Fall October, 2007

Firm Performance and Corporate Governance through Ownership Structure: Evidence from Bangladesh - Stock Market

Mahfuja Malik, Dr., *Sacred Heart University*
Mahmood Osman Imam

International Review of Business Research Papers
Vol. 3 No.4 October 2007 Pp. 88-110

Firm Performance and Corporate Governance Through Ownership Structure: Evidence from Bangladesh Stock Market

Mahmood Osman Imam* and Mahfuja Malik**[1]

This paper examines how corporate governance is practiced through ownership structure and how firm's performance as well as its dividend payout policy is influenced by different ownership pattern. In doing so, this paper attempts to investigate the pattern of ownership mix and ownership concentration scenario towards sponsorship in Bangladesh, the relationship between the ownership structure and firm performance and finally the impact of ownership structure upon firm's dividend payout policy. An analysis has been made as evidence taking all listed non-financing firms from the Dhaka Stock Exchange. There are several alternative corporate governance mechanisms, which may play an important role to improve firm's performance. Here ownership structure has been considered as an effective tool of corporate governance. In this study, the relations between firm's return and value with ownership variables along with firm's specific variables controlling the industry effects have been examined. Using the data from two sample points of 2000 and 2003, it is shown that a large fraction of cross-sectional variation in performance, found in several studies, is explained by unobserved firm heterogeneity, rather than the shareholders holding. Our empirical results provide evidence that foreign holding is positively and significantly related to the firm performance as measured by firm's holding period returns and Tobin's Q, and the relationship is a monotonic one. We also provide empirical evidence that firms with high institutional ownership and firms with concentrated ownership pay high and less dividend payout respectively.

Keywords: *corporate governance, ownership structure, ownership concentration, firm's return, Tobin's Q and dividend payout ratio*

Field of Research: Corporate Governance and Firm Performance

1. Introduction

The objective of this paper is to investigate the pattern and variation of ownership structure of Bangladeshi listed companies and to document empirically the relationship between firm performance and corporate governance through ownership structure. As a

* Dr. Mahmood Osman Imam, Professor, Department of Finance and Executive Director, Center for Corporate Governance and Finance Studies, University of Dhaka, Dhaka-1000, Bangladesh, Email: osman@univdhaka.edu ; Mahmood4707@hotmail.com

** Mahfuja Malik, Lecturer, Department of Finance, University of Dhaka, Dhaka-1000, Bangladesh
** Authors do have equal contribution to the paper.

1

consequence, this paper deals with what impact does ownership structure has on firm performance and dividend payout policy.

The need for corporate governance arises from the potential conflicts of interest among participants (stakeholders) in the corporate structure. These conflicts of interest often arise from two main reasons. First, different participants have different goals and preferences. Second, the participants have imperfect information as to each other's actions, knowledge, and preferences. Jensen and Meckling (1976) addressed these conflicts by examining the separation of corporate ownership from corporate management. They noted that this separation, with the absence of other corporate governance mechanisms, provides executives with the ability to act in their own self-interest rather than in the interests of shareholders. Of the all corporate governance mechanism that have been studied in US and UK, ownership structure is the one that has probably been studied extensively in the rest of the world. This is probably because in countries other than UK and US, corporate governance mechanisms like an active market for corporate control, managerial labor market, stock-based managerial compensation scheme, independent directors in the board, provision of executive committee and audit committee chaired by independent director etc. are not very effective in the setting of weak regulatory and legal framework, and in the absence of full functioning of capital market. In this setting, governance through ownership structure becomes the most important element of corporate governance. Bangladesh fits neatly into this situation. Hence, this study investigates whether ownership structure has any significant effects on the performance of the listed companies in Dhaka Stock Exchange and firm payout policy. The listed companies allow us to quantify the ownership mix and concentration and thus provide a unique opportunity for studying the above issue.

This paper attempts to identify the different dimensions that could predict the relationship between firm's performance and ownership structure after controlling for firm's specific variables and industry effects. Using the data from two sample points of 2000 and 2003, it is shown that a large fraction of cross-sectional variation in performance, found in several studies, is explained by unobserved firm heterogeneity, rather than the shareholders holding. Our empirical results provide evidence that foreign holding is positively and significantly related to the firm performance as measured by firm's holding period returns and Tobin's Q, and the relationship is a non-monotonic one. We also observed the findings that firms with high institutional ownership and firms with concentrated ownership pay high and less dividend payout respectively.

The paper is organized as follows: Section 2 provides underpinnings of the concept of corporate governance followed by the literature review on ownership structure and firm performance. In section 3 the hypotheses being developed focus the nature of corporate governance through ownership structure along with firm's specific performance measured variables. In section 4 empirical models to test these hypotheses are given. Next, in sections 5, 6 and 7, the data sources and sample description, overview of ownership structure and concentration, and definitions of variables are shown respectively. Section 8 elaborately explains the empirical results of our main study. Lastly, all the findings about this study would help us to draw the ultimate conclusion about the impact of corporate governance practice through ownership structure upon firm's performance.

2. Corporate Governance and Overview of Ownership Structure

Corporate governance is an important effort to ensure accountability and responsibility and a set of principles, which should be incorporated into every part of the organization. Though it is viewed as a recent issue, there is, in fact, nothing new about the concept. Because it has been in existence as long as the corporation itself – as long as there has been large–scale trade, reflecting the need for responsibility in the handling of money and the conduct of commercial activities. Corporate governance has succeeded to attract a great deal of interest as it focuses not only the long-term relationship, which has to deal with checks and balances, incentives for managers and communications between management and investors but also the transactional relationship, which involves dealing with disclosure and authority.

The corporate governance framework is the widest control mechanism, both internal and external, to encourage the efficient use of corporate resources and equally to require accountability for the stewardship of those resources. The challenge of corporate governance could help to align the interests of individuals, corporations and society through a fundamental ethical basis and it will fulfill the long-tem strategic goal of the owners, which, after survival may consist of building shareholder value, establishing a dominant market share or maintaining a technical lead in a chosen sphere. It will certainly not be the same for all organizations, but will take into account the expectations of all the key stakeholders, in particular: considering and caring for the interests of employees, customers and suppliers, stockholders and debt holders, state and local community, both in terms of the physical effects of the company's operations and the economic and cultural interaction with the population. So maintaining proper compliance with all the applicable legal and regulatory requirements under which the company is carrying out its activities is also achieved by sound practice of corporate governance.

Theoretical position of corporate governance states that firm's control by shareholders should be raised as much as possible. Specifically, the essence of this position is to straighten the surveillance of the stock market through such means as stockownership, institutionalized monitoring by shareholders at general shareholder meeting and corporate take over. In practical position, two distinct forms of governance system separately developed for large corporations in economic and financial literature were named as the Anglo-American type (outsider system) & the Japanese-German type (insider system). There are a number of striking differences in concentration and nature of ownership between both systems. For example, in a typical Continental European country under Japan German system (majority) control is held by one shareholder or a small group of interlocked (corporate) shareholders, whereas Anglo-American companies are predominantly widely held. So the Anglo-American type is dominated by shareholders interest through the market corporate control. On the contrary in the Japanese-German type the large block of stable shareholding by financial institutions and the prevalence of interlocking shareholding effectively prevent hostile takeovers and, hence, the average shareholder would seem to have very little influence. However, these two systems work to the extent depending on financial structure of the country.

Corporate governance has received new urgency because of global financial crisis and major corporate failures that shock major financial centers of the world. Research on corporate governance across the countries has focused on diverse elements and dimensions as the breadth and depth of it. In practice, corporate governance and monitoring mechanisms recently focused on matters like the composition of the Board of Directors, the duties and responsibilities of the executive directors, regular monitoring by shareholders, anti takeover devices, voting rights of shareholders and detailed disclosure of company information that are material for decision making by interested parties. The corporate governance framework should protect and facilitate the exercise of shareholders' rights. Shareholders should have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes. Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse. The equitable treatment of all shareholders, including minority and foreign shareholders should be ensured by corporate governance also. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly. Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this. Another important responsibility of corporate governance is the timely and accurate disclosure of all material matters regarding the corporation. Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial disclosure. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders. The board should apply high ethical standards. Board members should be able to commit themselves effectively to their responsibilities.

The public image of a corporation will quite accurately reflect the culture of that body. If follows, then, that good corporate governance has to be in the bones and bloodstream of the organization since this in turn will be reflected in the culture. Adherence to the principle of good corporate governance serves to foster investor confidence and attract domestic as well as foreign investors. But Bangladesh is sadly lagging behind in this respect. Recently as a regulatory body, Securities and Exchange Commission, Bangladesh strives to stimulate the listed companies comply the corporate governance guidelines issued by them so that the suppliers of funds assure themselves of getting a return on their investment. In case of any infringement of this effort, listed companies have to show grounds with proper explanations in deed.

It is seen from the table of ownership holding by top five shareholders classified by industry that ownership in Bangladesh is largely concentrated in a few hands especially in non-financial publicly listed firms. It is observed that these top shareholders belong mostly to controlling family.

Table-0

Ownership Concentration by Top Shareholders and Industry

Industry (No.)	Top 3 Shareholders mean	Top 3 Shareholders median	Top 5 Shareholders mean	Top 5 Shareholders median	Top 10 Shareholders mean	Top 10 Shareholders median
Banks (23)	17.89%	11.43%	23.88%	16.22%	30.67%	26.50%
Engineering (19)	38.29%	37.37%	41.11%	38.19%	42.84%	40.87%
Food (32)	34.15%	31.33%	38.77%	36.61%	41.32%	38.76%
Fuel & Power (4)	37.72%	42.44%	41.06%	49.11%	43.52%	54.04
Jute (4)	38.82%	35.91%	40.31%	37.71%	41.83%	40.74%
Textile (39)	37.52%	35.47%	42.52%	43.99%	45.32%	47.77%
Pharmacutical (26)	38.94%	36.63%	41.78%	42.39%	43.86%	45.64%
Paper (7)	35.84%	36.58%	40.67%	45.49%	44.92%	50.00%
Service & Real Estate(5)	50.65%	39.62%	54.34%	47.79%	56.56%	48.12%
Cement (8)	38.03%	37.12%	40.76%	42.82%	42.62%	50.22%
IT (6)	27.34%	28.50%	34.48%	32.44%	37.03%	38.89%
Tannery (8)	32.89%	31.12%	36.11%	33.10%	38.43%	38.42%
Ceramic (4)	36.11%	33.75%	40.30%	35.40%	40.30%	39.09%
Insurance (23)	13.70%	12.33%	19.96%	18.67%	31.94%	31.20%
Miscellaneous (10)	31.25%	36.20%	36.69%	39,73%	40.80%	40.76%
All (218)	32.33%	30.24%	36.96%	36.50%	41.06%	41.28%

2.1 Literature review on ownership structure and firm performance

Using 361 German corporations over the time period 1991 to 1996 Erik Lehmann and Jürgen Weigand (February 2000) documented that (1) the presence of large shareholders does not necessarily enhance profitability, and (2) the high degree of ownership concentration seems to be a sub-optimal choice for many of the tightly held German corporations. Their results also imply ownership concentration to affect profitability significantly negatively. Their empirical evidence suggests that representation of owners on the board of executive directors does not make a difference. The negative effect of ownership concentration can be traced back to family- or foreign-owned non-quoted firms as well as quoted firms with different large shareholders. A positive impact of ownership concentration on profitability, supportive of managerial discretion and agency theories, shows up for quoted firms, which have financial institutions as large shareholders.

Karl V. Lins (2002) investigates whether management ownership structures and large non-management blockholders are related to firm value across a sample of 1433 firms from 18 emerging markets. He finds that large non-management control rights blockholdings (having more control rights) are positively related to firm value measured by Tobin's Q. He also provides evidence that large non management blockholders can mitigate the valuation discounts associated with the expected agency problem.

In 1985, Demstez and Lehn argued both that the optimal corporate ownership structure was firm specific, and that market competition would derive firms toward that optimum. Because ownership was endogenous to expected performance, they cautioned, any regression of profitability on ownership patterns should yield insignificant results. Yoshiro Miwa and Mark Ramseyer (February 2001) stated with a sample of 637 Japanese firms and confirmed the equilibrium mechanism behind Demstez-Lehn.

Using a sample of 144 Israeli firms, Beni Lauterbach1 and Efrat Tolkowsky (June 2004) find that Tobin's Q is maximized when control group vote reaches 67%. This evidence is strong when ownership structure is treated as exogenous and weak when it is considered endogenous.

Steen Thomsen and Torben Pedersen (1997) examine the impact of ownership structure on company economic performance in the largest companies from 12 European nations. According to their findings the positive marginal effect of ownership ties to financial institutions is stronger in the market-based British system than in continental Europe.

Christoph Kaserer and Benjamin Moldenhauer (September 2005) address the question whether there is any empirical relationship between corporate performance and insider ownership. Using a data set of 245 Germen firms for the year 2003 they find evidence for a positive and significant relationship between corporate performance, as measured by stock price performance as well as by Tobin's Q, and insider ownership.

Michael L Lemmon and Karl V Lins (August 2003) use a sample of 800 firms in eight East Asian countries to study the effect of ownership structure on value during the region's financial crisis. The crisis negatively impacted firm's investment opportunities, raising the incentives of controlling shareholders to expropriate minority investors. The evidence is consistent with the view that ownership structure plays an important role in determining whether insiders expropriate minority shareholders.

3. Hypothesis to be tested

This section provides an overview of the hypotheses. Regarding the determinants of the firm's performance the following arguments and hypothesis can be developed:

As ownership pattern varies across the firms, monitoring, controlling as well as execution of disciplining decision also changes. Different firms have ownership pattern. Some firms have sponsors as the largest shareholders; some have institutional or managerial ownership as major. Different shareholders influence firm's decision making differently. What the institutional owner can do may not be possible for the diffuse general public holding. So ownership concentration and different ownership mix contribute differently to the firms' performance. This may lead the following hypothesis

Hypothesis 1: Ownership structure has an impact upon the firm performance

If sponsor shareholders are the majority, then they could try their best for personal benefit. So this type of concentration creates agency problem between controlling owner and minority shareholder. Minority shareholders fear the risk that they could be expropriated of their rights through the collusion of manager and controlling blockholder. Here, we assume sponsor ownership as a proxy variable of managerial ownership. Shleifer and Vishny (1988) show in the context of managerial ownership that high managerial ownership may entrench managers, as they are increasingly less subject to governance by board of directors and to discipline by the market for corporate control. From this empirical argument another hypothesis is taken.

Hypothesis 2: If the proportion of the sponsor ownership in firm's capital structure is high, it may have that minority stockholders will be deprived.

Firm's size may be measured in terms of total asset, market capitalization or sales. Whatever be the variable, higher the size, greater will be the operating as well as financing efficiency of the firm, as the firm becomes quite mature through economies of scale, production efficiency as well as managerial skill._ Another hypothesis is made here.

Hypothesis 3: The greater the size of the firm, higher the firms performance

If the foreign holding in ownership structure increases, firm performance is positively motivated and governed to be improved. Basically foreign holdings take place and are increasing in those firms that have good governance and through these good governance practice, firm will improve doing better for all of its stakeholders. Thus a significant and positive relationship exists between firm's return and foreign investment in a non-financial firm. So it could be said that:

Hypothesis 4: Foreign holding is positively related with firm value and performance.

Leverage promotes a firm to lower its cost of capital. So leverage is cost effective and in another sense, the bondholders as well as the creditors will monitor more the management for their own sake as they do have the fear of bankruptcy. So leverage can be a proxy of corporate governance as there is a chance for more monitoring, controlling and governing. This argument promotes the following hypothesis:

Hypothesis 5: If leverage of a firm increases, it would improve the firm performance.

Higher the listings age of the firm greater the efficiency, as the firms become matured more to deal with capital market. Firm's performance can also be influenced by firm's category. Better the category, more the firm is concerned about the stakeholders and higher the firm's efforts to its profitability, value, return and other performance. A hypothesis is developed from it as follows:

Hypothesis 6: Firm performance is positively related with firm's category and list age.

If the majority holders are the sponsors, they do try to govern themselves ignoring the sake of other stakeholders. So the majority holder will try to gain personal benefit protecting cash flow to be distributed as dividend to the other minority holders. It may reduce agency conflict between management and major shareholders as they hold the both place, but the other stakeholders and minority shareholders will be deprived because of their entrenchment effect. It leads the following hypothesis:

Hypothesis 7: If sponsor ownership concentration is high, dividend payout will be low.

4. Model Specification

An empirical model is developed here to judge the relationship between firm's performance and ownership structure. Here, firm's holding period return and Tobin's Q variables are used as the measurement of firm's performance. The dividend payout policy is also examines in this context. One thing is to be noted here that the meaning of ownership structure is two-fold in this paper: ownership concentration and ownership mix. It will then be compared the performance of firms with different degree of ownership concentration as well as different types of shareholding pattern. For these purposes, as mentioned earlier three dimensions (return, value and dividend policy) have been used as dependent variables. The dependent (performance and payout) variables are then regressed on concentration value and other ownership fractions such as sponsorship, institutional holding and foreign govt. share.

Himmelberg et. al (1999) have argued that regression of firm performance on ownership variables is potentially misspecified because of the presence of the firm heterogeneity. Specially, if some of the unobserved determinants of firm performance are also determinants of ownership, then ownership might spuriously appear to be a determinant of firm performance. However, to provide primary evidence on the impact of ownership structure on firm performance and dividend payout policy of listed non-financial firms in DSE, this paper uses multiple regression technique with and without endogeneity correction. Hence, combining the firm specific observable variables associated with share-holding pattern yields the following reduced form expression for the firm performance:

$$Y_{it} = \alpha + \beta\, (\Delta\ ownership)_{i\,t} + \delta\, X_{i\,t} + \gamma\, (Industry)_{i\,t} + \varepsilon_{i\,t}$$

where, the dependent variable Y_{it} measures firm's performance, all Greek letters represent coefficients of independent variables and it will describe the responsiveness of dependent variable as a result of a change in that specific independent variable if the other independent variables remain constant. Δ *ownership* represents the changes in ownership pattern of different types of share holding, $X_{i\,t}$ represents firm- specific effect, $Industry_{\,i}$ is dummy variable to control industry variations and $\varepsilon_{\,i\,t}$ represents the error term. This is the basic generic equation on which the relationship between ownership structure and firm performance is examined using our selected observations.

5. Data Sources and Sample Description

5.1 Sources of data

Data on required variables have been collected over the period from the documentation of Dhaka Stock Exchange. Most of the information is collected from monthly review published by DSE. Information about the selected firms is also gathered from the publications "Balance Sheet Analysis of Joint Stock Companies listed on the Dhaka Stock Exchange," published by Statistical Department of Bangladesh Bank (2001-2002 issue). Those, which are not found in these sources, are collected directly from the companies' Annual Report documented in DSE and SEC.

5.2 Sample description

For the main analysis, non-financial firms from DSE are selected with the required data. As the target is to find out the relationship between ownership pattern and non-financial firm performance, banks, mutual funds and insurance companies are excluded. Here it is considered 2000 - 2003 as observation period. In 2003 total numbers of firms included in DSE are 259 but excluding the financial firms we do have 201 firms in observation. Basically cross sectional analysis is done here. Panel data is not used here; but to find out the effect of changes in ownership pattern upon firm performance two time points, 2000 and 2003, are selected. That is changes in performance are shown from 2000 to 2003 in contrast with the changes in ownership pattern for the same time. But some firms had not been listed in 2000 and some were de-listed within 2001 to 2003, so for the failure of comparison we have to exclude 43 firms from the observation list. Also for unavailability of information (as Annual Report were not published) another 13 firms were excluded. So lastly there are 145 firms in our final sample, for which we have required data. We restrict ourselves to firms, which have no missing data (on age, ownership pattern, closing price of share, market capitalization, leverage value, market category, EPS, DPS, P/E ratio, number of shares outstanding, bonus share, right share and so on) for these years. We cannot avoid this conditioning because we cannot use firms with missing data in our analysis).

6. Descriptive Statistics of Data

The empirical data is based on the firm level for 145 Bangladeshi non-financial firms listed in Dhaka Stock Exchange over the period of 2000 to 2003. Percentage share-holding of different investors: sponsor ownership (SPON), govt. holding (GOVT), institutional holding (INS), foreign holding (FOR) and general public (GP) are correlated, because, these shares, along with the shares of other top shareholders and others not included so far (which are not considered here) adds up to `100' and if one of them increases then at least one of the others have to decrease.

Summary descriptive statistics relating to the data used in the analysis are shown in the following table:

Table – 1

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
SPON_00	145	.0000	81.9756	45.316646	15.2924544	233.859
SPON_03	145	.0000	97.6342	42.426612	17.6792148	312.555
GOVT_00	145	.0	96.2	1.913	11.2821	127.287
GOVT_03	145	.0	95.0	3.286	13.7855	190.040
INS_00	145	.0	53.6	13.255	12.7137	161.637
INS_03	145	.0	62.3	16.672	15.2149	231.493
FOR_00	145	.0	60.0	3.071	7.9243	62.795
FOR_03	144	.0	33.0	1.601	5.0981	25.991
GP_00	145	.7	83.6	36.419	15.5266	241.074
GP_03	145	.7	81.7	36.019	17.3941	302.556
EPS00	145	-159.6	167.3	4.750	34.4044	1183.664
EPS03	145	-525.0	293.9	5.602	62.8109	3945.215
DPS00	144	.0	65.0	6.854	10.6073	112.514
DPS03	145	.0	100.0	7.507	13.3315	177.728
CHNCAT	145	-2	2	-.43	.927	.859
Return	145	-93.118	209.618	3.05012	55.830506	3117.045
Valid N (listwise)	143					

In Table 1 detailed data structure is presented to reveal the maximum, minimum, mean, standard deviation and variance of the key variables. It shows that among our observed firms, the highest portions of ownership concentration goes to sponsors and surprisingly in 2003 sponsor concentrations in about 98 % of a firm. According to the mean, sponsorship holding has been decreased from 2000 to 2003 (45.32 % to 42.43 %) on an average, where the govt. holding as well as institutional ownership have been increased. But at the same time foreign ownership is decreased remarkably from 3.071 % to 1.601%. Of course these changes would have an impact upon firm’s performance as well as dividend payout policy. Now from the operating variable, we find that EPS has a mean of 4.75 in 2000 and 5.60 in 2003 and it is increased. Though some firms have EPS of 293 around, but because of negative earning of a numbers of firms in both observation years, the mean of EPS is so low. Moreover, EPS in 2003 has the largest standard deviations (62.81 %) among all the variables. Dividend per share is also improved from 2000 to 2003 (from 6.854 to 7.507). In 2003 data shows that the highest dividend is 100 where lots of firms did not declare any dividend.

Another major variable in our observation is change in market category (CHNCAT). It is to be noted here that in Bangladesh stock market, there are three categories of firms: A, B and Z. From 2000 to 2003 we considered the positive change of one category to a better one as assigned numeric value 1. Inversely the negative change that is shift to a worse category is assigned a value of –1. So we find in descriptive statistics matrix that some firms improved from Z to A, where some other had a demotion of A to Z category. Here the overall mean of this category change is -.43. So the overall grading of the firms has been declined from 2000 to 2003. The last variable in Table 1 is return, which is holding period return from 2000 to 2003 has a large standard deviation of 56%. Maximum return is 209.618 % where the minimum is –93.118 %. However, the average return of our entire observed firm is 3.06 % only despite high volatility of the stock returns.

7. Variables Definition

We considered the explanatory variables into three categories: ownership structure related variables, firm's specific variables and dummy variable to control industry effects. Furthermore, in order to examine the underlying hypothesis, it must be necessary to control for the possible determinants of firms performance not captured by the ownership variables.

Dependent Variables

The key dependent variables of the interest for measuring firm performance are RETURN (holding period return) and TOBINQ (Tobin's Q value of the firm). Here DPRATIO (Dividend Payout Ratio) is also used as another dependent variable to judge the effect of ownership structure upon dividend payout ratio. The explanation and formula used to measure these variables are given below:

(a) Return (holding period):

Holding period return is considered as a dependent variable. The return is calculated from period 2000 to 2003. In this observation, not only cash dividend but also bonus dividend is adjusted to current years share price. The formula used here is as follows:

$$R_{iT} \text{ (Holding period Return)} = \left(\frac{CP_{i\,2003} - CP_{i\,2000} + Div_{i\,2001} + Div_{i\,2002} + Div_{i\,2003}}{CP_{i\,2000}}\right) * 100$$

(b) Firm Value (Tobin's Q):

Tobin's Q formula is applied to calculate firm's value. However, liquidated value of preferred stock is excluded from the original formula, as Bangladeshi firms have no preferred stock as usual. Market value of equity is calculated by multiplying number of common stock outstanding and market value of each common stock. Thus a proxy for Tobin Q is applied to find out firm's value. So the formula becomes as follows:

$$\text{Proxy for Tobin Q} = \frac{\text{Book Value of Debt} + \text{Market Value of Common Stock}}{\text{Total Asset}}$$

(c) Dividend Policy (Dividend Payout Ratio)

Dividend payout ratio is simply calculated Dividend per share divided by earning per share.

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend per Share}}{\text{Earning per Share}}$$

Independent Variables

(a) Ownership related variables

On the other hand, ownership structure is measured from two points of view: ownership concentration and ownership mix. A typical listed stock company in DSE has a mixed ownership structure with the five dimensions. These are as follows:

a. SPON (Sponsorship)
b. GOVT (Government)
c. INS (Institutions)
d. FOR (Foreign-holding)
e. GP (Holding by general Public)

We attempt to show the regressed relationship as two different time periods to find out the effect of changes. Therefore in final equation we have shown the changes in ownership mix from 2000 to 2003. So the major variables used to define ***ownership mix*** are: CHNSPON (Changes in Sponsorship), CHNGOVT (Changes in Government), CHNINS (Changes in institutions), CHNGFOR (Changes in Foreign-holding) and CHNGP (Changes in Holding by general Public). Ownership structure is also examined alternatively from the point of ***ownership concentration***. Here for the term concentration, we do mean by sponsorship concentration. We have taken a dummy variable OWNCON as the value of one when share-holding percentage by the sponsor is the largest among all the equity holders and zero otherwise.

(b) Firms' specific variables

We further add some explanatory variables that are also responsible for performance discretion as well as to control for firm-specie heterogeneity. These are LISTAGE (Listing Age), LN_SIZE (natural logarithm of market capitalization), CHNCAT (changes in market category), LEVERAGE (long term and short term debt to total asset), EPS (earning per share) and DPLAG (dividend payout ratio in previous year).

(c) Industry Dummy Variables

Industry dummy variables are taken to control industry effects according to the industrial sector categorization. We have taken 10 dummy variables for 11 industrial sectors: INDDUM1 for Engineering industry, INDDUM2 for Food and Allied Products industry, INDDUM3 for Fuel and power, INDDUM4 is for Jute, INDDUM5 is for Textile, INDDUM6 for Pharmaceutical and Chemical industry, INDDUM7 is for Paper and printing, INDDUM8 is for Service and real state Sector, INDDUM9 is for Tannery, INDDUM10 is for Ceramic and INDDUM11 is for miscellaneous sectors.

8. Empirical Findings of the Impact of Corporate Governance through Ownership Structure upon Firm Performance

In this section the impact of corporate governance through ownership structure upon a firm performance is judged from two points of views. One is the relationship between firm performance and ownership structure, which include ownership mix and ownership concentration towards sponsors also. Another is the influence of ownership pattern on dividend payout policy. Two measurements of firm performance are used. One is holding period return and another is firm value measured by Tobin's Q.

Through partial correlation analysis between the independent variables controlling for other firm's specific variables, it is found that correlation coefficients between the independent variables are significantly high enough to have multicolinerity problem. Thus multicolinearity problem is faced in two cases. One is in between changes in sponsorship (CHANSPO) and changes in government owning portion (CHANGOV). Another is in between changes in institutional holding (CHANINS) and changes in public owning portion (CHANPUB). This type of multicolinearity problem can be removed by using only one of the highly interrelated variables in the final equation or to create and use a new variable that is a combination of two highly interrelated variables. Here, the first solution is applied and that's why two variables CHANGOV and CHANPUB are excluded. However, different models, which are explained in the following sections, are enlightened to draw the finales.

8.1 Analysis of firm's performance & ownership structure

(a) Return as dependent variable

To show the influence of corporate governance practice upon the holding period return through ownership structure, three models are used. The multiple regression equation to be applied under these models is as follows:

$$RETURN_{it} = \alpha + \beta_1\ CHANGSPONSOR_{it} + \beta_2\ CHANGINST_{it} + \beta_3\ CHANGFORG_{it} + \delta 1\ CHANGCAT_{it} + \delta_2\ LEVERAGE_{it} + \delta_3\ LISTAGE_{it} + \delta_4\ SIZE_{it} + \sum_{j=1}^{10} \gamma_i INDUSTRYDUM_{ijt} + \varepsilon_{it} \quad \text{equation (1)}$$

Equation 1 is the basic equation to judge the relationship between firm's return and ownership pattern. Here dependent variable *RETURN* is holding period return from 2000 to 2003. Ownership related explanatory variables are *CHANGSPONSOR,* *CHANGINST and CHANGFORG*. These are changes in ownership holding in sponsor, institution and foreign holding respectively from 2000 to 2003. There are also some firm's specific variables. These are *LEVERAGE*, which is the ratio of total liability and total debt, *LISTAGE* means time period between the years the firm listed to 2003 and another firm related variable is *SIZE*. It is natural logarithm of market capitalization of a firm. And lastly 10 industry dummies are taken to control for 11 industrial sectors.

Table 2
Firms' Performance and changes in ownership structure
Dependent Variable is **Return (Holding Period Return)**

	Model 1	**Model 2**	**Model 3**
Constant	-27.87	-30.901	-48.977
t Statistic	(-1.102)	(-1.123)	(-1.783)
p value	(0.273)	(0.220)	(0.077)
∆ in Sponsor Ownership	-0.093	-0.419	-
t Statistic	(-0.188)	(-0.814)	-
p value	(0.851)	(0.417)	-
∆ in Institutional Ownership	0.171	0.233	-
t Statistic	(0.349)	(0.480)	-
p value	(0.728)	(0.632)	-
∆ in Foreign Ownership	1.412	4.568	-
t Statistic	(1.853)	(2.524)	-
p value	(0.066)	(0.013)	-
∆ in Foreign Ownership^2	-	0.071	-
t Statistic	-	(1.918)	-
p value	-	(0.058)	
Ownership Concentration	-	-	13.066
t Statistic	-	-	(1.502)
p value	-	-	(0.136)
ln Size	5.253	6.326	3.026
t Statistic	(1.510)	(1.816)	(0.944)
p value	(0.134)	(0.072)	(0.347)
∆ in Firm Category	28.178	29.232	25.589
t Statistic	(5.404)	(5.639)	(4.944)
p value	(0.000)	(0.000)	(0.000)
Leverage	0.176	1.660	0.15
t Statistic	(-0.016)	(0.155)	(0.014)
p value	(0.987)	(0.877)	(0.989)
Listing Age	0.823	0.761	0.835
t Statistic	(1.028)	(0.961)	(1.070)
p value	(0.306)	(0.339)	(0.287)
Adjusted R^2	0.281	0.247	0.293
F Statistic	4.030	4.044	4.678
p value	0.000	0.000	0.000

Here three models are considered. We have taken ownership mix in model 1, in model 3 ownership concentration is taken instead of ownership mix and in model 2 the non-linear tendency in foreign holding ownership are also considered as ownership related variables in equation 1. In model 2, first explanatory variable is *OWNCON* means ownership concentration, β_1 is then the coefficient of ownership concentration. Basically ownership concentration (OWNCON) is one type of dummy variable and it has the value of one when share-holding percentage by the sponsor is the largest among all the equity holders and zero otherwise. All the models have the satisfactory explanatory power with 25% to 30% of the variation in firms return. The relationship between changes in sponsorship holding and firm's return are negatively correlated and it is not statistically significant in both models. On the other hand, institutional holding shows a positive relation with firm return but the coefficient is not statistically significant. Foreign holding is no doubt positively and significantly related with firm's return in model 1 and has significant non-linear relationship with firm return in model 2, in which the square term of foreign holding is incorporated. It can be argued that foreign holding takes place and is increasing in those firms that are supposed to have good corporate governance and better performance. Because of monotonic relationship, higher the portion of foreign holding in the firm, better will be the motivation for the firm to maintain good corporate governance culture and consequently price performance of the firm will be accelerated.

(b) Firm's value as dependent variable

To show the influence of corporate governance practice through ownership structure upon the firm value, two models are used on the basis of the following multiple regression equation:

$$FIRM\_VALUE_{it} = \alpha + \beta_1\ CHANGSPONSOR_{it} + \beta_2\ CHANGINST_{it} + \beta_3\ CHANGFORG_{it} + \delta_1\ LEVERAGE_{it} + \delta_2\ LISTAGE_{it} + \delta_3\ SIZE_{it} + \sum_{j=1}^{10} \gamma_i INDUSTRYDUM_{ijt} + \varepsilon_{it} \quad \text{..................... equation (2)}$$

In equation 2, *FIRM_VALUE* (firm values), computed by the proxy of Tobin's Q, is used to measure firm performance. All other explanatory variables of ownership pattern along with firm specific variables and industry dummy variables have been kept as it is in equation 1. Under equation 2 two models are used. The regression results of equation 2 are given in Table 3.

In Table 3, both the models have the high explanatory power with model 1 and model 2 explaining 74 % and 62 % of the variation in firm value respectively. Both the models specification seem to suggest that ownership is positively and significantly related to firm value. In model 1, foreign holding does have same statistically non-linear monotonic relationship with the firm value as it was observed with firm performance. *OWNCON* (ownership concentration) towards sponsorship is used instead of ownership pattern. Here we find significant and positive correlation between ownership concentration and firm's value. This might be because of increased belongingness of the managers as here sponsor ownership is considered as the proxy for managerial ownership. All other firm related variables including leverage, a CG variable, are positively related and they are all statistically significant too.

Table 3
Firms' Performance and ownership structure
Dependent Variables is **Tobin's Q**

	Model 1	**Model 2**
Constant	-.352	-0.727
t Statistic	(-2.241)	(-3.632)
p value	(0.027)	(0.000)
Ownership Concentration	-	0.210
t Statistic	-	(3.103)
p value	-	(0.002)
∆ in Sponsor Ownership	0.001	-
t Statistic	(0.007)	-
p value	(0.994)	-
∆ in Institutional Ownership	0.003	-
t Statistic	(0.012)	-
p value	(0.991)	-
∆ in Foreign Ownership	0.056	-
t Statistic	(4.702)	-
p value	(0.000)	-
∆ in Foreign Ownership^2	0.002	-
t Statistic	(6.748)	-
p value	0.000	-
Size	0.146	0.153
t Statistic	(6.403)	(6.166)
p value	(0.000)	(0.000)
Leverage	0.969	0.970
t Statistic	(14.206)	(12.052)
p value	(0.000)	(0.000)
Listing Age	0.013	0.015
t Statistic	(2.594)	(2.475)
p value	(0.011)	(0.015)
Adjusted R^2	0.737	0.626
F Static	22.780	16.923
p value	0.000	0.000

8.2 Analysis of firm's dividend payout policy and ownership structure

The presence of agency conflict and information asymmetry makes dividend value relevant. In a country where ownership is diffused and managers holds very little equity stake, higher dividend payout is a means through which agency cost of managerial misdeed can be minimized. However, once manager accumulates a large stake of equity, it is expected that managerial interest will align with that of the outsider and hence the role of dividend as an agency cost mitigating mechanism will assume less important. On the contrary, if the entrenchment effect dominates then dividend payout could turn out to be a monitoring device.

La Porta, Lopez-de-Silanes, Shleifer and Vishny herein known as LLSV (2000) argues that the controlling blockholders can effectively monitor manager (as managers may typically come from controlling family), and thus reduce the problem of managerial control and agency. Even then, the controlling shareholders can implement policies that can benefit themselves at the cost of minority shareholders. In order to improve the image of controlling blockholders that the minority shareholders are not being expropriated by them, managers pay more dividends.

To show the impact of corporate governance practice through ownership structure upon the firm's dividend payout policy, three models are considered on the basis of the following multiple regression equation:

$$DIV\_PAYAOUT_{i\,t} = \alpha + \beta_1\ CHANGSPONSOR_{i\,t} + \beta_2\ CHANGINST_{i\,t} + \beta_3\ CHANGFORG_{i\,t} + \delta 1\ EPS_{i\,t} + \delta_2\ LEVERAGE_{i\,t} + \delta_4\ SIZE_{it} + \delta_2\ LAGDIV_{i\,t} + \sum_{j=1}^{10} \gamma_i INDUSTRYDUM_{i\,j\,t} + \varepsilon_{i\,t} \quad \text{.. equation (3)}$$

In equation 3, firm's dividend payout ratio *(DIV_PAYOUT)* is considered as dependent variable and it is calculated by dividend per share divided by earning per share. In model 1, the changes in ownership pattern (from 2000 to 2003) are taken as the major ownership related variables. Here other firm's specific variables *SIZE, EPS, TOBIN"S Q and LAGDIV* are also controlled as these factors are expected to be associated with dividend payout ratio. Model 2 is also same as model 1 by using ownership mix but here the variable *LEVERAGE* is included instead of *TOBIN'S Q.* In third model, *OWNCON* is used as an explanatory variable instead of ownership mix. Basically ownership concentration (OWNCON) is one type of dummy variable and it has the value of one when share-holding percentage by the sponsor is the largest among all the equity holders and zero otherwise. Here industry dummies are taken to control industry variations. The most important factor affecting dividend payout is *LAGDIV*, which denotes the dividend payout ratio in previous year. Result of equation 3 is given in Table 4.

Table 4
Dividend Policy and Ownership Structure
Dependent Variables is **Dividend Payout Ratio**

	Model 1	Model 2	Model 3
Constant	-0.188	-0.149	0.481
t Statistic	(-0.221)	(-0.160)	(0.552)
p value	(0.825)	(0.873)	(0.582)
∆ in Sponsor Ownership	0.004	0.005	-
t Statistic	(0.367)	(0.441)	-
p value	(0.714)	(0.660)	-
∆ in Institutional Ownership	0.056	0.056	-
t Statistic	(3.350)	(3.293)	-
p value	(0.001)	(0.001)	-
∆ in Foreign Ownership	0.022	0.019	-
t Statistic	(0.865)	(0.750)	-
p value	(0.389)	(0.455)	-
Ownership Concentration	-	-	-0.245
t Statistic	-	-	(-0.783)
p value	-	-	(0.435)
SIZE	0.006	0.019	-0.043
t Statistic	(0.058)	(0.167)	(-0.419)
p value	(0.954)	(0.868)	(0.676)
Leverage	-	0.117	-
t Statistic	-	(0.340)	-
p value	-	(0.734)	-
EPS	0.002	0.002	0.002
t Statistic	(0.467)	(0.616)	(0.499)
p value	(0.641)	(0.539)	(0.619)
Tobin's Q	0.182	-	0.048
t Statistic	(0.682)	-	(0.181)
p value	(0.497)	-	(0.857)
Lag Dividend	0.421	0.420	0.461
t Statistic	(6.749)	(6.722)	(7.309)
p value	(0.000)	(0.000)	(0.000)
Adjusted R2	0.328	0.326	0.276
F Static	4.699	4.664	4.309
p value	0.000	0.000	0.000

Results show that there exists significant relationship between changes in institutional ownership pattern and dividend payout ratio. The relationship is positive, implying that institutional holding creates more monitoring and controlling upon firm and thus it can be judged as a proxy of corporate governance practice. Looking at the determinants of corporate control mechanisms, many studies argue convincingly that the role of large institutions in corporate governance is particularly important in countries where legal protection of shareholders' interest is weak for historical and institutional reasons---a situation exists in many transition economies. So institutional ownership holding may be an effective and successful control mechanism for good corporate governance in those situations. However, the relationship between changes in sponsorship holding and changes in foreign holding is not significant. One thing we found is to be noted that there is negative relationship between ownership concentration and firm’s payout ratio in model 3. The reason may be that the concentrated majority sponsor holder will try to gain personal benefit protecting cash flow to be distributed as dividend to the other minority holders. Another explanation could be that if ownership structure is associated with firm agency cost, then higher concentrated ownership level results in lower agency costs and hence lower payout policy. Though the co-efficient of ownership concentration is not statistically significant, Habib (2004) and Mollah et al. (2000) find similar findings that ownership concentration and insider ownership are negatively related to dividend payout respectively.

9. Summary of Findings and Conclusion

This paper has examined the underpinnings of the concept of corporate governance and provides empirical evidence on the nature of corporate governance through ownership structure in the context of Bangladesh. It does also reveal the pattern of ownership mix and ownership concentration scenario towards sponsorship in Bangladesh, the relationship between the ownership structure and firm performance and finally the impact of ownership structure upon firm’s dividend payout policy. The results presented, in this study suggest that, for Bangladeshi non-financial corporate firms, performance and sponsor ownership is negatively related and in case of the other dimensions it is positively related, but the result except foreign holding turns out to be insignificant. Firm performance and foreign holding is positively related in all equation and the relationship is nonlinear monotonic one. Basically, foreign holdings are increasing in those firms that have good governance and through these good governance practice firm will improve by doing better for all of its stakeholders. But again we found a positive relationship between institutional holding and ownership concentration on the one hand and firm performance on the other. The argument might be that in particular firms’ profitability is positively and significantly correlated with the fraction of legal person shares, suggesting that large legal person shareholders (institutional investors) have the incentive as well as the power to monitor and control the behavior of the management, and have played a significant role in corporate governance. The result is robust when indicators of both concentration and ownership mix are included in the regressions. The results are largely consistent with those of Claessens (1995) and Claessens, Djankov and Pohl (1996). Comparative studies show that in OECD countries ownership and control rights are increasingly concentrated in the hands of financial and nonfinancial institutions. The driving force behind this trend seems to be related to the benefit of ownership concentration as a direct measure of corporate control and other factors.

Though we could not get the chance to establish the relationship between institutional holding and firm performance but it is observed here that firm's dividend payout ratio and institutional ownership is significantly related as role of large institutions in corporate governance is particularly important in countries where legal protection of shareholders' interest is weak for historical and institutional reasons-- a situation exists in many transition economies. Here, we also find that a large fraction of cross-sectional variation in share-holding pattern is explained by unobserved firm heterogeneity. First, it is suggested that the unobserved heterogeneity has important implications for econometric models, to estimate the effect of share-holding pattern on firm performance. Second, it is suggested that there could be endogeneity of ownership in transition economies -- it could be the case that institution owners can choose to buy shares in better performing firms, and leave all poorly performing ones in the hands of the pubic. The problem of reverse causality needs to be addressed. Does ownership affect performance or causality runs from performance to ownership?

Here, political argument, inadequate legal protection for minority shareholders or private benefit of control deserves careful investigation for the explanation of the variations in ownership structure of Bangladeshi listed firms. In the context of Australia, Lamba and Stapledon (2002) provide evidence that related party transactions give rise to private benefits of control and that could explain why ownership structure is concentrated in the hands of few family members. However, given the results produced by the current study, it is clear that there are many questions relating to the relationship between share holding pattern and performance of the firm, which remains unresolved. One other useful extension of this analysis would be to include additional policy variables measuring changes in the market conditions, political and legal scenario identity of the top shareholders and other dimensions to judge agency conflict. It is pertinent to know whether there exist any large non-management blockholders among the top shareholders. This is important because this blockholder could either both monitor management and help protect minority shareholders or collude with management to expropriate minority interests.

References

Bangladesh Enterprise Institute. *Principles from the code of corporate governance for Bangladesh*, March 2004, Taskforce on Corporate Governance.

Bebchuk Lucian A., 1999, "A Theory of Path Dependence in Corporate Governance and Ownership", *Working paper 131*, Harvard University Law School.

Beni Lauterbach, and Efrat Tolkowsky, 2004, "Market Value Maximizing Ownership Structure when Investor Protection is Weak", *Discussion Paper No. 8-200*

Berglöf Erik and Stijn Claessens. 2004. "Corporate Governance and Enforcement", *Discussion Paper 3409*, World Bank Policy Research.

Chowdhury, A A Mahboob Uddin, 2002, "Agency relationship and Corporate Governance Structure: The Case of Japan and Bangladesh", *Social Science Review*, The Dhaka University Studies, University of Dhaka.

Crama Y. and L Leruth, "Corporate governance structures, control and performance in European markets: A tale of two systems", School of Business Administration, University of Liège, *Working Paper*.

Davies J.R. and David Hillier. 2002. "Ownership Structure, Managerial Behavior and Corporate Value", *Working Paper*.

Franksa Julian, Colin Mayerb and Luc Renneboog, 2001, "Who Disciplines Management in Poorly Performing Companies?" *Journal of Financial Intermediaries.*

Gillan Stuart L. and Laura T. Starks, 2003, "Corporate Governance, Corporate Ownership, and the Role of Institutional Investors: A Global Perspective*". Working Paper 2003 –01*.

Gompers Paul A., 2003, "Corporate Governance and Equity Price", *Journal of Economics*, February 2003.

Habib Ahsan. 2004. "Governance through ownership: A synthesis of research on causes", *Journal of Business Studies,* University of Dhaka. Volume XXV, No 1. June 1 2004.

Harold Demsetz and Kenneth Lenn, "The structure of corporate ownership: Causes and consequences", *Journal of Political Economy.*

Imam M. O. and Mahfuja Malik, 2006, "Firm Performance and Corporate Governance through Ownership Structure: Evidence from Bangladesh Stock Market" *Working Paper 2006–01*, Center for Corporate Governance and Finance Studies, University of Dhaka.

Jensen M C and W H Meckling, 1976, "Theory of Firms, Managerial Behaviors, Agency Costs and Ownership Structure", *Journal of Financial Economics,* October, 305-306.

Karl V. Lins, 2002, "Equity Ownership and Firm Value in Emerging Markets", *The Journal of Financial and Quantitative Analysis*

Kaserer Christoph, and Benjamin Moldenhauer, 2005, "Insider Ownership and Corporate Performance - Evidence from Germany", *Working Paper*", Center for Entrepreneurial and Financial Studies (CEFS) and Department for Financial Management and Capital Markets

Kendall Nigel, and Arthur Kendall, 2002, *Real World Corporate Governance*, Pitman Publishing.

Köke Jens, 2002, “Does good corporate governance lead to stronger productivity growth? Evidence from market-oriented and blockholder-based governance regimes”, *Discussion Paper – 89*, University of Mannheim.

Kose John Simi Kedia, 2003, “Role of Ownership Structure, Takeovers, and Bank Debt”, Stern School of Business, *Working Paper*.

Kumar Jayesh, “Share holding Pattern and Firm Performance”’ *Working Paper*, Indira Gandhi Institute of Development Research, Mumbai.

Kumar Jayesh, 2003. “Ownership Structure and Corporate Firm Performance”, Indira Gandhi Institute of Development Research, *Working paper*.

La Porta R, F. Lopez-de-Silanes, A. Shleifer, and R.W. Vishny, 2000, Agency Problems and Dividend Policies around the world, *Journal of Finance* 55(1):1-33.

Lamba , A.S., and G. Stapledon, 2002, The Determinants of Corporate Ownership Structure: Australian Evidence, *Working Paper*, University of Melbourne.

Lazonick William and Mary O’Sullivan. 1998. “Corporate Governance and the Innovative Economy: Policy Implications”, *Working Paper*, STEP, Norway.

Lehmann Erik, and Jürgen Weigand, 2000, “Does the Governed Corporation Perform Better? Governance Structures and Corporate Performance in Germany”, *Working Paper,* Department of Economics, University of Konstanz

Lins Karl V. and Francis E. Warnock, 2004, “Corporate Governance and the Shareholder Base”, *International Finance Discussion Paper 816*.

Luc Renneboog, “Ownership, managerial control and the governance of companies listed on the Brussels Stock Exchange”, *Journal of Financing and Banking* (Forthcoming).

Michael L Lemmon, and Karl V Lins, 2003, “Ownership Structure, Corporate Governance and Firm Value: Evidence from the East Asian Financial Crisis” *The Journal of Finance,* Vol LVIII No. 4, August 2004

Miwa Yoshiro, and Mark Ramseyer, 2001, “Does ownership matter?” *Discussion Paper,* University of Tokyo

OECD. 2001. *Corporate Governance in Asia - A Comparative Perspective*.

OECD. 2004. *Principles of Corporate Governance*.

Patibandla Murali, 2001, “Equity Pattern, Corporate Governance and Performance: A Study of India’s Corporate Sector”, *Working paper –9*.

Reinhard H. Schmidt. 2003. “Corporate Governance in Germany: An Economic Perspective”, *Working paper*, CFS 2003/36.

Shleifer A. and R. Vishny, 1988. “Value maximization and the acquisition process” *Journal of Economic Perspective.*

Shleifer Andrei and Robet W Vishny, 1997. “A Survey of Corporate Governance,” *Journal of Finance,* 737-783*.*

Sobhan Farooq and Wendy Werner, 2003. *A Comparative Analysis of Corporate Governance in South Asia: Charting a Roadmap for Bangladesh*, Bangladesh Enterprise Institute.

Thomsen Steen, and Torben Pedersen, 1997, “Ownership Structure and Economic Performance in the Largest European companies” *Conference Paper*, Danish Research Unit in Industrial Dynamics conference, Bornholm, Denmark June 9-11 1997