

**CORPORATE
OWNERSHIP & CONTROL**

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СОБСТВЕННОСТЬ И КОНТРОЛЬ**

Postal Address:

Postal Box 36
Sumy 40014
Ukraine

Tel: +380-542-698125
Fax: +380-542-698125
e-mail: alex_kostyuk@virtusinterpress.org
www.virtusinterpress.org

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Почтовый адрес редакции:

Почтовый ящик 36
г. Сумы, 40014
Украина

Тел.: 38-542-698125
Факс: 38-542-698125
эл. почта: alex_kostyuk@virtusinterpress.org
www.virtusinterpress.org

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EDITORIAL

Dear readers!

The recent issue of the journal *Corporate Ownership and Control* pays attention to issues of corporate ownership and control, risks and board practices. Asian experience in terms of corporate governance and financial crisis is also under the scope of researches. More detailed issues are given below.

Apostolos K. Apostolou and Maria-Eleni K. Agoraki analyzes the relationship between risk-taking and corporate governance indicators, in terms of board characteristics, financial information quality and ownership structure. *Suzette Viviers, Tamzin Ractliffe and Dean Hand* brings new knowledge on impact investing in South Africa by defining the phenomenon, outlining the relationship between philanthropy, responsible investing and impact investing. They discuss the moral roots, historical development of these three concepts and provide some suggestions. The interrelationships between several external social institutions and related party transactions disclosure across 49 countries is represented in research made by *Walaah Wahid ElKelish*. This investigation represents contribution towards the development of a comprehensive framework for related party transactions disclosure practices across countries.

Jessica Hong Yang and Nada K. Kakabadse pays attention to the impact of the global financial crisis on financial system reform in China. Their conceptual paper provides an insightful review of the corporate governance literature, regulatory reports and news articles from the financial press.

Asian Financial Crisis in 1998 and corporate scandals in the U.S. have triggered an increased attention of researchers and policy makers on the agency problem between controlling shareholders and minority investors from the point of view of *Nhut H. Nguyen and Yubo Liu*. One respect of this problem is the private benefits of control. They investigate the relationship between investor protection and private benefits of control.

Researches and practitioners who are interested in highlighting questions about ownership will be glad to get new information from several papers published in the journal. Using the data of financial institutions listed in the Thai stock exchange during the 1997 East Asian financial crisis, *Piruna Polsiri* shows that to develop sound prediction models that are robust across time to failure models, ownership variables should be incorporated in the models. *Grant Richardson and Sidney Leung* examines the impact of family ownership control on earnings management for firms operating in Hong Kong.

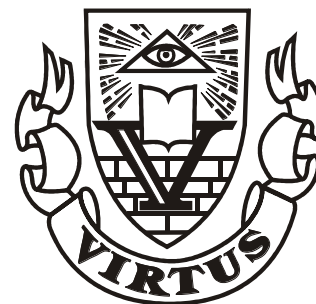
The relationship between board leadership, firm financial performance and agency costs on behalf of a sample of multinational company subsidiaries (MNCs) and local public companies (LPCs) in Sri Lanka is examined in paper by *Nirosha Hewa Wellalage and Stuart Locke*. *Shanthy Rachagan* critically examines the legal framework protecting minority shareholders of Malaysian Public Listed Companies against controlling shareholders (also referred to as substantial shareholders) and directors being engaged in related party transactions and other conflict of interest situations. *Yuan George Shan and Lei Xu* examines impacts of ownership concentration and various ownership categories on the performance of the 28 listed financial institutions in China, between 1999 and 2009.

We hope that you will enjoy reading the journal and in future we will receive new papers, outlining the most important issues and best practices of corporate governance!

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Apostolos K. Apostolou, Maria-Eleni K. Agoraki

This paper analyzes the relationship between risk-taking and corporate governance indicators, in terms of board characteristics, financial information quality and ownership structure. Unlike previous studies, we apply a broad range of corporate governance indicators and use a suitable econometric model to solve for possible endogeneity issues. The empirical framework is applied to an industry-wide sample of UK firms during the period 2002-2009. We find that board size and more executives positively affect firm risk-taking, while independence in audit committees has a negative impact. Finally, introducing firm specific characteristics does not affect the robustness of the results.

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Suzette Viviers, Tamzin Ractliffe, Dean Hand

This paper contributes to the body of knowledge on impact investing in South Africa by defining the phenomenon, outlining the relationship between philanthropy, responsible investing (RI) and impact investing, and discussing the moral roots and historical development of these three concepts. Attention is also given to the current status of philanthropy, RI and impact investing internationally and locally. A review of 53 local RI funds established over the period 1 June 1992 to 31 December 2010 reveal that the majority have an impact investing focus, either on its own or in combination with other RI strategies. The challenges in stimulating growth in impact investing in South Africa are highlighted and suggestions provided to address these challenges.

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Walaa Wahid ElKelish

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Jessica Hong Yang, Nada K. Kakabadse

This paper reviews the impact of the global financial crisis on financial system reform in China. Scholars and practitioners have critically questioned the efficiencies of the Anglo-American principal-agent model of corporate governance which promotes shareholder-value maximisation. Should China continue to follow the U.K.-U.S. path in relation to financial reform? This conceptual paper provides an insightful review of the corporate governance literature, regulatory reports and news articles from the financial press. After examining the fundamental limitations of the laissez-faire philosophy that underpins the neo-liberal model of capitalism, the paper considers the risks in opening up China's financial markets and relaxing monetary and fiscal policies. The paper outlines a critique of shareholder-capitalism in relation to the German team-production model of corporate governance, promoting a "social market economy" styled capitalism. Through such analysis, the paper explores numerous implications for China to consider in terms of developing a new and sustainable corporate governance model. China needs to follow its own financial reform through understanding its particular economy. The global financial crisis might help China rethink the nature of corporate governance, identify its weakness and assess the current reform agenda.

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Nhut H. Nguyen, Yubo Liu

The 1998 Asian Financial Crisis and more recent corporate scandals in the U.S. have triggered an increased attention of researchers and policy makers on the agency problem between controlling shareholders and minority investors. One respect of this problem is the private benefits of control. In this paper, we investigate the relationship between investor protection and private benefits of control. We find consistent evidence with Dyck and Zingales (2004) that the degree of investor protection still matters in curbing private control benefits for the more recent period 1999-2007. More importantly, we find that private benefits of control have decreased significantly over time. Finally, our results show weak evidence of differential decreases in the value of control for weak and strong investor protection countries.

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Piruna Polsiri

In an emerging economy where ownership concentration is common and legal protection of outside investors is weak, financial and economic factors that are widely documented might not have been sufficient in constructing sound models to predict financial institution failures. Using the data of financial institutions listed in the Thai stock exchange during the 1997 East Asian financial crisis, this study showed that to develop sound prediction models that are robust across time to failure models, ownership variables should be incorporated in the models. Specifically, in the logit models that include both financial and ownership variables, 85.45%, 85.41%, and 91.49% of financial institutions were correctly classified in the models using the data of one, two, and three years prior to failure, respectively. It was also found that the presence of family as the largest shareholder increases the probability that a financial institution was closed. This evidence supports the *expropriation effects* of controlling families. Finally, the results suggested evidence of a “too-big-to-fail” policy in the closure procedures of Thai financial institutions during the East Asian financial crisis.

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Grant Richardson, Sidney Leung

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Nirosha Hewa Wellalage, Stuart Locke

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Yuan George Shan, Lei Xu

Nowadays the finance industry plays vital roles in supporting China's economic growth. This study examines impacts of ownership concentration and various ownership categories on the performance of the 28 listed financial institutions in China, between 1999 and 2009. Our results indicate that ownership concentration, legal person and foreign ownership do not improve financial institutions' performance while state ownership has negative impacts. However, these results are moderated by firm size. State and legal person ownerships have positive impacts on large financial institutions' performance because of their great public scrutiny and political pressure.

SUBSCRIPTION DETAILS

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