

OWNERSHIP CONCENTRATION AND CORPORATE PERFORMANCE FROM A DYNAMIC PERSPECTIVE: DOES NATIONAL GOVERNANCE QUALITY MATTER?

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ABSTRACT

In this paper, the relationship between ownership concentration and financial performance of companies in Singapore and Vietnam is investigated in a dynamic framework. By focusing on two different types of national governance systems (well-developed vs. under-developed), we observe how the relationship is moderated by the national governance quality. We find that the performance effect of concentrated ownership persists in these markets even after the dynamic nature of the ownership concentration–performance nexus is taken into consideration. Our finding supports the prediction of agency theory about the efficient monitoring effect of large shareholders in markets with highly concentrated ownership. In addition, we find that national governance quality does matter when explaining the ownership concentration–performance nexus. The positive effect of concentrated ownership on performance of firms operating in the under-developed national governance system (Vietnam) tends to be stronger than that in the well-established system (Singapore). This finding is consistent with the argument that ownership concentration is an efficient corporate governance mechanism which can substitute for weak national governance quality. Econometrically, our findings still hold even after controlling for dynamic endogeneity, simultaneity, and unobserved time-invariant heterogeneity, inherent in the corporate governance–performance relationship.

Keywords: *Corporate Governance; Ownership Structure; Board Structure; National Governance; Singapore; Vietnam.*

JEL classification: G21, G30, G32, G34