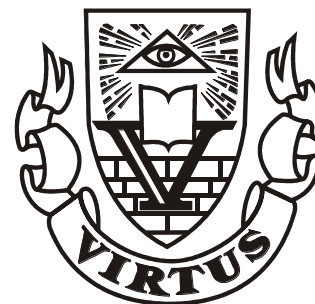


CORPORATE OWNERSHIP & CONTROL

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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

This paper investigates the interrelationships between several external social institutions and related party transactions disclosure across 49 countries. A theoretical framework is proposed to encompass the interrelationships between cultural values, legal environment, government intervention in the economy, political environment, and related party transactions disclosure. Empirical results using path analysis showed that there are significant indirect effects of cultural values and gross national production per capita on related party transactions disclosure, whereby the legal environment and government intervention in the economy play intervention roles in this context. This investigation represents contribution towards the development of a comprehensive framework for related party transactions disclosure practices across countries.

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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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Shanthy Rachagan

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Yuan George Shan, Lei Xu

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