannot be said for institutional shareholdings as 77% of the selected Malaysian companies had more than 70% institutional shareholdings (Appendix 3). A possible explanation could be the institutional investors' failure to exert influence on the boards' decision making so that it would be aligned towards creation of shareholder value.

However, the systematic risks (BETA) of the firm's price-earnings ratio play a very important role in affecting stock returns. Both variables are positively related to stock returns and consistent with our hypothesis. This is also consistent with the risk-return theory that a risky stock produces higher returns but contrasts with the insignificant BETA result by Fama and French (1992) and Han and Suk (1998). However, a 1% increase in the PE ratio only produces a negligible increase in stock return.

Effect of Ownership on a Company's Dividend Yield

The fixed effect will be used for the dividend yield dependent variable as we reject the null hypothesis that coefficients estimated by the efficient random effects estimator is the same as the one estimated by the consistent fixed effects. This is because the Hausman test shows a value of 21.15 with the p-value of 0.000758.

The results of the regression analysis are shown in Table 2.

As shown in Table II, the stock return results are replicated in the case of dividend yield. Insider and institutional shareholdings do

Table 1: The Effect Of Ownership Structure On Stock Returns

Independent Variables	Coefficient Estimate	t-statistics	P-value
Intercept	0.0004	0.584	0.5591
Percentage of Insider Owners	-0.000	-0.408	0.6831
Percentage of Institutional Owners	0.0000	0.620	0.5350
Beta	1.0012	15.346	0.0000**
Company Size	-0.0000	-0.272	0.7858
Price-earnings Ratio	0.0000	2.446	0.0144**

Note: * Significant at 0.10
** Significant at 0.05

R-square = 0.69

Table 2: Effect Of Ownership Structure On Dividend Yield

Independent Variables	Coefficient Estimate	t-Statistics	P-value
Percentage of insider owners	-1.8158	-1.009	0.3142
Percentage of institutional owners	1.6666	1.004	0.3167
Beta	-5765.6400	-0.380	0.7044
Company size	131.1204	1.671	0.0964*
Price-earnings ratio	0.0479	0.697	0.4867

Note: * Significant at 0.10
 ** Significant at 0.05

R-square = 0.81

not have any significant relationship with dividend yield either at the 5% or 10% level. The larger the company the higher is the dividend yield, while the PE ratio and BETA are insignificant.

Effect of Ownership on a Company's Stock Return Based on its Market Capitalisation

We further extended our analysis by segmenting our sample group into small, medium and big cap firms (Appendix 4). The main objective is to detect any significant divergences from the overall results.

The random effects model is used to estimate the impact of ownership structure on stock return for the small, medium, and big companies based on the results of the Hausman test shown in Table 3.

Table 3: Hausman Test Results

Firm Size	Test Statistics	P-value
Small	2.82	0.7270
Medium	4.25	0.5139
Big	6.16	0.2912

Note: * Significant at 0.10
 **Significant at 0.05

As reported in Table 4, insider and institutional ownership do not seem to influence the stock returns of the company, regardless of its market capitalisation size. In terms of the relationship sign, there is no difference between the non-segmented and segmented studies except for the small cap segment where the percentage of institutional investors correlates negatively with stock returns. The result, however, is meaningless as it is not significant. However, the company's systematic risk measured by the stock's BETA seems to play a major influence in the company's performance regardless of the company's size as it significantly influences the stock return at the 5% significance level. The positive sign confirms the risk return theoretical foundation. On the other hand, the price-earnings ratio did have a major influence on the stock returns of the medium and big companies. Company size has no influence on stock returns for all categories.

Effect of Ownership on a Company's Dividend Yield Based on its Market Capitalisation

Based on the results of the Hausman test, shown in Table 5, the fixed effects were used to analyse the influence of ownership structure on dividend yield based on company size.

Table 4: Effect of Ownership Structure on Stock Return Based on Firm's Size

Independent Variables	Small			Medium			Big		
	Coefficient Estimate	t-Statistics	P-value	Coefficient Estimate	t-Statistics	P-value	Coefficient Estimate	t-Statistics	P-value
Intercept	0.0015	0.597	0.5503	0.0020	0.497	0.6194	-0.0008	-0.257	0.7974
Percentage of insider owners	-0.0000	-0.300	0.9974	-0.0000	-1.107	0.2682	-0.0000	-0.131	0.8961
Percentage of institutional owners	-0.0000	-0.300	0.7638	0.0000	1.149	0.2504	0.0000	0.281	0.7784
Beta	0.9497	9.116	0.0000**	1.0339	9.962	0.0000**	1.1117	7.728	0.0000**
Company Size	-0.0001	-0.386	0.6997	-0.0003	-0.523	0.6007	0.0001	0.327	0.7434
Price-earning ratio	0.0000	0.702	0.4830	0.0000	2.263	0.0236**	0.0000	2.259	0.0239**
R-square	0.66			0.67			0.70		

Note: * Significant at 0.10
 ** Significant at 0.05

Table 5: Hausman Test Results

Firm Size	Test Statistics	P-value
Small	25.18	0.0000
Medium	23.12	0.0000
Big	15.18	0.0007

Note: * Significant at 0.10

** Significant at 0.05

Table 6 shows the influence of ownership structure on dividend yield based on the firm's size. Based on the results in Table 6, it can be observed that the percentage of insider ownership and institutional ownership does play a vital role in affecting the big cap companies' dividend yield at the 5% significance level. While insider ownership is negatively related to the companies' dividend yield, an increase in institutional shareholding results in an increase in the dividend yield. This suggests institutional investors' effectiveness in ensuring that management decision making is aligned to outside shareholders' interests.

Table 6 also shows that the price earnings ratio seems to play a significant role in affecting the dividend yield of the small and big cap companies. However, both have different relationship signs. The former has a negative sign, which indicates overvaluation. As for big cap firms, an increase in the PE ratio is followed by an increase in the dividend yield. A plausible explanation is that the growth in dividends has outstripped price increases. Big cap companies, especially in mature markets, are returning excess capital in the form of special dividends to reward their shareholders. This is to prevent the accumulating cash pile from being squandered on low yield investment projects.

CONCLUSION

We initially ran a preliminary test and found no evidence of Stulz's (1988) entrenched management or U-shaped function as proposed by Morck et al (1988). Thus, our results totally contradicted Han and Suk (1998), and earlier ownership structure findings.

Unlike earlier studies that used the Tobin Q ratio and stock returns as independent variables, our study introduced dividend yield as a new measurement of corporate performance. Based on the data from 2002 to 2004, our study appears to show that insider and institutional shareholdings in Malaysian companies do not influence stock returns and dividend yield. This contradicts earlier empirical findings on US companies. We can conclude that, by adopting the Han and Suk (1998) regression framework, ownership structure does not influence corporate performance in Malaysia. Hence, we may conclude that Malaysian government-linked and private institutional investors have failed in their role as monitoring agents. One possibility is that corporate governance standards initiated by Malaysian regulators since 2000 are inadequate to assist the monitoring role of the institutional investor. In addition, the new corporate governance standards have not been effective in aligning the interest of directors to that of outside shareholders. Besides, minority shareholder activism is not strong enough to influence company decision-making.

Interestingly, contrary to empirical findings by Fama and French (1992) and Han and Suk (1998), our findings support the capital asset pricing model theory in relation to the BETA

**Table 6: Effect of Ownership Structure on Dividend Yield Based on Firm's Size**

Independent Variables	Small			Medium			Big		
	Coefficient Estimate	t-Statistics	P-value	Coefficient Estimate	t-Statistics	P-value	Coefficient Estimate	t-Statistics	P-value
Percentage of insider owners	-0.8027	-0.343	0.543	0.7324	0.0035	0.5902	-19.2023	-2.909	0.0057**
Percentage of institutional owners	2.5363	0.555	0.546	0.5803	-0.0032	0.5887	17.7700	2.912	0.0057**
Beta	-23359.5757	-1.632	0.536	0.1069	-36.5886	0.5954	-4925.8016	-0.137	0.8913
Company size	-91.4355	-1.102	0.210	0.2742	-0.0803	0.8347	194.1313	1.036	0.3059
Price-earning ratio	-0.3690	-5.294	-0.401	0.0000**	-0.0002	0.6904	0.4653	3.335	0.0018**
R-square	0.95				0.99		0.87		

Note: * Significant at 0.10

** Significant at 0.05



influence on stock returns. However, BETA is insignificant when regressed on dividend yield. The price earnings ratio is significantly related to stock returns but insignificant when regressed on dividend yield.

Subsequently, we segmented the companies according to market capitalisation and regressed it on stock returns and dividend yield. We found no divergence in results except in the case of dividend yield for big market cap companies. When regressed on stock returns, insider and institutional shareholdings are insignificant regardless of their market size. The result is replicated in the case of dividend yield except for big cap companies where a 1% increase in insider shareholding results in 19% decreases in

dividend yields. However, the above risk is mitigated by the active monitoring role played by institutional investors. The institutional shareholding is positively related to dividend yield, where a 1% increase in shareholding results in 17.7% dividend growth.

Finally, our findings seem to have contrasted sharply with all ownership studies based on US companies. This could be due to different political, social, regulatory and internal control systems as argued by Fame and Jensen (1983). As such, future research on the Malaysian ownership structure could focus on identifying the heterogeneous factors that contribute to the big discrepancy in empirical results.

Appendix 4: Market Capitalisation

Big Cap Company More than RM2 billion	Mid Cap Company RM900 million to RM1.99 billion	Small Cap Company Less than RM900 million
BAT	Affin	ALCOM
Commerz	Biport	CHHB
DiGi	Carlsbg	JohPort
Genting	IGB	KianJoo
K Guthrie	IJM	KimHin
LMCEMNT	JT Inter	Kulim
Airport	Measat	Leader
Maxis	NCB	MUIIND
Nestle	Ramatex	MSNIAGA
Orient	Puncak	BERNAS
PLUS	Sarawak	Shang
PPB	Shell	UDA
PBBank	Star	BDRB
Telekom	Unisem	CCM
UMW		Gtronic
YTL		MAA
		Magnum
		MIDF
		Mulpha
		Pos Hldgs
		TChong
		Time
		TWSCORP
		UtdPlt
		WTK
		MBMR

Source: Bursa Saham Kuala Lumpur, 2004

Appendix 1: Sample Company

No.	Stock Code	Stock Name	Company
1	5185	Affin	Affin Holdings Bhd
2	5014	Airport	Malaysian Airports Holdings Bhd
3	2674	ALCOM	Aluminium Company of Malaysia Bhd
4	4162	BAT	British American Tobacco (Malaysia) Bhd
5	6866	BERNAS	Padiberas National Bhd
6	5032	Biport	Bintulu Port Holdings Bhd
7	1473	BRDB	Bandaraya Development Bhd
8	2836	Carlsbg	Carlserbg Brewery (Malaysia) Bhd
9	2879	CCM	Chemical Company of Malaysia Bhd
10	5738	CHHB	Country Heights Holdings Bhd
11	1023	Commerz	Commerce Asset Holding Bhd
12	6947	DiGi	Digi.Com Bhd
13	3182	Genting	Genting Bhd
14	7022	Gtronic	Globetraonic Technology Bhd
15	1597	IGB	IGB Corporation Bhd
16	3336	IJM	IJM Corporation Bhd
17	6416	JohPort	Johor Port Bhd
18	2615	JT Inter	JT International Bhd
19	3131	K Guthrie	Kumpulan Guthrie Bhd
20	3522	Kian Joo	Kian Joo Can Factory Bhd
21	5371	Kim Hin	Kim Hin Industry Bhd
22	2003	Kulim	Kulim (M) Bhd
23	4529	Leader	Leader Universal Holdings Bhd
24	3794	LMCEMNT	LaFarge Malayan Cement Bhd
25	1198	MAA	MAA Holdings Bhd
26	3725	Magnum	Magnum Corporation Bhd
27	5051	Maxis	Maxis Communication Bhd
28	5983	MBMR	MBM Resources Bhd
29	3875	Measat	Measat Global Bhd
30	5525	MIDF	Malaysian Industrial Development Finance Bhd
31	5011	MSNIAGA	Mesiniaga Bhd
32	3891	MUIND	Malayan United Industries Bhd
33	3905	Mulpha	Mulpha International Bhd
34	5509	NCB	NCB Holdings Bhd
35	4704	Nestle	Nestle (M) Bhd
36	4006	Orient	Oriental Holdings Bhd
37	1295	PBBank	Public Bank Bhd
38	5052	PLUS	PLUS Expressways Bhd
39	4634	POS Hldgs	POS Malaysian & Services Holdings Bhd
40	4065	PPB	PPB Group Bhd
41	6807	Puncak	Puncak Niaga Holdings Bhd
42	6475	Ramatex	Ramatex Bhd
43	2356	Sarawak	Sarawak Enterprise Corporation Bhd
44	5517	Shang	Shangri-La Hotels (M) Bhd
45	4324	Shell	Shell Refining Co (M) Bhd
46	6084	Star	Star Publications (M) Bhd
47	4405	TChong	Tan Chong Motor Holdings Bhd
48	4863	Telekom	Telekom Malaysia Bhd
49	4456	Time	Time Engineering Bhd
50	4421	TWSCorp	Tradewinds (M) Bhd
51	5013	UDA	UDA Holdings Bhd
52	4588	UMW	UMW Holdings Bhd
53	5005	UNISEM	Unisem (M) Bhd
54	2089	UtdPlt	United Plantation Bhd
55	4243	WTK	WTK Holdings Bhd
56	4677	YTL	YTL Corporation

Source: Bursa Saham Kuala Lumpur, 2004



Appendix 2: Insider Shareholding

Director Shareholding	2002 (%)	2003 (%)	2004 (%)
Affin	0.021	0.214	0.024
Airport	0.622	0	0
ALCOM	0	0.229	0.110
BAT	0.009	0.009	0.004
BERNAS	0	0	0
Biport	0.536	0.334	0.220
BRDB	32.761	32.761	32.761
Carlsbg	0.023	0.041	0.041
CCM	20.067	12.472	9.560
CHHB	38.952	39.568	41.457
Commerz	0.017	0.013	0.132
DiGi	20.674	18.347	0
Genting	2.131	2.125	0.489
Gtronic	44.161	34.901	29.042
IGB	76.217	38.101	32.84
IJM	0.805	0.604	0.606
JohPort	0	0	0
JT Inter	0	0	0
K Guthrie	3.846	3.668	0
Kian Joo	39.251	39.885	39.969
Kim Hin	42.769	41.801	41.196
Kulim	2.50	2.20	2.098
Leader	12.656	12.466	12.265
LMCEMNT	0.004	0.004	0.031
MAA	34.505	34.505	34.505
Magnum	61.81	31.989	31.777
Maxis	29.923	16.759	0.079
MBMR	4.613	4.395	4.418
Measat	NA	0	0
MIDF	0.011	0.003	0.013
MSNIAGA	23.473	22.297	17.206
MUIND	49.780	50.210	50.500
Mulpha	20.330	24.720	22.313
NCB	0.015	0.013	0.008
Nestle	0.005	0.005	0.005
Orient	0.560	0.558	0.545
PBBank	35.950	33.270	34.230
PLUS	0.007	0.007	0.007
POS Hldgs	0	0.011	0.011
PPB	72.650	73.290	75.280
Puncak	70.580	64.60	41.756
Ramatex	64.747	62.905	60.824
Sarawak	0	0	0
Shang	0.008	26.628	26.678
Shell	0	0	0
Star	0.359	0.308	0.457
TChong	45.626	46.372	47.318
Telekom	0.008	0.011	0.008
Time	0	0	0
TWSCorp	0.384	0.199	0.022
UDA	24.964	0.031	0.011
UMW	0.028	0	0
UNISEM	72.140	70.89	70.01
UtdPlt	32.83	43.470	45.010
WTK	26.837	26.843	30.763
YTL	49.710	49.840	49.530

Source: Bursa Saham Kuala Lumpur, Annual Company Reports 2002 to 2004

0 = Negligible

NA = Not listed

Appendix 3: Institutional Shareholding

Institutional Shareholding	2002 (%)	2003 (%)	2004 (%)
Affin	87.48	86.80	80.77
Airport	84.27	84.30	85.83
ALCOM	84.51	84.27	82.59
BAT	78.99	76.33	75.34
BERNAS	67.55	67.13	67.28
Biport	92.03	91.78	93.41
BRDB	72.43	79.97	76.64
Carlsbg	71.95	72.04	70.52
CCM	85.06	85.43	87.38
CHHB	82.24	81.55	83.00
Commerz	77.54	64.72	65.18
DiGi	91.55	91.09	82.84
Genting	61.00	61.00	61.94
Gtronic	72.32	73.05	74.34
IGB	70.28	71.71	61.94
IJM	62.63	65.94	65.67
JohPort	68.39	72.24	75.00
JT Inter	88.37	90.06	90.21
K Guthrie	95.83	95.33	95.26
Kian Joo	79.89	80.93	75.99
Kim Hin	81.88	77.02	76.51
Kulim	69.31	73.88	78.96
Leader	44.72	41.13	41.12
LMCEMNT	NA	80.49	81.81
MAA	84.69	88.85	77.77
Magnum	42.46	46.80	51.05
Maxis	82.88	78.02	77.85
MBMR	80.97	84.89	84.18
Measat	NA	90.11	90.75
MIDF	45.02	88.98	83.16
MSNIAGA	82.26	84.76	87.52
MUIND	60.07	60.21	60.27
Mulpha	45.74	55.06	59.07
NCB	92.90	93.48	94.10
Nestle	89.92	91.98	92.93
Orient	83.80	85.72	86.23
PBBank	90.80	91.93	89.12
PLUS	59.73	57.85	54.22
POS Hldgs	4.28	4.322	2.16
PPB	26.72	24.16	24.94
Puncak	43.614	41.91	66.33
Ramatex	91.85	92.46	91.38
Sarawak	86.98	87.28	87.62
Shang	85.46	85.53	85.30
Shell	86.60	86.60	75.21
Star	77.32	78.82	75.45
TChong	66.44	68.41	70.39
Telekom	89.44	81.76	81.14
Time	73.90	70.78	70.18
TWSCorp	83.98	85.20	86.70
UDA	86.68	87.98	89.36
UMW	81.21	86.38	87.89
UNISEM	65.38	66.65	70.02
UtdPlt	74.42	74.34	74.62
WTK	86.10	76.25	77.70
YTL	88.02	82.22	81.92

Source: Bursa Saham Kuala Lumpur, Annual Company Report, 2002-2004
 0 = Negligible
 NA = Not listed



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