Faculty of Economics and Business

Family Firms, Debt Ratio and Firm Performance

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Master of Science
2018

UNIVERSITI MALAYSIA SARAWAK

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Final Year Project Report ☐

Masters ☑

PhD ☐

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CHAPTER 1

INTRODUCTION

1.1 Overview

Firm performance may be the implication of making the right decisions at crucial period such as financial crisis period. However, there are several frequently observed factors that need to be in consideration such as ownership structure and capital structure. Emerging country such as Malaysia faced the conflicts of interests among managers and shareholders because of the separation of ownership from control. When the managers have more control power, they attempt to use the limited resources to benefit their own personal interests. It raised the agency and expropriation issues. Expropriation of minority shareholders occurred due to the weak investor protection in developing country and combination of management and control in the firms. When this situation happens, the investors' confidence may be affected especially during the financial crisis period. This highlighted how important it is to have good corporate governance during Asian Crisis in the late 1990s. Besides, the capital market is imperfect and may influence the firm performances with the type of ownership structures in the organization. In short, debt ratio moderates the relationship between family firms and firm performance. This chapter discusses the background of the study, economic and capital market development in Malaysia, theoretical framework, problem statement, objectives, significance of study and the organization of study.

1.2 Background of the Study

Firm performance may reflect the results of making the right decisions at the crucial time such as during the Asian Crisis in the late 1990s. It can be either analyzed as the impact of firm value on market, observations of possible gains in investments or the efficiency estimation of investments (Sauaia, 2002). For the past literatures, Tobin Q is commonly used as the market performance measure while return on asset (ROA) is the accounting performance measure. However, there can be several frequently observed critical factors such as ownership structure and capital structure.

Overall, the ownership structure around the world is either under the control of their founders, families or heirs. Most of the publicly listed firms in Western Europe, South and East Asia are family firms (La Porta, Lopez-de-Silanes & Shleifer, 1999). They were the first literature that examined the supreme power and discovered that the separation effects benefit the large shareholders. Managers who are also the majority shareholder at the same time have supreme rights to affect the investment decisions made by the firms. Claessens, Djankov and Lang (2000) also supported the existence of separation effects. In countries such as Indonesia, Korea, Malaysia, Singapore, Philippines and Taiwan (China), 15 to 80 percent of the firms have managers who are the family members and controlling shareholders at the same time. Malaysia was recorded as the third highest family control concentration dominated by the family founders and descendants after Thailand and Indonesia. High concentrated ownership could deceased the agency issue between managers and shareholders because shareholders would be observing managers but the managers are appointed among the family members for the concentrated ownership such as Malaysia. Therefore, conflicts are raised between majority shareholders who plays the responsibility of managers and minority shareholder. This is the essential reason to monitor the influence of family ownership on the firm performance.

Besides, the importance of good corporate governance practice was highlighted during financial distress period such as Asian Financial Crisis 1997 and Global Financial Crisis 2008 (Zulkafli, Abdul Samad & Ismail, 2007). The concentrated ownership in Malaysia has negative relationship with firm performance and is inferred by the weak investor protection of minority shareholders (Tam & Tan, 2007). The weak governance also raised the expropriation and tunneling issues (Friedman, Johnson & Mitton, 2003). The majority shareholders who acts as managers tend to tunnel the resources out of the firms for their own personal benefits when the investor protection is weak. This affects the firm performance and raised the agency problem (Jensen & Meckling, 1976). The managers are not acting in the best interest of shareholders. On the other hand, several researches such as Sayilgan and Sayman (2012), Anderson and Reeb (2003), and Villalonga and Amit (2006) pointed out that family firms perform better than non-family firms because they need professional managers when the ownership is less concentrated. Managers prefer to use equity financing to avoid firms from financial distress. In other words, shareholders protections were insufficient during the crisis and caused devaluation in investments. Practicing good corporate governance gives directions on principle and best practices in corporate governance, obligation and plan the future aspects of corporate governance in Malaysia.

Another crucial factor of firm performance is capital structure. Studies on capital structure came to attention after the study of Modigliani and Miller (1958). In the perfect capital market, it is assumed to be frictionless, same capital flows across projects in economy and expected that there is symmetric relationship. Yet, it is generally accepted that the market is imperfect in the real world. It academically contributed to the development of alternative theories such as trade-off theories, pecking order theory and agency theory (Harris & Raviv, 1991). Besides, excessive use of debts may cause the firms to be vulnerable during financial crisis period (Halim Ahmad & Hiau Abdullah, 2013). It is crucial that optimal level of debts where the firms maximize their value. This study proved that firms should not raise the level of debts beyond the optimal level because it did not add value to the firm and might placed it in financial distress position. Moreover, bigger firms in Malaysia relied more on equity than debt financing (Suhaila & Mahmood, 2009). This is the unique characteristics of Malaysia's capital structure.

Based on the discussion above, it shows that firm performance reflects the effect of making the right decision based on ownership structure and capital structure. Family ownership may be contributive to influence the control and management prospect that may eventually caused changes on capital structures and firm performance. However, the past literatures do not emphasize much on the relationship between the ownership structure, capital structure and firm performance. The development of capital structure and economy in Malaysia is discussed in the next section to have better understanding of how these changes may affect the three main variables.

1.3 Economic and Capital Market Development in Malaysia

According OECD Economic Assessment Survey 2016, Malaysia was reported as one of the most successful Southeast Asian economies and aims to become a high-income country by 2020. To accomplish this aim, Malaysia shall strengthen ongoing structural reforms as stated in the 11th Malaysia Plan (RMK11). Therefore, the economic assessment focuses on promoting inclusive productivity by increasing productivity and improving inclusive growth. Malaysia had sustained rapid average growth of average real GDP growth 6.4% per year since 1970. In the progress, Malaysia transformed from dependence on agriculture and commodity exports to a more diversified and open economy with strong bonds in global value chain. The economy was projected to grow at over 4% per year throughout the year 2016-17. Monetary and fiscal policy should maintain sensible to aid improve growth and keep the resilience of the economy to shocks. The rapid and inclusive growth facilitates the development of manufacturing, boosting growth, employment and productivity by extending access to global markets, capital, knowledge and technology. Due to the effort of reinforcing macro-prudential policies and boosting the financial sectors, the shock of Asian Financial Crisis 1997-98 and 2008 Global Financial Crisis was reduced and nurtured with business-friendly investment environment. During the 2008 crisis period, real GDP growth averagely 5.3% per year with services sector representing more than half of the GDP.

Malaysia also achieves market leading position in the global capital market with its spectrum of unique offerings (Capital Markets Malaysia, 2015). Malaysia has the highest bond market in ASEAN and is amongst the top three countries with the largest bonds outstanding in Asia. Malaysia also hosts the largest unit trust industry and leads the market in the global sukuk market. Due to the great achievements in Malaysian capital market, Malaysia was promoted to Advanced Emerging Market in FTSE Global Equity Index Series in 2013. Capital Markets Malaysia (CMM) was developed by Securities Commission (SC) to optimize further growth and internationalization of Malaysia's capital market. CMM focuses on the four main pillars of the market: Equities, Fixed Income, Asset Management and Alternative Assets with highlights on the Islamic Capital Market (ICM) and Sustainable and Responsible Investment (SRI) framework to ensure spectrum expansion of product offerings to all potential issuers and investors. Malaysia also gives chances for capital market investment growth since it is one of the most developed economies in Southeast Asia. It has naturally become a global marketplace for such growth due to both firm governance infrastructure and instinctive government approval.

Moreover, Malaysia's leading role in ASEAN regional bloc and Trans-Pacific Partnership (TPP) offers chances for good growth potential in near future. Plus, the Malaysian market is suitable platform for publicly listed companies (PLCs) and small-to-medium-sized companies (SME) to search for the incredible modes of capital formation. Investors, then, can has less worries in producing sustainable long-term investment returns that will be exerted by stable long-term growth aspects in the commodities, manufacturing and services industries.

Lastly, a progressive area driven by young generation and exponential growth potential implies Malaysia and ASEAN as better option than matured market. Economic growth is optimized by the sustainable, inclusive and innovative prospect of capital market in Malaysia. CMM provides insights from authorities to assure the issuers and investors into participating in the investments and fundraising and yet remain dedicated to industry development. SC, a statutory body reporting to the Ministry of Finance, Malaysia was established under Securities Commission Act 1993. Its role as sole regulatory agency for regulation and development of capital market gives it responsibility to supervise and monitoring the activities of market institutions, including exchanges and clearing houses, and regulating the persons licensed under the Capital Markets and Services Act 2007.

From the discussion above, Malaysia has developed from focusing on agriculture and commodity exports to a more diversified and open market. It also gained several achievements and brought new improvements in the capital markets. However, the concentrated ownership in Malaysia raised the expropriation issue which will be discussed in the next section.

1.4 The Expropriation Issue

In developing countries, the weak corporate governance practice among the firms raised the expropriation issue (La Porta, Lopez-de-Silanes, Shleifer & Vishny, 2000). Expropriation is generally related to agency problem raised by Jensen and Meckling (1976) who focused on the managers consumption and empire building. Insiders or managers who have excessive control attempt to use profits for their own personal benefits rather than returning the money to the outside investors. Therefore, expropriation issue on minority shareholders and creditors is common in many countries. Manager expropriations also may affect the investors' confidence especially during financial crisis (Johnson, Boone, Breach & Friedman, 2000). For illustration, investor's confidence wavered and influenced the capital flows of all the emerging market countries during the Asian Financial Crisis 1997-98. This implied that Asian crisis is sensitive to changes on exchange rate and stock market performances. Although the crisis effect do not convey which countries were vulnerable to confidence loss, it relayed the fact that changes on exchange rate and stock market performances on confidence loss occurred due to investor’s protection. Thus, corporate governance can be a crucial measure of macroeconomic problems in crisis period.

Survey done by Gama and Galvao (2012) also pointed out that investor protection of minority shareholders from expropriation of large shareholders should be increased. Overall, the past literatures indicated that family firms have better performance than non-family firms but only occur in situation where the link between family ownership and performance cannot be defined without difference of control and cash flow right. They predicted that shares owned by family firms will be decreased through the practice of efficient financial market. This showed that family firms play an important role in share market nowadays. The argument that family firms operate more efficient than professional firms because of less monitoring was also arguable. Managers and large family shareholdings are often the same person, so no separation between management and ownership compensate the firms with less or zero monitoring and discipline costs. Family firms owned the incentive, power and information to control the managers, decreased free-rider agency costs and raised returns. However, family differences and role conflict can lead to inability to work in the best of the firms. This was why the influences of family firms on the firm were studied.

Moreover, wealth expropriation due to concentrated shareholders such as family firms might occur when ownership and management is combined (Gama & Rodrigues, 2013). It was empirically demonstrated that family firms did better job than non-family firms in term of accounting performance. They reported that high family involvement in management level seems to reduce managerial opportunism. However, it did not revealed as increase in valuation but as alignment incentive between combine of large shareholders and firm value. Another way to channel family’s private benefit is through board dominance. For instance, US family firms performed better in both ROA and Tobin q because US dominated by common laws and; provides high protection to investors and creditors (Corstjens, Maxwell & Heyden, 2004). Contrast with US, French used civil law regime, provides low protection to investors and creditors, less efficiency and family firms are common among large quoted firms. They observed that these performance differences were mainly influenced by ownership structures and concluded that families prone to sustain their control in the firms with higher effective cost of capital than being equal to non-family firms.

1.5 Theoretical Framework

Separation of ownership from control raised the agency conflicts among owners and managers (Jensen & Meckling, 1976). Different ownership structures have different effects on leverage (Cheng & Tzeng, 2011).

↓

Firm Performances

Figure 1: Theoretical Framework

The theoretical basis used in this study is the agency theory. Agency theory postulates separation of ownership from control caused the conflicts of interest between owners and managers which influence the capital structure decisions as well as firm performances to satisfy their own private benefits (Jensen & Meckling, 1976). It is a written contract between the principal nominated the agent to complete certain tasks on their behalf including decision making authority delegation to agents.

As theoretical basis, this theory is applicable to this study because corporate governance separated the firm's control from ownership with condition where managements have more control compared to shareholders. Managers tend to use the limited resources to fulfill their own personal benefits rather than in the interests of shareholders. This condition is described as agency problem. Family firms can choose to use more debts or rely more on the equity. Family firms either has positive, negative or opposite influence on both capital structure and firm performance depending on the firm's characteristics. When different capital structure decisions are made by the family firms, the firm may perform differently because it bears different level of risks.

Besides, leverage was predicted to have inverse impact on agency costs (Margaritis & Psillaki, 2009). Based on the Jensen and Meckling (1976) agency cost model, they postulated that increased use of debts reduce the agency costs, decreasing inefficiency and enhance the firm performance with estimation that inverse connection may occur when disciplinary influence of increasing leverage became indefensible. Since the interests of management are unnecessarily to be aligned with shareholders, guiding the ownership structures is important especially to test agency cost model. Thus, from Figure 1 above, it shows that different ownership structures have different effects on leverage which in the end may affect the firm performance. In short, any changes on debt ratio moderate the changes on the relationship between family firms with the firm performance.

1.6 Problem Statement

Empirical studies supported that factors such as ownership structure and capital structure are useful in predicting the firm performance (Boroujeni, Noroozi, Nadem & Chadegani, 2013a). Family ownership only affects the firm performance when it is combined with certain type of family control and management (Villalonga & Amit, 2006). On the other hand, several researches such as Sayilgan and Sayman (2012), Anderson and Reeb (2003) and Villalonga and Amit (2006) pointed out that family firms perform better than non-family firms because they need professional managers when the ownership is less concentrated. Shyu and Shen (2011) also supported that family firms did perform better than non-family firms. The mix of equity ownership and management rights helped the family firms to lower the agency costs and boost the firm value in the long run. This affirmed that the influence of family ownership on firm performance should be monitored.

There are several issues related to ownership structure such as separation effect, expropriation of minority shareholders and tunneling were raised by researchers in past literatures. Separation of control from management caused the conflicts of interest between managers and shareholders. The roots of ownership structures are often associated with principal-agent framework where principal nominated an agent to complete the tasks on their behalf (Jensen & Meckling, 1976). Managers who have extreme control tend to transfer the limited resources for their own personal benefit. However, majority firms in Malaysia are family firms with concentrated ownership, so there is no separation effect of control from management. It was reported through the study of La Porta, Lopez-de-Silanes and Shleifer (1999) and Claessens, Djankov and Lang (2000). This could be a barrier towards developing better governance and turned out to be the initiative towards conducting this study for further improvements. Moreover, expropriation of minority shareholders due to weak corporate governance in developing country such as Malaysia was highlighted during Asian Financial Crisis. Expropriation on the minority shareholders and creditors may also happen when managers are unwilling to return the money to them (Johnson, Boone, Breach & Friedman, 2000). This caused the investors to lose confidence especially during financial crisis.

Empirical evidences were also found on capital structure. Shubita and Alsawalhah (2012) stressed the relevance of capital structure in determining the firm's survival in the competitive market. Capital structure decisions also differ based on individual's and institution's preferences (Titman, 2002), capital structure theories (Harris & Raviv, 1991) and stages of economic development (Mahmud, Herani, Rajar & Farooqi, 2009). Control variables also have different effects on debt ratio in different countries. It is either negatively (Rajan & Zingales, 1995; Suhaila & Mahmood, 2009; Fattouh, Scaramozzino & Harris, 2005) or positively (Eriotis, Vasiliou & Ventoura-Neokosmidi, 2007) related to leverage. Hence, it is crucial to develop optimal capital structure to decrease firm's vulnerability towards economic downturn (Liew & Mohamad Jais, 2013; Halim Ahmad & Hiau Abdullah, 2013).

From the statement above, separation effects may cause investors to lose confidence if the expropriation on minority shareholders and creditors happened especially during financial crisis. The example above also shows that firms need to make transformation to survive in the dynamic and competitive market. Thus, it is crucial to make the right capital structures decisions in the management to sustain the firm's long-term growth. It also implied the moderating effect of capital structure on the relationship between ownership structures and firm performance. Different ownership structures make different capital structures decisions and this influences the firm performance.

1.7 Objectives of Study

Objectives guide researchers to ensure the planning goes smoothly and effectively. It also defines what the researchers want to find out and aims what to be examined in the study. The objectives of the study are to examine the hypotheses regarding the relationship between family firms and debt ratio on firm performance of the sample firms listed in both industrial and consumer product industries that are listed in Bursa Malaysia.

Specific objectives:

a) To examine the relationship between family firms and firm performance
b) To examine the relationship between debt ratio and firm performance
c) To examine the moderating effect of debt ratio on the relationship between family firms and firm performance

1.8 Significance of Study

The study investigates how the ownership structures and capital structures related to one another which in the end influence the firm performance. Agency theory is used to explain the relationship and this theory is applied to this study. Significance of study defines the importance and purposes of conducting the study. It also raises interests and describes how it benefits the society and those who are involved. The significances are listed as below:-

(a) Practicing good corporate governance in the emerging countries gains the investors' confidences and boosts the economic growth in Malaysia.

Corporate governance was only actively promoted after the collapse of East Asian economies in the late 1990s (Zulkafli, Abdul Samad & Ismail, 2007). The crisis was affected by the weaknesses of domestic policy. Many measures were implemented to improve the aspect of fairness, transparency, accountability and responsibility in managing the corporations. Failure to good corporate governance will affect the firms' liquidity to operate efficiently. It also eases the agency conflicts between managers and shareholders, making ways to a more efficient capital market. This boosts the country's economic growth and inflows of foreign direct investments. In short, good corporate governance is the source for sustainable economic growth and helps to gain the investors' confidence to invest.

(b) There is little study focused on the relationship between ownership structures, capital structures and firm performances (Roshan, 2009). Therefore, this study is conducted to be contributive to the study gap.

Previous studies focused either the relationship between ownership structures and firm performance or the relationship between capital structures and firm performance (Nadaraja, Zulkafli & Masron, 2011; Roshan, 2009). Recent researches mainly emphasize on the relationship between capital structure and ownership structure that influencing top managements in making strategic decisions compared to focus on the relationship between capital structure and firm performance. Overall firm performance will be affected if there are any changes on strategic decisions. This shows that capital structure decisions are essential for firms to maximize returns to stakeholders and adapt themselves into the competitive market.

(c) Exposure to better corporate governance practices decreases the expropriation and tunneling issue among the minority shareholders and creditors.

In developing countries, tunneling and expropriation issues are common because of the weak corporate governance. When the investors' protection is weak, the entrepreneurs tunnel the resources out of the firms (Friedman, Johnson & Mitton, 2003). On the other hand, expropriation is often associated with agency problem (La Porta, Lopez-de-Silanes, Shleifer & Vishny, 2000). Managers or insiders who have extreme control attempt to use the resources for their personal benefits rather than returned the money to investors. Thus, expropriation of minority shareholders and creditors are common in developing countries. With better corporate governance practices, stronger investors' protection is developed. Besides, a more efficient capital allocation, high growth financial markets and dispersed shares of ownership across the firms. This shows how the exposure of good corporate governance practices help to decrease expropriation and tunneling issues among developing countries.

(d) Awareness of the importance to have good corporate governance is raised to the public. It helps to enhance the investors' protection and encourage the economic growth of firms among the developing countries.

(e) Investors can have more information regarding the projects or investments they consider to invest when more information about family ownership, capital structures and firm performance are exposed to the public. This enables them to make better, efficient and accurate predictions or estimations on the market condition. Thus, they can avoid themselves from being expropriated by managers or insiders who have great control over management in the firm.

1.9 Organization of Study

This study emphasizes on the relationship between family ownership and debt ratio which in the end influence the firm performance among randomly picked Malaysian firms selected from both industrial and consumer product industries. It focuses from year 2007 to 2013. This study is divided to five chapters which are:-

- Introduction
- Literature reviews
- Methodology
- Empirical results
- Conclusion

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The effect of ownership structures and capital structures on firm performances has been debated globally for decades, especially on the developed countries. Different ownership structure use different capital structures and caused different impacts on the firm performances. In this chapter, reviews of previous studies related to this study are included. This proves that developing countries like Malaysia also supported the relationship between family firms, capital structures and firm performances, especially based on agency theory.

2.2 Overview of Sample Sectors in Malaysia

Malaysia, newly industrialized country, experienced an economic boom and had rapid development during the late 20th century (Economy Watch, 16 March 2010). Malaysia has grown from emerging market into advanced emerging market, creating niche areas of expertise and gives stable long-term growth (Capital Markets Malaysia, 2015). The key focus of the economy in Malaysia is diversified, stability and opportunities. As diversified economy, it has become the leading exporter of electrical appliances, electronic parts and components, palm oil and natural gas. Malaysia is also the world's largest producer of tin, rubber and palm oil (Economy Watch, 16 March 2010). Besides, Malaysia was also the 28th largest oil producer and 17th largest natural gas producer in the world in

2010. Malaysia moved slowly towards the third stage of economic development by emphasizing on services nowadays. It can be seen through the implementation of Industrial Master Plan (IMP3), which is to transform the country into a major trading nation with emphasis on services and human capital. Therefore, it caused service sector to have 49.3 percent of GDP in 2010. It is part of the national development strategy to venture into new growth area, increase the economic base for exports and sustained growth in economy to reach the vision of becoming developed country by 2020. According to the 10th Malaysia Plan (RMK10), the service industry aimed to reach 61 percent of GDP by 2015 and Malaysia government is expected to invest nearly RM687.7 billion over the next fifteen years into services alone. Malaysia is also competing against Bahrain to be the world leader in Islamic banking and allowing foreign banks to open new branches in the country. Industry was responsible for 41.6 percent of Malaysia's GDP and had the 37th highest industrial production growth rate in the world at 7.5 percent in 2010. With Malaysia's chairmanship of ASEAN and establishment of the ASEAN Economic Community (AEC) in 2015, economic integration among the ASEAN members will be the main aim for a single market and production base, which will generate ample growth opportunities for investors in Malaysia within and beyond ASEAN community (Capital Markets Malaysia, 2015).

On the other hand, consumer product firms faced both the global economic impact on consumer spending and the rise of a more demanding and digitally empowered consumer (Conroy, 2015). Consumer sector is known as a secondary sector of the firms that consider those economic sectors and produces a complete tangible item (Nurulain Mohamed Ramli et al., 2013). Its purpose is to send the output of primary sector and make complete items, then trade or sell to the domestic consumers or locations where it is useful for other businesses. In Malaysia, consumer sectors can be divided to two types which are light industry that focused on consumers need with little capital intensive and heavy industry that focused more on capital intensive. This sector has improved drastically for the previous two decades because of the increased population growth and improved standard of living. As the economy grew, the demand on food and beverages, clothes and utilities will also increase accordingly.

However, consumer spending in United States (U.S.) remained relatively restrained due to causes such as present medium wage growth, comparatively high savings ratio and the increase in income and wealth inequality (Conroy, 2015). 79 percent of consumers had perception that U. S. economy was facing recession, 94 percent responded that they remained caution and spending at present ratio although the economy enhanced, and 83 percent responded that they observed every spending category closely to identify which spending they could save. Moreover, use of Internet and social media to compare the price, research on the products or product purchases through website and mobile apps made consumer tend to express their opinions broadly. Consumers nowadays also prefer to have more transparency, so it is mandatory to give satisfactory responses on consumer inquiry and feedbacks efficiently. However, the disturbing issues such as more M&A activity in U.S. grocery retail market, the increasing use of digital commerce as the strategic sales medium when online shopping became trend and development of new business model affected the industry growth. To enhance the growth and/or innovation, companies can take into consideration the following steps:

(a) micro-segmentation of consumers where individuals are willing to pay greater premium for products that are innovated specially for them

(b) improved digital features boost the consumers preferences - have better connection with target consumers

(c) protected data privacy and security for competitive advantage – consumers are assured that the trust they have in consumer products brand is warranted

Consumer sector in Malaysia such as food and beverages (F&B) subsector is expected to grow continuously due to flexible nature, boosted by strengthening US dollar (for net exporters) and depressed trend of global commodity market (Borneo Post Online, 10 October 2015). Implementation of goods and services tax (GST) also boosted certain quantity of pre-stocking activities that caused big changes between the first quarter of 2015 (1Q15) and 2Q15 sales. Unsurprisingly, local sentiment decreased by 1.2 percent as shown by Consumer Sentiment Index (CSI) from 72.6 points in 1Q15 to 71.7 points in 2Q15 when GST was implemented. This is probably due to the consumers' nervousness to face the decrease of crude oil prices, sharp collapse in RM and uncertainties when GST is implemented.

However, the consumers are slow in adaption to new costing environment as well as recovery from fear and anxiety on internal and external warnings. Overall, consumer sectors are reiterated as "neutral" stance because GST implementation is expected to influence the consumer psychologically rather than the overall consumers' spending pattern (Borneo Post Online, 7 April 2015). The GST might create psychological obstacle on consumers from have normal spending for certain period of time. 6-months adaptation period of consumers to new costing environment is unavoidable. Therefore, Price Control and Anti-Profiteering Act 2011 was enforced to observe, control and take action on any raise on price to have excessive profiteering in combination of GST implementation. It