The Impact of The Government-Linked Companies Transformation Program (GLCTP) on The Performances of Government-Linked Companies (GLCs) in Malaysia

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Abstract

This paper examines the performance of Government-Linked Companies (GLCs) and non-Government-Linked Companies (non-GLCs) matching[1] firms before and after the introduction of the Government-Linked Companies Transformation Program (GLCTP) in 2005, effectively measuring the impact of the GLCTP on the performance of GLCs as compared to non-GLCs using difference-in-differences estimation technique. The performances are measured by Returns on Asset (ROA), Returns on Equity (ROE) as measures for financial performances and Tobin's Q ratio as a measure for firm's performance or value. Results show that the GLCTP have a statistically significant negative effect on the GLCs' financial performances. Difference-in-difference estimation also shows that the GLCTP having a negative effect on firms' market value relative to firms' assets as measured by Tobin's Q ratio.

Keywords: Government-Linked Companies; financial performances; firm's performance; Returns on Assets; Returns on Equity; Tobin's Q; difference-in-differences estimation

1. Introduction

Government-Linked Company (GLC) are defined as a company in which the government owns at least 20% of the issued or paid-up capital and thus having direct controlling stake, percentage ownership and control over the appointment of directors and senior management officers and in decision making as well as corporate planning such as contract awards, strategy, restructuring and financing, and acquisition and investment (Putrajaya Committee on GLC High Performance Transformation, PCG (2006)). Government ownership in the companies are represented by the percentage ownership by

[1] Matching firms refer to a set of randomly selected firms comparable by total assets. Refer to Data and Methodology.

the Government-Linked Investment Companies (GLICs)[2]. In Malaysia, GLCs have always played a prominent role in the evolution of Malaysia's economy ever since its post-independence industrialization. Despite being part of government policies in developing the nation, GLCs accounted for approximately RM 250 billion (USD 1.7 billion) in market capitalization, or approximately 36% and 54% of market capitalization of Bursa Malaysia[3] and the benchmark Kuala Lumpur Composite Index[4] (KLCI) respectively (PCG, 2015) as of 2015. There have been numerous empirical studies on GLCs across countries in both developed and emerging markets including Malaysia. Most literatures provide comparative studies on performance of GLCs and non-GLCs and some literatures studied the effect of privatization (Gupta (2005), Porta and Lopez-de-Silanex (1999)). Ang and Ding (2006) found that GLCs outperformed non-GLCs in Singapore while others such as Nasir (2017), Isa and Lee (2016), Megginson *et al.* (2004), Dewenter and Malatesta (2001) and Shleifer (1998) showed that GLCs have worse financial performances than non-GLCs in both developing and developed markets. Relevant literatures have provided great insights on how GLCs perform relative to non-GLCs and understanding relationship between corporate governance and firm performances. Lau and Tong (2008) used 22 GLCs and 22 non-GLCs to investigate the implications of government affiliation focusing primarily on relationship between debt ratio and profitability in Malaysia. Lau and Tong used annual (panel) data from 1997 to 2008 and multivariate regression as the method of analysis. Razak, Ahmad and Joher (2011) used a larger sample size (210 firms) to examine governance mechanism and firm performances of Malaysian GLCs and non-GLCs. Both, however, did not mention a transformation program, the Government-Linked Companies Transformation Program (GLCTP) introduced in 2004.

In May 2004, the government of Malaysia introduced Government-Linked Companies Transformation Program (GLCTP) in response to observing the poor performance of GLCs relative to the broader market on all key financial indicators (PCG, 2015). With the implementation of GLCTP where it is founded on 3 Underlying Principles, 5 Policy Thrusts and 10 Initiatives[5], GLCs were expected to not only have better corporate governance but to deliver financial performances. The program has four phases (PCG, 2016). The first phase (May 2004– January 2005) involved the revamp of corporate boards, and the adoption of leadership changes and key performance indicators for GLCs. The second

[2] GLICs are federal government entities that allocate some or all of their funds to GLCs investments (PCG (2010)).

[3] Bursa Malaysia: Stock exchanges in Malaysia where equities and derivative are traded daily

[4] Kuala Lumpur Composite Index (KLCI) / FTSE Bursa Malaysia KLCI / FBM KLCI: capitalization-weighted stock market index composed of 30 largest companies on the Bursa Malaysia by market capitalization subject to eligibility (i) Free float of 15%; (ii) Liquidity of stocks: at least 10% of their free float adjusted shares in issue is traded in the 12 months prior to an annual index review in December.

[5] 3 Underlying Principles, 5 Policy Thrusts and 10 Initiatives in the GLCTP can be found in Appendix section.

phase (July 2005) set policy guidelines and launched the GLC Transformation Manual including 10 2005/2006 Initiatives. As such, tangible results are expected to be seen the third phase (2007). The final phase (2010 – July 2015) of the program was expected to produce regional champions and place GLCs at par with its competitors. There have been few literatures on the performances of GLCs following the introduction of the GLCTP. Nasir (2017) studied on the board structure as emphasized in GREEN and MINDA Book in the GLCTP and found that the number of professional directors in GLCs have increased after 2004. Isa and Lee (2016) used matched sample analysis and looked at corporate governance variables and attempted to assess the effectiveness of the GLCTP using univariate and multivariate analysis. Isa and Lee's sample covers 13 GLCs and 13 matching non-GLCs most of which are industry matching, from 2008 to 2013.

This paper aims to measure the impact of the GLCTP on the performances of GLCs. In particular, it focuses on 4 out of 10 Initiatives which underlay standards and strategies that are highly relevant when attempting to measure the financial performances of the program. They are the BLUE Book which focused on intensifying performance management, the GREEN and MINDA Book which emphasized on enhancing board effectiveness and corporate governance as well as the SILVER Book which underlined better capital management practices hence directly affecting dividend payouts and shareholders' confidences or firms' market valuation. Due to the nature of the research question, a difference-in-differences estimation technique is considered an appropriate approach to testing if the program had any effect on the performances of GLCs as compared to non-GLCs. Thus, this paper is different in the sense that it not only uses data covering the entire period of the GLCTP but also uses the difference-in-differences estimation approach which is effective in estimating a treatment effect (Dehejia and Wahba (1999)) and in this case, to capture the impact of the GLCTP.

2. Data and Methodology

Data source for this study was Bloomberg and were cross-checked with results from other sources such as MintGlobal and Osiris. The financial data utilized are quarterly time-series data for 40 GLCs and 33 comparable non-GLCs covering the period from 1999 to 2017. Both GLCs and non-GLCs are public limited companies, as such financial data are publicly available. Matching[6] non-GLCs are firms that are randomly chosen from the list of companies created using Peer Analysis function in Osiris where selections are refined to closest National companies according to Total Assets for Latest Year Available and Industry Sector[7]. This deliberate selection of non-GLCs is to mitigate any observable

[6] Two-sample t-tests are also used to test for the differences in means of other covariates of GLCs and comparable non-GLCs to get well-matched samples of original treated and control groups. Results of t-tests are reported under Independent Variables and Covariates section.

[7] The number of GLCs and non-GLCs for each industry sector can be found in Table I in Appendix section.

differences between GLCs and non-GLCs to ensure the effectiveness of the difference-in-difference estimation technique in capturing the effect of the GLCTP. In Lau and Tong's (2008) study, industrial classification is deemed to be a suitable metric of homogeneity.

a. Models

To implement difference-in-differences in a regression framework, we estimate the following models. First three models use pre-program period as CQ1 1999 to CQ4 2006 and post-program period as CQ1 2007 to CQ4 2017.

Model 1: $\gamma_{jt} = \beta_0 + \beta_1 \text{GLC\_dum}_i + \beta_2 \text{Post}_t + \beta_3(\text{GLC\_dum}_i * \text{Post}_t) + \varepsilon_{it}$

where GLC_dum_i is a dummy variable which takes value 1 if company is GLC (treatment group) and takes value 0 is company is non-GLC (control group) and Post_t is a binary variable which takes value 1 if t = post-program period as defined with β_3 being our coefficient of interest (diff-in-diff estimate).

Model 2[8]: $\gamma_{jt} = \beta_0 + \beta_3(\text{GLC\_dum}_i * \text{Post}_t) + \alpha_1 \text{Company}_i + \alpha_2 \text{Time}_t + \varepsilon_{it}$

where Company_i is a dummy variable for companies which would account for time-invariant differences across companies and Time_t is a time dummy variable to account for factors due to time such as the financial crisis in 2008, economic recovery years after that or (natural) economic boom.

Model 3: $\gamma_{jt} = \beta_0 + \beta_3(\text{GLC\_dum}_i * \text{Post}_t) + \alpha_1 \text{Company}_i + \alpha_2 \text{Time}_t + \alpha_3 \log PE_{it} + \alpha_4 \log LEV_{it} + \alpha_5 \log SIZE_{it} + \alpha_6 TURNOVER_{it} + \alpha_7 NORM\_PROF_{it} + \varepsilon_{it}$

where more variables are added to control for other observable differences between GLCs and non-GLCs and to help explain common time trends assumption. The variables are explained in the Independent Variables and Covariates section.

Model 4 and 5 are the exact replicates of Model 3 except that they use pre-program period as CQ1 1999 to CQ4 2007, post-program period as CQ1 2008 to CQ4 2017 and pre-program period as CQ1 1999 to CQ4 2008, post-program period as CQ1 2009 to CQ4 2017 respectively for robustness check.

b. Dependent Variables

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[8] GLC_dum_i and Post_t are dropped in this model due to perfect collinearity between company fixed effect, Company_i and time or seasonal effect, Time_t respectively. This holds for Model 3,4 and 5 as well.

In this study, firms' performances are categorized into financial performances as measured by Return on Assets (ROA) and Returns on Equity (ROE) and into firms' market valuation as measured by Tobin's Q. All ratios are widely used performance measures (Ang and Ding (2006), Bhatt (2014), Isa and Lee (2016)).

Performance Measures	Calculation	Objective
Returns on Assets (ROA)	(Trailing 12M Net Income / Average Total Assets) * 100	Indicator of how profitable a company is relative to its total assets
Returns on Equity (ROE)	(T12 Net Income Available for Common Shareholders / Average Total Common Equity) * 100	Measures corporation's profitability by revealing how much profit a company generates with the money shareholders have invested
Tobin's Q	(Market Cap + Total Liabilities + Preferred Equity + Minority Interest) / Total Assets	Measure of firm assets in relation to a firm's market value

c. Independent Variables and Covariates

Independence variables included are firm specific factors aimed to not only control for any observable differences between GLCs and non-GLCs but also to examine the linear statistical relationship between the variables and the dependent variables, if any, as well as its consistencies with previous literatures.

i) Price-to-Earnings (PE) ratio is measured by (Last (stock) Price / Trailing Weighted Earnings-Per-Share). The coefficient may be positive or negative depending on investors' confidence in companies' potential growth which indirectly affects the financial performance of company. However, it is expected to be positively associated with Tobin's Q as it is commonly believed that PE ratio can be used as a proxy for firm's valuation.

ii) Leverage (LEVER) is measured by (Net Debt/Total Equity) * 100. The coefficient are expected to be negative as seen in empirical findings (Chandrapala and Knápková (2013), Isa and Lee (2016), Weir *et al.* (2002) and Davies *et al.* (2005)) suggesting a negative relationship between leverage increase and poorer financial performances.

iii) Turnover (TURNOVER) is the total value of shares traded. It is the sum of number of shares traded multiplied by respective trade price. The coefficient is expected to be positive since higher turnover indicates either higher stock price or trading volume or both.

iv) Firm Size (SIZE) is the total of all short and long-term assets as reported on the Balance Sheet. The coefficient is expected to be positive since larger companies reflect higher economies of scale and market power (Isa and Lee, (2016)).

v) Normalized Profit Margin (NORM_PROF) is the profitability ratio (percentage) that shows how much of revenue contributes to net income before extraordinary items, one time charges, minus preferred dividends, minority interest and other adjustments, divided by sales. The coefficient is expected to be positive.

Note: Log of the independent variables are used to adjust for the skewed dataset. As a result, regressions show less of a heteroskedastic pattern which is preferred in our regression model.

Due to the nature of the model, choosing well-matched of GLCs and non-GLCs is vital in our difference-in-difference estimation in reducing bias due to covariates (Stuart, 2010). Hence, a two-sample t-test on the covariates are carried out to test the differences in means of the covariates between GLCs and non-GLCs with the hypothesis being:

$H0$: There no difference in the means of the covariate between GLC and non-GLC in the year[9]
$H1$: There is difference in the means of the covariate between GLC and non-GLC in the year

	Combined	Non-GLC	GLC	Difference	p-value
LEVERAGE					
2005	90.21931	103.2379	78.9137	24.32421	0.4348
2006	76.25204	84.58119	68.61698	15.96421	0.4886
2007	64.27232	68.70661	60.20757	8.499039	0.6073
PE					
2005	14.78994	14.93651	14.64768	.2888297	0.9243
2006	64.41304	15.36277	112.0207	-96.6579	0.3232
2007	15.50522	16.0092	15.06054	.9486651	0.7729
TURNOVER					
2005	8.61e+08	4.90e+08	1.20e+09	-7.12e+08	0.1350
2006	1.10e+09	7.29e+08	1.43e+09	-7.00e+08	0.2137
2007	2.46e+09	1.50e+09	3.29e+09	-1.78e+09	0.1095
SIZE					
2005	11975.22	19009.72	15740.16	-7034.504	0.4239
2006	16561.38	13984.03	18923.96	-4939.923	0.6352
2007	18382.38	15536.92	18923.96	-5453.794	0.6303
NORM_PROF					
2005	9.811136	5.370176	7.434285	4.44096	0.5373
2006	3.578173	1.374585	5.543535	-4.16895	0.7250
2007	10.75633	11.16177	20990.71	.7670592	0.8414

With high p-values seen in the t-tests for all the covariates, we fail to reject the null hypothesis and conclude that we do not have evidence suggesting that the means of the covariates between GLCs and

[9] Year chosen here is 2006 since we are interested in comparing the covariate distribution before program to ensure matching comparisons. Differences in covariates means for 2005 and 2007 are also tested as robustness check.

non-GLCs are different. This further complements the comparison between GLCs and non-GLCs in measuring the impact of the GLCTP.

3. Results and Analysis

On Returns on Assets (ROA):

	ROA (Model 1)	**ROA (Model 2)**	**ROA (Model 3)**	**ROA (Model 4)**	**ROA (Model 5)**
post*GLC_dum	-1.134021 (.4488322)***	-1.108384 (.3489383)***	-1.678281 (.3028693)***	-1.535359 (.2908391)***	-1.581961 (.2696003)***
logLEVER			-.2297065 (.0771812)***	-.2188652 (.0769774)***	-.2087028 (.077018)***
logPE			-1.939614 (.1314411)***	-1.951565 (.1302661)***	-1.943732 (.1303134)***
logSIZE			-2.316547 (.272844)***	-2.30007 (.2695111)***	-2.290691 (.2681525)***
TURNOVER			8.02e-10 (1.04e-10)***	7.85e-10 (1.02e-10)***	7.93e-10 (1.03e-10)***
NORM_PROF			.0155943 (.0041759)***	.015459 (.0040516)***	.0156068 (.0040152)***
N	4,364	4,364	3,348	3,348	3,348
R-sq	0.0131	0.5323	0.6795	0.6793	0.6798

Notes: In Model 2, company and time dummies are not included because they're not coefficients of interest. Heteroskedasticity-robust standard errors are used to account for autocorrelation between pre/post in the same company. ***, ** and * indicate significance at the 1%, 5% and 10% levels, respectively.

All 5 models show a negative difference-in-difference estimator suggesting that the program has a negative effect on the Return on Assets of the Government-Linked Companies. GLCs treated under the GLCTP were seen to have an average of 1.678 percentage point decrease in the Returns on Asset significant at 1% level. Coefficient for logLEVER shows a negative sign significant at 1% level which is consistent with previous literatures (Razak *et al.* (2011)) suggesting that increased debts cause increase in financial distress and thus decrease firms' performances (Chandrapala and Knápková (2013)). Sign for coefficient for logSIZE turned out to be negative which is inconsistent with the theory of economies of scale (Isa and Lee(2016)).

On Returns on Equity (ROE):

	ROE (Model 1)	ROE (Model 2)	ROE (Model 3)	ROE (Model 4)	ROE (Model 5)
post*GLC_dum	-2.601178	-4.719755	-8.118096	-7.787153	-9.173832
	(1.476942)*	(1.513563)***	(1.661514)***	(1.518694)***	(1.482977)***
logLEVER			3.155688	3.211791	3.275577
			(.5172526)***	(.519356)***	(.5223915)***
logPE			-5.015321	-5.095594	-5.049587
			(.442625)***	(.4363426)***	(.4381936)***
logSIZE			-12.05576	-11.98673	-11.96962
			(1.774116)***	(1.761666)***	(1.748757)***
TURNOVER			4.09e-09	4.02e-09	4.09e-09
			(7.56e-10)***	(7.42e-10)***	(7.45e-10)***
NORM_PROF			.0368824	.0360989	.0368676
			(.0082281)***	(.0081092)***	(.0080566)***
N	4,260	4,260	3,299	3,299	3,299
R-sq	0.0209	0.4216	0.5037	0.5039	0.5063

Notes: In Model 2, company and time dummies are not included because they're not coefficients of interest.
Heteroskedasticity-robust standard errors are used to account for autocorrelation between pre/post in the same company.
***, ** and * indicate significance at the 1%, 5% and 10% levels, respectively.

Under this regression, β_3 under Model 1 is statistically significant only at 10% level. However, result show that the program has a statistically significant negative effect on GLCs' ROE after controlling for other variables. Results indicates that GLCTP decrease the ROE of GLCs by an average of 8.118 percentage point. As for the control variables, they are all statistically significant. Coefficients for logLEV is inconsistent with our expectations such that a 10% increase in Leverage increases the ROE of firm by 3.155 percentage points, holding all other variables constant. That said, it is practically possible to observe an increase in ROE as leverage increases so as long debt capital is used effectively (Engle, (2010)). Coefficient for logSIZE is also negative here which is again, unexpected. As for stock turnover and normalized profit, the positive relationship as seen here and in the regression for ROA meet our expectations.

On Tobin's Q ratio:

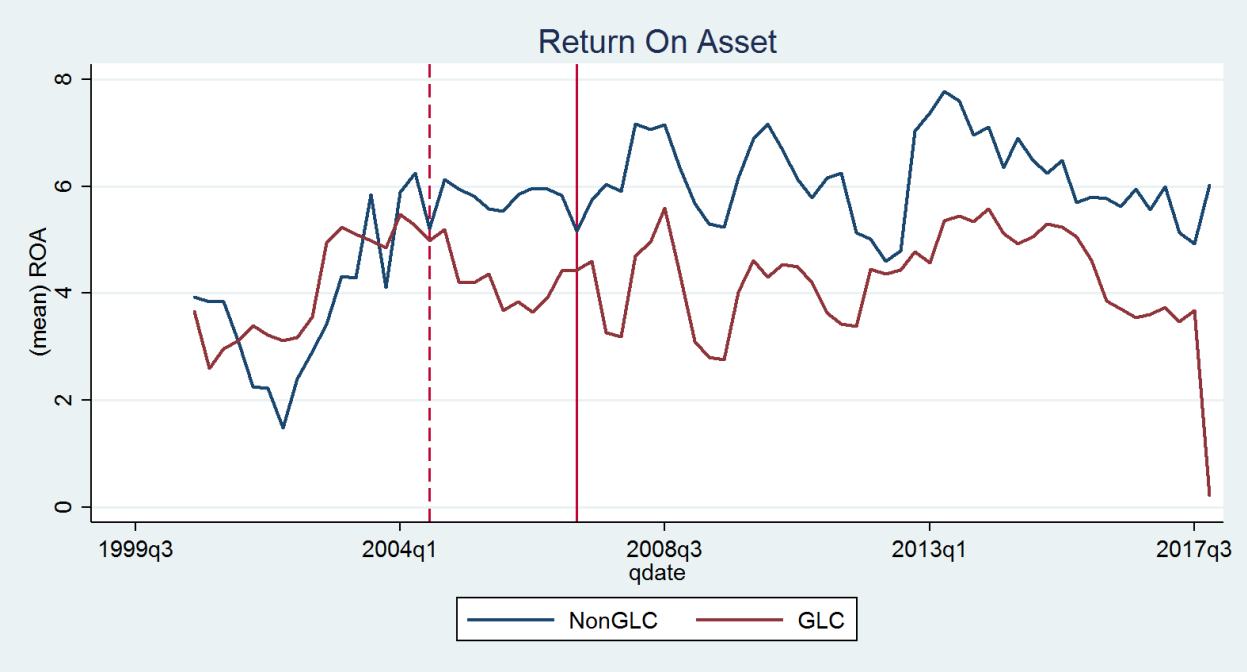
	TobQ (Model 1)	TobQ (Model 2)	TobQ (Model 3)	TobQ (Model 4)	TobQ (Model 5)
post*GLC_dum	.1909445	.1920805	-.3938922	-.3920565	-.3999686
	(.1543045)	(.0798126)**	(.0625845)***	(.0564031)***	(.05358)***

	TobQ (Model 1)	TobQ (Model 2)	TobQ (Model 3)	TobQ (Model 4)	TobQ (Model 5)
logLEV			.0452925	.0477275	.0500611
			(.0155116)***	(.0155704)***	(.0156214)***
logPE			.1035579	.1009824	.1029712
			(.0218277)***	(.02176)***	(.0217499)***
logSIZE			-.319041	-.3150823	-.3119228
			(.0812043)***	(.080833)***	(.0807206)***
TURNOVER			1.83e-10	1.80e-10	1.82e-10
			(2.63e-11)***	(2.57e-11)***	(2.59e-11)***
NORM_PROF			-.001863	-.0019001	-.0018661
			(.0010718)*	(.0010546)*	(.0010498)*
N	4,651	4,651	3,457	3,457	3,457
R-sq	0.0651	0.8427	0.8845	0.8847	0.8849

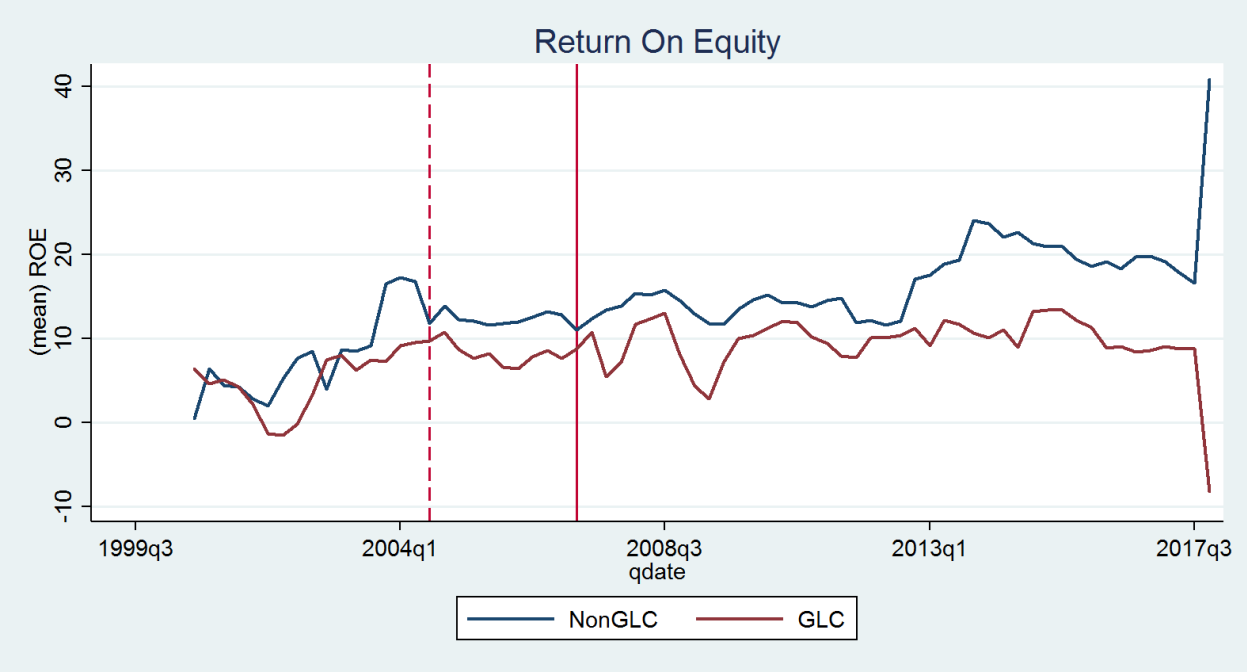
Notes: In Model 2, company and time dummies are not included because they're not coefficients of interest.
Heteroskedasticity-robust standard errors are used to account for autocorrelation between pre/post in the same company.
***, ** and * indicate significance at the 1%, 5% and 10% levels, respectively.

The difference-in-difference estimator for both Model 1 and 2 seem positive indicating that the program might have a positive effect on the Tobin's Q of GLCs. However, it is insignificant under Model 1 with p-value being 0.216 hence we conclude that data shows no evidence that the program has positive impact. Model 2 shows significance only at 5% level but not at 1%. So, we could possibly say that the program had a positive impact on GLCs' firm value at 5% level. But with Model 3 controlling for all other variables and that the coefficient is statistically significant at 1%, the program has a negative impact on the GLCs' Tobin's Q ratio. It seems that market valuation for GLCs after the program on average decreased by -0.3939, which does not necessarily suggest an unhealthy phenomenon because by definition, Tobin's Q higher than 1 indicate an overvaluation of stock which could be detrimental in the long run. Coefficient for logPE is consistent with expectation and that a 10% increase in PE ratio leads to a 0.081 increase in Tobin's Q ratio, ceteris paribus.

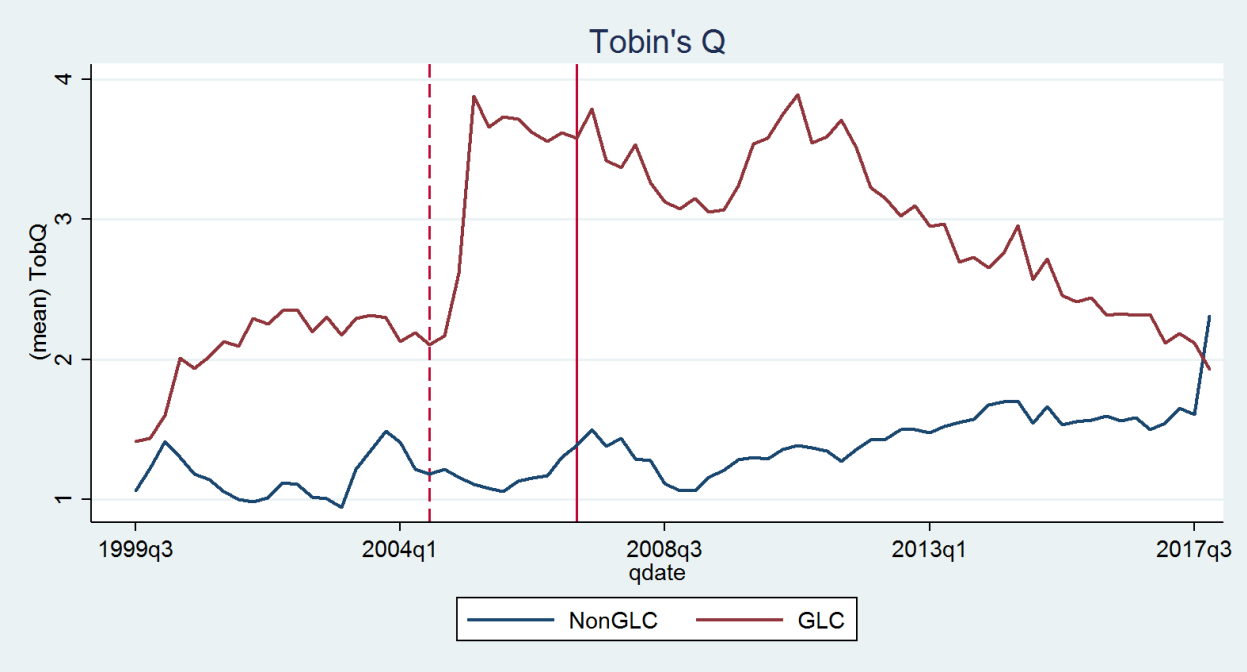
The Common Trends Assumption:



Note: A reference (solid) line at CQ1 2007 is added to separate pre-program period and post-program period. Dashed line indicates time of introduction of the GLCTP.



Note: A reference (solid) line at CQ1 2007 is added to separate pre-program period and post-program period. Dashed line indicates time of introduction of the GLCTP.



Note: A reference (solid) line at CQ1 2007 is added to separate pre-program period and post-program period. Dashed line indicates time of introduction of the GLCTP.

Assumptions and Limitations:

The graphs are visualizations of the common trends assumption which is critical to the difference-in-difference model. This assumption implies that differences between the non-GLCs and GLCs if untreated are assumed time-invariant and therefore consistent with unobservable firm-specific time-invariant heterogeneity (Mora and Reggio (2012)). On average, the trends for the outcome variables before the program is rather parallel as they move in similar directions. Tobin's Q showed a divergence right after the introduction of the GLCTP in May 2004. Based on the calculation of Tobin's Q, a reasonable explanation to such a divergence is due to the increase in market capitalization as measured by increase in stock price and, or stock volume traded because of higher investment or securities valuations.

The limitation in this study is such that the treatment and control groups are GLCs and non-GLCs respectively which could be rather unideal for a difference-in-difference estimation model considering that GLCs and non-GLCs might have systematic difference including different objectives which the latter focusing more on profit maximization as compared to the former as well as different board structure (Obeid and Sundarasen (2017)). Gomez (2009) mentions that GLCs in Malaysia are used in government internal resource configurations to achieve socio-economic objective. Thus, we attempt to mitigate this statistical problem by introducing company dummy variables and other control variables as explained in the sections above. Other matching methods such as nearest neighbor matching and optimal matching (Stuart (2010)) can be favorable in selecting matching non-GLCs to ensure small-bias difference-in-difference estimator.

This study also recognizes other key variables which could be significant when comparing performances between GLCs and non-GLCs as found in relevant literatures but not included in this paper due to the lack of available and reliable data. These key variables include but not limited to Percentage of Government and Foreign Ownership as well as board structure such as CEO Duality, board size and independent managers (Obeid and Sundarasen (2017)).

4. Conclusion

The difference-in-difference estimates for the performances of GLCs after the program are negative and significant. This necessary means that the GLCTP had a negative impact on the performances of GLCs which is contrary to expectations especially because Putrajaya Committee for GLCs (PCG), the committee that oversaw the program had released a graduation report in 2015 concluding that the performance of 17 GLCs chosen as proxies[10] for all GLCs have improved significantly after the program. Under the same overview, all GLCs in essence should also have better performances after the program. Under the program, GLCs are provided with procedures and minutia of what is expected of the GLCs in terms of corporate governance, procurement, capital structure, non-core assets management, talent management, social obligations as well as customer service; all of which should have positively impacted the firm's performances as well as valuation. It is to our surprise that the implementation of such procedures ended up having an adverse impact on GLCs' performances. That said, several literatures and researches have shown that GLCs perform worse than non-GLCs in terms of financial performances on average during this period. This brings our attention to propose a more sustainable program in the future should the government insists on focusing on improving the performances and efficiencies of GLCs.

That said, GLCs in Malaysia have in fact brought positive social welfare in the past in terms of being 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)). The question of whether or not GLCs should be focusing on thriving financial performance relative to the private-owned companies including non-GLCs remains an open debate. This paper also provides opportunities for further research addressing the limitations of the study as mentioned under Assumptions and Limitations section.

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[10] 17 GLCs were selected to act as a proxy for the performance of the GLCs under the five GLICs as they were the larger GLCs under the purview of these GLICs. These 17 GLCs are included in our sample.

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Appendix

Table 1: Number of observations for GLCs and non-GLCs under different industry sectors

Industry Sector	GLC counts	Non-GLC counts	Total
Basic Materials	1	4	5
Communications	2	2	4
Consumer, Cyclical	7	4	11
Consumer, Non-Cyclical	5	6	11
Diversified	4	2	6
Energy	2	1	3
Financial	8	6	14
Industrial	8	7	15
Technology	2	0	2
Utilities	1	1	2
Total	40	33	73

Table 2: Correlation Coefficients between Variables

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. corr ROA ROE TobQ logPE logLEVER logSIZE TURNOVER NORMALIZED_PROFIT_MARGIN
(obs=3,291)
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	ROA	ROE	TobQ	logPE	logLEVER	logSIZE	TURNOVER	NORMAL~N
ROA	1.0000							
ROE	0.6926	1.0000						
TobQ	0.3433	0.3783	1.0000					
logPE	-0.1746	-0.0709	0.0799	1.0000				
logLEVER	-0.3207	0.0782	0.0181	0.0326	1.0000			
logSIZE	-0.2362	0.0063	-0.5840	0.0569	0.2900	1.0000		
TURNOVER	0.0048	0.1428	0.0106	0.0900	0.2002	0.4640	1.0000	
NORMALIZED~N	0.0819	0.0893	0.4739	-0.1006	0.1146	-0.2613	0.0126	1.0000

Table 3: Summary statistics of the Dependent Variables

Statistics	ROA	ROE	Tobin's Q
Mean	4.931272	11.33555	2.1637045
Standard Deviation	7.463719	26.48762	2.986461
Minimum	-40.5789	155.8348	.3781
Maximum	53.335	373.4123	22.3946
Observations	4,364	4,260	4,651

The Government-Linked Companies Transformation Program:

3 Underlying Principles:

1) Performance Focus
   Create economic and shareholder value;
   Uphold principles of performance and meritocracy.
2) National Development Foundation
   Include principles of growth with equity;
   Improve total factor productivity;
   Develop human capital;
   Develop the Bumiputera community.
3) Governance, Shareholder and Stakeholder Management
   Fully observe the rights and governance of shareholders;
   Serve all valid stakeholder interests.

5 Policy Thrusts:

1) Government to clarify the GLC mandate in the context of National Development
2) GLC Boards to enhance their effectiveness and reinforce the corporate governance of GLCs.
3) GLICs to enhance their capabilities as professional shareholders.
4) GLCs to adopt best practices within their organizations.
5) Implement the GLCT Program.

10 Initiatives of the Government-Linked Companies Transformation Program:

1) Green Book: Enhancing Board Effectiveness;
2) MINDA: Malaysian Directors Academy: Strengthening Directors Capabilities;
3) GLIC M&M: GLICs' Monitoring & Management Framework;
4) Blue Book: Intensifying Performance Management Practices;
5) Red Book: Procurement Guidelines & Best Practices;
6) Yellow Book: Enhancing Operational Efficiency and Effectiveness;
7) Silver Book: Achieving Value Through Social Responsibility;
8) Orange Book: Strengthening Leadership Development
9) Purple Book: Optimizing Capital Management Practices;
10) White Book: Creating Value Through Regulatory Management.