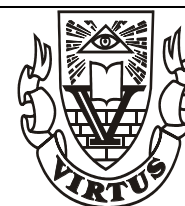


CORPORATE OWNERSHIP & CONTROL

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Hatem Elfeituri

The purpose of the paper is to investigate the market concentration, foreign ownership and profitability for commercial banks operating in the MENA economies over the period 1999-2012. The paper uses panel analysis via GMM estimation to examine a large sample of banks for a period that includes the recent global crisis and Arab uprising, marked by political changes and by liberalisation and market transformation. Findings indicate that the SCP hypothesis is not rejected, highlighting that increased market power yields monopoly profits. Overall, the paper finds evidence of structural reforms and uncovers measures that have led to the improvement of regulation, and the implementation of frameworks which should continue to improve competitiveness within MENA banking sectors.

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Marina Brogi, Valentina Lagasio

Are press releases on Corporate Governance price sensitive? What is the impact of Corporate Governance information on stock prices of banks? This paper addresses these questions by applying an event study methodology on 70 press releases published by the Euro area banks listed on the Eurostoxx banks Index, from 2007 to 2016. Systemic shocks are explored as well idiosyncratic ones. The results show that investment decisions are significantly but negatively influenced by the disclosure of a press release on corporate governance as if this kind of news leads investors to perceive the banks' prospects negatively. Findings are relevant for banks' management and their disclosure policy. Nonetheless, further research is needed to investigate differences and similarities between an area of governance disclosure and another.

CORPORATE GOVERNANCE MECHANISMS IN FAMILY FIRMS – A SOCIOEMOTIONAL WEALTH PERSPECTIVE 32

Patrick Ulrich, Alexandra Fibitz

The paper examines how German family firms differ in the usage of corporate governance mechanisms in comparison to non-family firms. The authors give an overview about the relation of corporate governance and family firms, and deliver hypotheses from an empirical study. The study was conducted in 2017 as a written survey and 86 questionnaires could be used for statistical analysis. Based on socioemotional wealth (SEW) theory, it is found that with a higher extent of family influence in the firm, less corporate governance instruments are used. Furthermore, corporate governance is used primarily to prevent stakeholder confidence in the long-run. However, a formalization of corporate governance mechanisms does not take place. The authors draw implications for more corporate governance formalization and awareness in family firms both for theory and practice.

CORPORATE SOCIAL RESPONSIBILITY, SOCIAL AND FINANCIAL PERFORMANCE: THE CASE STUDY OF THE LOAN APPRAISAL PROCESS OF THE RWANDA DEVELOPMENT BANK 47

Gianfranco A. Vento, Helen Chiappini, Giuseppe Lia

The aim of the paper is to contribute to the existing literature, analysing how development banks can include the evaluation of social and environmental variables within their loan appraisal process. For the purpose of the research, the authors employed a case study of the Rwanda Development Bank (BRD). The BRD loan appraisal process combines the evaluation of typical aspects of corporate social responsibility – like the firms or projects compliance to health and safety regulations or the implementation of the code of ethics including diversity policies – with the evaluation of social and environmental impact, as well with financial aspects. The BRD social impact assessment is also valuable because it follows the criteria of proportionality of loans evaluation, balancing completeness of information with the cost of the assessment.

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Rizwan Ahmed, Wu Qi, Subhan Ullah, Danson Kimani

The study explores the determinants of corporate cash holdings in the Chinese context. Owing to the unique economic problems in the developing and emerging economies, the study aims to investigate whether the research findings on developed countries could be generalized globally. Applying fixed-effects estimations on a sample of 115 Chinese firms listed between 2012 and 2016, the authors find that the level of corporate cash holdings has a significantly negative relationship with leverage, bank debt, non-cash liquid assets and managerial ownership. In particular, cash flow volatility, investment opportunity and dividend have a significantly positive relationship with cash holdings levels. These findings are consistent with the majority of the existing studies carried out in the Western context. The authors also find that firm size, cash flow, board independence and ownership concentration have a significant influence on the level of corporate cash holdings.

RESPONSIBILITY AND ROLE OF INTERNAL AND EXTERNAL STATUTORY AUDITORS IN EXTRAORDINARY OPERATIONS 66

Maurizio Rija

In the study, the figures and functions of the external statutory auditor and internal statutory auditor are analysed. From the dedicated and practical study of several documents, it is shown that with the progress of time, internal control carried out by the supervisory board is supported by an external control by the auditors or an audit firm. Until the mid-70s, auditing control was voluntary and the companies, without any impositions, believed it preferable to remain anchored to a purely internal control rather than an audit company. The law 136/1975 which made the external accounting control by an auditing company compulsory is under control of the Consob and the Draghi law clearly distinguishes the roles carried out by the auditors and work done by the supervisory board. After alluding to the reform of the commercial law, which took place in 2003, the law 39/2010 is analysed, modified by the recent law 135/2016. Successively, civil, criminal and administrative responsibility of the external and internal statutory auditors are analysed since with the EU Recommendation of 2008 (2008/473/EC) the state members are encouraged to limit the civil responsibility making the auditors no longer unlimitedly and jointly responsible but responsible relatively to the damage caused in the first person.

CORPORATE GOVERNANCE AND SOCIAL NETWORKS: THE RELATIONSHIP BETWEEN THE BOARD OF DIRECTORS AND EARNINGS MANAGEMENT 80

Stergios Athianos, Dimitrios Kydros

The paper examines a set of Greek Listed Companies with respect to the interconnections between their Boards of Directors (BoD's). The main objective is to explore if and to what extent these Directors are interlocked, and if this possible interlocking may affect the course of economic or financial decisions through the information content of announced earnings, including implications on the current financial crisis in Greece. For this purpose, the authors use two different modes of research methodology, namely social network analysis and OLS methodology (panel analysis). The results of the study indicate the existence of a highly connected and interdependent network between companies and the people constitute the BoD's. Also, the results show that in their entirety the companies are related and there is a high degree of interaction.

POSITIVE OR NEGATIVE VOTING PREMIUM: WHAT HAPPENED TO PRIVATE BENEFITS IN ITALY? 92

Giuseppe Sancetta, Nicola Cucari, Salvatore Esposito De Falco

A large body of research deals with voting premium as a proxy of private benefit of control. Almost all of them find positive voting premium, in particular in Italy. Therefore appears interesting to ask what is the current status of private benefits of control in Italy in the last decade (2007-2017). Surprisingly, the authors show three major findings: i) reduction of non-voting share in the Italian scenario; ii) prevalence of negative voting rights premium more than positive ones, thus conflicting with the assumption and the observations by other researchers; iii) limits of the voting premium method. The authors' purpose is that this study, despite its limitations, may encourage further researches focused on the analysis of the improvement and the change in the Italian corporate governance. The article points out that interesting evidence already exists, although still much remains to do in the future.

ANTECEDENTS AND CONSEQUENCES OF CORPORATE REPUTATION FROM A CUSTOMER PERSPECTIVE IN TAKAFUL (ISLAMIC INSURANCE) INDUSTRY 101

Tariq Bhatti

The Takaful (Islamic Insurance) industry is still in infancy in the UAE. It is worth determining the antecedents and consequences of corporate reputation in the Takaful industry so that marketers can improve the reputation of their service providers and their industry by using various strategies to increase the loyalty and word of mouth among Takaful customers. The sample size is 325, and data was gathered from Takaful customers who have car Takaful policies. Scale and items for each construct were initially gathered from existing literature and then refined with the help of academic and industry experts. The measurement instrument used was analysed for reliability, convergent, and discriminant validity by means of confirmatory factor analysis. The research hypotheses were tested by using structural equation modelling. Corporate social responsibility (CSR), customer satisfaction, trust, and social media engagement proved to be most important antecedents of Takaful service providers. The findings suggest that Takaful marketers should consider investing in effective reputation strategies to gain loyalty and perceived customer value.

THE INVERTED U-SHAPED RELATIONSHIP BETWEEN COMPANY SIZE AND REPORTING QUALITY: THE ITALIAN CASE 114

Filippo Vitolla, Michele Rubino, Elbano De Nuccio

The aim of the paper is to explore sustainability reporting in the Italian environment, with a special attention to the determinants of disclosure quality. More specifically, this paper's objective is to test the impact on the quality of sustainability reporting made by elements through which legitimacy can be connected, with particular reference to firm size. The statistical analysis is based on a linear regression model. Particularly relevant is the finding, linked to size, of the inverted U-shaped relationship. Previous contributions had highlighted a positive relationship between size and quality of sustainability reporting, connected to higher pressures by the external context on the bigger firms. Instead, this study has highlighted an inversion of such relationship (from positive to negative), starting from a certain value of market capitalization. The finding of the statistical insignificance of the relationship between industry and sustainability reporting is also very interesting.

CORPORATE SUSTAINABILITY AND ENVIRONMENTAL DISASTERS: A CASE OF THE 2011 THAI FLOODS 125

Kanitsorn Terdpaopong, Raymond A. Zepp, Penprapak Manapreechadeelert

The research examines whether the Thai floods of 2011 had differential effects among variously sized businesses, as well as among Thai, Japanese and other foreign companies. Financial records were gathered from 514 companies out of an initial 651 from seven industrial estates in Thailand affected by the floods. The study collects quantitative data to verify that disasters have differing effects on different types of companies. Comparisons were made among the various types of companies from years 2011 through 2015 on: Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margins (GPM), Operating Profit Margins (OPM), and Net Profit Margins (NPM), using Kruskal-Wallis ANOVA, and Dunn's post-hoc tests. Significant differences were found among the various sizes on companies in most of the five measures in most years, especially 2011-2013. Similar, but smaller differences were found among companies of different nationalities. The study suggests ways in which companies and government agencies may work together to mitigate the effects of future disasters.

EVALUATION OF THE INTEGRATION BETWEEN CORPORATE AND FINANCIAL PERFORMANCE: THE SOCIAL IMPACT BOND FINANCIAL INSTRUMENT 138

Danilo Tuccillo, Caterina Ferrone, Francesco Agliata

The social impact bond (SIB), at the present in Italy, is a financial instrument issued by a bank to support social initiatives in which the subscriber will receive a limited financial return on investment. The research analyses, on the basis of the characteristics of the third sector in Italy, with particular reference to the financial weakness of the sector, the possible impact on the financial management process in the social enterprises by the use of SIB. Moreover, the authors would demonstrate that, with a well-conducted cost-benefit analysis, it is possible to construct a hypothesis of SIB in which the repayment is based on market rate. In particular, is proposed the development of a SIB with the objective of formulating hypotheses of response to the innovative following questions: Given certain cost drivers, what social outcomes would generate savings for the state budget able to fully repay the fixed costs of the SIB, to give a percentage of the benefit to the government and to ensure the repayment to investors? How to identify the timing of cash flows in order to structure a potential internal rate of return objective satisfactory for investors?