

Corporate Ownership, Governance and Performance: Evidence from Asian Countries

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Abstract

This paper investigates the relationship between corporate ownership, corporate governance and corporate performance in Asia such as China, India, Singapore, Pakistan, Malaysia and Sri Lanka. In addition, this study examines whether there is an impact of ownership structure and ownership concentration levels on firm's performance. This study considers board size, shareholder's independence and age of the corporation are used as corporate governance measures. Firm performance is measured by the return on assets (ROA) and return on equity (ROE) for the period 2016. Our finding suggests that corporate governance measures have significant positive relationships with ROA. We find that higher ownership concentration levels are positively related with corporate performance. Finally, we conclude that an increase in the quality of corporate governance may enhance corporate performance. The policy makers can improve the governance mechanism of the firms, which in turn enhance the performance of the firms.

Keywords : Corporate Governance, Firm Performance, Corporate Ownership, Asia

1. Introduction

Corporate governance has become an important and hot area for research repeatedly, in the wake of a series of corporate failures during the last decade and recently between 2008- 2009 Global Financial Crisis. However, empirical evidence on the effect of ownership structure and corporate governance on corporate performance is still complex and under-investigated. Since most of those previous studies focused in developed countries, findings were specific and therefore it is difficult to reach generic conclusions.

Literature in Corporate Governance evidenced a significant relationship between corporate Governance and the firm's performance (Fratini and Tettamanzi, 2015). Whether improved cooperate governance has a positive impact on firm's performance is still remains a valid research question particularly in emerging markets in Asia for reasons like ambiguity regarding the direction of causality. Therefore, our comparative study is focused on selected Asian markets; China, India, Malaysia, Singapore, Pakistan and Sri Lanka, considering their market characteristics, forms of shareholding and CSR implementations, to investigate the impact of Ownership Structure and Corporate Governance on Corporate Performance. Mitton (2002) suggested that by adopting appropriate corporate governance practices, management can increase the minority shareholders resources which indicates a clear link between better-governed firms and their performance.

We focused on the following research problem through this study. Is firm performance has any relationship with corporate governance practices and ownership structures of the companies in Asian Countries? The main objective of this study was to verify the existence and the strength of the relationships which we are focused in the study of sample. Furthermore, we also investigated how corporate ownership concentration, ownership type, and corporate governance practices relate to Corporate Performance.

The research questions considered in this study are,

- Is there any influence on corporate performance by corporate ownership and corporate Governance principles?
- Which independent variables are explaining corporate performance? And,
- Is there any differences of corporate performance based on different Corporate Governance practices in country level?

Our research outcomes showed that corporate governance measures are having a positive relationship with firm performance. Moreover, results indicated that which internal corporate governance principles are how far matters in each country firm performances. This research adds evidence to international literature by providing a sample of Asian countries with a detailed analysis.

The organization of the paper is as follows: section 2 presents a Literature review, section 3 explains the sample and methodology adopted used in this study, section 4 discusses the empirical results and finally section 5 concludes and indicates the limitations of the study.

2. Literature Review

2.1 Corporate Governance and Regulations

Financial Regulators and Authorities, such as the International Finance Corporation (IFC), Organization for Economic Co-operation and Development (OECD) have been actively promoting a culture of investor protection and good governance practices in Asia for the past decades which resulted in drafting governance codes in 2002 and added many reforms since then. Appendix table, 01 summarizes the code of corporate governance in each country. These codes can be different with their practices and regulatory requirements. For instance, almost all the selected countries opted for mandatory compliance (“comply or-Pay Penalty”) whereas the Singapore and China have chosen voluntary compliance (“Comply-or-Explain”) (OECD, 2017).

However, Corporate Governance Codes tend to share the similar areas; the role of the board directors, reliability of financial reports, independent Auditors and the interest of shareholders in the company. As for board committees, all codes require setting up an Audit Committee which is composed mostly of independent non-executive directors. China is the only country has a dual board structure while other countries have Unitary Board structure. India, Pakistan and Sri Lanka are setting the strongest standards in terms of Penalties for non-compliance with the code. Separation of the Chairman and the Chief Executive Officer (CEO) is mandatory for Malaysia and Pakistan while for other countries it is not mandatory or not required by code. Researcher (Javed & Iqbal, 2007) proved that when CEO and Chairman positions are separated and holding by two persons in a company it will minimize the agency problems.

2.2 Corporate Governance and Performance

Previous literature has extensively explored the relationship of corporate governance and firm performance and produced mixed results. It was suggested that there is a positive relationship exist in between these two measures (Abdallah & Ismail, 2016; Gompers, Ishii, & Metrick, 2003; Klapper & Love, 2004; Qasim, 2014) while (Klein, Shapiro, & Young, 2005) found no significant association between them. On the other hand, majority of studies carried out on emerging markets have found a positive association between good governance and good corporate performance (Cheung et al., 2014; Klapper & Love, 2004).

An effective board of directors is vital for effective corporate governance, for that Board size has been found to be a key contributing factor. It can be argued that there is no standard board size for the listed companies (Zabri, Ahmad, & Wah, 2016). Mak and Kusnadi (2005) indicated that there is a high performance in Malaysian and Singapore companies when board have five directors. Usually we can argue that larger boards will lead to better performance because they have a range of expertise to help make better decisions. Previous scholars emphasized that existence of a positive relationship between board size and firm performance (Fratini & Tettamanzi, 2015; Qasim, 2014 ; Shukeri, Shin, & Shaari, 2012). Sanda, Mikailu, and Garba (2010), claimed that small board size is positively related with firm performance, but it is questionable with respect to larger boards. It is clear, larger the board, it is harder to co-ordinate and reach decisions. It can be argued that smaller boards will influence Directors to undertake more responsibilities to work towards the company’s objectives and also it increases the accountability of individual directors.

Previous studies used Age of the firm as a dependent variable in their regression (Manawaduge & De Zoysa, 2013; Musallam, 2015; Qasim, 2014) and found a positive influence on different firm performance measures. This contradicts the empirical evidence by (Bianchini, Krafft, Quatraro, & Ravix, 2015) who stated that corporate governance and Firm’s Age are negatively related and even stronger for younger listed firms due to the insufficient knowledge and limited resources. (Loderer & Waelchli, 2010) also established that firms listed at the stock exchange for over 15 years tend to show negative impact on their performance because they failed to compete with younger firms. Hence, we develop the following hypothesis:

H1: Size of the director board is positively related with firm performance.

H2: Age of the firm is positively related with firm performance.

2.3 Corporate Ownership Concentration and Performance

Evidence suggests that ownership concentration can be used as an effective corporate governance strategy which will affect future profitable investment opportunities (Heugens, Van Essen, & van Oosterhout, 2009). In addition, levels of concentrated ownership might have different effects on firm performance. It also can be argued that highly concentrated ownership can replace weak governance, and monitor the actions of managers, which positively affects financial performance (Nguyen, Locke, & Reddy, 2015).

On the other hand high ownership concentration levels can too much interference with the management decisions and it might hurt the firm financial performance. In this case, a lower level of ownership concentration might be the optimal solution. Jameson, Prevost, and Puthenpurackal (2014) Found that controlling shareholders who are on the board of management negatively affect the performance of these firms.

According to Chakrabarti, Megginson, and Yadav (2008), in India majority of listed firms are family-owned firms and within the same firm major shareholders are initial founders. A few number of family groups

control many listed companies and ownership structure is typically concentrated in Malaysia. (Bank, 2012). Pakistani listed companies shows high concentration of ownership and managerial ownership (Javeed, Hassan, & Azeem, 2014) and also family ownership is quite common in Pakistan. Ownership concentration in Singapore is high with family-owned businesses and state-owned enterprises representing major equity holdings. Manawaduge and De Zoysa (2013) found that very high ownership concentration level in Sri Lankan listed firms.

Accordingly, given the conflicting evidence, we propose that there is a significant effect of ownership concentration on the corporate performance. However, the direction of the relationship is not clear. Thus, we formulate following hypothesis.

H3: Firm performance is positively/negatively related to different levels of concentrated ownership.

2.4 Corporate Ownership Structure and Performance

Previous studies on ownership structure and corporate performance provide inconclusive evidence. Wang (2005) found that state owned enterprises has a positive influence on corporate performance by monitoring managers to produce better performance with a sample of Chinese firms. Moreover, according to Abdallah and Ismail (2016) the positive impact on corporate governance and it leads to better performance where majority shareholders are the government in the GCC (Gulf Cooperative Council) region.

In contrast, Pervan, Pervan, and Todoric (2012) found a negative relationship in between state ownership and corporate performance from a sample of Croatian listed firms. Similarly, Sun and Tong (2003) in China, and Andres (2008) in Germany also established the same results. According to the findings of Hess, Gunasekarage, and Hovey (2010), state ownership is not associated with corporate performance in China. Therefore, fourth hypothesis is as follows:

H4: Firm performance is affected by the government ownership.

3. Sample and Methodology

3.1. Sample

Table 01. Sample Profile

	China	India	Singapore	Pakistan	Malaysia	Sri Lanka
Stock exchange(s)	Shanghai Stock Exchange (SSE)	Bombay Stock Exchange (BSE)	Singapore Exchange Limited (SGX)	Pakistan Stock Exchange Limited (PSX)	Bursa Malaysia (KLSE)	Colombo Stock Exchange (CSE)
No of listed companies*	1277	2960	753	581	787	296
Sample	243	2724	155	284	281	124

*As per the official stock exchange websites on 15th may 2017. In China consider only A shares listed in SSE.

Table 01 presents the sample selection of companies, which includes 3811 firms in China, India, Singapore, Pakistan, Malaysia and Sri Lanka listed in their stock exchanges. This sample stand for a representative sample from the Region of Asia with countries with fast moving economies like China, Malaysia, Singapore, India, and also with emerging markets such as Pakistan and Sri Lanka. Data was achieved from the Bureau Van Dijk's OSIRIS database (OSIRIS) for the year 2016. OSIRIS database has been used in number of studies to collect data (Kathy Rao, Tilt, & Lester, 2012; Manawaduge & De Zoysa, 2013; Singh & Gaur, 2009).

Banking and Finance companies are excluded from the sample because normally implementing cooperative governance principles are mandatory for Banking and Finance Firms. Other exclusions were based upon the data availability.

3.2 Variables

Firm's Performance was considered in terms of accounting, Ownership Concentration (OC), Ownership Structure (OS) and Corporate Governance measures of those firms (Table 2). Although, regulations and the accounting process can be varied between the countries, those processes are almost similar and adopting the international accounting standards and Principles.

Table 2. Variables

Variables	Symbol	Measurement
Return on Assets	ROA (Dependent)	(Net income before tax/ book value of total assets)
Return on Equity	ROE (Dependent)	(Net income after tax / total shareholders' equity)
Size of Directors of Board	Log_Bsize	Natural logarithm value of the number of directors on the board;
Age of the firm	Log_Age	Natural logarithm of age of the firm from its incorporation
State Ownership	SOE (dummy)	If company majority shares are owned by government, the SOE variable is 1 and if not 0.
Ownership Concentration levels	OC (4 dummy variables)	
β4 dummy	Direct50	If firm with a recorded shareholder of direct ownership over 50%, equals 1
β5 dummy	Indirect50	If first six-largest shareholders in any firm with a total ownership over 50% , equals 1
β6 dummy	lessthan5025	if first six-largest shareholders holding less than 50% and above 25% ,equals 1
β7 dummy	Lessthan25	If first six-largest shareholders holding less than 25% of shares, equals 1

This study used dependent variables ROA and ROE as corporate performance measure proxies. ROA & ROE have been used before as firm performance measures in many previous studies (Abdallah & Ismail, 2016; Krivogorsky, 2006; Manawaduge & De Zoysa, 2013; Sing, Ling, Seng, & Ling, 2008). The Ownership Structure (OS) is represented by State Ownership (SOE). The explanatory variable is Ownership Concentration (OC), which categorizes the largest shareholders of the company according to their share ownership, is interacted with several dummies to test our hypotheses.

3.3. Methodology

This study employs an Ordinary Least Square (OLS) model to analyze the relationship between the variables. This method was used in similar studies by (Fratini & Tettamanzi, 2015; Klapper & Love, 2004; Nguyen et al., 2015; Qasim, 2014).

$$ROA / ROE = \alpha + \beta_1 \text{Log_BSIZE}_i + \beta_2 \text{Log_AGE}_i + \beta_3 \text{SOE}_i + \beta_4 - \beta_7 \text{OC}_i + \varepsilon_i$$

Where ROA, Return On Asset; ROE, Return On Equity; Log_BSIZE is the logarithm value of the number of Directors on the Board; Log_AGE is logarithm value of the firm age from its incorporation; Dummy variable SOE is state owned ownership and OC stands for four Ownership Concentration dummy variables, ε is the error term, i refer the with firm observation (Table 2).

4. Empirical Results

4.1 Descriptive Analysis

Table 3. Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
ROA	3.73	11.56	-93.95	94.08
ROE	0.88	62.24	-896.38	787.17
BSize	15.65	8.18	1	105
Age	33	19.36	2	156

Table 3 provides self-explanatory descriptive statistics analysis. The average ROA of observations is 3.73, maximum value 94.08 and minimum value -93.95. A maximum value of 787.17 and a minimum value of -896.38 are recorded for ROE while average value is 0.88. The average Board Size is 15.65 with a maximum 105 directors from India and a minimum of 1 from Shanghai Stock Exchange. The average Firm's age is 33 years and the oldest Firm of this sample represents from Pakistan with 156 years, whereas Singapore has the newest youngest firm in the Stock Market with 2 years.

Table 4 illustrates the analysis of the dummy variables which represent shareholder independence and the ownership concentration. In terms of ownership concentration, 52.93% major shareholders own less than 25% of Firm's total shares, and those companies can be called as independent companies from its major shareholders. Followed by 26.47% of major shareholders hold between 25%-50% shares, 18.92% own more than 50% direct ownership, and only 1.68% own more than 50% indirect ownership, which is the very low. In county-level Malaysia has the highest percentage (76.87%) of independent companies from the sample. Both, India and Pakistan indicate the same behavior of ownership structures while China and Singapore showed the different structure with more companies has 25%-50% level of major shareholder's ownership. Respectively, Sri Lanka

has the highest percentage of direct ownership with 88.71% and indirect ownership of 11.29%. Most of the major shareholders are institutional shareholders.

Table 4. Summary of Ownership Concentration Variables

Country	China	India	Pakistan	Singapore	Malaysia	Sri Lanka	Total
< 25% ownership (Lessthan_25)	67 27.50%	1511 55.47%	164 57.75%	59 38.06%	216 76.87%	0 0%	2017 52.93%
25%-50% ownership (Lessthan5025)	122 50.28%	757 27.79%	53 18.66%	56 36.13%	21 7.47%	0 0%	1009 26.47%
Direct ownership > 50% (Direct50)	48 19.75%	426 15.63%	61 21.48%	33 21.29%	43 15.30%	110 88.71%	721 18.92%
Indirect Ownership > 50% (Indirect50)	6 2.47%	30 1.11%	6 2.11%	7 4.52%	1 0.36%	14 11.29%	64 1.68%
Total	243 (100%)	2724 (100%)	284 (100%)	155 (100%)	281 (100%)	124 (100%)	3811 (100%)

4.2 Correlation Matrix

Based on the results in below Table 5, the variables do not appear to be substitutes of each other (correlation coefficients < 0.7).

Table 5. Correlation Results

	ROA	ROE	SOE	BSIZE	AGE	DIRECT 50	INDIRECT50	LESS THAN 25	LESS THAN 5025
ROA	1.00								
ROE	0.56	1.00							
SOE	0.01	0.02	1.00						
BSIZE	0.12	0.04	0.25	1.00					
AGE	0.10	0.05	0.01	0.21	1.00				
DIRECT 50	0.12	0.07	0.14	0.19	0.09	1.00			
INDIRECT 50	0.05	0.01	0.01	0.05	0.04	-0.06	1.00		
LESS THAN 25	-0.10	-0.04	0.08	-0.14	-0.06	-0.51	-0.14	1.00	
LESS THAN 5025	-0.01	-0.02	0.03	-0.03	-0.02	-0.29	-0.08	-0.64	1.00

4.3 The Regression Analysis

The regression results in Table 6 illustrated in two parts; Part A shows the link of each individual variable on dependent variables ROA and ROE. Part B of the table shows the OLS multiple regression results. According to the results, board size and age of the company have a significant positive impact on ROA and ROE in India. Similarly, board size has a significant influence on Pakistani firm performance measurements too.

In Singapore, major shareholders who have less than 25% of direct or total ownership, showed a negative significant impact on both ROE and ROE with 1% and 5% levels respectively. As per the results, Direct50 ownership concentration variable shows a positive impact on both ROA and ROE at the 10% significance level for India, Pakistan and Malaysia. Direct50 indicates the listed companies which have more than 50% direct ownership by its major shareholders.

In addition, the other OC variable of Indirect50 has a positive impact on ROA in India and Pakistan at 1% and 5% significant levels. On the other hand, individual results showed that Chinese or Sri Lankan firm performance measures are not related with and any other individual variables. SOE has considerably little impact on corporate performance independently. Aggregate results show that the independent variables; Log_bsize, Log_age, Direct50 & Indirect50 have positive significant relationships with dependent variables ROA and ROA at 1% significant level.

According to the multiple regression results (Part B in Table 6), board size has a positive significant relationship with both ROA & ROE measures in India, Pakistan and Sri Lanka. We found a positive and significant relationship between age of the company and ROA at the 1% level in India while Malaysia has a negative relationship at 10% level. SOE shows a negative significant relationship with ROA in India, Pakistan and Sri Lanka. It can be argued that Government-owned Firms have lower performance than Private firms in South Asian Region. According to the results, there is no such noticeable relationship among Chinese listed companies.

Further, ownership concentration variable Lessthan25 shows a negative significant impact for ROA and ROE in Singapore. These results indicate that Log_Age is not significant with ROE. However, all other

independent variables are significant at the 10% in Pakistan whereas at the 10% level with ROA in India. Aggregate results indicated that Log_Age, Log_Bsize, Direct50 and Indirect50 have positive high impact on ROA at 1% level whereas Lessthan25 and Lessthan5025 variables showing a negative impact at 5%. Although SOE is negative it's not giving any significant values. Furthermore, Log_Age and Direct50 positively linked at 10% and 1% are significant respectively. Lessthan5025 Ownership Concentration variable shows a negative significant relationship with ROE.

Table 6. Regressions Results

A: Individual Regression Results														
Country	China		India		Malaysia		Pakistan		Singapore		Sri Lanka		Aggregate Results	
Variables	ROA	ROE	ROA	ROE	ROA	ROE	ROA	ROE	ROA	ROE	ROA	ROE	ROA	ROE
Log_Age	-2.22 (1.78)	-2.06 (11.48)	2.10*** (0.42)	5.76** (2.47)	-0.57 (1.08)	-1.01 (2.54)	1.62 (1.28)	0.43 (5.25)	3.21 (1.99)	2.37 (10.27)	1.82 (2.02)	13.11 (8.40)	1.79*** (0.35)	4.94*** (1.92)
Log_Bsize	-0.03 (0.68)	3.56 (4.34)	5.06*** (0.52)	5.97* (3.09)	1.91 (1.79)	5.74 (4.23)	6.05*** (1.66)	12.72* (6.89)	2.38 (2.63)	9.68 (13.47)	3.53 (2.44)	14.51 (10.23)	3.99*** (0.42)	6.25*** (2.26)
SOE	-0.38 (1.51)	2.53 (9.69)	3.22 (2.14)	15.68 (12.46)	-1.92 (3.92)	7.73 (9.25)	-2.73 (4.07)	-13.57 (16.63)	7.73 (5.23)	20.83 (26.88)	-9.09 (5.5)	-28.88 (23.16)	0.47 (1.27)	5.06 (6.92)
Direct50	0.10 (1.13)	-3.47 (7.26)	3.37*** (0.60)	10.16*** (3.51)	3.41** (1.80)	8.41** (4.25)	2.77* (1.73)	11.35* (7.06)	5.87 (2.62)	17.5 (13.58)	3.36 (4.04)	15.84 (16.93)	3.21*** (0.49)	9.82*** (2.66)
Indirect50	-0.89 (2.89)	2.47 (18.63)	7.11*** (2.10)	19.10 (12.25)	1.23 (10.96)	0.62 (25.87)	9.77** (4.93)	-65.14*** (19.91)	8.72 (5.61)	12.22 (28.97)	-3.35 (4.04)	-15.84 (16.93)	4.52*** (1.47)	1.61 (7.95)
Lessthan25	-0.35 (1.01)	2.62 (6.47)	-2.35*** (0.44)	-4.64* (2.57)	-0.88 (1.55)	-2.83 (3.64)	-2.03 (1.44)	-2.08 (5.90)	-6.88*** (2.18)	-26.04** (11.32)	-----	-----	-2.31*** (0.38)	-4.84** (2.07)
lessthan5025	0.30 (0.89)	-0.13 (5.78)	0.28 (0.49)	-2.01 (2.85)	-4.19* (2.47)	-8.51 (5.83)	-1.15 (1.83)	-0.39 (7.48)	1.34 (2.26)	11.81 (11.55)	-----	-----	0.11 (0.42)	-1.51 (2.32)
B: OLS Regression Results														
Log_Age	-2.24 (1.82)	-2.04 (11.72)	1.11*** (0.43)	4.61 (2.55)	-0.80* (1.08)	-1.34 (2.55)	1.11 (1.26)	1.21 (5.18)	2.56 (1.97)	-0.23 (10.48)	1.32 (2.01)	11.58 (8.41)	1.20*** (0.35)	3.65* (1.92)
Log_Bsize	-0.13 (0.69)	4.15 (4.48)	4.37*** (0.56)	2.47* (3.35)	1.62 (1.86)	4.02 (4.38)	6.59*** (1.85)	17.25** (7.57)	0.42 (2.69)	5.97 (14.27)	4.50* (2.48)	17.41* (10.36)	2.18*** (0.39)	1.59 (2.14)
SOE	-0.23 (1.53)	3.02 (9.85)	-4.18* (2.22)	3.32 (13.18)	-3.01 (4.01)	5.34 (9.46)	-8.37** (4.24)	-30.41* (17.42)	5.54 (5.40)	11.27 (28.60)	-10.64* (5.63)	-32.62 (23.58)	-0.86 (1.27)	2.82 (6.95)
Direct50	0.73 (3.09)	-8.16 (19.93)	-3.49* (2.12)	-9.89 (12.62)	6.62 (2.94)	14.21** (6.94)	-6.62 (5.03)	74.45*** (20.63)	(omitted)	(omitted)	3.35 (3.99)	16.14 (16.71)	2.43*** (0.56)	9.51*** (3.07)
Indirect50	(omitted)	(omitted)	(omitted)	(omitted)	5.81** (11.17)	9.88 (26.37)	(omitted)	(omitted)	5.01 (5.92)	-2.71 (31.33)	(omitted)	(omitted)	4.48*** (1.48)	4.25 (8.07)
Lessthan25	0.43 (3.03)	-2.17 (19.49)	-6.47*** (2.07)	-19.19 (12.33)	3.53 (2.51)	6.39 (5.94)	-8.02* (4.90)	68.93*** (20.12)	-8.11*** (2.88)	-29.14* (15.27)	-----	-----	-0.90** (0.44)	-0.68 (2.39)
lessthan5025	0.91 (2.96)	-4.20 (19.09)	-5.65*** (2.09)	-18.92 (12.43)	(omitted)	(omitted)	-8.39* (5.07)	68.53*** (20.82)	-3.34 (2.89)	-6.30 (15.33)	-----	-----	(omitted)	(omitted)
Constant	11.56 (6.49)	8.44 (41.80)	-6.62** (2.85)	-6.04 (17.00)	-0.93 (5.88)	-7.81 (13.87)	-6.04 (8.40)	-107.74** (34.47)	-6.17 (9.73)	-12.32 (51.48)	-12.87 (10.46)	-89.31** (43.76)	-5.92*** (1.41)	-17.14** (7.68)

Note: Values in parentheses are standard errors. ***, **, * denote 1%, 5% and 10% significance levels respectively. Constant includes omitted dummy variables. The White Heteroscedasticity test concludes that the aggregate results are free from Heteroscedasticity error and no autocorrelation error in the model.

5. Conclusion

5.1 Conclusion

This paper examined the impact of corporate governance, ownership concentration, and state ownership, on company performance using data 3811 listed companies in 6 different countries in Asia region. We argued initially, in line with previous studies, that the better corporate governance practices are leading firm's performance in positively. Our test results show that firm's ROA is positively related with board size and firm age. Secondly, we also found a significant positive association between firm performance and high ownership concentration with direct 50% ownership and indirect 50% ownership levels. We did not find any significant impact from state ownership on corporate performance. More precisely, results present lower level of ownership concentration where majority shareholders own Less than 25% shares from total and in between 50% and 25% ownership level variables are negatively related with ROA. In country level India and Pakistan are showing a strong relationship between all the variables considered in the study and while china does not indicate any kind of significant relationship.

5.2 Limitations of the Study

There are only few indicators used to measure the corporate governance. Results will be changed by use of different performance measures such as Tobin's Q ratio and Earnings Per Share (EPS). This study can be improved by analyzing on yearly basis with considering a longer time period for more accuracy. Number of sample countries can be increased since it can enhance the research scope.

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Appendix 01: Summary of Code of Corporate Governance

Country	China	India	Malaysia	Pakistan	Singapore	Sri Lanka
Code as a part of Listing Regulations & compliance with the code	Voluntary basis	Mandatory requirement	Mandatory for Large companies. "comply or explain" basis for other firms	Mandatory requirement	Not mandatory. "comply or explain" basis	Mandatory for listed companies.
Effective date of code	2002 onwards	1998 onwards	2000 onwards	2012 onwards	2012 onwards	2002 onwards
Independent Directors	One third of the board.	One third or half of the board.	At least half of the total board.	At least one and or one third of the board.	At least one third of the board. When Chairman and CEO are not separated half of the board is must.	At least two or one third of the board, which is higher. When Chairman and CEO are not separated half of the board is must.
Chairman and the Chief Executive Officer (CEO)	No separation required.	Not mandatory.	Mandatory requirement	Mandatory requirement	Not mandatory.	Not Mandatory.
Directors' training program	Mandatory for all new directors	Voluntary.	Should facilitate for all new directors	Mandatory for all new directors	Recommended for all new directors	Recommended for all new directors
Penalties for non-compliance with the Code	None	De-listing, seize or forefeet security deposits.	None	Penalties are specified in the listing regulations.	None	Penalties are specified in the listing regulations.
Board Committees	Audit Committee is compulsory	Audit, Remuneration, Nomination and Risk Management Committees are mandatory.	Audit and Remuneration committees are compulsory. Nomination and Risk Management Committees are mandatory for financial institutions.	Audit and Remuneration committees are compulsory.	Audit, Remuneration, Nomination and Risk Management Committees are mandatory.	Audit, Remuneration, Nomination and Risk Management Committees are mandatory.
Board structure	Dual	Unitary	Unitary	Unitary	Unitary	Unitary
Board size and tenure	Minimum 5 Maximum 19 3 years	Minimum 3 Maximum 15 5 years	Minimum 2 Maximum No limit 3 years	Minimum 7 Maximum No limit 3 years	Minimum 3 Maximum 10 3 years	No limit , 3 years