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Setting them free to grow

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WHEN Finance Minister II Datuk Seri Amir Hamzah Azizan took to LinkedIn recently to defend government-linked investment companies (GLICs) and government linked companies (GLCs) as "ecosystem enablers, not market dominators," he stepped into a long-running debate: how large should the state's footprint in business really be?

In principle, his argument is not without merit.

But in practice, Malaysia has drifted towards a different model –one in which GLICs/GLCs often hold controlling stakes, dominate key industries, and crowd out private sector dynamism.

It is time for a reset.

Amir's core premise, which is that GLICs and GLCs can catalyse rather than suffocate development, has strong precedent.

In Malaysia, these entities have been central to nation building: setting up and scaling utilities, banking systems, and other foundations where private investors were unwilling to take on risk alone.

They provide counter-cyclical stability; during economic slumps, they cushion the blow.

They can bridge financing gaps, support small firms via supply chain linkages, or implement policy priorities like renewable energy or bumiputra equity more directly than a diffuse private sector might.

In that sense, what Amir says echoes models elsewhere.

In Singapore, Temasek Holdings owns or has owned majority stakes in some strategic GLCs, but the government has also – over decades – divested or reduced its holdings where companies become robust.

Temasek typically steps in as a shareholder but allows boards and management to run companies on commercial lines.

In China, the model is far more heavy-handed.

State-owned enterprises with majority or full state ownership dominate sectors like energy, mining, heavy industry, infrastructure. Here, being "ecosystem enablers" is inseparable from direct state command.

Meanwhile, South Korea employs a more mixed model. The chaebol system, such as Samsung, Hyundai and SK, is privately owned but heavily supported by government policy – cheap credit, regulation, protection.

The state's equity stakes are modest; political influence comes more through regulation and subsidies. Over time, South Korea has pushed stronger governance, letting private sector competition lead.

These comparisons show that there is a spectrum.

Malaysia, however, looks uncomfortably close to the Chinese end of this spectrum, yet Amir's framing suggests a lighter touch – or at least a desire to be seen that way.

Malaysia has allowed its GLICs to hold majority or controlling stakes in many well-established GLCs such as banks, power utilities and heavy infrastructure.

For example, more than half of Tenaga Nasional Bhd (TNB) shares are held by GLICs such as Khazanah Nasional Bhd and the Employees Provident Fund, giving the government effective control over its board and strategic direction.

Banks like Malayan Banking Bhd, CIMB Group Holdings Bhd, RHB Bank Bhd and others are heavily owned by GLICs.

These structures date from a time when government ownership was justified by weak institutions and scarce capital.

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But Malaysia's financial markets are far more mature now.

GLCs in many sectors no longer require government "insurance" or capital as much as they require competitive pressure, innovation, and sharper governance.

The case for government control over Malaysia's corporate giants has long rested on the argument of stability and stewardship. Yet the cracks in this rationale are increasingly visible.

When boards are dominated by government appointees, the commercial urgency that drives private firms is dulled, replaced too often by patronage and caution.

Innovation stalls in such an environment, leaving companies less nimble in adapting to competition and disruption.

The presence of GLCs also crowds out private challengers.

With implicit state guarantees and easier access to credit, these firms enjoy advantages that discourage genuine market competition. Smaller players, lacking such privileges, find themselves competing on uneven ground.

This weakens the dynamism of Malaysia's private sector and perpetuates an unhealthy dependence on government-linked incumbents.

The problem extends to capital allocation.

With GLICs holding controlling stakes in many of the country's largest firms, vast pools of public money are effectively trapped in companies that might otherwise benefit from market discipline and external oversight.

The entanglement of political and commercial interests compromises governance, too.

Independence at the board level is often more theoretical than real, eroded by overlapping loyalties and conflicting mandates.

If Amir is sincere in his assertion that GLICs and GLCs should serve as ecosystem enablers rather than market dominators, then reforms must move beyond rhetoric.

The government needs to begin reducing its controlling stakes in mature companies, shifting towards minority holdings that allow private capital to take the lead.

Where national interest is at stake, as with utilities like TNB, golden shares already provide adequate safeguards – without the need for heavy-handed involvement in boards and management.

Crucially, government investments should never be treated as permanent.

Every stake must come with a clear exit timeline, ensuring that the state's role remains catalytic rather than entrenched.

At the same time, funds such as Dana Impak and Dana Perintis must avoid duplicating private-sector functions.

They should be run independently, with explicit sunset clauses that prevent them from becoming permanent appendages of the state's investment machinery.

Governance reforms are equally essential, with board appointments made strictly on merit and performance rather than political ties.

Other countries offer relevant lessons.

Singapore has gradually shrunk its state footprint, retaining influence in strategic areas but allowing markets to thrive independently.

South Korea has moved to strengthen minority shareholder rights, proving that even in deeply entrenched corporate systems reform is possible.

China, by contrast, demonstrates the dangers of clinging too tightly to state control: reduced transparency, higher risk premiums, and weaker capital efficiency.

Malaysia now stands at a crossroads.

It can continue to defend the status quo of state dominance, or it can evolve toward a system where the government steps back, empowers private capital, and truly acts as an enabler rather than a gatekeeper.

Only then can Malaysia's private sector truly breathe, compete, and thrive.

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