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THE IMPACT OF GOVERNMENT POLICY ON THE GOVERNANCE OF MALAYSIAN GOVERNMENT-LINKED COMPANIES

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Abstract: **Malaysian Government–linked Companies (GLCs) is defined as a business entity where the government has a direct controlling stake. Business element incorporates in the definition exhibits that there is a need for GLCs to has a profit motive, while at the same time, be part of government policies in developing the nation, as the government owns it. Despite this, GLCs presences in the economy are significant, with the market capitalization of USD1.7 billion. Due to GLCs conflicting objectives and significant presence in the market, issues of its corporate governance and performance are often debated among scholars. The Asian Financial Crisis 1997 has badly hit GLCs performance and poor governance is seen as the cause. Therefore, the government embarked a 10-year transformation program known as Government-linked Companies Transformation Program (GLCTP) that ended in 2015, among others to improve GLCs governance. Other than this, New Economic Model (NEM) and government policy on women directors on corporate board were introduced in 2010 and 2011 respectively. Hence, the current study aims to see the impact of government policies on the improvement in governance of all listed GLCs by assessing their board structure before and after the program through a selection of 29 GLCs that were listed on the Bursa Malaysia between 2004 and 2015. A further analysis was done to compare the board structure of GLCs with non-GLCs by using a control sample of 29 companies with a government shareholding of less than 5%. For the first aim of the study, the finding reveals that GLCs board size, the number of independent and executive directors have shown to have insignificant changes between 2004 and 2015. However, women, politician/government official/ex-government official and professional directors on GLCs board exhibit significant changes in numbers between the two years. The insignificance difference on board size, a number of independent and executive directors of GLCs between 2004 and 2015 is because these criteria have already met the directive of the Listing Requirement (LR) of the Bursa Malaysia, Malaysia Code on Corporate Governance (MCCG), GLCTP and NEM. The finding concludes that government policies such as the GLCTP, NEM has enhanced the GLCs board structure in 2015, compared with 2004. Though the percentage of women on board has not achieved 30% as announced by the government, the increased in numbers compare to 2004 has shown an improvement in compliance with the policy. In comparing board governance between GLCs and non-GLCs, the finding release that, except for women on board criteria, the rest are significantly difference between GLCs and non-GLCs. The difference in a number of politician/government official/ex-government official and professional directors on the board of both GLCs and non-GLCs is due to the government interference in GLCs. However, the number of women directors in both companies has no difference, implying that non-GLCs are also accepting government policy and implement it in their board structure. This empirical study provides information on the impact of the government program in improving governance of GLCs that is crucial to its performance and market perceptions.**

Keywords: **government ownership, agency theory, corporate governance, Malaysia, transformation program.**

1. INTRODUCTION

In most countries, the government owns corporations for supporting economic development and social concerns. These corporations are termed and defined differently across countries, mainly called State-owned enterprises (SOEs), depending on its purpose of establishment, the law that governed and its governance structure. Its role in developing nation is significant and has been rising in influence in the global economy (The World Bank, 2014, p. xxi). In Malaysia, these similar type entities are called Government-linked companies (GLCs), defined by the government as “business entities that the government has a controlling stake” (Ministry of Finance (MOF), 2007, p.92). GLCs play a prominent role in Malaysian economic development (National Economic Advisory Council (NEAC), 2010, p.45). Despite being part of government policies in developing the nation (PCG, 2005, p.17), their presences in the economy are significant, with the current market capitalization of USD 1.7 billion as at July 2015 (Putrajaya Committee in GLC High Performance (PCG), 2015, p.10). Due to GLCs important role and significant presence in the market, issues of its corporate governance and its performance has become the Malaysia government concern (PCG, 2005, p.1).

Lack of governance and performance has led to the reform of SOEs around the world. Similar to other OECD countries for examples New Zealand, Sweden and Poland that had reformed its government-owned entities/SOEs (OECD, 2011, p.25), Malaysia is no exception to this scenario, especially after the Asian Financial Crisis 1997 that has badly Malaysian corporate landscape. This initiative was embarked through the launching of a 10 year GLCs Transformation Program (GLCTP) (2005-2015) in May 2004. The program was aimed to produce policy guidelines to address some of the core challenges of 17 selected GLCs, in a bid to improve its governance, performance, and competitiveness (PCG, 2005, p.17). Though 17 proxies were selected to the program that represented five GLICs, the spirit is expected to spread to all GLCs in Malaysia (NEAC, 2010, p.23). Among others, the governance element in this program to be enhanced is the effectiveness of the board of directors (board). Other than this, the Malaysian government also embarked the New Economic Model (NEM) in 2010, to transform Malaysia from middle-income to an advanced nation by 2020 (NEAC, 2010, p.iii). In this model, GLCs poor governance was discussed and suggestions were made in order to improve its governance, encompasses the structure of its board (NEAC, 2010, p.19). Besides this policy, the Prime Minister in 2011 announced a policy to have at least 30% women in decision-making positions in the corporate sector by 2016 (Women Directors Program, 2011, p.1) that also includes GLCs.

Firstly, the current research examined the change of board structure of GLCs between 2004 to 2015. The variables for this are board size, the number of independent, executive women, politician/government official/ex-government official, and professional directors. This period was chosen in order to see the impact of the GLCTP, as it started in 2005 and ended in 2015. Between these years, NEM and the policy of at least 30% women on corporate board were also initiated which also touched on GLCs board structure. Secondly, the present research compared the structure of the boards of GLCs and non-GLCs in 2015. This is to see the impact of the difference on GLCs and non-GLCs board that eventually reveal the impact of government shareholding on a company board structure. Data on listed GLCs and non-GLCs is retrieved from respective annual reports from the website of Bursa Malaysia (Malaysian stock exchange). Other publications such as government publication, working papers, and books were studied thoroughly in order to assess the changes deeply.

Limited study on the impact of government initiatives in improving the governance of GLCs is the motivation for this study. There is no research on the change of governance of GLCs and comparison of their level of governance with the non-GLCs are known to date especially after the GLCTP that ended in 2015. Previous researchers studied on SOEs/GLCs financial performance, in comparison with the private sector (Ab Razak, Ahmad and Joher, 2011, p.214; Najid and Rahman, 2011, p.2; Bhatt, 2016, p.150; Ang and Ding, 2006, p.64;). Other local researchers studied on GLCs performance in relationship with degree and type of government ownership (Lau and Tong, 2008, p.9; Muhamed, Stratling and Salama, 2014 p.453) and board mechanism (Haniffa and Hudaib, 2006, p. 1034; Bin and Yi, 2015, p. 399).

The current study reveals that there is a difference in GLCs board structure pertaining to the number of politician/government official/ex-government official and women directors between 2004 and 2015. This finding concludes that government policies have a significant impact on the GLCs board structure. When compares to non-GLCs, except for the number of women directors, all other variables are different between GLCs and not-GLCs, due to government intervention in GLCs. It is no different in the number of women directors in GLCs board and non-GLCs board indicates that both GLCs and non-GLCs adhere to the policy on women directors introduced by the government. The finding of this study will contribute to the comprehensive knowledge of government initiatives and its effect on the governance GLCs that is important for economic development and governance in Malaysia. Following the graduation of GLCs in 2015, this study has become increasingly important in the onset of assessing the GLCTP effect on GLCs governance in Malaysia.

This paper is structured as follows. The following section discusses the literature relating to the background of GLCs and GLICs and government initiatives for improvement of board governance of GLCs. It also discusses the optimal board structures for GLCs ownership through the GLCTP, the NEM and the policy on women directors on the board. Section 3 provides a discussion of the methodology and variable definition. Section 4 discusses the results of the study and in section 5 some conclusions are drawn.

2. LITERATURE REVIEW

2.1 Background:

SOEs have long been viewed as one of the tools for development in many countries to overcome obstacles to growth, correct market imperfections and promote industrial upgrading (OECD, 2015, p.115). In the Malaysian context, its high economic growth over the last few decades is achieved through a stable political condition (Snodgrass, 1995, p.18-19) through the establishment of the then public enterprises. These entities are used in government internal resource configurations to achieve socio-economic objectives (Gomez, 2009, p.10; Malaysia Economic Planning Unit (EPU) website). At present, some of these public enterprises are termed Government-linked Investment Companies (GLICs) and Government-linked Companies (GLCs). GLICs are defined as federal government entities that allocate some or all of their funds to GLCs investment (PCG website). Accordingly, GLCs are 'companies that have a primary commercial objective in which the government/GLICs has a direct controlling stake' (PCG website). The website further defines controlling stake as 'the government's ability (not just percentage ownership) to appoint board members, senior management, and/or make major decisions (e.g. contract awards, strategy, restructuring and financing, acquisitions and divestments etc.) for GLCs, either directly or through GLICs'. The definition also includes companies where GLCs themselves have a controlling stake, i.e. subsidiaries and affiliates of GLCs (PCG website).

There are seven GLICs as proxies of government investments in GLCs, namely Employees Provident Fund (EPF), Khazanah Nasional Berhad (Khazanah), Kumpulan Wang Amanah Pencen (KWAP), Lembaga Tabung Angkatan Tentera (LTAT), Lembaga Tabung Haji (LTH), Menteri Kewangan Diperbadankan (MKD), Permodalan Nasional Bhd (PNB) (PCG website). In terms of governing bodies, EPF, KWAP, LTAT and LTH are statutory bodies governed by their respective Acts (GLICs respective Acts) while Khazanah and PNB are companies under the Companies Act 1965. MKD was established under the Minister of Finance (Incorporation) Act 1957, conceding MKD to hold, invest, acquire and dispose of the asset including shares (Minister of Finance (Incorporation) Act 1957, p.2). The purpose of allocating fund in GLCs and their beneficiaries are different among the GLICs. As an illustration, EPF as a social security institutions allocate fund for investment that would give return to its contributors (EPF website). On the other hand, Khazanah clearly announces that raising the country's competitiveness in government-directed strategic investment is one of its primary investment objectives (Khazanah report, 2015, p.3).

The evolution and history of GLCs can be divided into four phases; nationalization, corporatization, recapitalization and restructuring and development of internationally competitive financial institutions (PCG, 2015, p. 194). The first phase is linked with the takeover of Colonial companies to assume control, examples for this are Sime Darby (conglomerates) and Chemical Company of Malaysia (chemical company). Then in the second phase, the government corporatized some government departments and these entities have adopted private sector practices to improve efficiencies, as in the case of Tenaga Nasional Berhad (electricity service) and Pos Malaysia (postal services). The last two phases were to aid recovery from Asian Financial Crisis where some GLCs were recapitalized and restructure, such as Malaysian Airline System (the national carrier) and MRCB (property developer) and restructuring of financial institutions. To date, GLCs remain the main service providers to the nation in key strategic utilities and services including electricity, telecommunications, postal services, airlines, airports, public transport, banking and financial services (PCG, 2015, p.193).

OECD (2010, p.9) suggested the harmonization of the legal status of SOEs with companies in the private sector so as to facilitate a more systematic use of corporate governance instruments. This is not the case in Malaysia as all GLCs are companies governed under the Companies Act 1965. Therefore, their structure that consists of the board and the management is similar with companies without or with minimal government shareholding. Accordingly, all listed companies on the Bursa Malaysia, regardless of GLCs or non-GLCs are subject Listing Requirement (LR) by the Bursa Malaysia (Bursa Malaysia Securities Berhad (BMSM), 2016, p.201). In terms of the structure of the board, the LR regulates that the minimum requirement for directors of listed companies, among others, to have at least 1/3 independent directors (BMSM, 2016, p.1501). This requirement has been in place since 2006. Other than this, the Malaysian Code on Corporate Governance (MCCG) that was introduced in 2000provides recommendations on best practices of corporate governance in Malaysia, which has a consistent recommendation on the proportion of independent directors as LR (SC, 2007, p.10-11). Although the compliance is voluntary, all listed companies are subject to disclose their compliance to the recommendations of MCCG in their annual report (Securities Commission Malaysia (SC), 2007, p.4).

Regardless of the similarities in structure and regulatory body between GLCs or non-GLCs, both entities can be easily differentiated through their controlling stake. GLICs as proxies of government have a controlling stake through their substantial shareholding in GLCs that enables them to appoint their nominees (non-independent directors) on the board. Apart from this, GLIC (MKD) could retain control on operations of some strategic GLCs that has been privatized through the creation of special rights redeemable share or is called golden shares, as in the case of. These golden share provisions allow MKD as administer, to appoint its representative on the board of directors. Therefore, it can be concluded that GLICs indirectly control the operations of GLCs through their nominee directors in GLCs. Though there are quite a number of definitions of GLCs used by local researchers (Tam and Tan, 2007; Sulong and Mat Nor, 2008; Razak et al., 2011; Putek, et al., 2014), for the purpose of current research, a company is considered as GLCs if there is a GLICs nominee director on the board of a company. On the other hand, non-GLCs equity ownership is either family (single shareholder) or large corporation (Amran and Ahmad, 2013, p.51). In comparing between board structure of GLCs and non-GLCs, a company is classified as non-GLCs when the government is not a substantial shareholder, where the substantial shareholder is defined as having at least 5% of all voting shares in the company (Companies Act 1965, 1965, Section 69D). Therefore non-GLCs used in this study are companies where government shareholding is less than 5%. In 2015, there 279 listed companies under this definition.

2.2 The GLC Transformation Program:

The Malaysian government launched a transformation program called the GLC Transformation Program (GLCTP) in a bid to improve GLC's governance and performance. The program has outlined five thrusts policy which consists of: Clarifying the GLC mandate in the context of national development; Upgrading the effectiveness of boards and reinforce the CG of GLCs; Enhancing GLC capabilities as professional shareholders; Adopting corporate best practices within GLCs; and Implementing the GLCs Transformation Program (PCG, 2006, p.2). Through this program, the Putrajaya Committee on GLC High Performance (PCG) was formed and Khazanah was appointed as a secretary of the committee. The committee is chaired the Prime Ministers and the committees are consists of Minister of Finance, Minister in the Prime Minister's Department, Chief Secretary to the Government, Chairman of Khazanah, Chief Executive Officer (CEO) of EPF, Khazanah, LTAT, LTH, PNB and Deputy Secretary General of Treasury, MOF (PCG, 2015, p.37).

The program initial set up was to transform Khazanah-owned GLCs but was further refined to include four other GLICs (EPF, LTAT, LTH, PNB) as they would also benefit from their high performing GLCs (PCG, 2015, p.197). Accordingly, the number of selected GLCs for the program was 20, proxies for all GLCs in Malaysia as they formed 36% of the market capitalization as at May 2005 (PCG, 2005, p.2). However, due to various mergers, demergers and other corporate exercises over the years, only 17 GLCs remain throughout the program (PCG, 2015, p.38). The trust policy stated above is supported by 10 initiatives, which also includes the Green Book on 'Enhancing Board Effectiveness'. The Green Book is expected to help GLCs boards to raise their effectiveness in terms of its structure, to ensure effective day-to-day operations and fulfilling their fundamental roles and responsibility at best practices levels (PCG, 2006, p.i). In addition to this, the government has also established Malaysian Directors' Academy (MINDA) in 2006 that also implements programs to support the development of directors in GLCs (PCG, 2007, p.14).

2.3 The New Economic Model:

The NEM was developed for transforming Malaysia from middle to an advanced nation by 2020. However, the presence of GLCs has discouraged private investment (NEAC, 2010, p.5) due to its unfair advantage over private companies (NEAC, 2010, p. 121). Therefore, NEM suggested on reenergizing the private sector by ensuring GLCs operate in on a strictly commercial basis free from government interference (NEAC, 2010, p. 118). Apart from this, NEM proposed GLCs and improve the governance of remaining GLCs, in other words, to expand the GLCs governance reform beyond the 17 selected GLCs (NEAC, 2010, p. 23).

2.4 The 30% women on corporate board policy:

Women represent almost half of Malaysian workforce in 2011 (Azmi and Barrett, 2014, p.51). Despite more women in Malaysia have higher education attainment than men (EPU, 2010, p.179), they are under-represented on Malaysian's corporate boards (Ling, Selvadurai, and Hamid, 2013, p.55). Concerning this, the government has outlined program in the Tenth Malaysian Plan, to increase the number of women in the decision-making process, among others on corporate boards. Accordingly, in June 2011, the government established a goal of 30 % female board membership by 2016.

2.5 Corporate Governance:

Fama and Jensen (1983, p.304) explained that agency problem happens when there is a separation between decision-making and residual risk bearing and concerned with resolving problems that can occur in an agency relationship. The relationship between GLICs and GLCs may create a potential agency problem between the manager (GLCs) and shareholder (GLICs). Although the theory gives premise that large shareholders have a stronger incentive and play a crucial role in controlling management activities and thus improve the performance of the firm (Shlefer and Vishny, 1986, p.461), it is not always the case that GLICs is the major shareholder of GLCs. Therefore, corporate governance (CG) has become an important feature because of this separation of ownership. It is defined as "the system by which companies are directed and controlled" (Skousen et al. 2005). The Malaysian Finance Committee on Corporate Governance has described CG as "the process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability" (Finance Committee on Corporate Governance, 2001). The ultimate objective of CG is to realize the long-term shareholder's value whilst taking into account other stakeholders' interest. Thus, corporate governance is meant to come up with reasonable assurance on the right manner of managing company's resources.

The boards of directors (board) are the top-level decision control device in financial mutuals, it can be used as a control mechanism in reducing agency problem (Fama 1980, p.293; Fama and Jensen, 1983, p.311). Therefore, board governance can effectively influence the management in decision-making and can serve as control mechanism thus mitigates the agency cost. Its importance has been broadly discussed and action has been taken for enhancement. So as to prove this statement, SOEs reforms in OECD countries like Germany, Italy, Spain and Switzerland has included the enhancement of the functions of their SOEs boards as one of the agenda (OECD, 2011, p.8). This include among others providing employment conditions of the board, conflict of interest and boards integrity (OECD, 2011, p.8). In addition to this, SOEs board governance pertaining to its structure has also been discussed by other international organization such as the World Bank (The World Bank, 2014, p.xxiv).

The GLCTP suggested that nomination and selection of directors should follow a disciplined and objective process, with clear and appropriate selection criteria (PCG, 2006, p.65). As provided by the Green Book, it is important that the chairman of the board possess strong leadership skills, respected by all directors, and able to manage discussions among directors with differing styles and personalities (PCG, 2006, p. iii). Other than this, LR, MCCG and NEM remark about the criteria of directors a company should have in respective regulations, guidelines and policy.

2.5.1 Board size, independent and executive directors:

Board structure consists of its numbers, executive and independent director with required skills is acknowledged for their role in a company (Ponnu, 2008, p.217). According to the Green Book, GLCs board should preferably be no larger than ten, and have a balanced composition, with at least 1/3 of the board made up of independent directors, and up to two directors (with a maximum of 30% representation) from management (NEAC, 2010, p.xx; PCG, 2006, p.iii). Each director needs to have real commercial experience, specific industry or functional knowledge, which meets the company's unique context and requirements (PCG, 2006, p.iii). However, there is no requirement by the LR and MCCG on the number of directors that a board should have. Consistent to GLCTP, NEM requires GLCs to limit its number of directors to ten directors (NEAC, 2010, p.xx). Following this, the present study anticipates that there is a difference in the number of GLCs directors in 2004 and 2015. But this expectation is not applicable in comparing the number directors in GLCs and non-GLCs.

To date, there is no requirement of executive directors stipulated in the LR. However, MCCG recommended that the board should include a balance of executive directors and non-executive directors (MCCG, 2007, p. 7). In terms of GLCs, GLCTP urges GLCs to have a maximum of 2 executive directors (PCG, 2006, p.iii). Hence, this study predicts that there is the difference in the number of executive directors on GLCs board between 2004 and 2015. As non-GLCs may also include family business companies where they exercise managerial ownership, the current study foresees a difference between the number of executive directors in GLCs and non-GLCs. With regard to independent directors, the LR stated that all listed companies to have a proportion of at least 1/3 independent director. In view of this, this study expects that there is no significant difference in the numbers of independent directors between 2004 and 2015. The present study also expects that there is no difference in the number of independent directors of listed both GLCs and non-GLCs as both are subject to the LR.

2.5.2 Politicians/Government officials/ex-government officials:

Previous studies found that government ownership resulted in inefficient management in meeting the politicians' needs (Boubakri, Cosset and Saffar, 2008, p.654; Claessens, Feijen, and Laeven, 2008, p.37; Yeh, Shu, and Chiu, 2013, p.1079). There is no personal interest of bureaucrats in ensuring that the company is run efficiently and governed well since they do not have any benefits from good governance (Razak et al., 2011, pp. 217). Similarly, common critique on GLCs board structure before the GLCTP is that there is a political influence in GLCs decision-making but the program has made efforts to move the government away from GLCs (PCG, 2015, p.27). Therefore the present study expects the significant difference in the number of politician/government official/ex-government official on GLCs board in 2004 and 2015.

All GLCs board could have non-independent directors as a representative of GLICs. Relating to this, GLICs may appoint its officer, retired officer or politician in GLCs board, due to their relationship with government. On the other hand, non-GLCs are free to appoint any person that they think fits to be on the board of their companies and are not obliged to appoint the government-related person. Therefore, this study expects that the number of politician/government official/ex-government official on GLCs and non-GLCs board is significantly different.

2.5.3 Women on the board of directors:

The percentage of women on board in 2010 is 7.8% (Turminez, 2012, p.39) but has increased to 9% in 2013 (Ling, et al., 2013, p.55). Based on this trend and due to the approaching dateline, which is 30% woman on board by 2016, the present study expects that there is a significant change in the number of women in GLCs board between 2004 and 2015. As the policy aimed to have 30% women on corporate board in all companies, regardless of GLCs and non-GLCs, this study foresees that there is no difference in the number of women on GLCs board and non-GLCs board.

2.5.4 Professionalism of the board:

Pursuant to the Green Book, apart from being independent of management, each director needs to have real commercial experience, specific industry or functional knowledge, which meets the company's unique context and requirements (PCG, 2006, p.iii). In lieu of this, having a professional qualification is deemed to possess experience and knowledge, due to the specific criteria needed for a person to be a qualified professional. Following Yu and Zheng (2014, p. 201), this professional qualification is defined as those who are professors, CPAs, lawyers, or other professionals with experience working in a financial institution or accounting. However, it is common practice for GLICs to appoint its nominee board without vast experience in business and finance (Muhamed et al. 2014, p.65). This is also due to politician/ government officer/ex-government officer who is appointed by GLICs and they are lacking in professional qualification. Despite this, the present study expects that this situation has changed from 2004 and there will be more professional directors on GLCs boards after the program following the PCG effort in establishing of MINDA in 2006, in which it serves a talent platform when GLCs or other a company sources for a director (MINDA website). However, when comparing the number of professional director on GLCs board and non-GLCs board, one should take note of the ability of government to interfere in the appointment process thus might result in GLICs appointing a director without a professional qualification. Hence, we proposed that there is a difference in the number of the professional director in GLCs board and non-GLCs board.

3. RESEARCH METHODOLOGY

The current study investigated the change of board structure of GLCs after the GLCTP and compared GLCs board structure with the non-GLCs for the year 2015. The board structure elements understudy is board size, independent, executive, women, politicians/government officials/ex-government officials and professional directors. These elements are underlying principles that have been emphasized by the government to be implemented in the board structure of GLCs (PCG 2015, p.17; NEAC, 2010, p.19; EPU, 2010, p.177-178). The data In order to examine the changes of GLCs board structure from 2004, this study used the Paired Sample T-test. This statistical technique can be used to compare 2 population means in the case of 2 samples that are correlated.

3.1 Data selection:

Data distribution for the present study is all companies that are listed on the Bursa Malaysia between 2004 and 2015, but excluded financial institutions and trust companies due to different regulatory requirements, similar to the local study (Ab. Razak et al. (2011, p.220; Haniffa and Hudaib, 2006, p.1045; Muhamed et al., 2014, p.463). Though the GLCTP monitors 17 GLCs that were selected under the program, this study is not limited to GLCs under the program but all listed GLCs, as imposed by NEAC (2010, p.23). The observation period between 2004 and 2015 was selected as to examine the changes in board structure of GLCs after the GLCTP. Accordingly, 29 GLCs meet these criteria that also includes eight GLCs, which are already under the program. The characteristics of data for non-GLCs are companies that government shareholding is not substantial, which a single GLIC shareholding is less than 5%, but are listed in the same observation period as GLCs. The corresponding numbers of non-GLCs after controlling specific variables such as age, company size, profitability, and sectors are 29 companies.

This study analyses the normality of the data to investigate whether the data is normal distribution or not. Based on the test that has been performed using SPSS, it concluded that the data were normally distributed.

4. ANALYSIS

4.1 Descriptive statistic:

In order to examine the impact of government policies on the improvement of GLCs board structure, this study first analyses the changes in variables for board structure between 2004 and 2015. Secondly, using 2015 data, the present study compares GLCs and non-GLCs variables. The present study employs six variables that are essential for enhancing GLCs boards effectiveness as mentioned in GLCTP, NEM, and policy on 30% women on board.

The means for various variables for 2004 and 2015 are presented in Table 1.

Table 1: Mean of GLCs variables in 2004 and 2015, mean of non-GLCs variables in 2015

Variables	GLCs		Non-GLCs
	2004	2015	2015
Number	8.75	8.93	7.82
Independent	3.79	4.03	3.44
Executive	1.82	1.41	2.89
Politician/gov./ex-gov. official	2.75	2.65	0.62
Women	0.65	1.24	0.93
Professional	3.82	4.62	3.68
Observation	29	29	29

It is apparent from the first two columns of Table 1 that the mean for the number of boards in both years (2004 and 2015) is less than ten, which comply with criteria stated in the GLCTP and the NEM. The mean for the proportion of independent director on the GLCs board is more than 1/3 or 0.333, which is 0.43 and 0.45 in 2004 and 2015 respectively, while the mean for numbers of executive directors on GLCs board is less than 2 for both years. Both variables mean fulfilled the criteria set by GLCTP. The year 2015 mean for politician and government officers on board has decreased slightly from the year 2004. On the other hand, means for women and professional directors have increased to 1.24 and 4.65 respectively. Although it exhibits that most GLCs board has diversified with regard to male and female, the percentage of 30% women on GLCs board as policy set by the government has yet to achieved in 2015.

From the second and third column of Table 1, we can see the difference in means for variables between GLCs and non-GLCs in 2015. The table reveals that Non-GLCs have less number of directors than GLCs. The mean proportion of independent directors of non-GLCs is 0.43, quite similar to the mean proportion in GLCs boards which is 0.45. The mean of the executive variable has shown that Non-GLCs has more executive directors than GLCs. On the other hand, the means for professional and women directors demonstrates that GLCs has more women and professional directors than non-GLCs.

4.2 The Paired sample T-test:

Due to the normal distribution of the data, this study uses the Paired Sample T-test to compare GLCs board structure before and after the GLCTP and GLCs and non-GLCs board structure in 2015, as displayed in Table 2. By using this technique, the study can conclude whether there is a statistical difference in GLCs board structure before and after GLCTP and between GLCs and non-GLCs board structure in 2015. The Paired sample t-test for number (board size), independent, executive and politician/government officials show that the significant level of 1 tailed is more than 5%, thus indicates that there is no statistically difference in their means between 2004 and 2015. The reason behind this is that the mean for the number of board member and executive directors show that GLCs has already fulfilled the criteria set by the GLCTP in 2004 (less than 10 members and less than 2 executive directors). So GLCs has no incentive to increase/decrease the number of the boards as well as their executive directors. Table 1 shows that GLCs has already obliged to the LR and the MCCG recommendations pertaining to the proportion of at least 1/3 independent directors since 2004, thus there is no incentive to increased the number of independent directors on the board from 2004 to 2015. Based on the test, there is also no statistically difference in politician/government official variable between 2004 and 2015, though the GLCTP expects to move away from the government from GLCs after the program (PCG, 2015, p. xx). Therefore, government policy on politician/government officials does not have an impact on these variables. In addition to this, there is a statistical difference in mean between 2004 and 2015 for applying women and professional variables. This means that diversification in GLCs boards has moved in tandem with government policies to have more professional and women directors on GLCs board.

Table 2: Paired 2 samples for independent T-test applying GLCs board structure variables for 2004 and 2015, GLCs and Non-GLCs for 2015

Variables	t-value	
	GLCs between 2004 and 2015	GLCs and Non-GLCs in 2015
Number	0.35	0.009
Independent	0.17	0.025
Executive	0.10	0.0000197
Politician/gov./ex-gov. off	0.36	0.0000104
Women	0.01	0.08
Professional	0.03	0.006

The Paired sample for t-test for variables in GLCs and non-GLCs shows a statistically significant in all variables except for women variable. As both GLCs and non-GLCs meet the LR as indicated in Table 1, there is no issues on the difference in the proportion of independent directors on GLCs or non-GLCs board. The number of executive directors in both companies is different because non-GLCs may have family ownership structure and exercise managerial ownership thus has more executive directors. As mentioned previously, government/GLIC may appoint directors who are politician/government official/ex-government official in GLCs whereas non-GLCs are not obliged to appoint any politician/government official/ex-government official directors. Normally, GLIC nominee directors are from political science/politics field and do not have the professional qualification. There is no difference in difference in the number of women directors on GLCs and non-GLCs board indicates that good government policies, although not an obligation to be fulfilled are accepted and implemented in the private sector.

5. CONCLUSION

GLCs play an important role in the Malaysian economy, with a market capitalization of USD 1.7 billion as at December 2015. Due to its importance, their governance and performance are often debated among scholars and policy makers. With the introduction of GLCTP, GLCs board structure is forecasted to be improved, than before the implementation of the program. The introduction of the policy of women on board, Listing Requirement by the Bursa Malaysia and the Malaysian Code of Corporate Governance was aimed to enhance the board structure of all companies in Malaysia. Overall, both GLCs and non-GLCs comply with the LR and recommendation of MCCG with regard to the proportion of independent director on the board. Due to government controlling stake in GLCs, it limits the ability of the board to move away from government even after the GLCTP, presented from the insignificant difference in the number of politician/government officials in 2004 and 2015. Despite this, GLCs manage to place more professional and women directors on the board from the number in 2004, thus shows a positive impact of the program and government policy. In comparing GLC and non-GLCs, non-GLCs has better governance structure due to less government interference in the appointment of board. Non-GLCs is also adhere to the government 30% women on board policy.

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APPENDIX 1

Table AI: Characteristics of selected companies

	Sector type	Government-linked companies (GLCs)	Non-GLCs (GLIC less 5%)	Total
1.	Consumer	4	4	8
2.	Industrial product	4	10	14
3.	IPC	1	0	1
3.	Plantation	1	1	2
5.	Properties	2	5	7
6.	Technology	3	1	4
7.	Trade and services	14	8	22
	Total	29	29	58