

OWNERSHIP MONITORING MECHANISM AND CORPORATE PERFORMANCE: EVIDENCE FROM BANKING FIRMS IN ASIAN EMERGING MARKETS

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Abstract

Corporate governance is regarded as a major issue during the post-financial crisis period in Asia. These countries have implemented corporate governance reforms to enhance the protection of their shareholders and stakeholders interests. Such reforms may affect the conduct of business of all corporations in the region as it allows for greater monitoring especially by the shareholders. Unlike earlier studies which focused on non-financial firms, this study analyzes the corporate governance involving ownership monitoring mechanism of listed banking firms in nine Asian emerging markets which are Malaysia, Thailand, Philippines, Indonesia, Korea, Singapore, Hong Kong, Taiwan and India. It is found that ownership monitoring mechanisms of the banking firms in Asian emerging markets are negatively related with firm value measured by Tobin's Q.

Keywords: Banks, Corporate Governance

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1. Introduction

Corporate governance has received wide attention in the financial community ever since the Asian financial crisis in 1997 and further enhanced by corporate scandals such as Enron, WorldCom, and Royal Ahold. At the initial stage, the corporate governance implementation in Asian countries was focusing on measures taken as resolution to the crisis such as restructuring, mergers and acquisitions exercises as well as government intervention in the private sector. Later, the Code of Corporate Governance which recommended various governance elements in ensuring the protection of the shareholders as well as stakeholders interest was recommended and used as a guideline for the corporations in formulating their governance related matters. The concern about the ownership of banking firms in relation to the crisis in 1997 was highlighted by World Bank (2000). The argument was that the vulnerability in the banking sector as partly attributed to excessive lending caused mainly by extensive cross-ownership of banks and companies. Failures of the banking firms then lead to the government intervention in which the troubled banks were subsequently had to be financially supported, nationalized, merged or liquidated. Thus, reform in the banking sector has greatly affected the ownership of the banks in the Asian region.

It is also interesting to highlight that during this period, there were acquisitions among foreign players in the Asian market. The presence of the foreign players is due to the pressure to restructure the

banking institutions in Asia. It leads to the removal on the restrictions of foreign entry into domestic bank market in many countries in Asia. Referring to Table 1, the foreign ownership limit was increased to 100% in Indonesia, Korea, Thailand and Singapore. As a result, higher participation of foreign banks can be traced in the Asian market. At the same time, the government of the respective countries have also owned block of share as a motive of protecting the national interest.

TABLE 1 ABOUT HERE

However, the question remains on whether the ownership of the banking firms by these two large shareholders improve the corporate performance of the banking firms. Based on this query, this study seek to find the answer of whether there is an association between ownership structure and corporate performance of banking firms in Asian emerging markets.

2. Literature Review

2.1 Importance of Banking Firms

Bank is classified as an intermediary that pools money from investors/depositors, lends it and monitors on their behalf. Levine (2003) concluded that there has been a heavy reliance on banking sector as an engine of economic growth in developing economy while Arun (2004) argued that in an underdeveloped financial market, banks are the most

important source of finance for majority of the firms as well as being the main depository for the economy's savings. It is further argued that there are important roles played by the financial intermediaries in an economy classified as the role in monitoring non-financial firms, the role in producing allocative efficiency and the role in providing intertemporal smoothing of risks (Emmons and Schmid, 1999). Given the importance of banks in an economy, failure in the banking system would directly affect the financial health of the country (Benerjee, 2004).

2.2 Ownership Monitoring Mechanism

2.2.1 Large Shareholders

Large shareholders or often referred as block shareholders can benefit the minority shareholders because of their power and incentive to prevent expropriation (Mitton, 2002). However, these controlling shareholders may also pursue objectives that are inconsistent with those of minority shareholders. The expropriation of minority shareholders by controlling shareholders involved with the transfer of resources out of firms for the benefits of the controlling shareholders and it is termed as "tunneling". This is confirmed by Baek *et al.* (2004) who reported that an acquisition by business group (chaebols) in Korea is used to increase their own wealth through tunneling.

2.2.2 Government Ownership

The extensive government ownership leads to the conflict between government/ taxpayers as owners and the bureaucrats/ managers who control the bank. According to Bai *et al.* (2003), the controlling government may use the listed company as a vehicle to meet the policy goals that may conflict with shareholders' interests. On the other hand, government ownership of banks would make the managers act unfavorably to the owners in certain issues, undertake less risk and using their position to serve special groups as a platform for political career (La Porta *et al.*, 2000).

Levine (2003) further argued that government may improve the governance of the banking institutions by privatizing banks with substantial government ownership since heavy government involvement changes the corporate behavior of banking institutions. Nevertheless, it is also recommended that greater ability and incentive should be induced to the private investors to exert governance rather than relying heavily or excessively on government regulations.

However, consistent with political view, government ownership is regarded to be detrimental as it may induce political intervention in the banking firm (Arun, 2004). The extensive government ownership of banks that are mainly found in developing economies (La Porta *et al.*, 2000) led to the governance problem of conflict between government/ taxpayers as owners and the bureaucrats/

managers who control the bank. These include the acts of managers which are unfavorable to the owners in the issues of incentives, prerequisites, leisure time, staff numbers, undertake less risk than the optimal standard as well as using their position to serve special groups as a platform for political career.

2.2.3 Foreign Ownership

Nonetheless, there is still another option that may force the banks to adopt good corporate governance practices instead of focusing on the removal government ownership. Stiglitz (1999) argued that competition in the product or service market acts as a substitute for corporate governance mechanisms. Competition can partially be intensified with the entrance of foreign bank and may act as a substitute for corporate governance mechanism. Arun (2004) suggested that governments should allow for the opening up of banking sector to foreign banks. The idea behind such strategy is that domestic banks are forced to adopt with new management technique, mechanisms and information technology brought about by foreign banks in order to be competitive in the industry.

Foreign ownership or shareholding is exercised through the holdings of shares in a particular firm. At the extreme level, the mechanisms of either domestic merger or cross border may induce better governance practices from one bank to another. Micco *et al.* (2004) conclude that the entry of foreign banks in developing countries plays a useful role by making domestic banks more efficient in terms of overhead cost and spreads, although there is no effect on profitability of domestic banks. It was concluded that industry performance measured by Tobin's Q increases when the firms within the industry acquired by foreign firms coming from countries with stronger corporate governance practices (Bris and Cabois, 2003). It was further argued that the value of the acquiring industries in poor protective countries increases when they buy firms coming from countries with greater shareholder protection. Findings from Baek *et al.* (2004) revealed that firms with ownership concentration by unaffiliated foreign shareholder explained the smaller reduction in the share value during the financial crisis.

3. Data And Methodology

A total of 157 listed banks were identified in the nine countries of Asian emerging markets but only 107 were included in the study due to data completeness. This represents 68.15% of listed banks in the selected Asian emerging markets. This study involves cross-sectional data sets of emerging markets consisting 9 countries; and different number of banking firms in each cross-sectional or cluster ranging from 3 to 21 observations. The countries are Malaysia, Thailand, Philippines, Indonesia, Korea, Singapore, Hong Kong, Taiwan and India.

This study assumed a direct relationship between ownership monitoring mechanism (independent variable) and corporate performance of banking firms measured by Tobin's Q and ROA (dependent variable). In addition, control variables are also included to account for the firm level differences among the listed banks in Asian emerging market. This study adopts capital adequacy ratio and size of the firm as control variables. It is important to include this variable to account for firm-level differences that contributes to performance. Size is proxies by the banking firm's of total assets. The use of total assets as a control variable is consistent with the other studies such as Kiel and Nicholson (2003) and Krishnamurthi *et. al.* (2003).

The banking industry often requires a careful analysis of its risk management function due to its high leverage and high risk characteristics. Berger (1995) and Saidenberg and Schuermann (2003) argued that capital regulation particularly in banks protects consumers and depositors and reduces systemic risk. By definition, the capital adequacy ratio is a measure of the amount of a bank's capital expressed as a percentage of its risk weighted credit exposures. The purpose of having minimum capital adequacy ratio is to ensure that banks can absorb a reasonable level of losses before becoming insolvent and before depositors funds are lost. The Basel Capital Accord sets minimum capital ratios of not less than 8 percent that the supervisory authorities are encouraged to apply. Meanwhile, Gersbach and Wenzelburger (2003) stressed that capital adequacy serves as an indicator of the banking system and suggested a strict enforcement of capital adequacy rules as one of the policy measures in banking crisis. Lindquist (2004) argued that as the other forms of regulation disappear, and with the experience from the banking crises, capital adequacy regulations become relatively more important. Das and Ghosh (2006) argued that well-capitalized banks are perceived to be relatively safe, which in turn lowers their cost of borrowing and consequently is efficiency enhancing. With regards to profitability, empirical results from Lin *et. al.* (2005) indicated that there is a significant positive relationship between capital adequacy and various financial performance i.e. Return on Assets, Return on Equity, Profit Margin and Earnings before Income Tax. Based on these arguments, capital adequacy ratio is also treated as a control variable in this study. The definitions of each variable are summarized in Table 2.

TABLE 2 ABOUT HERE

Using a Pooled Generalized Least Squares (GLS) regression model, the relationship between corporate governance mechanisms proxies by ownership monitoring mechanism and bank's performance is analyzed based on the following equation:

$$CP_{i,k} = a + \beta_1 GOV_{i,k} + \beta_2 FOR_{i,k} + \beta_3 CAR_{i,k} + \beta_4 SIZE_{i,k} + e_{i,k}$$

for i =	1, 2, ..., N	and k = 1, 2, ..., K
where:		
i	=	Country
k	=	Banking firms
CP	=	Corporate Performance
measured by Tobin's Q and ROA		
GOV	=	Government Ownership
FOR	=	Foreign Ownership
CAR	=	Capital Adequacy Ratio
SIZE	=	Size of Banks measured by total assets
e	=	Random error
β_i	=	<u>Parameters to be estimated</u>

Pooled GLS regression is chosen with the assumption of the presence of heteroscedasticity. This is consistent with the argument by Wooldridge (2003) that GLS is used to take into account the problem of heteroscedasticity in the errors. In effect, errors are allowed to be correlated or to have unequal variance or there is "unequal spread" between cross-sections. This is also consistent with a view from Lutz and Lutz (2004) who argue that the GLS estimation is quite appropriate when the pattern of heteroscedasticity is unknown. Additionally, "fixed effects" is used take into account the "individuality" of each company or each cross-sectional unit. According to Woolbridge (2003), "fixed effects" methods are used for cluster samples. Such assumption is made due to the fact that the sample of the banking firms is from different countries, which are different from one to another. This is also supported by Gujarati (2003) who argues that the differences may be due to unique features of each country.

Results And Discussions

4.1 Descriptive Statistics

The descriptive statistics for all variables are presented in Tables 3 and 4. It is found that 93.46% or 100 banks in the sample are having at least 5% shareholding by a single shareholder. Further analysis on the large ownership of listed banks in Asia emerging markets reveals that the average ownership concentration is 51.46%. This is consistent with the result generates in a study by Qu (2004) where the mean of corporate ownership concentration of largest shareholders for listed firms around the world is about 50%.

TABLE 3 ABOUT HERE
TABLE 4 ABOUT HERE

In terms of the type of large shareholders, foreign shareholdings can be found in 36 banks while there are existences of government's shareholdings in 47 banks. The entrance of large foreign shareholders is dominated by banking firms outside Asia which are mainly come from United States and European Union and are the big players in banking industry in the world. These include Bank of New York and JP Morgan of U.S, Standard and Chartered and HSBC of

U.K, ABN Ambro Bank and Deutsche Bank of Germany. Among the Asian banks, a group of Japanese banks are identified as being the most active players in the region.

There are different views that may explain the high ownership concentration of banks in Asia. First, it is already a fact that high ownership concentration in Asia not only in the non-banking firms but also in the banking firms is a primary feature in the region since the last few decades. Second, the bank restructuring program during the post-crisis period affected the ownership of banks where nationalization, mergers and acquisition; and other corporate arrangement leads to government ownership of banks while the entrance of foreign shareholders has been significant in the industry. Third, the purpose for such ownership control could be derived from the expectation about the positive outlook about the Asian region banking industry. After experiencing the financial crisis, better prospects about the industry have attracting other investors especially the foreign shareholders to acquire large stakes in the banks while those who were not severely affected tend to keep their large shareholdings.

In terms of size, banking firms in Singapore, Korea and Hong Kong are categorized as the largest banks with mean asset value of more than US\$25,000 million. Their mean values are greater than the overall means of US\$16,974.96 million. It is interesting to note that Singaporean banks have the highest mean value even though there only three listed banks in the country as compared to India with 18 banks in the sample but their mean value of total assets is just slightly below the overall mean. The Philippines and Indonesia are in the lowest category with mean asset value of less than US\$5,000 million. There is a very large different between the smallest and the largest banks in the sample. The Citystate Savings Bank Inc., Philippines is identified as the smallest bank with total assets of US\$24.04 million. In contrast, Kookmin Bank of Korea is considered as the largest bank in the sample with total assets of US\$176,560.36 million. In terms of capital adequacy, all countries displayed means above 8 percent requirement with Philippines banking firms leading the league at 22.28 percent. This is above the mean of all countries, which is at 15.68 percent. The lowest rate is indicated by Korean banks with 10.68 percent. Other than the Philippines; Indonesia, Singapore and Hong Kong have an average capital adequacy above the 15.68 percent. Review on the data shows that Bowa Commercial Bank of Hong Kong has the minimum ratio of 3.76 percent while Citystate Savings Bank Inc., Philippines has the maximum value of 51.22 percent. In terms of corporate performance, except for Philippines, all of the countries have Tobin's Q above 1.00. Malaysia, Indonesia, Singapore and Hong Kong recorded above the means Tobin's Q of overall countries, which stand at 1.03. Philippines and Hong Kong listed banks exhibit the lowest and highest Tobin's Q with means of 0.99 and 1.08 respectively.

Review on the data shows that Philippines Bank of Communication has the lowest Tobin's Q since its market value of equity is very low compare to its book value. On the other hand, Hang Seng Bank of Hong Kong registered the highest Tobin's Q. The bank has a very good reputation as the second largest bank in Hong Kong and was voted as the best bank in Hong Kong by Asia Money (2004) and the best company in Asia by Finance Asia (2004) besides some other awards. The other performance measure, ROA shows that Asian emerging market posted an average of 1.37 percent in 2004. However, only Indonesia, Hong Kong and India recorded ROA above this level. Surprisingly, the Indonesian banks have the highest level of the mean of ROA of 2.05 percent while the lowest 0.32 percent is recorded by Taiwanese banks.

4.2 Ownership Monitoring Mechanisms and Corporate Performance

The result for the regression analysis of all corporate governance monitoring mechanisms is presented in Tables 5 and 6. It presents the regression results for both performance measures, i.e., Tobin's Q and ROA, and ownership monitoring mechanisms. The first two columns include ownership monitoring mechanisms without controlling for size and adequacy ratio while the next two columns incorporated both variables in the model specifications. The R^2 in all models are found to be very consistent with and without the control variable. For example, in the first table, the adjusted R^2 for model with and without size effect are 0.385 and 0.398 respectively. When it is incorporated with total assets, the R^2 are almost at the same rate of 0.451 and 0.449.

TABLE 5 ABOUT HERE
TABLE 6 ABOUT HERE

4.2.1 Government Ownership

The results in all of the models indicate that measures of ownership monitoring mechanisms are best explained only when Tobin's Q is used as the performance measure. The result is consistent with the argument by Berle and Means (1932) who suggested that there should be an inverse correlation between the diffuseness or concentration of shareholdings and firm performance.

Using government shareholding as a proxy for large ownership also depicts the same sign as far as relationship with Tobin's Q is concerned but only in the selected model. In the model with controlling for size, we found that government shareholding is having a significant negative relationship with Tobin's Q. Again, accounting-based measure failed to identify any significant relationship between government ownership and Tobin's Q. This could be explained by the notion that the government may have the socio-economic policy in hand, which is inconsistent with the bank's directions. Thus, the

conflict is detrimental to the banking firm performance as reflected by the regression result. This is also consistent with the argument by Bai *et. al.* (2000), (La Porta *et. al.*, 2002) and Arun (2003) that government ownership is regarded to be detrimental as in the banking firm.

4.2.2 Foreign Ownership

The same pattern is generated when foreign shareholdings are included as proxies for ownership. As presented in columns (i) to (iv) of Table 5, all models showed that foreign ownership is negatively related with Tobin's Q and statistically significant at 1% significant level. However, using ROA as the dependent variable, foreign ownership is positively significant without controlling for size. Anyway, it is not consistent with the remaining models where none of them generates any significant coefficients. Again, it is market-based measure that successfully depicts the relationships. The positive relationship with ROA might give some support to the evidence in non-banks study where the presence of foreign shareholders improves the performance of the firms. Such relationship might be an indication of initial success of the liberalization of the banking industry in Asia whereby the foreign players with larger capital are moving aggressively to tap into the new markets

5. Conclusions

The objective of this paper is to identify whether there exist any the relationship between ownership structure and corporate performance of listed banks in Asia emerging markets and our findings have generated a perspective on corporate governance monitoring mechanisms in the banking sector. In summary, we found that ownership monitoring mechanisms are negatively related with corporate performance in the banking firms in Asian emerging markets. The result is consistent with the argument by Berle and Means (1932) who suggested that there should be an inverse correlation between the diffuseness or concentration of shareholdings and firm performance. However, between the two corporate performance measures, Tobin's Q is able to explain the relationship better in all the models than ROA. Overall, the analysis confirmed that large blockholders is not an appropriate monitoring mechanism to oversee the managers of Asian banking firms. It is evidenced in this study that ownership monitoring mechanisms of large blockholders does not only help banks in achieving improved profitability but it deteriorates banking firms' performance. Thus, the expropriation of resources as argued by Caprio *et. al.* (2003) could be a reason to explain the relationship. Such situation could be related to the large shareholders who are driven by the controlling benefits and are only interested in profits of the banks, which is used to finance the growth of their own business. This could also imply that Asian equity markets are still not

providing adequate investor protection that give opportunities for certain group of investors to take advantage for their own interests. However, it does not necessarily mean that large shareholdings should be restricted in the ownership structure of the banking firms in Asia. It is more important that proper mechanisms be adopted so that expropriation of the bank resources by the large shareholders can be avoided in the banking industry.

In terms of its limitation, the study is being hampered by data completeness. The researcher managed to collect a full set of data for 107 banks or equivalent to 68.15 percent, which is closed to the population of listed banks in Asian in emerging markets. Data on the rest of the banks are either incomplete or the annual report which is the main source for corporate governance information is not available. The study uses information in one point of time, which is 2004. As such, generalization made in this study may not be appropriate for the other period of study. In addition, the study limits the ownership identity to the foreign and government shareholders only. Apart from the limited number of observations, the family and individuals ownerships of the banks are not included since there is no access on such information especially when the shares are registered under private firms or nominees. The ownership identity is only limited to the available information contains in the annual reports and other published information. On the other hand, the study ignores accounting standard adopted in the different countries. This is consistent with the other study on Asian firms such as Mitton (2002 and; Fan and Wong (2002). In effect, the calculations of corporate performance measures are based on unstandardized accounting information. There are number of recommendations can be made for the future research. Acknowledging the limitation of data in this study, the first and foremost is to propose that a larger pool of observations is used in the future study. Longer time-period can be included so that performance and monitoring mechanisms relationship can be evaluated over a large number of observations. Having a longer period can be also associated with the future benefits of the ongoing bank reforms of which the importance of corporate governance is better appreciated and understood, thus appropriately adopted by the banking firms. In terms of ownership, future research may treat ownership concentration; and government and foreign ownership according to percentage instead of dummy with the additional data. The advantage of having such form of data format would allow the analysis to capture the appropriate level of ownership, which may contribute to a better or poor corporate performance of banking firms.

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APPENDIX

Table 1.**Foreign Equity Limits in Existing Local Banks**

Country	Foreign Ownership Limits		Details
	Pre-Crisis	Post Crisis	
Indonesia	49	100	Branching restrictions on foreign joint-venture banks lifted. However, foreign banks cannot establish new, fully foreign-owned banks.
Korea	49	100	Foreign investors can own 100 percent of new banks
Thailand	25	100	After ten years, foreign investors will not be forced to sell their shares, but they cannot purchase any additional shares unless they hold less than 49 percent of total shares
Malaysia	30	30	The 30 percent figure does not apply to existing fully foreign-owned banks and can be relaxed on a case-by-case basis.
Philippines	60	60	Full foreign ownership of distressed banks is allowed by the central bank. New foreign owners must reduce their share by 8 percent within five years, and to 70 percent within ten years
Singapore	40	100	Full foreign takeovers of local banks are unlikely to be approved, but a new extended class of foreign bank license was created for six banks
Hong Kong	100	100	Under proposed reforms, branching restrictions on foreign banks will ease somewhat and most foreign banks licenses will be upgraded
Taiwan	15	50	No formal ownership restrictions exist
Japan	100	100	Tight branching, location and business scope restrictions apply to fully foreign-owned banks, but these are less restrictive for joint-venture banks. Restrictions will gradually ease upon entry to the World Trade Organization.
China	100	100	

Source : *Asia's Financial Markets : Capitalizing on Reforms*, Department of Foreign Affairs and Trade, Australia

Table 2**Description of Variables**

Variable	Description	Sources
Tobin's Q	The ratio of the firm's market value to its book value. The firm's market value is calculated as book value of assets minus the book value of equity plus market value of equity	Author's calculations based on Bloomberg
	Accounting return computed by pre-tax income to total assets	
ROA	Equals one if the government shareholding in the bank is at least 5%, and zero otherwise	Author's calculations based on Bloomberg
Government	Equals one if the foreign shareholding in the bank is at least 5%, and zero otherwise	Author's calculations based on annual reports
Foreign	A measure of the amount of a bank's capital expressed as a percentage of its risk weighted credit exposure.	Author's calculations based on annual reports
Capital adequacy	Book value of total assets	Bloomberg and Annual Reports
Firm size		Bloomberg

Table 3.
Descriptive Statistics on Ownership

Emerging Markets	N	Large Blockholders		Foreign Shareholding		Government Shareholding	
		At least 5 percent	Less than 5 percent	At least 5 percent	Less than 5 percent	At least 5 percent	Less than 5 percent
Malaysia	12	12	0	0	12	10	2
Thailand	8	8	0	1	7	7	1
Philippines	18	18	0	11	7	4	14
Indonesia	21	21	0	9	12	7	14
Korea	6	6	0	4	2	2	4
Singapore	3	3	0	0	3	1	2
Hong Kong	9	9	0	5	4	0	9
Taiwan	12	8	4	1	11	4	8
India	18	15	3	5	13	12	6
Total	107	100	7	36	71	47	60
Percentage	100	93.46	6.54	33.6	66.4	43.9	56.1

Table 4.
Descriptive Statistics on the Continuous Variable for the Full Sample

EMERGING MARKETS	N	Corporate Performance		Control Variable	
		Tobin's Q	ROA	Capital Adequacy	Total Assets
Malaysia	12				
Minimum		0.96	0.47	9.06	3877.56
Maximum		1.21	2.61	22.40	47238.80
Mean		1.05	1.26	15.15	15972.07
Median		1.04	1.13	14.85	10838.72
Std Deviation		0.08	0.64	3.51	12833.74
Thailand	8				
Minimum		1.00	0.23	10.72	4212.40
Maximum		1.07	2.39	14.56	36178.60
Mean		1.03	1.15	12.46	17960.13
Median		1.03	1.08	12.20	17226.85
Std Deviation		0.03	0.71	1.66	11059.13
Philippines	18				
Minimum		0.89	0.09	11.02	24.04
Maximum		1.16	3.17	51.22	9494.19
Mean		0.99	1.30	22.28	2476.37
Median		0.98	1.07	20.60	1248.81
Std Deviation		0.08	0.87	9.91	2774.38
Indonesia	21				
Minimum		0.93	-9.18	9.44	125.43
Maximum		1.23	5.97	40.19	26733.73
Mean		1.07	2.05	17.95	4748.60
Median		1.07	2.35	15.11	2014.91
Std Deviation		0.08	3.97	7.26	6907.11
Korea	6				
Minimum		0.99	0.44	9.47	4504.28
Maximum		1.04	0.98	11.17	176560.36
Mean		1.01	0.72	10.68	58459.56
Median		1.00	0.72	10.82	39727.92
Std Deviation		0.02	0.44	0.63	63909.21
Singapore	3				
Minimum		1.03	1.23	15.60	73416.42
Maximum		1.05	1.41	17.70	107509.95
Mean		1.04	1.34	16.37	87842.33
Median		1.05	1.38	15.80	82600.63
Std Deviation		0.01	0.32	1.16	17640.83

Table 4 (continued)

EMERGING MARKETS	N	Corporate Performance		Control Variable	
		Tobin's Q	ROA	Capital Adequacy	Total Assets

Hong Kong	9				
Minimum		0.97	0.74	12	5417.62
Maximum		1.30	2.42	20.5	102505.60
Mean		1.08	1.46	16.94	26501.86
Median		1.07	1.48	17.13	10750.95
Std Deviation		0.10	0.74	2.88	35052.37
Taiwan	12				
Minimum		0.98	-0.92	3.76	4,773.65
Maximum		1.06	1.63	13.30	41,311.75
Mean		1.02	0.32	10.38	14,906.14
Median		1.02	0.34	10.88	9,040.05
Std Deviation		0.98	0.92	2.45	11,927.90
India	18				
Minimum		0.98	0.55	9.48	731.97
Maximum		1.19	2.71	16.88	12,6372.57
Mean		1.02	1.70	12.70	16,994.73
Median		1.01	1.63	12.77	6794.99
Std Deviation		0.05	0.52	1.88	28,768.48
Total	107				
Minimum		0.89	-9.18	3.76	24.04
Maximum		1.30	5.97	51.22	176560.36
Mean		1.03	1.37	15.68	16974.96
Median		1.02	1.32	13.79	7771.64
Std Deviation		0.07	1.50	6.64	28060.68

Table 5.
Regression Result Using Tobin's Q as the Dependent Variable

Independent Variable	(i)	(ii)	(iii)	(iv)
Constant	1.566835 (0.0000)	1.561264 (0.0000)	0.436720 (0.1540)	0.423012 (0.1697)
Foreign Shareholding	-0.564341 (0.0001)***	-0.580157 (0.0001)***	-0.515311 (0.0001)***	-0.564647 (0.0000)***
Government Shareholding	-0.023759 (0.6156)	-0.102136 (0.0852)*	-0.111306 (0.1253)	-0.161146 (0.0575)**
Capital Adequacy			0.073457 (0.0003)***	0.073705 (0.0002)***
Total Assets		2.67E-06 (0.0011)***		2.85E-06 (0.0096)***
Adjusted R-Square	0.385046	0.397839	0.450560	0.448211
No. Of Observations	107	107	107	107

*significant at 10% level, **significant at 5% level, ***significant at 1% level

Table 6.
Regression Result Using ROA as the Dependent Variable

Independent Variable	(i)	(ii)	(iii)	(iv)
Constant	1.019891 (0.0000)	0.971694 (0.0000)	1.022890 (0.0000)	0.971733 (0.0000)
Foreign Shareholding	0.030944 (0.0002)***	0.029944 (0.0009)***	0.023955 (0.1286)	0.021797 (0.1328)
Government Shareholding	0.009233 (0.2098)	0.007859 (0.2767)	0.001163 (0.8804)	0.00152 (0.9839)
Capital Adequacy		0.003133 (0.0013)***		0.003326 (0.0009)***
Total Assets			-1.71E-07 (0.0609)*	1.80E-07 (0.0807)*
Adjusted R-Square	0.253102	0.268829	0.135616	0.188005
No. Of Observations	107	107	107	107

*significant at 10% level, **significant at 5% level, ***significant at 1% level