Principal-principal conflicts: Is it a big problem in ASEAN 4 markets?[*]

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This paper examines the issue of principal-principal (PP) conflicts in large public listed companies in four ASEAN countries. The PP conflicts are regarded as a major problem in emerging markets and have attracted considerable attention. The percentage of cash dividend of total assets is used to measure the expropriation depicted in PP conflicts. A sample of companies with total assets of US$1 billion are filtered to select those with single/multiple block holders of shareholdings concentration equal to or greater than five percent. A regression model is estimated with PP conflicts as the dependent variable. The findings confirm the existence of PP conflicts, suggesting that large shareholders do expropriate company wealth by paying higher cash dividends. This expropriation occurs through agency perspective and makes it apparent that PP conflicts are a major problem in ASEAN markets.

Field of research: Principal-principal conflicts, Asean 4, dividend

JEL Codes: G32, G35

1. Introduction

This paper investigates principal-principal (PP) conflicts using a sample of 194 large public listed companies in the ASEAN 4 (Indonesia, Malaysia, Thailand and the Philippines) with total assets equal or greater than US$ 1 billion. The nature of PP conflicts has recently been the subject of theoretical discussion in relation to developing markets (Dharwadkar*, et al.* 2000), and is asserted as a major concern. Most large companies in ASEAN 4 are characterised by a highly concentrated shareholding structure. It is timely to empirically investigate the extent of PP conflicts among these companies, providing the extent of wealth expropriation by controlling shareholders in these countries.

Prior research suggests that dividends provide evidence of how controlling shareholders expropriate minority shareholders. High dividends reduce the value of the company (Lins 2003) and thus negatively impact its growth. Alternatively, lower dividend payouts mean that large shareholders prefer to keep earnings within the company for their easy access to expropriate funds for their own private benefits, (La

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Porta*, et al.* 2000;Pinkowitz*, et al.* 2006). Determining how high and low dividends may reflect PP conflicts requires consideration of a range of other variables.

A convention of examination of high expenses may be thought of as evidence suggesting principal-agent (PA) conflicts where misalignment of objectives exists between owners and management. This issue may include excessive or insufficient investment (Jensen 1986) by the management trusted to run the companies. Empirical research into PA conflicts is abundant with proxies used as measures of PA cost including assets utilisation ratio (Ang*, et al.* 2000), discretionary expenditure ratio (Singh &Davidson III 2003) and free cash flow and growth (Lehn &Poulsen 1989). It is argued that the problem in developing markets is between principals or shareholders themselves (controlling and minority), and so the conventional view of PA conflicts may not be the most applicable explanation. Conflicts between large and minority shareholders are more relevant to address the issue of high dividend payout in relation to PP conflicts.

From this perspective, PP conflicts are confronted as an expropriation problem. The controlling shareholders are allegedly siphoning the company's resources to benefit their personal interests (Johnson*, et al.* 2000). Typically, it is the minority shareholders who suffer financially (Bae*, et al.* 2002) even if they do still receive some amount of dividend returns. In the meantime, the company retains its high cash flow while its growth is being compromised, (Ibrahim &Mazlan 2006;Kassim*, et al.* 1993;Rozeff 1982) suggesting the possibility of expropriation.

Presently, there is no consensus concerning the best proxy to be used to measure PP conflicts. Dividend behaviour addresses the question of whether the ASEAN 4 companies suffer from an expropriation problem in a PP context. Consideration in conjunction with the magnitude of interaction of cash flows with large shareholders, where high/low dividends with signal PP agency conflicts with lower company growth. The interaction of large shareholders with the availability of the company's cash flow of a may indicate this relationship and is evident through this study. The paper shows that the existence of PP conflicts in ASEAN 4 may occur at shareholdings at 10 percent due to the existence of higher dividends at this level with a negative sales growth.

ASEAN 4 markets are suitable to address the issue of PP conflicts. Minority shareholders' interests remain a concern despite having improved corporate standards (Bhasin 2010;Matthias*, et al.* 2005). Concentrations of ownership in East Asia are mostly by single or block shareholders (Claessens*, et al.* 2000;Lins 2003) and may exacerbate the espoused PP conflicts there.

ASEAN 4[1] was formed in 1967 and consists of Indonesia, Malaysia, Thailand, and the Philippines. These countries have a long history of financial markets (Metwalli &Tang 2002) and are significant in terms of economic growth in Asia. In 2009, as shown in Table I, the ASEAN 4 had a population in excess of 418 million, a total area of 3 million square kilometres, and a combined gross domestic product of USD 1.5 billion.

The success of economic development of the ASEAN 4 is important given its role in the development and stability of the Southeast Asia region. The concentration of

corporate ownership may impact adversely on the capital markets correctly pricing risk through the presence of PP conflicts. Tam and Tan (2007) note the lack of success of conventional governance and state there may be potential gains to be had through more market regulation. This study proposes to encourage the regulators to utilise dividend payout as the corporate governance mechanism for monitoring purposes in the light of this concern.

Table I: Basic ASEAN 4 indicators

Country	Total land area	Total population	Gross domestic product at current prices
	km^2	thousand	US$ million
Indonesia	1,860,360	231,369.5	546,527.0
Malaysia	330,252	28,306.7	193,107.7
Philippines	300,000	92,226.6	161,357.6
Thailand	513,120	66,903.0	264,322.8
ASEAN	**3,003,732**	**418,805.8**	**1,499,400.8**

(Source: ASEAN Finance and Macro-economic Surveillance Unit Database,
ASEAN Merchandise Trade Statistics Database)

2. Literature Review and Hypothesis Development

2.1 Agency Theory

Research based on agency theory has been extensively conducted, especially in advanced economies as corporations become more dispersed or "*divorced from the management*" (Berle &Means 1968). The core issue is monitoring and bonding costs (Jensen &Meckling 1976) which arise due to divergence in the alignment of owner (principals) and management (agents) interests. Managers may take advantage of their position to extract direct or indirect financial benefits from the company at the expense of maximising shareholder wealth.

Ownership of companies in developing countries is more concentrated. For instance, Claessens, Djankov, & Lang (2000) find that a single shareholders control more than two-thirds of companies across nine Asian countries, and more than half the companies are controlled by family members. Truong & Heaney (2007) list the distribution of the largest shareholders in 37 countries[2] including the ASEAN 4.

Research in the agency context suggests that large shareholders are a good mechanism to reduce agency problems as they have greater incentives and more resources to efficiently monitor a company's performance (Holderness 2003;Jensen &Meckling 1976). However, in a system with low legal protection for shareholders, large shareholdings give rise to other problems associated with large shareholders taking advantage off minority shareholder investment (La Porta*, et al.* 2000) through high dividend payments. Controlling shareholders can also transfer assets out of companies to satisfy their own benefits (Johnson*, et al.* 2000). These authors claim that assets can be "looted out" through asset sales, contracts which are

advantageous to the controlling shareholders or other financial transactions at the expense of the minority shareholders. Rather than suffering from the PA conflicts, these companies experience PP conflicts (Dharwadkar, *et al.* 2000).

2.2 Principal-principal (PP) conflicts

Broadly, PP refers to conflicts between controlling shareholders and minority shareholders in a company. Large shareholders may use their voting rights to control the company for their own interests while other dispersed shareholders and stakeholders bear the cost (Johnson, *et al.* 2000). Defined as expropriation, this PP conflicts can be evidenced by making inefficient investment, having lower firm valuations and lower or higher levels of dividend payouts (Faccio, *et al.* 2001;Young, *et al.* 2008).

PP conflicts are potentially more detrimental in emerging economies such as the ASEAN 4. Faccio et al., (2001) reiterate that problems in East Asian governance are more severe than in mature markets due to the extraordinary concentration of control. Weak legal protection for minority shareholders in this region results in a more vulnerable status for minority shareholders (Dharwadkar, *et al.* 2000;La Porta, *et al.* 1997) than would be the case in more mature markets with stronger legislation.

Empirical investigations of PP conflicts are not plentiful. Recent research such as Su, Xu, & Phan Su (2008) use board of directors' compensation, board size and the proportion of independent directors in Chinese listed companies to measure PP conflicts. Board compensation is essentially audited and monitored by the audit committee and may not reflect the true nature of expropriation by large shareholders. This current research paper proposes that dividend payment as a direct payout to shareholders is a more appropriate measure of PP conflicts.

2.3 Principal-Principal (PP), cash dividend, cash flow and growth.

As previously discussed, large shareholders are needed to monitor managers and to search for ways to better the firm (Shleifer &Vishny 1986). Agency considerations are the most likely to answer the famous dividend puzzle (Black 1976); how companies choose their dividend policies (La Porta, *et al.* 2000). In an effective system of legal protection of shareholders, large shareholders are monitored by minority shareholders through dividend payments (La Porta, *et al.* 2000).

In the agency context, dividends play an important role in the reduction of PA cost. By paying dividends, corporate earnings are returned to investors and are no longer available to management to benefit themselves (Rozeff 1982). This corresponds to the free cash flow theory developed by Easterbrook (1984) and discussed extensively in later work (Bena &Hanousek 2005;Gugler &Yurtoglu 2003;Jensen 1986).

However, investors in emerging markets are particularly more concerned about controlling shareholders expropriating cash holdings via cash dividends for their own private benefits (Chiou, *et al.* 2010). Faccio et al., (2001) explain the relationship between dividend payout to controlling shareholders in two regions; Western Europe and East Asia. They contend that companies with large shareholders in East Asia

are forced to increase dividends as the potential for expropriation increases with higher shareholder concentration.

La Porta et al., (2000) argue that companies with weaker shareholder protection pay lower dividends. PP conflicts may also explain how expropriation can be explicated through lower dividend payments. Large shareholders expropriate by paying out lower dividends to keep resources in the company and within their control (Easterbrook 1984;Faccio, et al. 2001;La Porta, et al. 2000) and likely to accumulate more cash within the company (Mancinelli &Ozkan 2006).

The question is, therefore, do higher or lower cash dividends implicate expropriation? This research conjures that the propensity of large shareholders to expropriate depends on the availability of cash in the company. It is also important to show that lower sales growth may show the negative effects of PP conflicts. Sales growth is an important indicator of whether companies will reach their financial objectives, be competitive (Kaplan &Norton 1993;Kaplan &Norton 1996) and achieve better future prospects (Chiou, et al. 2010). Brush, Bromiley, & Hendrickx (2000) find in their study that cash flow increases sales growth which leads to better performance.

In line with the above discussion, a main hypothesis emerges and this can be sub-divided into four sets as follows.

Main Hypothesis – The higher the stake owned by a shareholder in a company, the higher/lower dividends (interaction of shareholding percentage with cash flows) to shareholders and lower growth sales growth.

Sub-Hypothesis 1 – Companies with shareholders who own more than 5% stake in the company tend to pay higher dividends with lower sales growth.
Sub-Hypothesis 2 – Companies with shareholders who own more than 10% stake in the company tend to pay higher dividends with lower sales growth.
Sub-Hypothesis 3 – Companies with shareholders who own more than 15% stake in the company tend to pay higher dividends with lower sales growth.
Sub-Hypothesis 4 – Companies with shareholders who own more than 20% stake in the company tend to pay higher dividends with lower sales growth.

3. Data and Methodology

Data for public listed companies are collected from ASEAN 4 countries, i.e., Indonesia, Malaysia, Thailand and The Philippines. As discussed in the previous section, ASEAN 4 markets are characterised by having extreme concentrated shareholdings in their public listed companies and weak legal protection for minority shareholders. Companies with under US$1 billion in total assets as at 31 December 2009 are excluded. These considerations are taken because this paper is to examine large ASEAN 4 companies and the availability of comprehensive ownership data for the year 2009. Companies that do not pay dividend are also included to avoid selection bias in using cross country comparison data (Deshmukh 2003).

A total of 212 companies representing a range of industries from the four countries are selected and listed in *Appendix 1*. These large companies represent about 10% of overall companies in ASEAN 4. More importantly, they consist of 74.9%

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(US$533.2 billion) in total market capitalisation of the four countries. Data used for analysis and comparative purposes are drawn from the Worldscope database of Thomson One Banker. Eighteen (3 missing and 15 incomplete data) companies were dropped due to unavailability of data, which gives the final sample of 194 companies.

The assumptions related to regression analysis were examined before proceeding with the analysis of the data. The initial distribution exhibited heteroscedasticity, as with most of cross-sectional data (Green 1993), and a multicollinearity problem. It is not surprising that the large shareholder data indicates the presence of multicollinearity in the model since the different levels of large shareholdings comprise additive functions of constituent variables. Dummy variables were allotted to control the various levels of shareholdings to eliminate the problem. This is not necessary for the 5% and higher shareholdings, since all companies in the sample contain shareholdings at these levels.

Table II indicates the computation of variance inflation factors (VIFs) for the mean-centered variables are below the acceptable cut-off point of 10 suggesting the absence of multicollinearity for Models 1 and 2 (Significant models). Other independent variables are not highly correlated (less than 0.5 degree), as shown in Table III.

Table II: Variance Inflation Factor (VIFs)

Variable	Model 1 VIF	Model 2 VIF
CFls5	5.43	
CFls10		7.08
Ls5		3.15
dumLs10	1.38	
dumLs15	2.78	2.45
dumLs20	2.51	2.98
CFSales	5.64	6.43
LgTotAssets	2.95	2.92
LgSALES	2.7	2.7
ROA	2.26	2.26
PricetoBook	1.46	1.47
TDTA	1.37	1.39
Beta	1.31	1.43
Industry	1.3	1.31
EBITtoInt	1.15	1.15
SalesGrowth	1.13	1.14
Mean VIF	2.38	2.7

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The next procedure is to employ both OLS and robust regression techniques to eliminate the problems of heteroscedasticity and any extreme outliers (Chen 2001;Hamilton 2009;Yaffee 2002).

The robust regression estimates are obtained by performing with M-estimators (maximum likelihood) in STATA software (Hamilton 2009;StataCorp 2009) or by iteratively weighting the observations using the residuals from the previous regression. The software uses median absolute deviation about the median residual divided by a constant (Huber 1981). The first regression begins with ordinary least square (OLS) where any influential observations will be downweighted and cases with large residuals are assigned zero weights. This will eliminate any influence to the results. The second step uses Huber weights and biweights where the final convergence will produce one solution. Due to the presence of zero dividends from various companies, a Tobit regression was also conducted. However since no difference was found using this analysis, results using OLS and robust regression are reported.

PP conflicts are measured as the percentage of cash dividend to total assets. Consistent with prior research, the cash dividend is apportioned to total assets to reduce biasness due to different accounting conventions as well as other manipulation by the large shareholders (Gadhoum 2000). Transformation to square root of CDTA is done to have better explanatory and predictive power (Kane &Meade 1998) since it reduces the tails of exponential distribution of data. Similar to Gadhoum (2000), a continuous function of stock concentration is used to signify the effective controls the large shareholders (LS) have in the companies.

Large shareholders are defined as shareholders who hold at least 5% and up to 20% of total shares in the company (Claessens, *et al.* 1999;Claessens, *et al.* 2000;La Porta, *et al.* 1999). The shareholders are then categorised into four types being shareholders with 5% and more (Ls5), 10% and more (Ls10), 15% and more (Ls15) and 20% and more (Ls20). The rationale for these bands is to reflect levels of percentage of shareholdings reported in previous studies (Shleifer &Vishny 1986).

The interaction terms between cash flow and large shareholdings are to distinguish the different impacts of control between the shareholdings. The effect of having more cash within the companies is modified with different concentration of large shareholders. The variables used in the study are presented in Table IV. Consideration was given to an extensive range of potential variables. However, those considered extraneous are not included (Mohd, *et al.* 1995).
The final model is specified as below:

$$CDTA = \alpha + \beta_1 \text{Interaction terms} + \beta_2 \text{SalesGrowth} + \beta_3 \text{LgSALES} + \beta_4 \text{LgTotAssets} + \beta_5 \text{PricetoBook} + \beta_6 \text{ROA} + \beta_7 \text{TDTA} + \beta_8 \text{Beta} + \beta_9 \text{EBITtoInt} + \beta_{10} \text{CFSales} + \beta_{11} \text{dummy} + \beta_{12} \text{Industry} + \varepsilon$$

Table III: Correlations of variables

		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	CDTA	1.0000													
2	CFls5	0.2907	1.0000												
3	CFls10	0.2963	0.9808	1.0000											
4	CFls15	0.3025	0.9614	0.9838	1.0000										
5	CFls20	0.2917	0.9409	0.9649	0.9828	1.0000									
6	SalesGrowth	-0.0907	0.1855	0.1753	0.1471	0.1373	1.0000								
7	LogSALES	0.3016	-0.2415	-0.2302	-0.2188	-0.1944	-0.1213	1.0000							
8	LgTotAssets	-0.1475	0.0858	0.0795	0.0549	0.0651	0.0360	0.4833	1.0000						
9	PricetoBook	0.5132	0.1418	0.1558	0.1689	0.1670	0.0192	0.2829	0.0305	1.0000					
10	ROA	0.7025	0.2576	0.2604	0.2664	0.2603	0.0402	0.2045	-0.2767	0.4571	1.0000				
11	TDTA	-0.0821	0.0076	-0.0412	-0.0438	-0.0555	0.0242	-0.0177	-0.2507	0.0236	-0.0174	1.0000			
12	Beta	-0.3448	-0.3149	-0.2978	-0.2851	-0.2800	-0.0796	-0.1496	-0.1642	-0.3159	-0.2612	0.0148	1.0000		
13	EBITtoInt	0.2007	-0.0289	-0.0221	-0.0147	-0.0158	-0.0596	0.0879	-0.1001	0.2270	0.1650	-0.1650	-0.0470	1.0000	
14	CFSales	0.2823	0.8819	0.8374	0.7998	0.7761	0.1447	-0.2035	0.1861	0.1313	0.2492	0.0147	-0.3200	-0.0398	1.0000

4. Results and Discussion

4.1 Descriptive Statistics

The descriptive statistics for the full sample of the companies are presented in Table V. In terms of characteristics, ASEAN 4 large companies do not show much variation, as indicated by the standard deviations. All of the companies in the sample are owned by a block-holder with at least 5% percent or more shareholding. Interestingly; 64% of the companies have large shareholdings of 5% or more, making them, the shareholders, very powerful. An average 48% of the companies in ASEAN 4 have large shareholders who hold 20% percent or more shareholdings.

Table IV: Summary of the dependent and independent variables

Dependant variable	
Cash dividend ratio (CDTA)	Cash dividend/Total Assets
Independent variable	
SalesGrowth	Sales growth (1 year)
Sales (log)	Log of total sales
Total Assets (log)	Log of total assets
PricetoBook	Market Price to book value of share
ROA	Ratio of earnings before interest and taxes to total assets
TDTA	Total Assets to Total Debt
BETA	Beta or risk of share (Bradley, *et al.* 1998)
EBITtoInt	Earnings before interest and tax to interest expenses
CFSales	Free cash flow to sales
Industry	General industry classification
Ls5	Total percentage of shares at 5 % and above
dumLs10	Dummy variable 1 for total percentage of shares at 10% and above, 0 otherwise
dumLs15	Dummy variable for total percentage of shares at 15% and above, 0 otherwise
dumLs20	Dummy variable for total percentage of shares at 20% and above, 0 otherwise
Interaction terms	
CFLs5	Cash Flow to Sales multiply with Ls5
CFLs10	Cash Flow to Sales multiply with Ls10
CFLs15	Cash Flow to Sales multiply with Ls15
CFLs20	Cash Flow to Sales multiply with Ls20

Earnings before interest and tax (EBIT) is an exception showing large differences within the companies. Some companies in the sample, e.g. Krungthai Card Public of company of Thailand has almost 85% in total debt to total assets while Genting Malaysia Berhad does not report any. The sales growth of the companies on average is 6.5 percent. Companies in Asean 4 pay out cash dividends at 2% of their total assets and the maximum companies paid out in 2009 is 29% of their total assets.

4.2 Empirical Results

Table VI reports results for OLS and robust regression of four models depicting different levels of PP conflicts and their explanatory variables. The coefficients by both methods are stable with different company sizes (Total Assets and Total Sales). As explained in the previous section, this discussion will focus on the robust regression results as the models have satisfied the regression assumptions. F tests at significant p-value indicate that all specifications or models are significant as a whole.

Table V: Descriptive statistics for the 194 large Asean 4   companies

Variable	Mean	Std. Dev.	Min	Max
CDTA	0.0201858	0.036526	0	0.290796
CFls5	13.56592	17.73786	-139.003	112.2278
CFls10	12.15891	17.32682	-139.003	112.2278
CFls15	11.07456	16.80479	-139.003	112.2278
CFls20	10.33838	16.46341	-139.003	112.2278
SalesGrowth	6.475467	30.55515	-45.4649	219.525
LgSALES	8.999451	0.470446	7.743783	10.67739
LgTotAssets	9.534518	0.443687	9.002742	10.94438
PricetoBook	1.861842	1.584133	0.13557	11.222
ROA	5.752961	6.291127	-11.4876	31.35616
TDTA	26.19883	19.79864	0	84.93256
Beta	1.187455	0.572702	-0.192	3.61012
EBITtoInt	38.33716	257.6767	-23.5707	3394.5
CFSales	20.18854	25.76887	-240.406	116.7702
Ls5	0.6369157	0.22566	0.061	100
Ls10	0.5703328	0.251182		
Ls15	0.51804	0.262369		
Ls20	0.4818585	0.275105		

The main hypothesis predicts agency theory with higher dividend and lower company growth. The robust results for Models 1 and 2 support this hypothesis but are statistically insignificant in Models 3 and 4. By controlling the other stakes of different levels of shareholdings, the analysis finds statistically significant results for the interaction term of cash flows at 5% and 10% stake with PP conflicts. Models 1 and 2 also support the negative relationship with CDTA and sales growth ($p < 0.05$). This may indicate that, with shareholdings at 5% and 10%, a strong control in the company may enable them (the large shareholders) to extract large resources through other avenues from the companies.

The insignificant results for Models 3 and 4 at shareholdings of 15% and more require further insights. Some studies have shown that large shareholders may actually reduce PA problems (Agrawal &Knoeber 1996;Holderness 2003) but since this research focuses on PP conflicts, this can be a question for future research.

With respect to the rest of the control variables, the coefficient of total sales is positive and statistically significantly across all models ($p< 0.01$). The results for independent relationships are consistent with results from previous studies. These positive coefficients show that bigger (La Porta, *et al.* 2000) and more profitable companies pay higher dividends. Also, lower geared companies (Truong &Heaney 2007) and riskier companies (Farinha &Lopez-De-Foronda 2009) seem to have higher cash dividend payouts. These findings may indicate that PP conflicts are more prominent because shareholders are at an advantage to expropriate, as these companies have lower debt and less riskier than listed companies.. This is similar to findings by Bolton and Scharfstein (1990) who suggest that debt ratio plays a positive role in curbing agency problems. Since this research is focussing in PP conflicts, it may conclude that debt should also be able to reduce this problem.

The above results show that PP conflicts do exist in ASEAN 4 countries. The positive signs of cash dividend to interaction of cash flows with large shareholders at 5% and 10% shareholdings support the asset expropriation view. These findings suggest that the presence of large shareholders does affect company's cash flow via increased dividends and has a negative impact on growth.

5. Conclusion

The paper contributes to the empirical investigations of emerging markets focusing on PP conflicts. However, this research is limited to cross sectional one year data with a limited number of companies. Findings suggest that PP conflicts are a major problem in Asia and call for more research focus. PP conflicts in this study are measured by using cash dividends made to large shareholders with interaction of cash flows, to show the cost of expropriation depicted in PP conflicts.

Agency theory is used to test this notion, but focuses on the misappropriation of cash by agents or principals who control the companies they run. A sample of 194 companies in the ASEAN 4 (Indonesia, Malaysia, Thailand and the Philippines) has been considered to test and seems to support the notion that PP conflicts in the agency theory perspective are consistent with prior studies of other emerging markets. The levels of percentage for large shareholders expropriating are at 5% and 10% stakes with what may be a detrimental impact to the companies' growth. This study also proposes to encourage regulators to utilise dividend payout as the corporate governance mechanism for monitoring purposes in light of this concern.

The other direct implication of these findings is the importance of investors' performance with regard to PP conflicts in Asian markets. Minority shareholders are at risk of expropriation and this situation calls for urgency in stronger investor protection. There do not appear to be any desirable solutions for resolving PP conflicts in emerging economies and particularly in the ASEAN 4. Further empirical research in this area will definitely bring more perspective to this unique problem.

Table VI: Regression analysis explaining the effect of dividend as proxy to PP conflicts in ASEAN 4 OLS and OLS with robust cross-sectional of CDTA on explanatory variables.

	Model 1		Model 2		Model 3		Model 4	
	OLS	OLS(robust)	OLS	OLS(robust)	OLS	OLS(robust)	OLS	OLS(robust)
CFls5	0.001	0.001						
	(1.22)	(2.02)*						
CFls10			0.002	0.002				
			(2.46)*	(2.37)*				
CFls15					0.001	0.001		
					(1.92)	(1.73)		
CFls20							0.001	0.001
							(1.33)	(1.53)
SalesGrowth	-0.0003	-0.0003	-0.0003	-0.0003	-0.0003	-0.0003	-0.0003	-0.0003
	(2.34)*	(2.34)*	(2.07)*	(2.07)*	(1.94)	(1.97)	(1.92)	(1.92)
LgSALES	0.082	0.088	0.079	0.082	0.081	0.079	0.079	0.082
	(5.24)**	(5.81)**	(5.11)**	(5.39)**	(5.10)**	(5.31)**	(5.02)**	(5.40)**
LgTotAssets	-0.075	-0.072	-0.077	-0.071	-0.075	-0.071	-0.076	-0.071
	(4.48)**	(4.40)**	(4.65)**	(4.39)**	(4.48)**	(4.30)**	(4.52)**	(4.36)**
PricetoBook	0.012	0.005	0.012	0.006	0.012	0.006	0.012	0.005
	(3.57)**	(1.52)	(3.58)**	(1.78)	(3.55)**	(1.86)	(3.59)**	(1.54)
ROA	0.005	0.006	0.005	0.006	0.005	0.006	0.005	0.006
	(5.13)**	(6.34)**	(5.26)**	(6.33)**	(5.27)**	(6.26)**	(5.23)**	(6.30)**
TDTA	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001
	(3.15)**	(2.55)*	(3.09)**	(2.41)*	(3.05)**	(2.47)*	(3.08)**	(2.42)*
Beta	-0.017	-0.015	-0.023	-0.019	-0.022	-0.018	-0.021	-0.018
	(1.91)	(1.71)	(2.60)*	(2.18)*	(2.41)*	(2.07)*	(2.33)*	(2.00)*
EBITtoInt	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(0.15)	(0.49)	(0.07)	(0.42)	(0.13)	(0.42)	(0.12)	(0.55)
CFSales	0.001	0.001	0.000	0.000	0.001	0.001	0.001	0.001
	(1.83)	(1.19)	(0.60)	(0.58)	(1.55)	(1.52)	(2.24)*	(1.97)
Industry	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-0.000
	(0.39)	(0.03)	(0.58)	(0.35)	(0.52)	(0.14)	(0.47)	(0.10)
Ls5			-0.082	-0.048	-0.056	-0.028	-0.044	-0.021
			(2.39)*	(1.42)	(1.87)	(0.97)	(1.51)	(0.75)
dumLs10	-0.005	-0.000			-0.006	-0.004	-0.004	-0.003
	(0.14)	(0.01)			(0.17)	(0.10)	(0.12)	(0.07)
dumLs15	-0.010	-0.012	-0.011	-0.012	0.004	-0.007	0.004	-0.007
	(0.35)	(0.43)	(0.42)	(0.47)	(0.16)	(0.31)	(0.18)	(0.32)
dumLs20	-0.003	-0.007	0.020	0.006				
	(0.13)	(0.36)	(0.89)	(0.27)				
Constant	0.048	-0.033	0.122	0.037	0.096	0.033	0.103	0.029
	(0.40)	(0.28)	(1.00)	(0.31)	(0.79)	(0.27)	(0.84)	(0.24)
R2	0.65	0.66	0.66	0.66	0.66	0.65	0.65	0.65
F-statistic	23.73	24.75	24.87	24.72	24.35	24.10	23.96	23.85
Adj. R^2	64.99		63.39		62.88		62.48	
N	194	194	194	194	194	194	194	194
P-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Notes: Statistically Significant level at * $p<0.05$; ** $p<0.01$. t-values are in parentheses below the coefficient estimates.

Endnotes

[1] Association of Southeast Asian Nations (commonly known as ASEAN) was formed on August 8, 1967. The other six states beyond the scope of this study are Singapore (1967), Brunei (1984), Vietnam (1995), Laos (1997), Myanmar (1997) and Cambodia (1999).

[2] Greater concentration of ownership in 2004: Indonesia (52.85%), Malaysia (33.18%), Thailand (37.2%) and the Philippines (48.76%).

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Appendix 1.

Country	Frequency	Percentage
Indonesia	52	24.53
Malaysia	68	32.08
The Philippines	41	19.34
Thailand	51	24.06
Total	**212**	**100.00**