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Abstract

This paper examines the ownership structure of listed Thai firms in 1996. The ownership structure is concentrated. In 82.59 percent of the firms in the sample, the largest shareholders are also controlling shareholders. The controlling shareholders are mainly families. Foreign investors form the second largest group of controlling shareholders. Most of the controlling shareholders use a simple ownership pattern to control the firms. Only in 21.27 percent of the firms, the controlling shareholders employ pyramid structures, and cross-ownership structures to control the firms. The controlling shareholders do not just control the votes. In approximately 70 percent of the firms in the sample, the controlling shareholders are involved in the firms' management as officers and directors.

JEL Classification: G30, G32

Keywords: Ownership structure, Corporate governance, Agency costs, Thailand.

1 Introduction

Over the past decade, numerous developing countries have undergone rapid transitions in their economic environment. In particular the rapid development of financial markets were associated with increasing in number of companies that went public. These companies once were closely held by families. After going public, corporate ownership structure would change. The issues such as how the ownership structure of public companies is set up in the present environment, and how concentrated the ownership is, have therefore become relevant. These issues are important since there exists another agent in the firms, namely the public, who have to bear any agency costs created by management and controlling shareholders.

It is commonly thought that listed companies in developing economies are controlled by families. Yet, empirical studies relating to this topic are very few. To name a few, Khanna and Palepu (1999) find that the majority of companies listed in the Bombay Stock Exchange are associated with diversified business groups that are controlled by families. In a similar manner, in South Africa, 50 percent of the capitalization of the Johannesburg Stock Exchange is controlled by only six business groups (Barr et al. (1996)).

Thailand offers an interesting setting regarding this topic. Traditional Thai firms, as in most developing countries, are owned, managed and controlled by individuals, families, and their partners. Recently the rapid development of the Thai economy and financial market has provided enough incentive for some of the privately owned firms to become public. The founding families were willing to share the risk and profits of their firms probably because they expected to grow faster with external financing during the beginning of 1990s. The number of firms that went public increased more than 5 times over the past 10 years; in 1986, ninety two companies, in 1990, hundred and fifty nine, in 1993 three hundred and forty seven and in 1996 four hundred and fifty four companies. As a result, over the past decade, the ownership structure of Thai firms must have changed greatly. Up to date, there has not been enough research on this topic.

In this study, I investigate the ownership structure of Thai firms. This is to find out the very basic but important issue: who owns and controls Thai firms. More specifically, the objective is to provide answers to the following questions. Are there any large shareholders with high

voting right? That is, is it common for a firm to have a controlling shareholder? Who are the large shareholders? Do families really control Thai firms? Do banks, financial institutions, the government, foreign corporations, or other widely held corporations have big stakes?

In addition, I investigate how the ownership is organized. Specifically, I examine if the controlling shareholders simply hold companies' stocks directly, or they hold the shares via pyramid companies like South African conglomerates (Barr et al. (1995)), or as cross-shareholdings like the Japanese Keiretsu and Korean Chaebol (Fukao and Morita (1997), and La Porta, et al. (1999)). The pattern of shareholding does matter because the shareholdings such as pyramidal shareholdings and cross-shareholdings facilitate concentrating ownership without losing voting control. Without using dual-class share structures, which are prohibited in Thailand, a shareholder can control a firm by holding only a small fraction of the shares via pyramidal shareholdings and cross-shareholdings (Bebchuk et al. (1998)).

Next I examine whether controlling shareholders participate in management or if they merely control the voting power. In corporate governance terminology, to what extent is ownership and control separate. Examining these issues enables us to determine the severity of the agency problems in Thai firms.

The paper is organized as follows. Section 2 reviews the Thai Corporate Law related to ownership structure and the legal protection to shareholders. Section 3 describes the data. Section 4 provide the evidence on who are the owners of Thai firms. Section 5 investigates whether firms with no controlling shareholder are held by many small shareholders. Section 6 addresses how the ownership is organized. In Section 7, I present in which extent the ownership and management are separated. Section 8 is the summary and conclusion of the study.

2 Legal protection of shareholders

This section reviews shareholder legislations rights in Thailand related to the following issues, ownership disclosure, voting rights, the board of directors, shareholder meetings, shareholders legal protection, and dividend¹. Public companies are governed by the Public Limited Compa-

¹This section is based on Stock Exchange of Thailand (1997a, 1997b, 1997c, 1998), Setsatien (1992) and Sersansie and Nimmansomboon (1996)

nies Act B.E. 2535 (A.D. 1992) and the Securities and Exchange Act B.E. 2535. The organization that supervises and oversees the stock market is the Securities and Exchange Commission (SEC).

First, the ownership disclosure legislation, listed companies are obliged to disclose their top ten major shareholders as well as their shareholdings. Furthermore notification to the Stock Exchange of Thailand is obligatory if there is any change in an ownership position of more than 10 million Baht in value, or more than 0.5 percent of the company's paid-up capital. The notification must be done within 3 working days. The listed companies are also required to declare the shareholdings of the companies' stakes by their management teams as well as the relationship among the management. The management team includes directors, executive directors, managers, employees at the level of department manager or above, persons in other titles who have the power to manage the company, and persons with whom the company has entered into a contract conferring to them the right to manage the company.

Second, voting right legislation, listed companies are prohibited from issuing non-voting shares, low and high voting shares or any types of shares that do not follow the one-share one-vote rule.

Third, the board of director legislation, the members of the board must not be less than 5, with at least 2 independent directors. Independent directors are defined as agents who are not related to the company's major shareholders and are not employed by the company and its associated companies as regular employees or advisors. In addition, independent directors must not hold directly or indirectly more than 0.5 percent of the outstanding shares, .

In voting for a director, the Stock Exchange of Thailand allows the cumulative voting principle. In this case, a shareholder's voting rights is equal to the number of shares she holds multiplied by the number of directors being elected. In principle, a shareholder may use the votes in favor of a person. Therefore, it is possible for a shareholder with small stakes in the company to put her representatives on the board of directors. Compared to non-cumulative voting rule, the cumulative voting principle gives more power for minority shareholders to place their representatives on the board (La Porta et al. (1998)).

Forth, shareholder meeting legislation, an annual ordinary meeting of shareholders has to

be organized within four months after the last day of the company's fiscal year. A shareholder must show up in person or authorize a representative to attend the meeting to be able to vote. Unlike in some countries, e.g. the US., UK., Australia, Canada, and Hong Kong (La Porta et al. (1998)), shareholders cannot vote by mail.

A shareholder may call for an extraordinary shareholders' meeting. The percentage of shares needed for a shareholder to be able to do so is 20 percent. Compared to other countries, the ownership level to call for an extraordinary shareholders' meeting in Thailand is rather high². The lower the fraction of shares required, the higher the opportunity for small shareholders to arrange a meeting to challenge the power of the management team, and hence the more the interests of small shareholders are protected (La Porta et al. (1998)).

In general, a majority rule is applied in any corporate decision except in the following cases: increases and decreases of the equity capital, issuing corporate bonds, changes in the acts of incorporation, merger and acquisition, making, amending or terminating a contract relating to selling, transferring leasing of the company's assets. In these cases, a super-majority of 75 percent of the voting rights is required.

Fifth, legal mechanisms used to protect shareholders against opportunistic activities of management is the following. If a director's activity causes damage to the company, a shareholder or a group of shareholders holding at least 5 percent of the paid-up capital have the legal right to direct the company to claim compensation. If the company fails to take such a action, the shareholder can ask the court to claim compensation or stop the action on behalf of the company.

To nullify any corporate decision, 20 percent of share capital is needed. With this level of shareholding, a shareholder or a group of shareholders has the right to investigate a company's financial status, business operation and inspect the board of directors' conduct.

A shareholder with at least 10 percent of shareholding has the right to submit a motion to the court for the company's liquidation if i.) management fails to act in accordance with the provisions relating to payments of stock issuance and transferring of ownership, ii.) the

²La Porta et al. (1998) shows that the mean value of the ownership levels to call for an extraordinary shareholders' meeting of 49 countries around the world is 11 percent.

number of shareholders is less than 15, and iii.) the company is in financial distress and has no possibility of recovering.

Finally, regarding to dividend legislation, dividend payment has to be approved by the shareholder meeting. A company cannot pay out dividends from other sources except its profits. Dividends cannot be distributed if the company still has an accumulated loss. In addition, dividends cannot be paid if the company's retain earning is less than 10 percent of the registered capital. The Law requires that the company must allocate to the company's reserve at least 5 percent of its annual net profit less accumulated losses carried forward from ex-period until the retain earning reaches the amount of at least 10 percent of the registered capital.

3 Data

This study uses firm-level data for non-financial companies listed in the Stock Exchange of Thailand in 1996. There were 363 listed companies in 1996. But due to data incompleteness, I was not able to include all companies in the sample. The companies that do not have a complete record on the variables included in the models or their accounting periods is not from January 1 through December 31, 1996 were excluded. I ended up with having a sample set containing 270 firms. The mean market value of equity of the 270 companies in the sample accounts for 97.08 percent of the market value of all non-financial companies listed in the Stock Exchange of Thailand.

3.1 Data sources

The data were collected from multiple sources. The equity ownership, member of the board of directors, number of shares outstanding, accounting data and years of incorporation obtained directly from the Stock Exchange of Thailand and from the I-SIMS database produced by the Stock Exchange of Thailand. Except data on ownership, the data used are as of the end of 1996. For ownership data, the database provides the ownership information at different time for different companies over the period from January 1 through December 31, 1996 ³.

³To check if it is appropriate to use this database, I examined ownership patterns over the past five years. The ownership structure appears to be indeed stable. There were very few cases of changes in control over companies,

The equity ownership database includes shareholdings that are higher than 0.5 percent. The ownership here means voting rights associate with numbers of shareholdings. In fact voting rights are equal to cash flow rights since the Thai corporate charter does not allow firms to issue shares apart from one-share-one-vote rule. Supplemental information on equity ownership, in particular lists of each firms' affiliates and their share stakes are collected manually from the data base of the library of the Stock Exchange of Thailand and the Ministry of Commerce.

Information about family relationships among members of the boards of directors and shareholders is obtained from company files available at the library of the Stock Exchange of Thailand. This information is part of the information disclosure requirements of the the Stock Exchange of Thailand on listed companies. The company files provide the past five years ownership patterns, lists of the top ten largest shareholders and their relationships. Additional references for ownership structure and family relationships, especially those affiliated with business groups are obtained from the Thai newspaper, Than Setthakij (various issues), Manager Information Services (1996), Pornkulwat (1996), Suehiro (1989), and Pipatseritham (1981).

The data is cross-sectional because it is difficult to obtain data on ownership patterns, especially ownership patterns of corporate shareholders. The limited availability of ownership data makes it impossible at the present to construct a proper panel containing cross-sectional and time-series data, which are likely to yield richer findings.

3.2 Sample description

This section describes the characteristics of the companies in the sample. Panel A of Table 1 shows the number of companies in the sample by industry. The industry groupings are the same as those of the Stock Exchange of Thailand.

Panel B of Table 1 presents descriptive statistics for companies in the sample. In general, companies in the sample are not just small or start-up companies. The average number of years since a firm was set up is 21.02 years.

The sample includes both large companies and smaller size companies. The book values

measured by changes in major shareholders. Hence using the ownership database should not introduce serious bias to the analysis.

of total assets vary from 179,785 million Baht to the minimum of 325.82 million Baht, with the mean and median values of 7,140.71 million Baht and 2,428.76 million Baht, respectively. Sales revenues vary from a maximum of 107,273.01 million Baht to a minimum of 11.31 million Baht, with the the mean and median values of 3,531.52 million Baht and 1,544.03 million Baht, respectively. The market value of equity presents a similar picture. The mean market value of equity of companies in the sample is 4,485.53 million Baht, with the median value of 926.94 million Baht.

The ranking of companies in Thailand, published by Management Information Service (1996b) shows that our sample includes large companies⁴. Specifically, 22 companies in our sample appear in the 100 largest companies in Thailand in 1994. About 35.56 percent of companies in the sample are among the largest 500 companies in Thailand. Approximately 77.78 percent of our sample or 210 companies are in the top 2000 companies.

Further examination shows that our sample also includes companies that are affiliated with big business groups. Sixty seven companies that belong to the 23 business groups in our sample, account for 24.81 percent of the sample.

[Insert Table 1 Here]

4 The ownership structure

Wiwattanakantang (1999) and Wiwattanakantang (2000) show that Thai firms are not owned by shareholders who hold small fraction of the firms' shares. On the average, shareholding by the largest shareholder alone accounts for 24.65%. The ownership is concentrated in the hands of corporate and individual shareholders. Since in many cases, corporate shareholders are owned ultimately by a group of family, the standard method commonly used in the developed countries to describe the ownership patterns, however, does not seem to be appropriate to understand Thai firms. In order to find out who are the ultimate owners of Thai firms, we first have to

⁴Management Information Service (1996b) lists the 2000 largest companies in Thailand in 1994. Both listed and non-listed companies are included. This source of information is used because there is no information available for 1996. It is the closest data available to 1996. The rankings based on 1994 data probably do not provide exact information for the companies in our sample. Nevertheless, the rankings do help to understand the characteristics of companies in our sample.

define how a shareholder can control or be an owner of a firm.

4.1 Definition of controlling shareholder

Following the Stock Exchange of Thailand, a shareholder is a controlling shareholder or ultimate owner of a firm if he owns directly or indirectly more than 25 percent of the firm's shares. Under the Public Limited Companies Act, at this level of shareholdings, a shareholder has sufficient voting power to have significant influence on the firm in the following manners (see Section 2). First, a controlling shareholder can nullify any corporate decisions. Second, a controlling shareholder can demand to inspect the business operation and the financial condition of the company, as well as the conduct of the board. Third, a controlling shareholder can call an extraordinary general meetings any time. Forth, a controlling shareholder can submit a notion to the court demanding for the dissolution of a company if he thinks that further company operations will bring only losses, and that the company has no chance of recovery.

Direct ownership means that an individual (or a family) holds shares in his own name. Members of a family are treated as a single shareholder on the assumption that they vote as a coalition. Members of a family include those who have the same family name and close relatives as well as relatives of in-laws of the family. Although there were cases of fighting for controlling power within a family, here I do not take this topic into consideration.

In the case of indirect ownership, or when a firm's shares are held by a company or through a chain of companies, I search for the ultimate owner (controlling shareholder) of the last company. This indirect ownership is defined in the same way as La porta et al. (1999). An individual or a family B indirectly controls x percent of company 1 if: i.) B directly holds more than 25 percent of shares of company 2, which directly holds x percent of company 1; or ii.) B directly controls company 3 which in turn controls company 2, which directly holds x percent of company 1. The chain of controlling of a firm could be many layers. Here we do not place a limit to the number of companies in this control chain as long as each of the companies has controlling power over the next one.

Firms that do not have an ultimate controlling shareholder, a shareholder of more than 25 percent voting rights, are defined as firms without controlling shareholder. Firms that are

owned by a corporation as well as financial institution that have no controlling shareholder also fall into this category.

I classify ultimate owners into 4 groups: an individual or a family, the Thai government, foreign investors, a group of more than one individual or family. Government control is considered separately because the government's purpose in controlling firms may be the country's welfare. Sometimes government ownership may help to serve political objective, that goes against the public interests (Shleifer and Vishny (1994)).

I separate firms that are controlled ultimately by more than one individual or family as a separate category. The reason is that the seriousness of agency problems and contractual costs of a firm that is controlled by more than one group of shareholders might not be the same as those with one controlling shareholders. Since there exist other large shareholders in the firms, they might monitor each other, resulting in lower agency costs.

For foreign corporate shareholders, I do not search for the ultimate control of their parent companies. So it can be the case that firms that have foreign corporations as their controlling shareholders and hence defined as foreign-controlled firms may be actually widely-held firms if their parent companies in the home based countries are dispersedly owned. Fortunately the fraction of such firms is small, as will be shown in next section.

4.2 The controlling shareholders of Thai firms

We will first have a brief look at who are the largest shareholders of Thai firms. Table 2 reveals that out of 270 companies, 197 companies, or 72.96 percent of the sample, have an individual or a family as their largest shareholder. The second group who appear as largest shareholders are foreign investors. There are 46 companies in this group or 17.04 percent of the sample. These foreign investors are 23 corporations, and the rest 23 are individuals. There are 13 companies, or 4.81 percent of the firms that are owned by companies, which are controlled ultimately by more than one individual or family. The number of these ultimate shareholders ranges from two to six. The Thai government appears to be the largest shareholder in 9 companies, or 3.33 percent of the companies in the sample. There are only 5 companies that have the largest shareholder as public corporations, which have no ultimate shareholder. Among five of them,

the largest shareholders of two companies are widely held financial institutions, and the others are other public corporations.

Panel B shows summary statistics of ownership of the largest shareholders of all firms in the sample. The largest shareholders hold big stakes in the firms. The percentage of outstanding shares held by the largest shareholders ranges from a minimum of 5.92 percent to a maximum of 92.53 percent, with a mean of 43.31 percent.

[Insert Table 2 Here]

We have seen that the largest shareholders hold big stakes of the firms. It is then interesting to examine the number of companies with and without controlling shareholder. Table 3 presents the number of firms that have controlling shareholders. Out of 270 firms, 223 firms or 82.59 percent of the firms have ultimate owners. Only 47 firms or 17.41 percent of the firms have no single shareholder holds more than 25 percent of the firms' shares. The ownership information reveals that there exist not only firms with one controlling block but also firms that are controlled by more than one group of shareholder. The percentage of this type of firms is 10 percent. The shareholdings of these firms can be classified into 2 groups; firms with two groups of controlling shareholders (5.19 percent), and firms that are owned ultimately by more than one family (4.81 percent of the firms in the sample).

The number of firms that are controlled by a single family is the highest. Single family-controlled-firms account for 57.41 percent of firms in the sample. The number of family-controlled firms are in fact higher if we also add firms that are controlled by more than one family (4.81 percent of the firms). In addition, families also appear in the two controlling blocks category. In 17 firms that have two controlling blocks, 14 firms have families as one of their controlling shareholders. These families either control the firms together with another family (5 firms), or with foreign investors (10 firms). So in total 183 firms or 67.78 percent of the firms are controlled by families.

The second largest group of controlling shareholders are foreign investors. There are 35 firms that are foreign-controlled, or 12.96 percent of the firms. If we include foreign controlled firms that appear in the more than one controlling shareholder category, then there are 49 firms, or

18.15 percent, that have foreign investors holding controlling votes. However 31 cases, or 11.48 percent of the firms are controlled by foreign corporations, for which I do not have information of their ultimate owners. These foreign corporations are for example, the Mitsui group (Japan), Asahi Glass Corporation (Japan), and Berli-Jucker corporation (Netherlands).

The next group of investors that has a controlling stake in Thai firms is the Thai government. The government controls 5 firms, or 1.85 percent. The State agencies who play the role of shareholders are the Ministry of Finance, the State-owned banks, namely Krung Thai Bank, Thai Military Bank, and Industrial Finance Corporation of Thailand (IFCT), State-owned financial companies, namely Krungthai Thanakij, and State enterprises, namely Petroleum Authority of Thailand.

In sum, Thai firms are dominated by non-dispersedly held firms. They are controlled by families and to a lesser extent by foreign investors, and the government.

There is one point worth noting here about the shareholdings of financial institutions. Widely held financial institutions as well as those under the control of the wealthy families do not hold controlling votes of Thai firms in our sample. The highest shareholding by financial institutions is 19.87 percent, while average shareholdings is 4.98 percent (Wiwattanakantang 1999).

[Insert Table 3 Here]

Table 4 shows the the size of the stakes held by each group of controlling shareholders. I define the ownership of controlling shareholders into three levels: between 25-50 percent, majority (between 50-75 percent), and super-majority ownership (more than 75 percent). Panel A shows the number and proportion of firms according to this classification. The ownership of firms that have two controlling blocks are an aggregation of the two owners' shareholdings.

In 223 firms where controlling shareholders exist, the controlling shareholders in 103 firms hold shares between 25-50 percent. These firms are 40 percent of the firms in the sample. The controlling shareholders in 110 firms have majority ownership, and in 14 firms have super-majority ownership. If we look at these firms as a fraction of 270 firms in our sample, the firms with majority ownership and super-majority ownership account for 45.93 percent. Among firms

that have ownership above the 50 percent level, about 30.74 percent of the firms are owned by families.

With respect to the ownership of foreign controlling shareholders, in 35 foreign-controlled firms, 16 firms have majority holdings, and 19 firms have controlling blocks between 25-50 percent. These account for 5.93 percent and 7.04 percent of the firms, respectively. The Government ownership, however, is concentrated between 25-50 percent. Specifically, in 4 out of 5 government-controlled firms, the government's shares are between 25-50 percent. Only one firm has super-majority ownership.

Panel B presents summary statistics of the ownership of the controlling blocks. The average ownership of the controlling shareholdings of all types of ultimate owners are above 40 percent. The median of holdings, except of the State, are also 40 percent up. The mean ownership of firms with two controlling shareholders is 60.51 percent, with median 58.89 percent.

There is one issue worth noting about controlling shareholders who are families. Among family-controlled companies, there are number of companies that are associated with business groups. Specifically business groups are defines as the Thai families that were among the hundred largest business groups in 1979, and the groups survive to the present. Since many of the groups keep their companies private, they are only 23 business groups that control companies in our sample⁵. These business groups are namely the Crown Property Bureau, Sophonpanit, Lao-hathai, Lamsam, Rattanak, Pornprapha, Phenchart, Chonwicharn, Yip In Tsoi, Uachukiat, Photirattanangkun, Osathanukhro, Chirathiwat, Kanasut, Asakun, Darakanon, Liaophairat, Choke Wattana, Srifuengfung, Wiriyaprapaikit, Wattanawekin, and Sriwikorn⁶.

[Insert Table 4 Here]

⁵In order to identify business groups, I use the ranking of the top hundred business groups according to the companies' assets in 1979, provided by Suehiro (1989). As far as I know, this is the most recent source of information that can be used for a reference. Even though the ranking is not recent, the business groups defined here should not introduce bias to the analysis. The 23 business groups are well known at present.

⁶Following the Stock Exchange of Thailand's definition, a firm is associated to a business group if the groups' controlling shareholders own the firm's shares more than 20 percent.

5 Are firms with no controlling shareholder really widely-held?

In this section, I investigate the ownership of 47 firms that are classified as firms with no controlling shareholder. These firms, however, are not really dispersedly held by small shareholders in the same way as firms in the US. or UK. In contrast, the top shareholders of the 47 firms hold large blocks. But the size of the largest block is just less than 25 percent, our threshold of having a controlling shareholding. Put differently, the shareholdings of these firms are indeed concentrated. Here I measure ownership concentration by the ownership stake of the firms' largest shareholder. Results are presented in Table 5.

Panel A shows the average ownership of the largest shareholders of the widely held firms is 19.31 percent, with median 18.77 percent. The maximum shareholding, however, reaches 62.42 percent. The minimum holding is 5.92 percent.

Panel B provides further information on the distribution of the ownership. There are three companies in the sample where the largest shareholders hold the equity more than 25 percent. These three companies are owned by other public companies that do not have any ultimate shareholder.

Many of the firms with no controlling shareholder would be classified as non-widely held. If we relax the definition of controlling shareholdings from 25 percent to 20 percent. As noted before, a shareholder with such a stake has sufficient voting rights to have a significant influence on major corporate decisions. Then 19 firms from 47 dispersedly held firms will fall into the non-dispersedly held firms category. If we are looser on the definition of controlling shareholder, the proportion of dispersedly held firms is reduced further. For example, following the Stock Exchange of Thailand, a shareholder with 10 percent ownership is defined as a major shareholder. Then only 4 out of 270 firms can be titled as widely-held. Stated differently, 266 firms or 98.52 percent of the firms have at least one major shareholder.

If we use a holding of a 5 percent ownership stake as a definition of large shareholding as used for the US. based model by many studies (for example, Morck, Shleifer and Vishney (1988), Zeckhauser and Pound (1990)), then there are no real widely held firms in our sample. All firms have at least one shareholder with more than 5 percent shareholding.

[Insert Table 5 Here]

6 The controlling mechanisms of Thai firms

In this section how firms exercise control is discussed. Specifically I will answer the following questions. Do controlling shareholders simply control firms directly, or indirectly via their privately owned subsidiaries or affiliated companies? I call this type of controlling *simple*. Even though Thai firms are not allowed to issue dual class voting or non-voting shares, other mechanisms can be used to separate cash flow claims from control rights, such as pyramidal ownership and cross-shareholdings. The shareholding mechanisms permit controlling shareholders having more control over the firms more than the proportion of their shareholdings.

Pyramidal ownership is the process of controlling via layers of companies. I define a pattern of shareholding as a pyramid in the same manner as La Porta et al. (1998). Company Z is controlled through a pyramid if it is controlled by a *public company* Y, which is in turn controlled by a family X. Companies in the middle are required to be public companies. If company Y is privately owned by family X, we do not call this ownership structure a pyramid. The requirement is important in the case of Thai firms. If firms in the middle of the chain of control is privately owned by a family, the family then are not able to separate cash flow and control right. The following example should give better understanding.

Consider a simple case of the sequence of 2 companies, Y and Z. A controlling shareholder who holds more than 50 percent of a public company Y, which in turn holds 50 percent of company Z, has majority control over company Z. In this case, the controlling shareholder who actually holds only 25 (50*50) percent of shares in company Z can exercise full control over company Z. If companies in the middle of the chain of control is privately owned companies by a family, the separation of voting right and control is not applicable. An example of a pyramid structure is the ownership structure of South Africa's conglomerates (Barr et al. (1995)).

Cross-shareholding is a mechanism for not only assuming effective control, disproportionate to ownership, but also to protect the power of the controlling shareholders. Comparing to pyramidal structure of control, the voting rights of cross-shareholding mechanism spread around

companies in the chain of control rather than concentrated on a single shareholder (Bebchuk et al. (1998)). The most famous example is the case of the Japanese *Keiretsu* where complicated cross-shareholdings between firms in the same group are created (Sheard (1994)). Here cross-shareholding is defined in the same way as La Porta et al. (1998). That is, company Z has cross-shareholdings if it also holds any shares of its corporate controlling shareholder, or other companies along the chain of control.

Table 6 shows how Thai firms are owned. Note that in Table 6, more than one investor category refers to i.) firms that have a single controlling block owned by two or more owners ultimately, and ii.) firms that have two controlling blocks. Surprisingly there are very few cases of complex ownership structure. Most of the firms that have controlling shareholders are controlled by the *simple ownership structure*. More specifically, out of 223 firms that have ultimate owners, 176 firms, or 78.92 percent are classified under the *simple ownership structure*.

The second most frequent type of control is controlling through pyramids. The number of firms that are controlled by a pyramidal ownership pattern is 40, which accounts for 17.94 percent of the firms with controlling shareholders. There are only 2 firms, that are classified as cross-shareholdings. Finally there are 5 firms or 2.24 percent of the firms that are controlled by more complex mechanisms, i.e., through pyramids and also through cross-shareholdings. Note that many of the firms that have a pyramidal structure and cross-ownership structure are also controlled partly via direct ownership by the controlling shareholders and their affiliated companies that are privately owned.

The incidence of complicated ownership structure is more often in family-controlled companies. Out of the 40 firms with pyramidal ownership, 28 firms are single-family-controlled, 7 are more-than-one-investors-controlled, 1 are the Government-controlled and 3 are foreign-controlled. Most of the firms that are controlled by other types of controlling shareholders, however, have a simple pattern of shareholdings. For example, 32 firms from 35 foreign-owned firms use a simple ownership pattern. For 28 firms that are controlled by at least two investors, 16 firms are controlled under the simple ownership structure, 8 firms use a pyramid structure, 2 firms have cross-shareholding and the rest 2 firms have both the incidence of pyramidal and cross-ownership structures.

Compared with the evidence of other countries, complicated ownership is not commonly used by Thai shareholders to control the firms. For example, in South Africa, the six conglomerates which control 70 percent of total listed firms mainly use pyramidal ownership (Barr et al. (1995)). In developed countries, La Porta et al. (1998)) find that in the sample of the twenty largest firms from 27 rich countries, 26 percent of the firms that have ultimate owners use pyramidal ownership.

[Insert Table 6 Here]

6.1 Examples of controlling mechanisms

In this section, I present examples of ownership patterns used by controlling shareholders to control the firms described in Section 6. The *simple ownership structure* in Figure. 1 shows an example of direct shareholding by a family. This kind of ownership pattern is the most straightforward. Shinnawatra Computer and Communication is owned directly by the Shinnawatra family who is also the founder of the firm. The Shinnawatra family control 50.22 percent of the firm's votes. Though the Shinnawatra family controls Shinnawatra Computer and Communication, none of the family members appear as officers or directors.

The next case is an example of controlling by direct and indirect ownership, another kind of the *simple ownership structure*. General Engineering is controlled by a holding company called Patawasu Holdings, with 25 percent of the votes (Figure. 2). Patawasu Holdings, however, is a holding company of the Chatikawanit family. The Chatikawanit family also holds 14.4 percent of General Engineering directly. Therefore overall the Chatikawanit family ultimately controls 39.4 percent of General Engineering. The Chatikawanit family does not only establish and control the company, but also participates in its management. One member of the family acts as the chairman of the board, and two members of the family are directors.

Another example of *the simple ownership structure* is the case of Italian-Thai Development (Figure. 3). Italian-Thai Development, however, has more complex ownership. The Kanasut family, one of the founders, owns 34.13 percent of Italian-Thai Development. But the Kanasut family controls more votes of Italian-Thai Development. The family controls 25.67 percent of Ital-Thai Holdings, which in turn controls 12 percent of Italian-Thai Development. Italian-Thai

Holdings also controls 95.16 percent of Ital-Thai Industrial, another shareholder of Italian-Thai Development with 8.54 percent ownership. The Kanasut family is not the only one controlling shareholder of Italian-Thai Development. The Jaranachit family, also has controlling votes in the firm. The Jaranachit family holds 21.73 percent of Italian-Thai Development directly, and indirectly through controlling 29.71 percent of Ital-Thai Holdings' shares. However the Kanasut family and the Jaranachit family are actually considered as one family because they are related by marriage. One of the daughters of the Kanasut family is married to the Jaranachit family. Because both Ital-Thai Holdings and Ital-Thai Industrial are not publicly traded, the ownership structure of Italian-Thai Development is not a pyramid.

Metro System Corporation is an example of the companies that have one controlling shareholder but ultimately are controlled by a group of more at least two individuals or families (Figure. 4). The major shareholders of Metro System Corporation are Sri Krung Wattana (32.85 percent) and Sahapattanapoon (12.26 percent). Both Sri Krung Wattana and Sahapattanapoon are holding companies of Sri Krung Wattana group which is one of the Thai big business groups. This group is controlled by three families, namely the Laohathai family, the Setpornpong Family, and the Tangtrongsak Family. Since in this case it is not possible to specify fractions of shares of Metro System Corporation owned by the three families, I classify Metro System Corporation as having more than one ultimate controlling shareholder. The ownership structure is *simple* since its two major shareholders are not public companies.

An example of a firm that is controlled by two separate groups of shareholders is the Malee Sampran Factory (Figure. 5). The pattern of shareholdings of Malee Sampran Factory gives also an example of control through pyramid companies. There are two different groups of ultimate shareholders with controlling votes; the Kulapiyawaja family who is also the founder of Malee Sampran Factory, and the Chirathiwat family. Both families control Malee Sampran Factory indirectly via holding companies that appear in the first layer of the ownership structure of Malee Sampran Factory. That is, the Kulapiyawaja family controls 100 percent of the Bunmalee Food Processing, which in turn holds 36.03 percent in Malee Sampran Factory' shares. On the other side, the Chirathiwat family controls 49.58 percent of the publicly traded ABICO Holdings, which holds 41.1 percent of Malee Sampran Factory. The controlling mechanism of

the Chirathiwat family is a pyramid since a listed company, ABICO Holdings, appears in the chain of control.

The final example is the ownership structure of International Cosmetics (Figure 6). The pattern of shareholding of International Cosmetics illustrates all the types of the controlling mechanisms defined in this study, namely direct holdings, indirect holdings, pyramidal holdings, and cross-shareholdings. International Cosmetics is part of the Saha-Pathanapibul group which is one of Thai conglomerates. The founder of Saha-Pathanapibul group is the Chokwattana family. The Chokwattana family owns only 0.96 percent of International Cosmetics directly. However the Chokwattana family controls 20.08 percent of International Cosmetics indirectly by using the group's privately held holding companies. The other two large shareholders of International Cosmetics are Sahapathana Inter-Holdings, and Saha-Pathanapibul and WACOAL. All are controlled by the Chokwattana family directly and indirectly. These three corporate shareholders are publicly traded. Therefore the Chokwattana family owns more votes of International Cosmetics through pyramid companies namely WACOAL, Sahapathana Inter-Holdings, and Saha-Pathanapibul. In total, Chokwattana family controls 48.58 percent of International Cosmetics. International Cosmetics also holds 5.03 percent of Sahapathana Inter-Holdings and 4.44 percent of Saha-Pathanapibul. Hence this is also the case of cross-shareholdings.

[Insert Figure 1 Here]

[Insert Figure 2 Here]

[Insert Figure 3 Here]

[Insert Figure 4 Here]

[Insert Figure 5 Here]

[Insert Figure 6 Here]

7 Separation of control and ownership

We have seen that controlling shareholders exist in most of the Thai listed companies. The question raised here is whether these large shareholders merely monitor the firms described in

the model for American firms, for example, Sheifer and Vishny (1986), Admati et al. (1994), Bolton and Thadden (1998a, 1998b), or whether they also participate in the firms' management. I, therefore, examine the number of firms where the controlling shareholders join management teams. Management is classified into two groups; officers and directors. An officer is someone who holds one of the following positions: chairman, honorary chairman, vice-chairman, president, vice-president, CEO or managing director. CEO and managing director are equivalent positions. Both names are widely used by Thai firms. A director is someone who is not an officer but is a member of the board of directors.

Panel A of Table 7 shows the evidence on how often controlling shareholders manage the firms. Out of 223 firms with controlling shareholder, the controlling shareholders of 157 firms, or 71.04 percent hold positions as officers. In 159 firms, the controlling shareholders participate in management as directors. This accounts for 71.95 percent of the firms with controlling shareholders.

Panel A also provides additional information on which type of controlling shareholders is involved in management more often. One can see that in family-controlled firms the controlling shareholders appear more often among the top officers and directors. The incidence of family members' involvement in the management and control of firms is more than 75 percent of family-controlled firms. This is also the case for foreign-controlled firms that are ultimately owned by foreign individuals. All foreign-firms that are controlled by foreign individuals have family involvement in management. The evidence of Thai firms is similar to La Porta, Shleifer and Lopez-de-Silanes (1998). They find that 69 percent of family-controlled firms in rich countries are also family-managed firms.

A family in some firms does not hold just one position of top-executive level. Panel B of Table 7 presents summary statistics of this incidence. Specifically I examine how many positions of directors a controlling shareholder's family holds. The average positions that a family of controlling shareholder held is 1.97, with the median being 1. The maximum number of family involvement as directors is 7. This evidence is similar to the study of American firms with majority ownership by Denis and Denis (1994). They find that in 79 percent of the firms, more than two members of the controlling family appear among the top executive positions.

Panel B further supports our argument that compared to other types of ultimate shareholders, families participate more often in the firms' management.

Table 8 and Table 9 provide the distribution of shares held by officers and members of the board of directors of companies in the sample, respectively. In both tables, Panel A presents the distribution of managerial ownership of the total 270 firms in the sample. Summary statistics of managers' shareholdings are also included. Panel B shows the distribution of managerial ownership of 223 firms with controlling shareholders, classified by types of controlling shareholders. Table 8 and Table 9 support our argument that the cash flow rights and control right are not well separated in Thai companies. The mean percentage ownership held by officers of 270 firms in the sample is 32.90, with median 38.56. The average shareholdings by directors is 36.41 percent, with median 41.06 percent.

In more than half of the companies, officers and directors have controlling ownership. More precisely, officers in 163 firms or 60.37 percent of 270 firms in the sample hold more than 25 percent of the firms' outstanding shares. In 177 firms or 65.56 percent of the firms in the sample, directors have controlling votes. Examining further, one can see that it is family-controlled firms that have high managerial ownership. Out of 163 firms where officers' ownership exceeds 25 percent, 128 firms are single-family-owned, 78.53 percent. This pattern of shareholding is also the same for directors' ownership of family-owned firms.

Management of firms with two or more controlling shareholders also have high stakes. Out of 28 firms of this type, number of firms that have officer and director ownership exceeding the 25 percent level are 19 and 23, respectively. In foreign-controlled firms, the mean value of shareholdings by officers and directors are 16.63 and 23.85 percent, respectively. As noted earlier, there are two types of foreign-controlling shareholders: foreign individuals and corporations. The evidence of managerial shareholdings in foreign-controlled firms come mainly from firms that are controlled by foreign individuals. Management of firms that are controlled by foreign corporations do not hold the firms' shares.

In sum, controlling shareholders do not merely control the firms via shareholdings. They are involved in running the firms in the top management positions. Only in about 30 percent of the firms that controlling shareholders do not appear as managers.

[Insert Table 7 Here]

[Insert Table 8 Here]

[Insert Table 9 Here]

8 Summary

This paper examines the ownership structure of listed Thai firms. First, the degree of ownership concentration is high. In 42.64 percent of the firms, the largest shareholder owns the firm alone. Second, the largest shareholders in 82.59 percent of the firms in the sample are also controlling shareholders who own at least 25 percent of the votes. However there is not just one group of controlling shareholders in a firm. In 10.37 percent of the firms, there exist two or more groups of controlling shareholders. In addition, the controlling shareholders are mainly families. Foreign shareholders also appear to have controlling stakes, but in the lesser extent.

Third, in 47 firms or 17.41 percent of the firms that have no controlling shareholders, the firms are not actually dispersedly held. Simply looking at the percentage of shares held by the largest shareholder of these firms, there are only 4 firms where the ownership of the largest shareholder is less than 10 percent, the level of ownership of a major shareholder.

Fourth, the controlling shareholders in 78.92 percent of the firms with controlling shareholders use a simple ownership pattern to control the firms. They either own the firms' stakes directly, or indirectly via their privately owned holding companies and affiliated companies. About 21.27 percent of the firms, the controlling shareholders control the firms through a pyramid structure and cross-shareholdings.

Fifth, the controlling shareholders do not just own the firms and probably monitor the firms as described in the US. and UK. based model. In about 70 percent of the firms with controlling shareholders, the controlling shareholders are involved in the firms' management as officers and directors. Furthermore on average the percentage of officers and directors' shareholdings are approximately 32.90 and 36.41 percent, respectively.

The analysis leaves one important issue of what determines the ownership structure unanswered. Whether the issue is relevant or not is not clear priori in the context of Thai firms.

There are 2 strands of research related to this issue. On one side, Demsetz and Lehn (1985) argue that the firm's choice of ownership structure may be endogenously determined. The structure of corporate ownership is the outcome of rebalancing various costs and benefits of concentrated ownership and diffused ownership. In the context where large shareholder exists in the firm, Barr et al. (1995) and Gomes (2000) argue that stakes held by controlling shareholders are determined by the degree of agency problems arise in the firm. Firms with severe agency problems would have high concentrated ownership level because outside investors will not want to invest in such a firm.

However, since controlling shareholders have substantial discretion over their choice of shareholdings, it may not be that easy for outsiders to have significant effect on choosing a certain level of ownership. Therefore, it is not clear that actual ownership structures are determined endogenously (Hadlock 1998). To date, empirical evidence based on firms with similar ownership structure as Thai firms do not support that ownership levels are optimally determined. Denis and Denis (1994) find that shareholdings of majority owned firms are not related to any firm's characteristics, but are associated the presence of the controlling shareholders in the firms' management teams. Their results do not support the argument that ownership level is set according to the agency costs. Whether ownership is determined endogenously inside the firm is ultimately an empirical question. This issue is, however, left for future research.

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Table 1: Sample Description

This table presents characteristics of companies in the sample. The sample consists of non-financial companies listed in the Stock Exchange of Thailand in 1996. Accounting data is for consolidated companies, obtained from the Stock Exchange of Thailand.

Panel A: Companies in the Sample: Classified by Industries	
Industry	No. of firms
Agribusiness	28
Building Materials	29
Chemicals and Plastics	11
Commerce	12
Communication	10
Electrical Products and Computer	9
Electrical Components	5
Energy	5
Entertainment and Recreation	6
Food and Beverages	20
Health Care Services	12
Hotel and Travel Services	9
Household Goods	5
Machinery and Equipment	5
Packaging	16
Printing and Publishing	9
Property Development	29
Pulp and Paper	5
Textile	20
Transportation	6
Vehicles and Parts	8
Others	11
Total	270

Panel B: Descriptive Statistics for the Sample				
	Mean	Median	Max	Min
Book value of total assets	7,140.71	2,428.76	179,785	325.81
Sales revenue	3,531.52	1,544.03	107,273.01	11.31
Market value of equity	4,485.53	926.94	118,930.5	47.20
Number of years incorporated	21.02	17	120	2

Note: Values are in million Baht.

Table 2: The Largest Shareholder

This table identifies the largest shareholder of each firm. Information also includes the ownership level. Firms are classified into each category according to their controlling shareholders. Controlling shareholder is a shareholder whose ownership of the firm's shares directly and indirectly exceeds 25 percent. Companies without a controlling shareholders are classified as widely held corporations. Direct ownership means that an individual holds shares in his own name. An individual or a family B indirectly controls x percent of company 1 if B directly holds more than 25 percent of shares of company 2, which directly holds x percent of company 1. The chain of controlling of a firm could consist of many layers. *More than one group of shareholder* stands for firms that are owned ultimately by more than one group of shareholders.

Panel A: Identification of the largest shareholder

Type of shareholders	Number of firms	Percentage
Individual or family	197	72.96
Government	9	3.33
Foreign investor	46	17.04
More than one group of shareholder	12	4.81
Widely held corporations	5	2.85
Total	270	100.00

Panel B: Summary statistics of the ownership of the largest shareholder

Mean	43.31
Median	44.12
Standard deviation	17.59
Maximum	92.53
Minimum	5.92

Table 3: Identification of Controlling Shareholders

Firms are classified into each category according to their controlling shareholders. A controlling shareholder is a shareholder who owns at least 25 percent of the firm's shares, directly or indirectly. Companies without a controlling shareholder are classified as companies with no controlling shareholder. Direct ownership means that an individual holds shares in his own name. An individual or a family B indirectly controls x percent of company 1 if B directly holds more than 25 percent of shares of company 2, which directly holds x percent of company 1. The chain of controlling of a firm could be many layers. Companies with more than one controlling shareholder are companies that are owned ultimately by more than one group of shareholder.

Type of controlling shareholder	Number of firms	Percentage
<i>With one controlling shareholder</i>	223	83.59
An individual or a family	155	57.41
Government	5	1.85
Foreign investors	35	12.96
<i>With more than one controlling shareholder</i>	28	10.37
<i>With no controlling shareholder</i>	47	17.41
Total	270	100.00

Table 4: The Ownership of Controlling Shareholders of Thai Firms.

This table presents the ownership level of controlling shareholders. Firms are classified into each category according to their controlling shareholders. A controlling shareholder is a shareholder whose ownership of the firm's shares directly and indirectly exceeds 25 percent. Firms with more than one controlling shareholder are either those that are held ultimately by a group of shareholders or those with two controlling blocks. Ownership of firms with more than one controlling shareholder is an aggregation of the controlling shareholders' shareholdings. The percentage column is calculated as the proportion of firms that fall into each category divided by the total number of firms in the sample (270 firms).

Panel A: The Ownership of Controlling Shareholders						
Ownership	Between 25-50%		Between 50-75%		More than 75%	
	Number of firms	(%)	Number of firms	(%)	Number of firms	(%)
<i>One controlling shareholder</i>	96	35.56	92	34.07	8	2.96
An individual or a family	72	26.67	76	28.15	7	2.59
Government	5	1.85	0	0.00	1	0.37
Foreign investors	19	7.04	16	5.93	0	0.00
<i>More than one controlling shareholder</i>	3	1.11	19	7.04	6	2.22
<i>Total</i>	99	36.67	110	40.74	14	5.19

Panel B: Summary Statistics of the Ownership of Controlling Shareholders					
	Mean	Median	Max	Min	
<i>One controlling shareholder</i>					
An individual	51.04	50.46	92.53	25.13	
Government	43.62	37.94	80.01	26.58	
Foreign investors	46.03	48.00	66.66	25.00	
<i>More than one controlling shareholder</i>	60.51	58.89	90.38	25.00	

Table 5: The Ownership of the Largest Shareholders of Widely Held Firms.
This table shows the shareholdings by the largest shareholder of 47 firms with no controlling shareholder. A controlling shareholder is a shareholder whose ownership of the firm's shares directly and indirectly exceeds 25 percent.

Mean	19.31
Median	18.77
Standard deviation	9.78
Maximum	62.42
Minimum	5.92

Ownership level	Number of firms	Percentage
0 – 5%	0	0.00
5 – 10%	4	8.51
10 – 15%	11	23.40
15 – 20%	14	29.79
20 – 25%	15	31.91
more than 25%	3	6.38
Total	47	100.00

Table 6: Type of Controlling

This table presents how firms are owned. Firms are classified into each category according to their controlling shareholders. A controlling shareholder is a shareholder whose ownership the firm's shares directly and indirectly exceeds 25 percent. Three control mechanisms are defined: *simple*, *pyramidal ownership* and *cross-shareholdings*. First, when controlling shareholders control firms directly, or indirectly via their privately owned subsidiaries or affiliated companies it is called *simple* ownership. Second, pyramidal ownership is defined as follow. company Z is controlled through a pyramid if it is controlled by a *public company* Y, which is in turn controlled by a family X. Firms in the middle are required to be public firms. Third, company Z has cross-shareholdings if it holds shares of its corporate controlling shareholders. The “more than one controlling shareholder” category refers to firms that have a single controlling block ultimately owned by more than one shareholder, or firms that have two controlling blocks.

Type of shareholding	Simple (1)		Cross-shareholdings (2)		Pyramids (3)		Both (2) and (3)	
Type of investor	Number of firms	%	Number of firms	%	Number of firms	%	Number of firms	%
Individual or family	124	55.61	0	0.00	28	12.56	3	1.35
Government	4	1.79	0	0.00	1	0.45	0	0.00
Foreign investor	32	14.35	0	0.00	3	1.35	0	0.00
More than one controlling shareholder	16	7.17	2	0.90	8	3.59	2	0.90
Total	176	78.92	2	0.90	40	17.94	5	2.24

Table 7: Separation of Ownership and Management

Panel A shows the number of firms where the controlling shareholders are officers and directors. An officer is someone who holds one of the following positions: chairman, honorary chairman, vice-chairman, president, vice-president, CEO or managing director. A director is someone who is not an officer but is a member of the board of directors. Figures in the percentage columns are calculated as a fraction of firms where controlling shareholders exist (223 firms). Panel B provides information on how many positions a controlling family has in the firm's board of directors. Firms are classified into each category according to their controlling shareholders. A controlling shareholder is a shareholder who owns the firm's shares directly and indirectly exceed 25 percent. The "more than one controlling shareholder" category refers to firms that have a single controlling block ultimately owned by more than one shareholder, or firms that have two controlling blocks.

Panel A: Number and percentage of firms where the controlling shareholders are officers and directors

Type of controlling shareholder	Officers		Directors	
	Number of firms	(%)	Number of firms	(%)
Individual or family	125	82.78	119	78.81
Government	0	0.00	0	0.00
Foreign investor	11	30.56	16	44.4
More than one controlling shareholder	21	75.00	24	85.7
Total	157	71.04	159	71.95

Panel B: Summary statistics of the number of directors on the board held by the firm's controlling shareholder(s)

	Mean	Median	S.D.	Max	Min
An individual or a family	1.97	2.0	1.63	7	0
Government	0	0	0	0	0
Foreign investors	0.58	0.00	0.79	3	0
More than one controlling shareholder	1.64	1	1.19	5	0
All firms with controlling shareholders (223 firms)	1.7	1.00	1.55	7	0

Table 8: The Distribution of Shares held by Officers

Panel A presents the distribution of officers' ownership. An officer is someone who holds one of the following positions: chairman, honorary chairman, vice-chairman, president, vice-president, CEO or managing director. Panel B shows the distribution of shareholdings of officers, classified by types of controlling shareholders. A controlling shareholder is a shareholder who owns the firm's shares directly and indirectly exceed 25 percent. Companies without an ultimate owner are classified as firms with no controlling shareholder.

Panel A: The distribution of officers' ownership

Ownership level	Number of firms	Percentage
0%	65	24.07
0 – 5%	14	5.19
5 – 10%	7	2.59
10 – 15%	8	2.96
15 – 20%	7	2.59
20 – 25%	6	2.22
25 – 50%	77	28.52
50 – 75%	77	28.52
75 – 100%	9	3.22
Total	270	100.00
Mean		32.90
Median		38.56
S.D.		26.16
Maximum		92.53
Minimum		0.00

Panel B: The distribution of officers' ownership classified by types of controlling shareholders

Ownership level	Family	Government	Foreign Investor	More than one controlling shareholders	No controlling shareholder
0%	21	5	16	8	15
0 – 5%	3	0	4	0	7
5 – 10%	1	0	2	1	3
10 – 15%	1	0	1	0	6
15 – 20%	0	0	1	0	6
20 – 25%	1	0	0	0	5
25 – 50%	56	0	6	10	5
50 – 75%	65	0	5	7	0
75 – 100%	7	0	0	2	0
Total	155	5	35	28	47
Mean	44.06	0.00	16.63	34.15	10.94
Median	48.42	0.00	2.0	39.50	6.52
S.D.	23.43	0.00	22.47	27.25	12.42
Maximum	92.53	0.00	66.66	87.76	42.42
Minimum	0.00	0.00	0.00	0.00	0.00

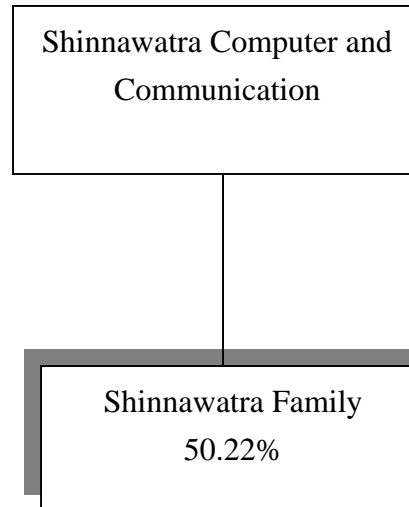
Table 9: The Distribution of Shares held by Directors

Panel A presents the distribution of directors' ownership of 270 firms in the sample. Directors are members of the board who are not officers. Panel B shows the distribution of shareholdings of directors, classified by types of controlling shareholders. Firms are classified into each category according to their controlling shareholders. A controlling shareholder is a shareholder who owns the firm's shares directly and indirectly exceed 25 percent. Companies without an ultimate owner are classified as firms with no controlling shareholder.

Panel A: The distribution of directors' ownership		
Ownership level	Number of firms	Percentage
0%	39	14.44
0 – 5%	16	5.93
5 – 10%	15	5.56
10 – 15%	7	2.59
15 – 20%	8	2.96
20 – 25%	8	2.96
25 – 50%	81	30.00
50 – 75%	85	31.48
75 – 100%	11	4.07
Total	270	100.00
Mean		36.41
Median		41.06
S.D.		25.20
Maximum		92.53
Minimum		0.00

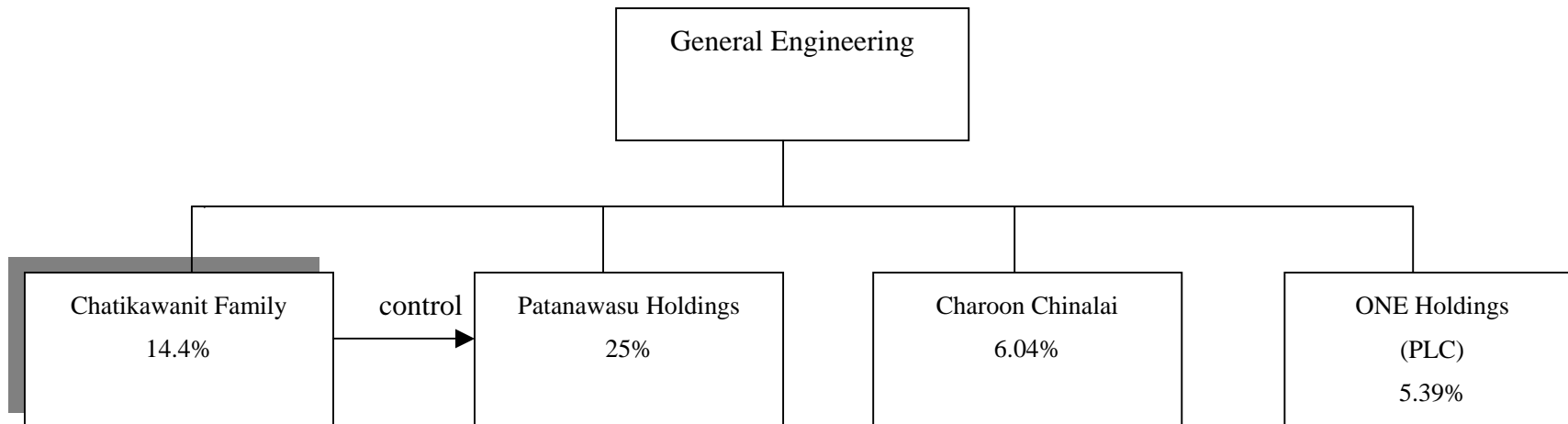
Panel B: The distribution of directors' ownership, classified by types of controlling shareholders					
Ownership level	Family	Government	Foreign Investor	More than one controlling shareholders	No controlling shareholder
0%	11	5	13	4	6
0 – 5%	10	0	2	0	4
5 – 10%	2	0	2	1	10
10 – 15%	2	0	2	0	3
15 – 20%	0	0	1	0	7
20 – 25%	0	0	2	0	6
25 – 50%	52	0	4	15	10
50 – 75%	69	0	9	6	1
75 – 100%	9	0	0	2	0
Total	155	5	35	28	47
Mean	44.02	0.00	23.85	49.58	16.78
Median	50.81	0.00	11.34	42.90	15.01
S.D.	23.13	0.00	26.56	22.29	13.82
Maximum	92.53	0.00	71.49	82.08	54.42
Minimum	0.00	0.00	0.00	0.00	0.00

Figure 1: Shinnawatra Computer and Communication



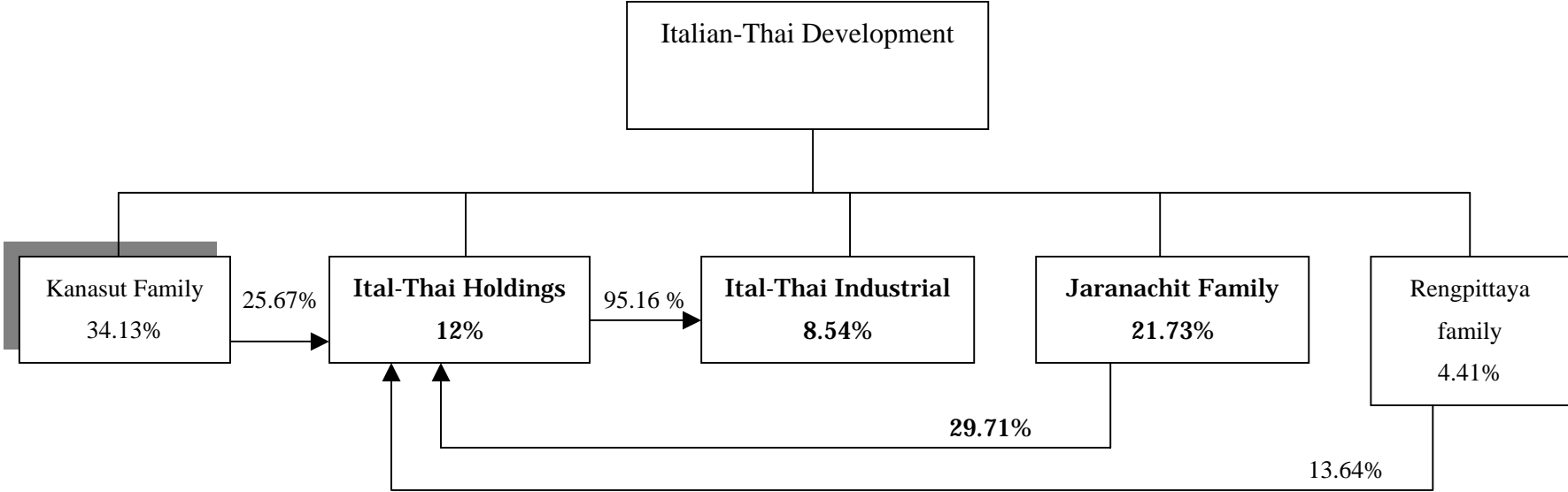
Business: Communication
Market Capitalization: B42,966 Mil.
Year founded: 1983
Founder: Shinnawatra Family

Figure 2: General Engineering



Business: Building & Furnishing Materials
Market Capitalization: B360 Mil.
Year founded: 1962
Founder: Chatikawanit Family

Figure 3: Italian-Thai Development



Business: Property development
 Market Capitalization: B41,000 Mil.
 Year founded: 1958
 Founder: Kanasut Family

Figure 4: Metro System Corporation

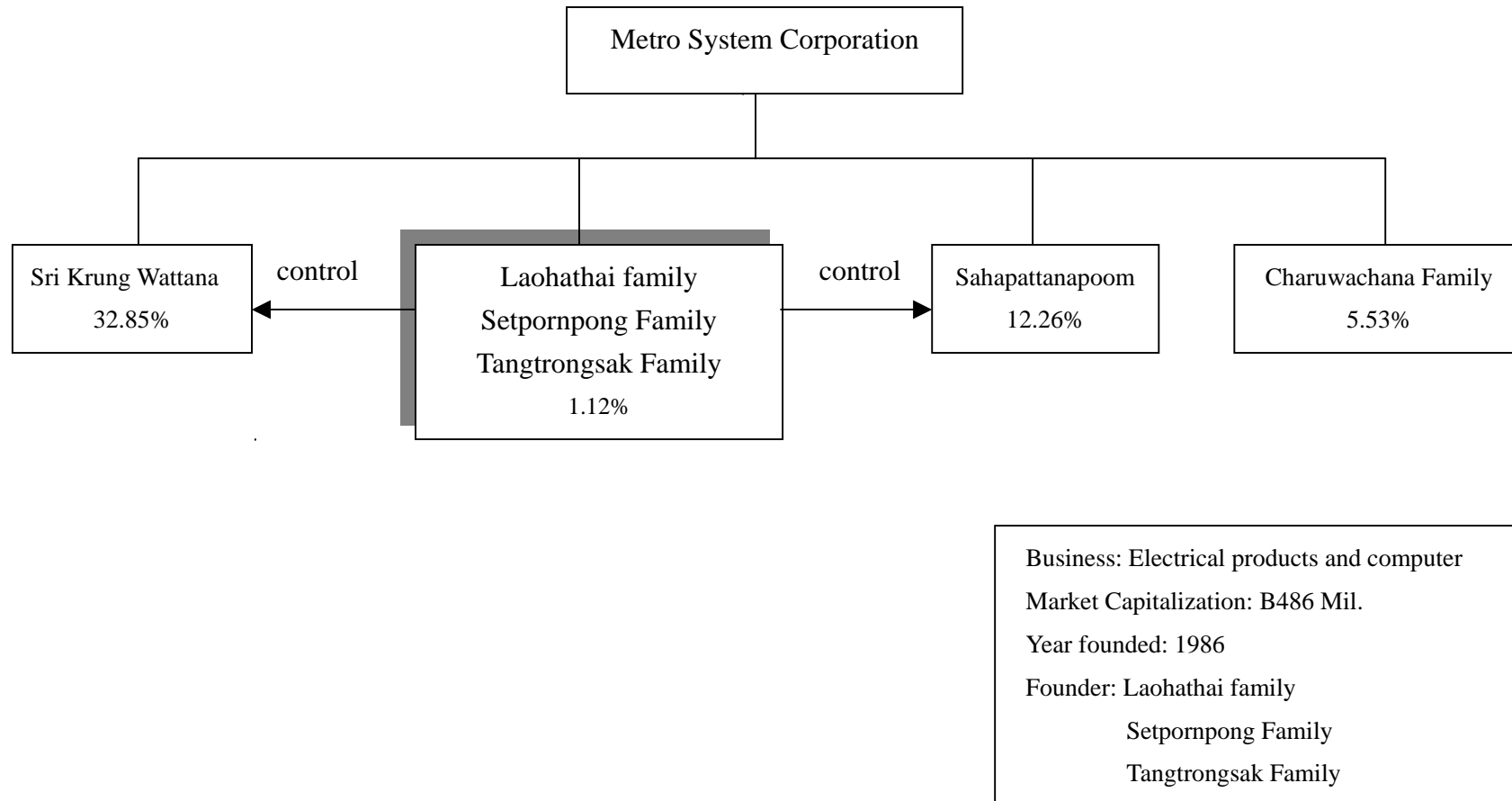


Figure 5: Malee Sampran Factory

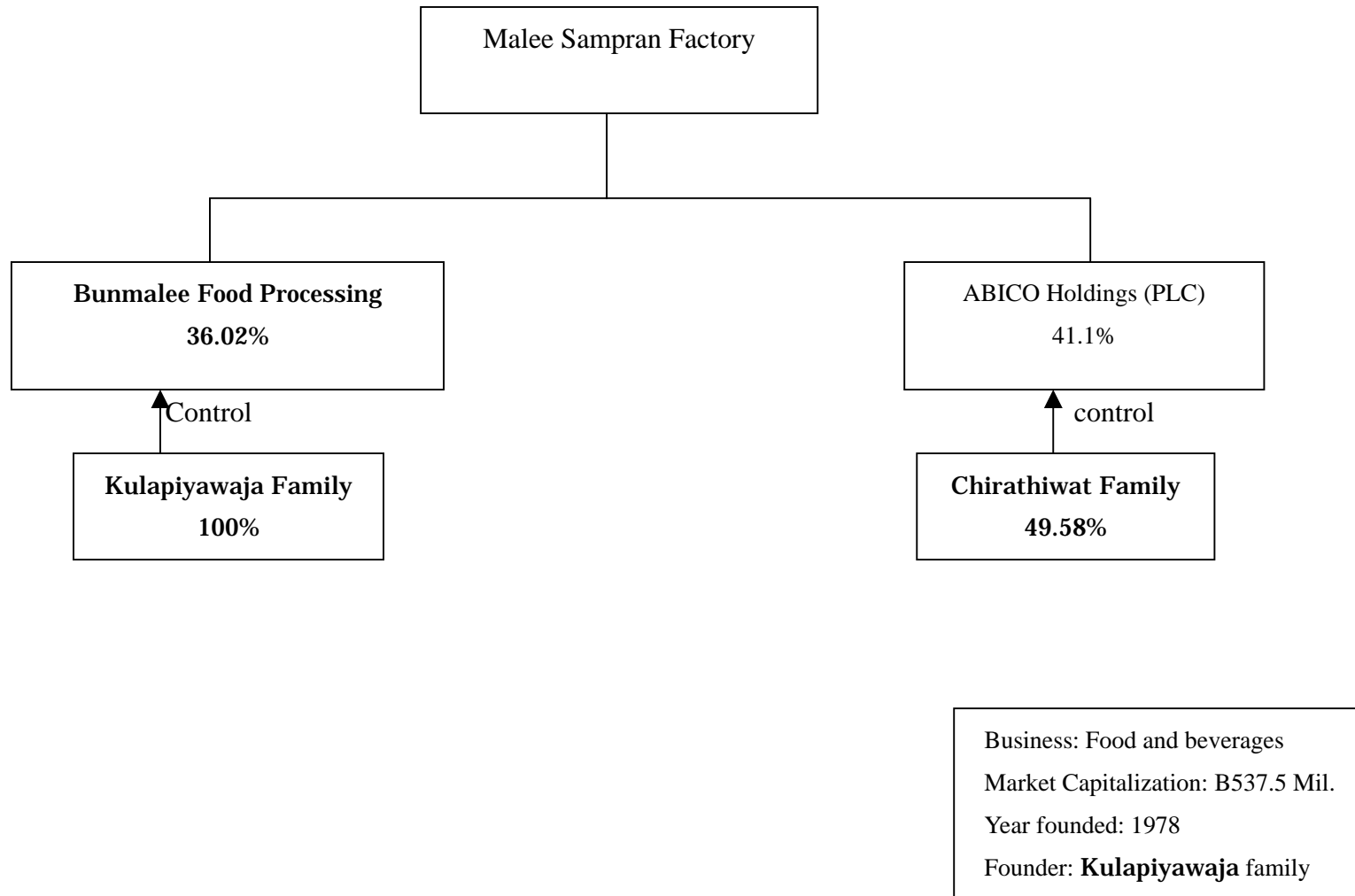
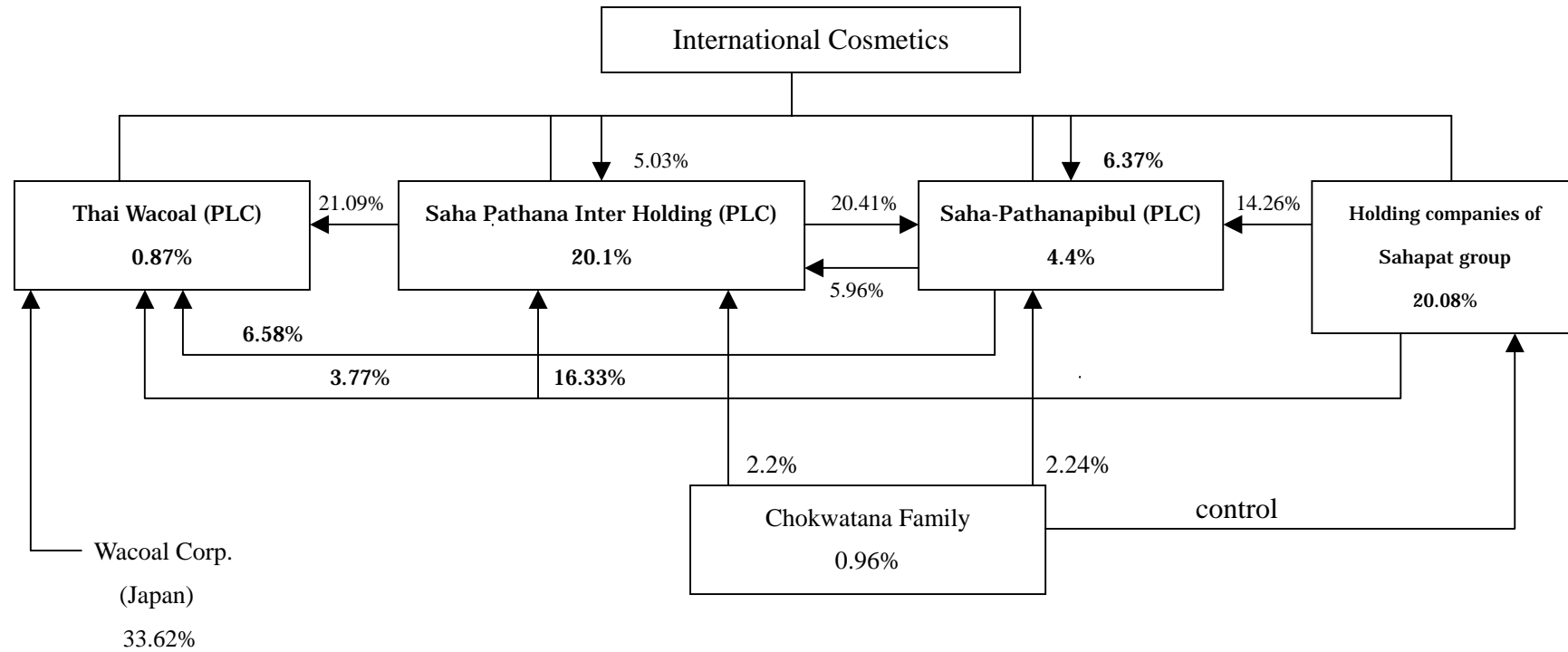


Figure 6: International Cosmetics



Business: Commerce
 Market Capitalization: B3,400 Mil.
 Year founded: 1964
 Founder: Chokwatana family