Effect of Structure Choice on Firm Governance: Evidence from Chinese Firms Cross Listed in US Exchanges

Review of Integrative Business & Economics Research

Abdullah*
School of Economics & Management, Southwest Jiaotong University

Zhou Jia'nan
School of Economics & Management, Southwest Jiaotong University

Muhammad Hashim Shah
School of Economics & Management, Southwest Jiaotong University

ABSTRACT

Dual class firms face a great criticism since they violate one share one vote strategy. It is believed that insiders of dual class firms expropriate the minority shareholders wealth and the governance practices are weak compared to single class firms. We try to investigate the relationship of governance practices measured by board size, ratio of independent directors, CEO-Chairman duality, Debt ratio, dividend payout and institutional investment pattern with the structure (single or dual class structure) choice of firm. We find by using OLS regression that dual class firms show their commitment to the rights of shareholders by hiring more independent directors and by attracting institutional investors but in actual they control them through controversial CEO-Chairman duality, as independent director may not take stand against CEO who has the authority of his hiring and firing hence independent directors fail in delivering what they actually owe to outside shareholders. We also find the significant and positive relationship of wedge with CEO-Chairman duality and ratio of independent directors. We neither find dual class firms of China using debt nor dividend as governance mechanism to direct the future cash flow of firm.

Keywords: Corporate governance, Dual class firms, Chinese cross listed firms, Disproportional voting rights.

1. INTRODUCTION

This paper extends the literature on dual class firms in the dimension of corporate governance. Dual class structure firms face a great criticism by the academicians, investors and practitioners since they violate one share one vote strategy. They go public with two classes of shares, one class of shares is called superior class shares whereas the other is restricted class shares (Smith, Amoako-Adu, & Kalimipalli, 2009). They both have the same rights except of voting, superior class participates in

ISSN: 2304-1013 (Online); 2304-1269 (CDROM); 2414-6722 (Print)

management of the company and the controlling block is held by them. The inequality of voting rights among different classes of shares creates a severe agency conflict which affects the performance of firm. Dual class firms are still fewer in number mainly because of their prohibition on different stock exchanges (Rydqvist, 1992). Two different schools of thoughts have been observed in the literature, first school of thought claims that the divergence from one share one vote strategy leads to management entrenchment which eventually result in the expropriation of minority shareholder's wealth (Grossman & Hart, 1988; Jog, Zhu, & Dutta, 2010). The second argues that dual class structure allow insiders of the company to create value for long term by investing in projects which are either costly or difficult to communicate to outside shareholders(Amoako-Adu & Smith, 2001; Bergström & Rydqvist, 1990; Cronqvist & Nilsson, 2003; Share, 2004). The inequality of voting rights and agency conflicts raise question on the corporate governance practices of these firms. (Adrie Putra, 2014) state that implementation of good corporate governance practices is the key to increase the firm value. Corporate governance basically distributes the rights and responsibilities among different levels of corporation and outline rules for making and implementing decisions of corporate affairs, it also develops control mechanism in order to safeguard the interest of investors(Kajola, 2008). Corporate governance remains very important dimension in the literature of dual class firm. To the best of our knowledge, no prior study has focused on governance practices of Chinese dual class firms which are cross listed in US exchanges. (Jiang & Kim, 2015) in their recent corporate governance review recommend to study the cross listed firms of China, as this sample is less explored. They are also hopeful that when number of cross listed firms will increase; more studies will be carried out to understand them. We study the governance practices of Chinese firms cross listed in US exchanges and compare the differences exist between single class and dual class firms within the sample.

Our findings contribute to literature in different ways. We find dual class firms of China show good gesture to outside shareholders by bonding them to stricter stock exchanges, by adapting governance practices and by attracting institutional investors but in actual they maintain control over decisions of firms. We witness higher number of independent directors in dual class firms but insiders control them through controversial CEO-Chairman duality, as independent director may not take stand against CEO who has the authority of his hiring and firing hence they fail to deliver what they actually owe to outside shareholders. We do not find any significant relationship between the board size and structure choice of firm. Our findings also suggest that dual class firms of China are neither using debt nor dividend as governance mechanism to show their commitments to value enhancing strategy and to direct their future free cash flow of firm.

This paper is organized as follow; section 2 provides literature review of each governance variable use in this study. Data and methodology is described in section 3 whereas section 4 discusses the results and findings. Finally section 5 concludes the paper with recommendations for future researchers.

ISSN: 2304-1013 (Online); 2304-1269 (CDROM); 2414-6722 (Print)

2. LITERATURE REVIEW

2.1 Board Size

Literature view board size as a governance mechanism. The board is responsible to make decisions on behalf of shareholders; they are also responsible to safeguard the rights of outside shareholders. Board of directors monitor day to day operations of firm and make decisions as and when needed. The board members are mainly responsible to appoint qualified CEO. If board of directors fails to protect the rights of shareholders, the only realistic platform for shareholders to show disagreement is to sell their shares (Lipton & Lorsch, 1992). The size of board play vital role in maintaining the control over firm. The large sized boards face poor communication problem and even efficiency of making decisions will be low as compared to the small sized board (Kajola, 2008). Large size boards are easier to control by CEO and it becomes difficult for the board to process and coordinate strategic problems (Lipton & Lorsch, 1992). (Mak & Kusnadi, 2005) conclude while studying the sample of Malaysia and Singapore that board size has negative relationship with the firm value. As stated earlier, dual class firms are considered to lack in governance practices therefore, we compare the board size of dual class vs single class firms in order to understand whether any difference exists among dual and single class firms of China.

2.2 Ratio of Independent Directors

Independence of board is crucial in gaining the objective of board and fulfilling their core responsibilities related to monitoring of firm on behalf of shareholders. Board independency mainly relies on the number of independent directors or outside directors. Independency of board is highly important as NYSE and NASDAQ announced in 2003 that companies must have majority of independent directors by 2005 (Masulis, Ruzzier, Xiao, & Zhao, 2012). According to conventional wisdom, higher number of independent directors will force the CEO to maximize shareholder value by contributing to policies which are in lined with shareholder's interest as they have no conflict with corporate executives. Majority of the board members are selected by insiders in dual class firms and they compromise board independency (Villalonga & Amit, 2009). (Masulis et al., 2012) argue that independent directors having industry experience have a positive relationship with performance whereas they find no relationship when independent directors do not have industry experience. We investigate the ratio of independent directors in the boards of single vs dual class firms in order to understand, whether insiders of dual class firms through superior voting rights minimize the efficiency of board by limiting the number of independent directors.

2.3 CEO-Chairman Duality

CEO-Chairman duality means two key positions of firm (CEO and Chairman of the board) is held by the same person. CEO-Chairman duality is considered to be a governance problem in literature. CEO is responsible for making corporate decisions and act as an agent between the board of directors and overall management of firm. CEO's accountability and performance both would be affected if these two positons are held by same person. (Yermack, 1996) argues that the company is more valuable which is free from CEO-Chairman Duality. (Wen, 2013) argues that the board of director phenomenon fails where CEO and Chairman of board are same person, as CEO has the authority to hire or fire board of directors. CEO is accountable to board members, when he gets the authority to hire/fire board of directors by becoming Chairman of board then

ISSN: 2304-1013 (Online); 2304-1269 (CDROM); 2414-6722 (Print)

board members will be more likely to resist in taking stand against that CEO. Hence, members of this kind of board fail to deliver what they actually owe to shareholders. (Kajola, 2008) states that agency problems are higher, when CEO and Chairman is same person. (Fosberg & Nelson, 1999) state that when these two positions are held different persons, witness better performance. We investigate whether single class or dual class firm have any difference in CEO-Chairman Duality pattern in order to identify which structure is better implementing governance practices.

2.4 Debt Ratio & Dividend Payout Ratio

Agency cost related to free cash flow can be control by either debt or dividend payments. Through dividend, managers distribute the portion of free cash flow to shareholders instead of wasting money in low value projects. Debt can serve the same purpose and it would be more effective as managers bond themselves to the promise of generating cash flow to pay the principal as well as interest amount in future. This will motivate managers to keep committed to the firm value enhancing policies otherwise this promise can lead to bankruptcy. Insiders holding superior voting shares of the firm may use leverage or pay dividends as a governance mechanism to show their commitments towards the value of firm. (Moyer, Rao, & Sisneros, 1992) state that besides other monitoring mechanism, insiders or controlling shareholders of dual class firms may use leverage to signal their credible commitment towards shareholder's right and value maximizing strategy. (Jensen, 1986) states that increasing fixed payment in response to high debt is an effective way to control the agency cost mainly associated with free cash flow. He further argues that fixed interest payment is more effective in controlling the agency cost than dividends. (Dey, Nikolaev, & Wang, 2016) state that dual class firms may use debt as a bonding mechanism which discipline their non-productive objectives and reduce the conflict among different classes of shares. (Jensen, 1986) argues that management control over the free cash flow would reduce as firm adapts high dividend payout policy. (Moyer et al., 1992) find little support to the hypothesis which hypothesizes that dividend policy can be used as substitute mechanism in order to lower the agency conflicts. We investigate whether dual class firms of China use debt or dividend as governance mechanism to show their commitments to the value enhancing strategy or for showing their commitments towards shareholders rights. We study the debt and dividend pattern for three years, starting from the year prior to IPO to second year after the IPO.

2.5 Institutional Ownership

Prior literature sees institutional ownership as governance mechanism. If there is an increase in institutional investment, probably the firm's governance practices are adequate. Disproportional voting rights among different classes of shares are considered an agency problem prevalent in dual class firms. (GIANNETTI & SIMONOV, 2006) find that investors including institutional investors resist investing in firms where governance practices are weaker. (Dey et al., 2016; Li, Ortiz-Molina, xe, & Zhao, 2008) show that institutional investors tend to resist investing in dual class firms. (Li et al., 2008) demonstrate the pattern of US institutions investment which seldom choose dual class structure firm for investment specially where outside shareholders have less or no voting rights. (Moyer et al., 1992) study the institutional investment pattern prior to and after the recapitalization of single class firms into dual class firms, and find institutional investment rise from 16.83% (before) to 24.67% after the recapitalization and the difference is statistically significant. We investigate the pattern of institutional

ISSN: 2304-1013 (Online); 2304-1269 (CDROM); 2414-6722 (Print)

ownership prior to IPO and two years after the IPO to understand the institutional ownership pattern in Chinese firms cross listed in US exchanges.

3. DATA, DESCRIPTIVE STATISTICS & METHODOLOGY

In order to examine whether dual class firms of China differ with their single class counterparts in terms of corporate governance, we study the sample of 126 Chinese firms which are cross listed in different US exchanges like NYSE, NASDAQ and AMEX. The sample consists of 33 dual class firms and 93 single class firms. The sample size looks very small but it is adequate as this is the only data available to study the desired objective. We use IPO prospectuses of each company available on www.sec.gov with the name of F-1 and S-1 filings, and collect the data prior to IPO. We use 20-F and 10-K filings of the company for collecting the data after the IPO. We extract the desired data by studying these filings of each company.

Table 1 Descriptive Statistics of sample data

	Single class	**Dual class**	**Difference**	**t-value**	**Significance**
Board Size	6.47311828	7.0606061	0.59	1.606	0.114
	7.00	7.00	0.00		
Ratio of Independent director	31.83%	43.70%	11.87%	2.659	0.009***
	42.86%	42.86%	0.00%		
Debt ratio prior to IPO	46.99%	44.11%	-2.88%	-0.485	0.63
	40.24%	37.02%	-3.22%		
Debt ratio 1st year after IPO	27.67%	25.81%	-1.85%	-0.551	0.583
	23.61%	23.68%	0.07%		
Debt ratio 2nd year after IPO	30.55%	33.36%	2.81%	0.639	0.525
	24.15%	30.25%	6.10%		
Institutional ownership prior to IPO	37.89%	58.19%	20.30%	4.235	0.000***
	36.70%	56.60%	19.90%		
Institutional ownership 1st year after IPO	29.60%	49.03%	19.43%	3.972	0.000***
	28.00%	43.20%	15.20%		
Institutional ownership 2nd year after IPO	26.31%	37.39%	11.08%	2.159	0.036***
	25.50%	33.60%	8.10%		
Wedge ratio	0	24.04%	n.a		
	0	21.56%	n.a		
Number of firms announced dividend	7	3	n.a		

This table shows the descriptive statistics of the sample data drawn from 126 Chinese firms cross-listed in the US, including 33 dual-class and 93 single-class firms. The top and bottom figures for each characteristics are the mean and median, respectively, except for the last characteristics.*, **, and ***indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table 1 shows the descriptive analysis of the sample data. We use this table to show whether there is any noteworthy difference exists between single class and dual class firms in terms of governance characteristics. We do not observe significant difference in board size of single and dual class firms. Ratio of independent directors in the board shows that dual class firms have 11.87% more independent directors than single class firms and the difference is also significant. We find no significant differences in the debt holding pattern; the reason is explained in the section 4 of this paper. Consistent with the literature (Smart, Thirumalai, & Zutter, 2008), we find huge significant difference in the institutional ownership pattern which is even observed after two years of IPO. Wedge ratio is the division of voting rights with cash flow rights which can be observed only in dual class firms, we find that mean and median wedge ratio is 24.04% and 21.56% respectively. Few companies announce dividends just after the IPO; we find only 7 among 93 single class firms and 3 out of 33 dual class firms announced dividends in first two years after IPO.

ISSN: 2304-1013 (Online); 2304-1269 (CDROM); 2414-6722 (Print)

We use OLS regression model to determine the relationship between governance variables and their choice of structure at the time if IPO, which is in line with the literature (e.g. (Kajola, 2008; Smart et al., 2008). The model is given below:

$$Y= \beta_0 + \beta_1 S + \beta_2 C+e$$

Where Y is the dependent variable, β_0 is a constant, β_1 is the coefficient for the variable used as dummy variable, S is the variable use as dummy (Wedge or structure of firm (1 if dual class 0 if single class)). β_2 is the coefficient of control variable C. e is the error term. We use this model to determine the relationship between governance variables and structure choice at the time of IPO.

4. DISCUSSION OF REGRESSION RESULTS

This section discusses the regression results, we can understand the relationship of governance variables with the structure choice made at the time of IPO by the below mentioned tables. The detailed discussion is as follow:

Table 2 presents the results of institutional investment pattern. We use three years data to understand the pre and post IPO effect of structure choice made by firms on institutional investment pattern. Consistent with the descriptive analysis, we find positive and significant relationship between the structure choice and institutional investment prior to IPO and in 1st year after the IPO controlling the size of firm. We fail to find significant relationship in the 2nd year after IPO between the structure and institutional investment, may be because institutions consider performance of firm for investment decision rather than structure of the firm. It means dual class firms tend to use institutional ownership as governance mechanism to gain the investor's attention. Our results are consistent with the literature as previous researchers witnessed greater institutional investment in dual class firms (e.g. (Smart et al., 2008).

Table 2 Institutional Ownership

Prior to IPO						**1st year after IPO**						**2nd year after IPO**					
Anova																	
Model	**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig**	**Model**	**Sum of Square**	**df**	**Mean Square**	**F**	**Sig**	**Model**	**Sum of**	**Df**	**Mean Square**	**F**	**Sig**
Regressio	1.341	2	0.671	9.8	0.0	Regressio	1.086	2	.543	9.95	.000	Regressio	.493	2	.247	4.	.013
Residual	8.41	123	0.068			Residual	6.710	123	.055			Residual	6.783	123	.055		
Total	9.752	125				Total	7.797	125				Total	7.276	125			
Coefficients																	
	Unstandardized Coefficients		**Standardized Coefficients**				**Unstandardized Coefficients**		**Standardized Coefficients**				**Unstandardized Coefficients**		**Standardized Coefficients**		
Model	**B**	**Std.**	**Beta**	**T**	**Sig**	**Model**	**B**	**Std.**	**Beta**	**t**	**Sig**	**Model**	**B**	**Std.**	**Beta**	**t**	**Sig**
Constant	-0.303	0.30		-	0.3	Constant	-.268	.324		-	.410	Constant	-.438	.374		-	.244
LogAsset	0.087	0.03	0.192	2.2	0.0	LogAsset1	.072	.041	.150	1.74	.083	LogAsset2	.084	.045	.176	1.	.063
Structure	0.174	0.05	0.275	3.1	0.0	Structure	.174	.049	.308	3.57	.001	Structure	.075	.051	.138	1.	.143
R^2	**13.80%**					**R^2**	**13.9%**					**R^2**	**6.8%**				

Table 3 explains the relationship of board size with the structure adapted by firm. Consistent with the descriptive analysis we fail to find any significant relationship of structure choices with the board size. We observe positive and significant relationship between institutional ownership and board size. Institutional investors demand for a seat in board, may be this is the reason they have positive relationship. This finding is consistent with the literature; researchers witness the role of institutions in pushing companies to practice better governance practices (e.g.(Agnes Cheng, He Huang, Li, & Lobo, 2010)).

ISSN: 2304-1013 (Online); 2304-1269 (CDROM); 2414-6722 (Print)

Table 3 Board Size					
Anova					
Model	**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig**
Regression	46.696	2	23.348	8.788	.000
Residual	326.772	123	2.657		
Total	373.468	125			
Coefficients					
	Unstandardized Coefficients		**Standard Coefficients**		
Model	**B**	**Std. error**	**Beta**	**t**	**Sig**
Constant	5.680	.269		21.145	.000
IO 0	2.092	.551	.338	3.796	.000
Structure	.163	.349	.042	.467	.641
R^2	**12.5%**				

Table 4 explicates the relationship of ratio of independent directors with the structure choice of firm. Interestingly, we find positive and significant relationship of ratio of independent directors with the wedge ratio (which is the division of voting rights and cash flow rights) and institutional ownership. This is really an interesting finding, when insiders in dual class firm deviate more from one share one vote they hire more independent directors in order to satisfy the concerns of investors besides increasing the control of firm through increasing wedge. Reason for positive relationship of institutional investment has been described earlier in the description of table 3.

Table 4 Ratio of Independent Directors					
Anova					
Model	**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig**
Regression	.727	2	.363	5.640	.005
Residual	7.924	123	.064		
Total	8.650	125			
Coefficients					
	Unstandardized Coefficients		**Standard Coefficients**		
Model	**B**	**Std. error**	**Beta**	**t**	**Sig**
Constant	.244	.042		5.800	.000
Wedge R	.334	.179	.164	1.868	.064
IO 0	.196	.083	.209	2.371	.019
R^2	**8.4%**				

Table 5 enlightens the relationship of CEO-Chairman duality with wedge ratio using institutional investment as a control variable. We find positive and significant relationship between wedge ratio and CEO-Chairman duality, which means that as the divergence of insiders increases the CEO-Chairman duality also increases. As described earlier that institutions push the company to practice better governance practices, therefore we find negative but significant relationship of institutional investment with CEO-Chairman duality which is considered to be an agency problem.

Table 5 CEO Chairman Duality					
Anova					
Model	**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig**
Regression	2.122	2	1.106	6.144	.003
Residual	22.145	123	.180		
Total	24.357	125			
Coefficients					
	Unstandardized Coefficients		**Standard Coefficients**		
Model	**B**	**Std. error**	**Beta**	**t**	**Sig**
Constant	.904	.070		12.880	.000
Wedge R	.523	.298	.154	1.754	.082
IO 0	-.460	.139	-2.91	-3.320	.001
R^2	**9.1%**				

Table 6 describes whether dual class firms of China are using debt as a governance mechanism. We neither find positive nor significant relationship between debt and the structure choices of the Chinese firms. Positive and significant relationship of size and debt is observed in both years after the IPO. Our results regarding the debt are not consistent with majority of literature, which postulates that dual class firm use leverage as a governance mechanism to show their commitments to shareholders rights. Studies show that debt ratio for the Chinese companies are different as compared to the

ISSN: 2304-1013 (Online); 2304-1269 (CDROM); 2414-6722 (Print)

companies of developed countries. (Jiang & Kim, 2015) witness the difference in debt holding pattern of Chinese firms; they find Chinese firms maintain 50% debt ratio which is relatively higher than other developed countries. Bankruptcy laws and creditors rights are weak in China; it is assumed that when firm is near to collapse financially then government supports it in order to maintain social stability (Allen, Qian, & Qian, 2005; Bai, Li, Tao, & Wang, 2000). This is clear from the discussion that pattern of debt is different in Chinese companies so, it may be a reason we do not find any significant and positive relation for debt like other studies. We do not run the regression for dividend part as very few firms announced dividend in first two years, so we are sure that Chinese dual class firms are neither using debt nor dividend to satisfy the fear of investors regarding their wealth expropriation.

Table 6 Debt Ratio

Prior to IPO						**1st year after IPO**						**2nd year after IPO**					
Anova																	
Model	**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig**	**Model**	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig**	**Model**	**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig**
Regressio	.045	2	.022	.208	.812	Regressio	.590	2	.295	9.86	.000	Regressio	38.379	2	19.190	4.84	.009
Residual	13.284	123	.108			Residual	3.682	123	.030			Residual	487.329	123	3.962		
Total	13.329	125				Total	4.273	125				Total	525.708	125			
Coefficients																	
	Unstandardized Coefficients		**Standardized Coefficients**				**Unstandardized Coefficients**		**Standardized Coefficients**				**Unstandardized Coefficients**		**Standardized Coefficients**		
Model	**B**	**Std**	**Beta**	**t**	**Sig**	**Model**	**B**	**Std.**	**Beta**	**T**	**Sig**	**Model**	**B**	**Std.**	**Beta**	**t**	**Sig**
Constant	.283	.38		.731	.466	Constant	-.783	.240		-	.001	Constant	-7.978	3.17		-	.013
Structure	-.036	.06	-.049	-.529	.598	Structure	-.053	.036	-.126	-	.145	Structure	-.550	.434	-.118	-	.207
LogAsset0	.024	.04	.045	.485	.629	LogAsset1	.135	.030	.381	4.42	.000	Log	1.184	.381	.290	3.11	.002
R^2	**3%**					**R^2**	**13.8%**					**R^2**	**7.3%**				

5. CONCLUSIONS & RECOMMENDATIONS

We try to investigate whether the disproportional voting rights affects the firm's governance practices. We study the sample of Chinese firms cross listed in US exchanges which consists of 33 dual class firms and 93 single class firms. We use IPO prospectuses (F-1 and S-1 filings) to collect the data prior to IPO and use 20-F and 10-K filings (available on www.sec.gov) to collect the data for the years after the IPO. Through descriptive analysis, we find no significant differences in board size and three years debt ratio among single and dual class firms of China. We find significant difference in institutional investment pattern as well as in ratio of independent directors included in the board. We also find that the mean wedge ratio among dual class firm is 24.04%. For the dividend, we find very few companies announced dividends in the first two years after the IPO.

Through regression analysis, we find consistent with the literature that dual class firms of China possess more institutional investment compared to single class firms before and after the IPO. Institutional investment shows positive and significant relationship in the year before and after the IPO but in the second year after IPO the significant relationship is not observed. We find positive and significant relationship between the institutional investment and the size of board which confirms that institutions push companies to implement effective governance practices. We do not witness any significant relationship of board size with structure choice of firm. We find that when insider's divergence increases then they hire more independent directors in order to satisfy the concerns of investors besides increasing the control of firm through increasing wedge. We also find positive and significant relationship between the wedge

ISSN: 2304-1013 (Online); 2304-1269 (CDROM); 2414-6722 (Print)

and CEO-Chairman duality and find negative but significant relationship between CEO-Chairman duality and Institutional ownership. We also find neither significant nor positive relationship between debt and structure choice of firm, the detailed reason is explained in section 4. Overall, we find that dual class firms of China bond themselves to US stock exchanges where rules of investor protection are stricter than Chinese stock exchanges. Insiders of dual class firms enjoy control over firm with little cash flow rights compared to their voting rights. They show their commitment to shareholder's rights by hiring independent directors and by attracting institutional investment besides they keep control in their hands through superior voting rights and maintaining controversial CEO-Chairman duality.

The limitation of this paper is the sample size as Chinese firms cross listed in US exchanges are still fewer in number. In future, researchers may study the governance differences between the US dual class firms with Chinese dual class firms. They may also study the governance practices implemented by Chinese firms listed on local Chinese stock exchanges with the governance practices of Chinese firms cross listed in US exchanges.

ACKNOWLEDGEMENT

This research work is supported by National Natural Science Foundation of China (Grant ID: 71371155).

REFERENCES

[1] Adrie Putra, R. M. S. (2014). "The Impact of Implementation Good Corporate Governance to Firm Value (Evidence from Indonesia Public Banking Sector)". *Review of Integrative Business & Economics Research, 4*(1), 95-102.

[2] Agnes Cheng, C. S., He Huang, H., Li, Y., & Lobo, G. (2010). "Institutional monitoring through shareholder litigation". *Journal of financial economics, 95*(3), 356-383.

[3] Allen, F., Qian, J., & Qian, M. (2005). "Law, finance, and economic growth in China". *Journal of financial economics, 77*(1), 57-116.

[4] Amoako-Adu, B., & Smith, B. F. (2001). "Dual class firms: Capitalization, ownership structure and recapitalization back into single class". *Journal of Banking & Finance, 25*(6), 1083-1111.

[5] Bai, C.-E., Li, D. D., Tao, Z., & Wang, Y. (2000). "A Multitask Theory of State Enterprise Reform". *Journal of Comparative Economics, 28*(4), 716-738.

[6] Bergström, C., & Rydqvist, K. (1990). "Ownership of equity in dual-class firms". *Journal of Banking & Finance, 14*(2-3), 255-269.

[7] Cronqvist, H., & Nilsson, M. (2003). "Agency costs of controlling minority shareholders". *Journal of Financial and Quantitative analysis, 38*(04), 695-719.

[8] Dey, A., Nikolaev, V. V., & Wang, X. (2016). "Disproportional Control Rights and the Governance Role of Debt". *Management Science, 62*(9), 2581-2614.

[9] Fosberg, R. H., & Nelson, M. R. (1999). "Leadership structure and firm performance". *International Review of Financial Analysis, 8*(1), 83-96.

[10] GIANNETTI, M., & SIMONOV, A. (2006). "Which Investors Fear Expropriation? Evidence

[11] from Investors' Portfolio Choices". *The Journal of Finance, LXI*(3), 1507-1547.

ISSN: 2304-1013 (Online); 2304-1269 (CDROM); 2414-6722 (Print)

[12] Grossman, S. J., & Hart, O. D. (1988). "One share-one vote and the market for corporate control". *Journal of financial economics, 20*, 175-202.
[13] Jensen, M. C. (1986). "Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers". *The American Economic Review, 76*(2), 323-329.
[14] Jiang, F., & Kim, K. A. (2015). "Corporate governance in China: A modern perspective". *Journal of Corporate Finance, 32*, 190-216.
[15] Jog, V., Zhu, P., & Dutta, S. (2010). "Impact of restricted voting share structure on firm value and performance". *Corporate Governance: An International Review, 18*(5), 415-437.
[16] Kajola, S. O. (2008). "Corporate governance and firm performance: The case of Nigerian listed firms". *European journal of economics, finance and administrative sciences, 14*(14), 16-28.
[17] Li, K., Ortiz-Molina, H., xe, & Zhao, X. (2008). "Do Voting Rights Affect Institutional Investment Decisions? Evidence from Dual-Class Firms". *Financial Management, 37*(4), 713-745.
[18] Lipton, M., & Lorsch, J. W. (1992). "A modest proposal for improved corporate governance". *The business lawyer*, 59-77.
[19] Mak, Y. T., & Kusnadi, Y. (2005). "Size really matters: Further evidence on the negative relationship between board size and firm value". *Pacific-Basin Finance Journal, 13*(3), 301-318.
[20] Masulis, R. W., Ruzzier, C., Xiao, S., & Zhao, S. (2012). "Do independent directors matter". Paper presented at the Paper presented by at the Corporate Governance Symposium a t University of Delaware on November.
[21] Moyer, R. C., Rao, R., & Sisneros, P. M. (1992). "Substitutes for Voting Rights: Evidence from Dual Class Recapitalizations". *Financial Management, 21*(3), 35-47.
[22] Rydqvist, K. (1992). "Dual-class shares: a Review". *Oxford Review of Economic Policy, 8*(3), 45-57.
[23] Share. (2004). "Second class investors". *Special report published by Shareholder Association for Research and Education. Vancouver, British Columbia. April. Available at: http://www.share.ca/en/node/505*, 1–33.
[24] Smart, S. B., Thirumalai, R. S., & Zutter, C. J. (2008). "What's in a vote? The short-and long-run impact of dual-class equity on IPO firm values". *Journal of Accounting and Economics, 45*(1), 94-115.
[25] Smith, B. F., Amoako-Adu, B., & Kalimipalli, M. (2009). "Concentrated control and corporate value: a comparative analysis of single and dual class structures in Canada". *Applied Financial Economics, 19*(12), 955-974.
[26] Villalonga, B., & Amit, R. (2009). "How are US family firms controlled?" *Review of Financial Studies, 22*(8), 3047-3091.
[27] Wen, T. (2013). "You Can't Sell Your Firm and Own It Too: Disallowing Dual-Class Stock Companies from Listing on the Securities Exchange". *University of Pennsylvania Law Review, 162*, 1495.
[28] Yermack, D. (1996). "Higher market valuation of companies with a small board of directors." *Journal of financial economics, 40*(2), 185-211.

ISSN: 2304-1013 (Online); 2304-1269 (CDROM); 2414-6722 (Print)