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Ownership and Governance of Malaysian Firms and Their Impact on Firm Performance: A Preliminary Study

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ABSTRACT

In the last 20 years, the issue of firm ownership has received great attention, especially in developed countries such as the United States, the United Kingdom, and European countries. The issue of ownership structures has aroused public concern in Malaysia, one of the emerging markets, especially after the 1997 Asian financial crisis. Issues related to corporate governance are not novel or recent because they occur simultaneously with the birth of the company. In the aftermath of the 1997 financial crisis, governance of firms became an attractive topic for researchers because ownership in Malaysia varies by management, concentration, and foreign or government ownership, thus, it will have different impacts on firm performance. However, there is a lack of empirical studies that have been conducted on firm ownership, governance, and corporate performance in the Malaysian context. These issues need more attention from researchers to contribute to the growing literature and for practical relevance to Malaysian firms.

Keywords: Ownership Structure, Corporate Governance, Firm Performance
JEL Classifications: M1, M10

1. INTRODUCTION

Ownership of the firm, including the rights of the owners and the structure of ownership, varies across different businesses and countries (Chen and Yu, 2012; Hu and Izumida, 2008). Compared with the ownership structure in Western countries, Malaysia's corporate ownership is usually concentrated, such as the example of Tan Chong Motor Holdings Bhd. For instance, in Malaysian companies, families hold about 44.7% of the shares (Amran and Ahmad, 2013; Carney and Child, 2013). Usually, ownership affects firm performance through the implication that the owners have significant relationships among themselves.

Governance of a firm constitutes a series of codes that control the firm, and its purpose is to balance the stakeholders of the company, such as customers, suppliers, managers, shareholders, the government, financiers, and the communities they serve. The definition of corporate governance provided by the Finance Committee on Corporate Governance in Malaysia is the process that is used to guide and manage the company's business and affairs in order to improve the firm's prosperity and corporate accountability (Zabria et al., 2016). From an economic point of view, corporate governance plays a crucial role in achieving efficiency, shifting scarce resources such as capital to achieve a higher performance of the firm. Corporate governance mechanisms are divided into two categories: Internal and external. Examples of internal mechanisms are board size, board structure, board of directors, and independence of the board, while external mechanisms include labour management, talent markets, competitive market conditions, and corporate control markets.

Firm performance is a complicated term, as it may include various meanings as long as they are involved with organisational performance, company operations, and business outcomes. Typically, the performance of the firm includes the products and services manufactured, the operations of different departments of the company, the performance of employees, and the sum of the results of their work. At the same time, the performance of the firm can be seen in a wider context as part of the company's business development. Beginning with the era of the industrial revolution, Malaysian firms had to strive hard to compete in the market to remain on top and to stay competitive. But firm performance is also affected by uncontrollable factors. Ownership is important to many firms, and the aim of firm governance is to increase the accountability of firms and prevent large-scale disasters.

The nexus between ownership structures and firm performance has been a major concern for countries around the world, including Malaysia, as different studies have produced different or mixed results. Findings from some previous studies (Amran and Ahmad, 2013; Ghazali, 2011; Jadoon and Bajuri, 2015; Musallam, 2015; Pang and Abdul, 2016; Rashid et al., 2017; Wei et al., 2017) have showed that there were significant relationships between ownership structures and firm performance. However, some other studies (Abdulsamad and Yusoff, 2016; Arshad, 2014; Aziz et al., 2017) have not showed significant results.

In terms of the nexus between governance and firm performance, some previous studies (Badriyah et al., 2015; Gupta and Sharma, 2014; Rashid et al., 2017) have showed that there were significant results stemming from the relationship. Conversely, the findings in Ghazali (2011), Achchuthan and Kajananthan (2013), and Ramli and Ramli (2015) did not support such a relationship. All of this indicates that different results will be obtained in different countries and over time due to the different style of culture adapted by different people.

There have been quite a large number of studies published on this issue in other developed and developing countries; however, there have been limited studies in Malaysia. New findings of this study will give new knowledge and understanding about the listed trading and service firms in Malaysia as different patterns of ownership will produce different impacts on the firms. Thus, based on the background of Malaysia, more research is needed to address these issues. This study is a preliminary study about firm ownership and governance, and its impact on firm performance.

The general objective of this study is to examine the nexus between firm ownership and governance towards firm performance in Malaysia.

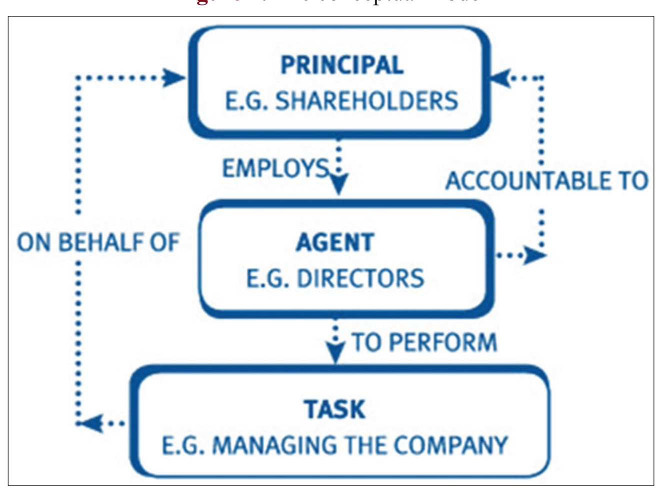
2. LITERATURE REVIEW

2.1. Agency Theory

Agency theory is part of the larger subject of governance of firms or corporate governance because it relates to the issues of directors controlling the company while the company is owned by stockholders. Jensen and Meckling (1976) stated that the relationship of agency is involved when an agent, who can be represented by a manager who plays the role of decision maker in the organisation, acts for the principal, who is the owner. Agency theory is an economic and management theory that aims to interpret relationships and self-interest in business organisations, and it is a beneficial framework for designing governance and organisational control (KBmanage, 2018). In other words, agency theory is an idea that explains the relationship between principals and agents in business, where the most common agency relationship is that shareholders represent principals and firm executives represent agents in the finance sector. In one aspect of this research, agency theory is discussed as the separation of controlling rights from all rights or ownership (Figure 1), implying that the professional manager (or managers) represents the company's owner (or owners) in managing the company. Furthermore, as stated by Mulini and Wong (2011), agency theory holds that the members of top management of an organisation have a great responsibility to ensure a positive nexus between corporate governance and the number of shares or stocks owned by the top executives or top management.

Next, there are some key terms and concepts that are crucial to comprehend agency theory. According to Kaplan Financial Knowledge Bank (2012), the agent is employed by the principal in order to perform the tasks on behalf of the principal. Therefore, agency defines the relationship between the principal and the agent. Due to the lack of trust in the sincerity of the agents, the principals will decide to incur agency costs in supervising the agents' behaviour. By accepting the tasks on their behalf, the agents are responsible to the principals. For the separation of ownership and control, companies that are listed on the stock market are normally very complex, and these companies require a lot of equity investment for their operations (Kaplan Financial Knowledge Bank, 2012). For instance, they usually have a large number of stockholders. Mark (n.d.) stated that the separation of ownership and control refers to the situation in which shareholders have little or no direct control over management decisions in publicly held business corporations, and that this can lead to a potential conflict of interests between directors and shareholders. Moreover, this separation is usutally due to the problem of collective action and dispersed share ownership. The separation of ownership and control will also result in costs resulting from moral hazard and adverse selection. Examples of the costs of agency are those associated with meetings with financial analysts and principal shareholders, monitoring behaviour like establishing management audit procedures, management provision of annual report data like risk management analysis, committee activity and the commensurate

Figure 1: The conceptual model



Source: Output results lisrel processing Bank (2012) cost of the principals' reviewing this data, and incentive schemes and remuneration packages for directors. Nevertheless, mechanisms such as business failure, corporate governance oversight, managerial financial incentives, and the market for corporate control may reduce these costs. However, one of the benefits of the separation of ownership and control is that it allows for decision making on hierarchical levels, which is beneficial to the market for certain types of decisions (Mark, n.d.). For example, hierarchical decision making may be more efficient than market transactions or market allocation. Second, the optimal firm size can be quite large due to the economies of scale in both decision making and production.

Lastly, agency theory has been used as an explanatory mechanism in studies by Achchuthan and Kajananthan (2013); Jadoon and Bajuri (2015); Abdulsamad and Yusoff (2016); Pang and Abdul (2016); Aziz et al. (2017); Wei et al. (2017); and Rashid et al. (2017).

2.2. Stakeholder's Theory

A study by Gupta and Sharma (2014) defined stakeholder theory, which is a theory of organisational management and ethics of business that deals with the morals and values of management organisations. F. Edward Freeman, a professor at the University of Virginia, was the person who introduced stakeholder theory in his landmark book, strategic management: A stakeholder approach, which stated that shareholders are just one of many stakeholders in the organisation (Smartsheet, 2018). The theory says that stakeholders' ecosystems involve anyone who invests and participates in or affects the companies in terms of suppliers, employees, government agencies, and others. Freeman's theory also said that an organisation's true success depends on satisfying all stakeholders, not just those who may profit from the stock. The basis for stakeholder theory is that organisations are very large and their impacts on society are so universal that they should take responsibility for many sectors of society, not only shareholders (Kaplan Financial Knowledge Bank, 2012). In addition, stakeholder theory may be the inevitable result of agency theory, because when considering stakeholder needs, there is a business case to improve employee motivation, customer perception, shareholders' conscientious investment, and supplier stability. Moreover, the theory of stewardship is also considered within stakeholder theory because it suggests that managers of the company or the board of directors and the CEO of the company act as stewards, and they are more encouraged to act for the best interests of the company when compared to their own self-interest (Mulini and Wong, 2011).

2.3. Concept of Ownership Towards Firm Performance

The concept of ownership has received great attention in recent decades. This concept is wide, as it includes acceptance of the concept of responsibility, taking initiative, being held responsible, and making an independent decision on matters that have been expressly delegated to one or more individuals (Storti, 2013). Ownership refers to a situation that gives a person the maximum range of rights on a property, and it can be obtained through purchase, a gift, the establishment of a trust, the operation of law, and so on. Amran and Ahmad (2013) stated that the structure of ownership is an essential determinant in shaping the system of corporate governance, and the distribution of power among managers, directors, and shareholders results in the degree of ownership concentration of a company. Ownership concentration is good for the organisation, as bigger shareholdings allow for larger monitoring of managers (Jensen and Meckling, 1976). Thus, conflicts of interest will be reduced and the value of shareholders will be increased with the absence of separation between ownership and control mitigates (Morck et al., 1988).

The common types of ownership structure that have been used as the independent variables in previous studies are managerial, family, government, foreign, state, concentrated, local nominee, and institutional. Previously, the concept of ownership has been discussed in studies by Ghazali (2011); Amran and Ahmad (2013); Arshad (2014); Musallam (2015); Jadoon and Bajuri (2015); Abdulsamad and Yusoff (2016); Pang and Abdul (2016); Rashid et al. (2017); Aziz et al. (2017); and Wei et al. (2017). Previous empirical findings by Amran and Ahmad (2013), Jadoon and Bajuri (2015), and Rashid et al. (2017) found that ownership structure is significant for the performance of the firm, and there is a complex nexus among corporate ownership, governance, and performance of firms, indicating that ownership has a large effect in Malaysia and in Pakistan. According to Amran and Ahmad (2013), family ownership is the most common ownership structure in Malaysia, as most Malaysian businesses are family companies. Jadoon and Bajuri (2015) indicated that concentrated ownership is significant and positively related to the performance of firms in both market base and accounting performance indicators in Pakistan. At the same time, Pang and Abdul (2016) stated that different types of ownership structures resulted in different levels of performance for firms in Malaysia.

Furthermore, studies by Ghazali (2011) and Musallam (2015) revealed that there is a positive and significant nexus between foreign ownership and firm performance, but Musallam (2015) found that there is a negative and significant nexus between state ownership and firm performance in Malaysia, indicating that foreign ownership is good for firm performance but that state ownership is the reverse. In addition, Ghazali (2011) also found that government ownership was statistically significant and positively related to firm performance in Malaysia. Meanwhile, the findings of Aziz et al. (2017) indicated both foreign ownership and managerial ownership have significant relationships with financial restatements, showing that managerial shareholders are monitored and disciplined managers to effectively ensure that there is no misstatement in the prepared accounts. Aziz et al. (2017) also found that foreign ownership guaranteed the quality of accounting information, implying that the opportunism of the management is reduced due to the presence and control of foreign ownership in Malaysia. Lastly, the findings of Wei et al. (2017) showed that concentrated ownership improves the performance of firms in the case of Malaysia.

In contrast, a study by Arshad (2014) showed that concentrated ownership (shareholder ownership) has no significant relationship with the performance of Malaysian firms. Meanwhile, Abdulsamad and Yusoff (2016) also showed that there is no significant or great nexus between local nominee ownership and the performance

Table 1: Summary of literature review

Author(s), Date	Data used	Theory(s) used	Method(s) used	Major findings
Aziz et al. (2017)	Variables: Management ownership, government ownership, institutional ownership, family ownership, foreign ownership, ROA, and leverage. Sample period: 853 publicly listed companies on Kuala Lumpur Stock Exchange: 9 years of secondary data, 2005-2013. Data collected from annual reports. Country: Malaysia.	The idea of ownership. Agency theory. Signalling theory.	Descriptive statistics. Regression model.	Findings revealed that ownership in terms of managerial and foreign ownership significantly influences the presence of financial restatement, and financial restatement is negatively and significantly associated with these two factors. This means that managerial shareholders are effective in disciplining and monitoring managers so that there is no misstatement in prepared accounts. Moreover, findings also showed that foreign ownership is effective in guaranteeing the quality of accounting information because the supervision and existence of foreign ownership could reduce the opportunism of the management, especially from foreign investors who are involved in the long term. Furthermore, institutional ownership, government ownership, and family ownership are not significant with financial restatement. Lastly, government ownership was found to reduce the probability of restatement – the opposite of the predicted influence.
Wei et al. (2017)	Variables: Dividend payout, ROE, ownership concentration, firm leverage, firm liquidity, firm growth, firm size, firm age, board size, independent director, and board meetings. Sample period: 811 Malaysian publicly listed companies for 11 years of secondary data, 2005-2015. Country: Malaysia.	Agency theory.	Regression analysis. Descriptive statistics.	The results found that shareholders with concentrated ownership play a crucial role in identifying the payout of dividend and boosting the performance of the firm. The empirical results showed a negative link between ownership concentration and dividend payout. Findings also showed a positive nexus between ownership concentration and firm performance as the effective monitoring activities are implemented by shareholders on management. The results also revealed that a high degree of equity concentration is unlikely to pay dividends, as most shareholders like to invest in different projects with their cash flow, which is likely to produce greater profitability, compared to paying dividends to shareholders. In whole, ownership concentration is related to a low payout of

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Author(s), Date	Data used	Theory(s) used	Method(s) used	Major findings
				dividend, but it enhances the performance of the firm. In conclusion, the findings suggested that ownership concentration may be an effective tool in monitoring.
Rashid et al. (2017)	Variables: Firm size, firm age, industry division, and return of aggregate resources (ROA). Sample period: 5 years of secondary data from company annual reports, 2011-2015. Country: Pakistan.	Concept of corporate governance. Concept of ownership. Agency theory.	Descriptive statistics. Analysis of variance. Cross-tabulation. Correlations test.	The results highlighted the complex nexus among corporate ownership, governance, and firm performance. First, the results showed how unique controlling shareholders affect ownership and governance structures. Second, the sort of ownership has a coordinating impact on the performance of the firm and the immature monetary framework, which ignores the effects of satisfactory. The results showed that in Pakistan the focus of ownership is obvious and that the sort of ownership is determined at a very early stage.
Roy (2016)	Variables: Board of directors, board committees, audit fees, ownership structure, ROE, MTBVR, debt, firm age, and firm size. Sample period: 58 top Indian listed companies for a time period of 6 years, 2007-2012. Country: India.	The idea of corporate governance.	Descriptive statistics. Multiple regression analysis. Correlation analysis. PCA.	MTBVR results showed an R-square of 34.9%, indicating that there is a strong association with five factors. Next, results of ROE showed an R-square of 48.6%, meaning it is significantly influenced by the five factors. Lastly, five corporate governance factors help in explaining the association to future firm performance measured by MTBVR, while five corporate governance factors are associated with historical performance measured by ROE.
Abdulsamad and Yusoff (2016)	Variables: Ownership in terms of government, local nominee and foreign nominee, ROA, and EPS used to measure firm performance. Sample period: 369 listed Malaysian companies and 11 years of secondary data from company annual reports, 2003-2013. Country: Malaysia.	Concept of ownership structure. Agency theory	Descriptive analysis.	Results indicated that there were only a few changes in the ownership structure and performance of corporations in Malaysia during the period 2002-2013. Of the three ownership structures, ownership of the local nominee did not show any great nexus with any of the company performance indicators in 2003, 2008, and 2013. A foreign nominee contributed to the company's performance only in 2003. In conclusion, Malaysian economic development does not affect the ownership structure of the chosen Malaysian companies.

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Author(s), Date	Data used	Theory(s) used	Method(s) used	Major findings
Pang and Abdul (2016)	Variables: Structure of board, duality of CEO, size of board, independent directors board, directors' qualifications, board meetings, board committees, remuneration of directors, transparency and disclosure, mergers and acquisitions. Sample period: 5 years of secondary data from company annual reports, 2010-2014. Country: Malaysia.	Concept of ownership structure. Concept of corporate governance. Agency theory.	Linear regression analysis. Multiple regression analysis. Panel data regression analysis.	The study aimed to determine which of the ownership structures and corporate governance practices are more feasible, practical, and profitable in every sector of the economy in Malaysia. Firms can use the information of this study as a guide, by considering which ownership structure and corporate governance practices will bring maximum benefits to the company and make the company most competitive. This study investigated the significance of other components of corporate governance for the listed companies in Malaysia, which is different from the early literature on the effect of corporate governance, and the model of this study has the characteristics of identifying the impact of different components of corporate governance.
Ramli and Ramli (2015)	Variables: Gross profit/COS (CG/COS), PBT/TC, total revenue, cost of goods sold, Muslim directors, Muslim INEDS, Muslim CEO, professional qualifications, board size, and Muslim chairman. Sample period: 50 Malaysian largest companies with good CG score, based on CG Scorecard in 2012. Data collected from annual reports. Country: Malaysia.	Concept of corporate governance.	Descriptive statistics. Inferential analysis.	Malaysia uses Malaysian Financial Reporting Standards 118 for financial accounting, but most firms are not following the Shariah precepts. Findings showed that directors with professional qualification in accounting are statistically associated with lower revenue, meaning there is an inverse relationship with corporate performance. Most of the boards are monopolised by non-Muslim directors. The results also revealed that the board attribute cannot prove its significant influence on profit moderation and profit maximization. In short, the presence of a Muslim CEO who is directly involved in the company's operations does not affect the company's profits.
Badriyah et al. (2015)	Variables: ROA, Tobin's Q, size of board, proportion of independent, concentrated ownership, managerial ownership, auditor reputation, firm size, firm complexity, financial reporting risk, and leverage Sample period: 395 non-financial companies in ISE in 2013. Data collected from annual reports. Country: Indonesia.	Theory of corporate performance. Concept of corporate governance.	Structural equation model based on PLS.	Results showed that 71 companies had formed RMC and 169 companies had not formed RMC (240 from 395 that met the sampling criteria). The findings showed that there is an advantage to the companies to form RMC as it will enhance the performance of the company.

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Author(s), Date	Data used	Theory(s) used	Method(s) used	Major findings
				Based on PLS data, concentrated ownership, managerial ownership, and leverage are under 0.5 of factor loading. In conclusion, this research supported the hypothesis of the test indicating that corporate governance affects the form of RMC. The firm characteristics affect the forms of RMC. Lastly, the existence of RMC affected the firm performance.
Jadoon and Bajuri (2015)	Variables: Tobin's Q, ROE, ROA, LSH, shareholding of largest five owners (R5LSH), shareholding of largest ten owners (10LSH), firm age (AGE), total assets (size), and leverage of firms (LEV). Sample period: 638 listed firms on the KSE for a time period of 6 years, 2006-2011. Country: Pakistan.	The concept of ownership structure. The concept of firm performance. Agency theory.	Multiple regression models. Descriptive statistics. Correlation analysis. Correlation matrix.	The results indicated that ownership concentration has a positive impact on firm performance for both accounting and market base performance factors. Moreover, the LSH and 10LSH have significant positive relationships with ROA while 5LSH does not, showing that higher concentration of ownership will increase firm performance, except for 5LSH. In regard to ROE and Tobin's Q, results revealed that they are positively related to all three ownership concentration indicators, meaning that concentration of ownership increases firm performance for all three ownership concentration factors. Furthermore, ROA has a significant positive association with LSH and 5LSH, while ROE and Tobin's Q have strong positive relationships with all the ownership concentration indicators.
Musallam (2015)	Variables: MTBVR, ROA, foreign ownership, state ownership, firm size, firm age, leverage ratio, profitability, investment, capital intensity, and liquidity. Sample period: 190 non-financial listed Malaysian companies. 10 years of secondary data, 2000-2009. Data collected from annual reports and DataStream. Country: Malaysia.	Concept of corporate performance. Concept of foreign ownership	Weighted least squares. Ordinary least squares. Descriptive statistics. Correlation matrix.	The empirical results showed that the impact of foreign ownership on firm performance is positive and significant, whereas the impact of state ownership is negative and significant. The results suggested that foreign ownership enhances corporate performance, but the state undermines corporate performance. The results also indicated that foreign and national ownership have a linear relationship with corporate performance. Findings also showed that firm age has a negative impact on firm performance while liquidity has a positive impact.

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Author(s), Date	Data used	Theory(s) used	Method(s) used	Major findings
		.		Higher state ownership does not lead to better firm performance. The author concluded that with the existence of linear relationships, an increase in foreign ownership may improve corporate performance.
Arshad (2014)	Variables: ROA, ROE, number of family members owning company shares, number of directors owning company shares, number of private institutions or companies owning company shares, number of activist institutions owning the company, disclosure of effective communication with shareholders through company proxies, disclosure of annual general meetings held, total assets, and net sales. Sample period: 237 Malaysian publicly listed companies. 13 years of secondary data, 1996–2008. Data collected from annual reports and DataStream. Country: Malaysia.	Concept of firm performance. Concept of ownership structure.	Pearson correlation analysis. Multivariate regression analysis.	The results showed that there is no great correlation between ownership structure and corporate performance. Among the variables in Panel A, only a change in EPS and change in the mean of net sales were correlated significantly positively ($r=0.188$) at a level 0.01, indicating that an increase in firm size will increase the particular measure of firm performance. In Panel B, results showed that six significant correlations exist (ΔLOGTS and ΔEPS, ΔLOGTS and ΔROA, ΔLOGTS and ΔRET, ΔLOGTS and ΔRETadj, ΔLOGTA and ΔEPS, ΔLOGTA and ΔRETadj), indicating that larger firm size will yield better firm performance. In Panel C, results showed that only ΔLOGTS has a positive significant correlation with ΔEPS at 0.01 level. The result does not support the hypothesis about change in shareholder structure being positively associated with changes in performance. However, findings implied that there is a positive nexus between ΔLOGTS and ΔEPS. This confirms that larger PLC will yield higher firm performance.
Gupta and Sharma (2014)	Variables: Constitution of board, structure of board, different committees, directors' independence and their roles, interest conflicts, and information disclosure. Sample period: 8 years of secondary data from company annual reports, 2006-2013. Country: India and South Korea.	Concept of corporate governance. Stakeholder theory	Analysis of parameters.	Countries in Asia have cultural characteristics that are similar, but they do not share exact practices of corporate governance. India has been found to follow stricter practices of corporate governance, in line with the American model, whereas South Korea follows the corporate governance forms of stakeholders. South Korea didn't initially believe in outsiders' intervention in the company business, and it has had no mandatory requirements of independent directors and committees; these practices,

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Author(s), Date	Data used	Theory(s) used	Method(s) used	Major findings
				however, are slowly changing. It has enacted significant legislation on corporate governance practices and disclosure norms, but these changes cannot be fully implemented due to the concentration of power of family-run enterprises. Lastly, the results showed that corporate governance practices have limited influence on the company's share price and financial performance.
Amran and Ahmad (2013)	Variables: Managerial ownership, family ownership, debt, firm age, firm size, and industry type. Sample period: 420 public listed companies and 5 years of secondary data from company annual reports 2003-2007. Country: Malaysia.	Concept of managerial ownership. Concept of family ownership.	Descriptive analysis. Multivariate regression analysis.	The results showed that managerial ownership is significant for ROA and ROE, whereas family ownership is significant for Tobin's Q, ROA, and net assets. The outcomes also revealed that a rise in internal ownership improves the company performance because of the readjustment of internal and external interests and the decrease of shareholder conflicts of interest. The results also indicated that when the proportion of managers' shareholding increases, the performance of the company decreases. Thus, larger control and larger shareholdings by managers are more worrisome, because of self-interest, than those of other shareholders.
Achchuthan and Kajananthan (2013)	Variables: Corporate governance practices, ROE, BLS, proportion of non-executive directors in the board, board committees, and board meetings. Sample period: 28 listed manufacturing firms in Colombo Stock Exchange. 5 years of secondary data, 2007–2011. Data collected from annual reports. Country: India (Sri Lanka).	The idea of corporate governance Agency theory. Stewardship theory.	ANOVA (f-test). Independent t-test. Descriptive statistics.	Results showed that there is no important nexus between firm performance and corporate governance practices such as board committees, leadership structure, board meetings, and proportion of non-executive directors. Results also found that there is no great nexus between firm performance across the BLS as separate and combined leadership in the listed Sri Lanka firms, indicating that both combined and separated leadership structure earn approximately the same level of ROE. -In short, 4 out of 28 listed Sri Lanka firm boards of directors had formed remuneration, audit, and nomination committees, while the remaining 24 firms had formed only one or two committees.

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Author(s), Date	Data used	Theory(s) used	Method(s) used	Major findings
Ghazali (2011)	Variables: Director or management ownership, foreign ownership, government ownership, board size and independence, and Tobin's Q. Sample period: 87 non-financial listed companies in 2001. Data collected from annual reports. Country: Malaysia.	Theory of corporate performance. Concept of ownership structure. Concept of corporate governance.	Regression analysis. Descriptive statistics.	The results revealed that no variables of corporate governance could explain the company's performance. Nevertheless, two ownership variables (government and foreign ownership) were statistically significant in correlating with the company's performance. Furthermore, results showed that foreign ownership was significant at the 1% significance level, which meets the expectation that companies with more foreign ownership are more profitable, whereas government ownership is significant the 10% level, which shows that companies with the government as shareholder also perform very well. Corporate governance was not significantly correlated with expanding the firm performance. In conclusion, the evidence was insufficient to show that a company that is under corporate governance performs better, because this research was from 2001, which was too early to detect the positive impact of corporate governance.

EPS: Earnings per share, ROA: Return on assets, PBT: Profit before tax, TC: Total cost, ISE: Indonesia stock exchange, LSH: Largest shareholder holder, KSE: Karachi stock exchange, BLS: Board leadership structure, PLS: Partial least squares

of Malaysian firms, implying that local nominee owners are not involved in managerial decision making or they play a passive role in things that are related to the performance of the firm. For instance, they are lacking in participation at general meetings. Lastly, Aziz et al. (2017) also found that institutional ownership, family ownership, and government ownership are not statistically significant with regard to financial restatement.

2.4. Concept of Governance of Firm Towards Firm Performance

Governance of firms has also received quite a lot of attention during the last 20 years owing to some national economic reforms and accidents of economic history, e.g., large corporate debacles and the regional market crisis. Corporate governance is the system of rules, processes, and practices by which companies are controlled and guided. Corporate governance is usually involved in balancing the interests of stakeholders of the firm, including managers, shareholders, suppliers, clients, financiers, communities, and governments. According to Gupta and Sharma (2014), corporate governance is required in order to establish a transparency culture, awareness, and openness, as it allows companies to maximize their values in the long term, which can be seen in the aspect of corporate performance. Recently, the practice of corporate governance has become more and more important. The common indicators of corporate governance that have been used as independent variables in previous studies are board structure, disclosure of information, duality of CEO, size of board, independent board of directors, professionalism or qualification of the directors, board meetings, board committees, remuneration of the directors, transparency and disclosure, mergers and acquisitions, size of company, and age of firm. Previously, the concept of corporate governance has been employed in studies by Ghazali (2011); Achchuthan and Kajananthan (2013); Gupta and Sharma (2014); Badriyah et al. (2015); Pang and Abdul (2016); Ramli and Ramli (2015); Roy (2016); and Rashid et al. (2017). Previous empirical studies have found that Asian countries have cultural characteristics that are roughly the same, but they do not follow the same corporate governance practices. For instance, companies in India follow a more rigid practice of corporate governance based on the US model while companies in South Korea practice a stakeholder form of corporate governance. Besides that, Gupta and Sharma (2014) found little impact from the practices of corporate governance on firm performance. In a study by Badriyah et al. (2015), corporate governance was seen to influence the presence of a risk management committee, which affects the performance of the firm, meaning that corporate governance influences firm performance indirectly in Indonesia. Findings by Rashid et al. (2017) revealed that Pakistan's corporate governance should be better controlled, perhaps limiting the energy of large shareholders to ensure the interests of minority shareholders.

In contrast, a study by Ghazali (2011) indicated that there are no variables of corporate governance that are statistically important in interpreting the performance of the company in Malaysia, meaning that the regulatory efforts that began after the economic crisis during 1997 have not led to better company performance. Not only that, but findings by Achchuthan and Kajananthan (2013) also failed to show a significant nexus between corporate governance factors such as board structure, meetings, and committees with firm performance in Sri Lanka. Lastly, findings by Ramli and Ramli (2015) also showed that corporate governance in the view of directors with accounting professionals has no significant relationship on firm performance but results in lower total revenue in Malaysian companies. At the same time, Ramli and Ramli (2015) also found that no director or board attributes were statistically significant with firm performance.

2.5. Concept of Firm Performance

All previous studies were carried out to determine the nexus or link between ownership and corporate governance towards firm performance. Normally, studies have used return on assets (ROA) and return on equity (ROE) as the measurements or variables of financial performance for the chosen firms. ROA is a profitability ratio that measures how well a company is generating profits from its invested total assets, and it represents the actual performance of the firm (Ponnu, 2008). According to Epps and Cereola (2008), ROE is defined as the amount or quantity of net income returned as a percentage of the equity of shareholders, and it measures a company's profitability by revealing the profit that is generated from shareholders' investment. According to Nega (2017), ROE has been proven to be a trustworthy performance measure for stakeholders; it has been used in many studies, and it is suitable for both short- and long-term investment.

Previously, Amran and Ahmad (2013), Arshad (2014), Gupta and Sharma (2014), Jadoon and Bajuri (2015), Pang and Abdul (2016), and Wei, et al. (2017) used ROA and ROE as the dependent variables (determinants of firm performance), while Musallam (2015), Abdulsamad and Yusoff (2016), Rashid et al. (2017), and Aziz et al. (2017) used ROA only as the dependent variable. Achchuthan and Kajananthan (2013) and Roy (2016) used ROE only as the dependent variable.

In contrast, studies by Ghazali (2011), Abdulsamad and Yusoff (2016), Pang and Abdul (2016), and Wei, et al. (2017) also used other measures for firm performance other than ROA and ROE, such as earnings per share and Tobin's Q. Table 1 summarize the literature reviews of related studies.

3. CONCLUSIONS

This paper aimed to examine the nexus of firm ownership, firm governance, and their impacts on firm performance in Malaysian listed trading and service firms. Malaysia was selected because it is one of the emerging countries and it is undergoing ongoing development. Malaysia has had constant growth in gross domestic product, and there are many factors contributing to the Malaysian economy. By considering the issues of firm ownership and governance that are receiving great public attention and worldwide concern, this study selected ownership structures, firm governance, and firm performance variables for analysis. Ownership is crucial to many organisations, but in the rush to make things happen, many organisations often forget or simply decide not to take the time to build ownership (Sevier, 2014). Meanwhile, firm governance aims to increase the accountability of companies and avoid large-scale disasters.

This study used agency theory, stakeholder theory, the concept of ownership, the idea of corporate governance, and the concept of firm performance. Agency theory occupies the core position in the literature on corporate governance, and it is used to comprehend the nexus between agents and principals, as well as how the governance of firms can be used to change the rules by which agents operate the firm and restore the interests of the principals. Meanwhile, the problem identified by agency theory is agency cost, which is due to or arises from outside ownership and is known as the separation of ownership and control. The separation of ownership and control means that the shareholders have little or no direct control over the management decisions in publicly held firms, which may lead to potential conflicts of interest among the directors and the shareholders.

Although a large number of studies on the topic of the influence of ownership structure and firm governance on firm performance have been published, only a few studies have shown the impact of ownership structure on firm performance in Malaysian companies, and scholars have found that the nexus among ownership, firm governance, and firm performance is different across countries and over time (Chen and Yu, 2012; Hu and Izumida, 2008). Therefore, this study has been intended to fill this research gap by investigating the influence of ownership structure and governance on firm performance. To achieve these objectives, this study's examination of the short- and long-term relationships employed relevant methods from previous studies. Thus, the new empirical findings of this study can provide policymakers with better suggestions and enable them to implement more efficient policies to better address the problems.

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