This is the authors’ final peer reviewed (post print) version of the item published as:


Available from Deakin Research Online:

http://hdl.handle.net/10536/DRO/DU:30061586

Reproduced with the kind permission of the copyright owner.

Copyright: 2014, Emerald Group Publishing
Effects of board and ownership structure on corporate performance
Evidence from GCC countries

Houda Arouri
Department of Finance & Economics, College of Business and Economics,
Qatar University, Doha, Qatar
Mohammed Hossain
Department of Accounting, Finance and Economics, Griffith University,
Nathan, Australia, and
Mohammad Badrul Muttakin
School of Accounting, Economics and Finance, Deakin University,
Burwood, Australia

Abstract
Purpose – The purpose of this paper is to examine the effect of ownership structure and board composition on bank performance as measured by Tobin’s Q and market to book value in Gulf Co-Operation Council (GCC) countries.

Design/methodology/approach – A dataset of 58-listed banks of GCC countries for the period 2010 is used. The methodology is based on multivariate regression analysis.

Findings – The result shows that the extent of family ownership, foreign ownership and institutional ownership has a significant positive association with bank performance. However, government ownership does not have a significant impact on performance. Other governance variables such as CEO duality and board size appear to have an insignificant impact on performance.

Practical implications – Better corporate governance mechanisms are imperative for every company and should be encouraged for the interest of the investors and other stakeholders. The study implies that ownership by corporate governance is more effective for GCC countries. The study also suggests that unlike in western countries, corporate boards may not be an effective corporate governance mechanism in GCC countries.

Originality/value – The paper extends the findings of the corporate governance and bank performance relationship in GCC countries that are neglected in the previous literature.

Keywords Ownership structure, Firm value, GCC, Board composition

Paper type Research paper

1. Introduction
This study investigates the relationship between ownership structure, board composition and performance of listed banking firms in Gulf Co-Operation Council (GCC) countries during the period 2010. Due to the separation of ownership and control in large corporations, there is a problem with aligning the interests of dispersed shareholders with that of management, leading to the agency problem (see Jensen and Meckling, 1976). To mitigate the agency problem, the literature offers a number of internal and external mechanisms known as corporate governance. The governance mechanisms include board composition, debt financing, equity ownership by insiders and outsiders and market for corporate control (Haniffa and Hudaib, 2006). The role of board composition (Baysinger and Butler, 1985; Rechner and Dalton, 1991; Yermack, 1996; Bhagat and Black, 2002) and ownership structure (Morck et al., 1988; Choi and Hasan, 2005; Dahlquist and Robertsson, 2001; McConnell and Servaes, 1990) in monitoring management and improving firm performance has been largely examined in the empirical corporate governance literature.
Many studies on corporate governance exist. However, only a few papers focus on banks’ corporate governance (e.g. Adams and Mehran, 2003, 2005; Caprio et al., 2007; Levine, 2004; Andres and Vallelado, 2008; Elyasiani and Jia, 2008; Macey and O’Hara, 2003). These studies analysed the effectiveness of the boards of directors in monitoring and advising managers in the bank industry. It is expected that banks with boards that are more effective in monitoring and advisory terms are better governed, and that better governance creates shareholder value. The governance of banking firms may be different from that of unregulated, non-financial firms for several reasons. One is that the number of parties with a stake in an institution’s activity complicates the governance of financial institutions. In addition to investors, depositors and regulators also have a direct interest in bank performance. On a more aggregate level, regulators are concerned with the effect of governance on the performance of financial institutions because the health of the overall economy depends upon their performance. As a result, the board of directors and ownership structure of a banking firm is crucial to the firm’s governance structure. Therefore, this study examines the relationship between the board composition, ownership structure and performance of listed banking firms in GCC countries.

During early 1980s, the boom in oil markets allowed countries such as Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE) to form the Arab GCC, and to build up substantial financial wealth. The combined asset value of the top 50 GCC banks was around US$506.4 billion in 2005 (Mostafa, 2007). The increase in income per capita and savings capacity in GCC countries have resulted in the development of a modern banking sector that has grown remarkably over time (Mostafa, 2007). As noted by Omran (2007), the GCC countries are characterised by growing privatisation, banking regulation, market-oriented financial institutions and privately owned banks of different organisational structure. For example, within the GCC, countries that have been most successful in privatising their banking institutions have also been involved in opening up their markets to foreign participants. Foreign investors’ joint ventures in the domestic banking system are mostly from the GCC and non-GCC investors. The shareholdings patterns of the GCC banks are often dominated by influential ruling or merchant families or governments. For example, a 65 per cent stake of the Gulf Bank in Kuwait is controlled by the Al Ghanim family [1], 29 per cent of the shareholders of Abu Dhabi Islamic Banks are the members of Al Nahyan royal family and 35 per cent of shareholdings of the Bank of Sharjah is held by the ruling family (GCC Banking Sector, 2005). This fact can be considered a major problem for the introduction of corporate governance principles because managers do not have the autonomy, flexibility or objectivity for monitoring all the processes inside the company or the ability to follow its objectives. The economies of GCC countries’ are characterised by ownership concentration (particularly family-oriented firms), poor investor protection and poor legal system. It is therefore an academic issue as to whether board composition and bank ownership structure and its impact on performance of the banking companies in the GCC is the same as in other areas of the world, but in fact, very few research studies have been conducted in this area. Most of the existing studies on the ownership-performance relationship have concentrated on developed countries, or focused on a single market, mainly the USA (Lang and So, 2002). In addition, in 2008, the corporate governance survey of GCC countries by the Institute of International Finance and Hawkamah, the Institute of Corporate Governance, found that corporate governance practices across the GCC countries are lagging behind international standards [2]. This survey found that not a single publicly listed company in the region followed best practice of corporate governance, and only 3 per cent of surveyed firms followed good practice. Most firms mentioned that they did not have better practices because it was not required. Earlier, in 2009, the Qatar Financial Markets Authority brought in a corporate governance code for all listed companies, based on the “comply-or-explain” basis. Recently, UAE and Saudi Arabia issued a draft code for corporate governance for publicly listed companies (Al-Rashed, 2010). The purpose of this study is to undertake an empirical analysis of ownership structure and its relationship to the performance of the banking companies in the GCC contexts. We find that family ownership, foreign ownership and institutional ownership have a significant positive association with
bank performance in both measures of performance Tobin’s Q and market to book value (MTB). However, government ownership does not have any significant effect on performance. Other governance variables such as CEO duality and board size appear to have an insignificant impact on performance. This paper offers new insights into corporate governance practices in the GCC countries and underlines the need for reform in this area. We contribute to the literature by examining the impact of ownership structure and board composition on bank performance in GCC countries with a recent dataset from 2010. Our findings offer new evidence on the ownership-performance relationship, in particular with reference to GCC banks. The findings of this study may be useful to make a comparison with banks of other countries. Moreover, the outcome of the paper is helpful in supporting claims for the adoption of an appropriate balance of legislation and regulatory reform to make improvements in the corporate governance practice of the GCC banks.

The remainder of the paper is structured as follows. Section 2 reviews related literature and develops the hypotheses. Section 3 describes the research methodology. Section 4 presents the empirical results and, finally, section 5 concludes the paper.

2. Literature review and hypotheses

2.1 Family ownership and bank performance

Previous research indicates that family ownership has a significant positive impact on performance (Maury, 2006; Villalonga and Amit, 2006; Anderson and Reeb, 2003). Family relationships improve monitoring, which in turn results in better firm performance. Moreover, founding family managers may have a longer time horizon than non-family managers and they have the potential to reduce the moral hazards of combining ownership and control (Anderson and Reeb, 2003). Previous studies also suggest that family ownership can be detrimental to firm performance (Cronqvist and Nilsson, 2003; Orelan, 2007) as well. The family shareholders with substantial cash flow rights may have opportunities to take action that benefits their family members at the expense of firm performance. Since prior literature finds mixed results in regards to the relationship between family ownership and firm performance, we propose the following hypothesis:

H1. Family ownership has a significant impact on bank performance.

2.2 Foreign ownership and bank performance

The effect of foreign ownership on firm performance has been an issue of interest in most previous research, but the results are mixed. For instance, Drakos (2002), Jemric and Vujicic (2002) and Choi and Hasan (2005) all conclude that the level of foreign ownership may improve the overall performance of the banking system. Additionally, Hasan and Marton (2003) find that bank efficiency is more positively related to foreign ownership than it is to state ownership. They argue that foreign investors provide outside monitoring of managers and bring technological advances. Further, Fries and Taci (2005) find that privatised banks with majority foreign (domestic) ownership are most (least) efficient. Bonin et al. (2005) find that foreign-owned banks are significantly more cost efficient than are domestic banks. The main reasons that have been put forward to explain the association between high performance and foreign ownership are, first, foreign owners are more likely to have the ability to monitor managers, and provide them with performance-based incentives, such that they are more serious, provide investors with the right information, and avoid the entrenchment of any passive behaviour that destabilises the value creation of the firm. Second, the technology provided by foreign investors helps managers to enhance their efficiency by reducing operating expenses and generating savings for the firm. However, Nikiel and Opie (2002) observe that foreign banks are less profit efficient than domestic banks, and Lensink et al. (2008) find that an increase in foreign ownership is negatively linked to banking efficiency. Therefore, we propose the following hypothesis:
2.3 Institutional ownership and bank performance
Several studies have focused on the impact of institutional ownership on firm performance. The empirical results present mixed findings (McConnell and Servaes, 1990; Lakonishok et al., 1992). McConnell and Servaes (1990) find the proportion of institutional ownership is positively related to a firm’s Tobin’s Q. Smith (1996) and Cornett et al. (2007) find a positive relation between institutional ownership and firm performance. The study of Elyasiani and Jia (2008) reveals that institutional ownership has a significant positive impact on bank performance. Institutional investors are often regarded as active monitors who strive to maximise the value of their equity investments in firms (Chen et al., 2007). The main reason offered to explain the phenomenon of high performance associated with institutional ownership is the expectation that institutional ownership would reduce the principal-agent problem between managers and shareholders, which would in turn lower the incentives and opportunities for managers to control earnings while raising the effectiveness of the performance.
Conversely, a group of prior studies argues that institutional investors’ goal of maintaining the liquidity of their holdings and their desire for short-term profit outweighs the benefits of monitoring management in the hope of obtaining higher long-term performance (Bhide, 1994; Maug, 1998). Agrawal and Knoeber (1996), Karpoff et al. (1996) and Faccio and Lasfer (2000) find an insignificant relationship between institutional ownership and performance. Therefore, the effect of the institutional ownership on the bank performance is an empirical question. Thus:

H3. Institutional ownership has a significant positive impact on bank performance.

2.4 Government ownership and bank performance
The academic literature has only recently started to shed the light on the outcomes of the government-owned banks, and the results of studies conducted in this field suggest a negative effect of government ownership on the bank value. For example, Arun and Turner (2004) argue that in state-owned banks, the principal (public) has no power to control the agents, and therefore, the value of the bank decreases. Moreover, they argue that (2004) argues that in terms of regulators exerting governance, the government is virtually removed as an effective monitor in the case of government owned banks. If the government acts as both the owner and regulator, there will be a conflict of interest in its two roles. More recently, Megginson (2005, p. 1941) concludes that “state ownership of commercial banks yields few benefits, yet is associated with many negative economic outcomes”. Micco et al. (2007) examine the relationship between bank ownership and performance using a large sample of commercial banks in 179 countries during the period 1995-2002. They find that state-owned banks operating in developing countries tend to have lower profitability, lower margins and higher overhead costs than their privately owned counterparts. Xu and Wang (1999) and Tian and Estrin (2005) find that government ownership reduces corporate value due to political interference. In contrast, prior studies find a positive relationship between government ownership and performance (Sun et al., 2002; Ang and Ding, 2006). They argue that government ownership sends a positive signal to the market by being effectively involved in monitoring the management. Therefore, the impact of government ownership on bank value is an empirical issue and we propose the following hypothesis:

H4. Government ownership has a significant negative effect on bank performance.

2.5 Board size and bank performance
Prior research has found significant links between board size and firm performance. Earlier studies such as those of Lipton and Lorsch (1992) and Jensen (1993) recommend limiting the number of directors on a board to seven or eight, as numbers beyond that would be difficult for the CEO to
control. Where boards consist of too many members, agency problems may increase since some directors may tag along as free riders. Hermelin and Weisbach (2003) argue that larger boards can be less effective than small boards. In contrast, more recent studies have revealed a positive relationship between board size and performance (measured by Tobin’s Q) in the US banking industry (Adams and Mehran, 2005; Dalton and Dalton, 2005). It is argued that larger boards may enhance performance because they have valuable business experience, expertise, skill and social and professional networks that might add substantial resources (Setia-Atmaja et al., 2009). Therefore, it is true that the size of the board is an important factor in dealing with corporate decisions and performance. Within this framework, we can hypothesise that:

H5. Board size has a significant impact on bank performance.

2.6 CEO duality and bank performance

Early studies beginning with Fama and Jensen (1983) argue that the concentration of decision management and decision control in one individual reduces a board’s effectiveness in monitoring top management. Likewise, Kang and Zardkoohi (2005) argue that CEO duality reduces firm performance due to CEO entrenchment and a decline in board independence. In addition, CEO duality provides the CEO with the power to negotiate with the board, which may help the CEO to pursue self-serving interests. Yermack (1996) finds that firms are more valuable when the CEO and board chair positions are separate. Sanda et al. (2003) find a positive relationship between firm performance and separating the functions of the CEO and chairperson, therefore advocating separation of the leadership roles as a means of raising the independence of the board, eliminating a very real source of conflict and increasing performance. However, prior research also concludes that CEO duality has no impact on bank performance (Adnan et al., 2011; Cooper, 2009; Griffith et al., 2002). Griffith et al. (2002) argued that CEO duality has no significant impact on bank performance because the additional responsibilities do not significantly add to the CEO’s capacity to affect performance. They further argued that, “in commercial banks, management entrenchment may offset the effects predicted by Jensen and Meckling’s (1976) convergence-of-interest hypothesis” (Griffith et al., 2002, p. 171). Therefore, both convergence of interest and entrenchment influence performance, but the marginal impact of these factors differs with the level of CEO ownership (Cooper, 2009). Based on the above discussion, we propose the following hypothesis:

H6. Role duality has a negative effect on bank performance.

3. Methodology

3.1 Sample

The sample for this study consists of all banks of the GCC countries excluding Kuwait (because of data restrictions). The data for 2010 have been used and collected from respective stock exchanges. We limit our sample to listed banking firms because firm-level data on the ownership structure of all firms cannot be collected from the present position. Data on both corporate performance and ownership structure is collected from annual reports or publications by the respective stock exchanges. Our final sample comprises 58 banks from GCC countries.

3.2 Model specification

The following is the general form of the OLS regression model which has been fitted to the data in order to assess the effect of each variable on the firm performance and to test the associated hypotheses:

\[ \text{PERFORMANCE} = \alpha + \beta_1 \text{FAMOWN} + \beta_2 \text{FOWN} + \beta_3 \text{INSTOWN} + \beta_4 \text{GOVTOWN} + \beta_5 \text{FSIZE} + \beta_6 \text{CEOOU} + \beta_7 \text{FSIZE} + \beta_8 \text{GROWTH} + \beta_9 \text{LEV} + \varepsilon \]
The dependent variable measuring firm performance is Tobin’s Q. Tobin’s Q is defined as the market value of equity plus the book value of total debt divided by the book value of total assets (Setia Atmaja et al., 2009). Tobin’s Q is popularly adopted as a measure of firm performance because it reflects the market’s expectations of future earnings. The market to book ratio (MTB) is measured as the market value of equity divided by the book value of equity.

In relation to the independent variables, we define family ownership (FAMOWN) as percentage of total shares held by family members. Institutional ownership (INSTOWN) is denoted as institutional shareholdings as a percentage of the total outstanding shares (McConnell and Servaes, 1990) and foreign ownership (FOROWN) is measured as foreign shareholdings as a percentage of the total outstanding shares (Choi and Hasan, 2005). Government ownership (GOVTOWN) is defined as government shareholdings as a percentage of the total outstanding shares. Board size is defined as the number of directors on the board (denoted as BSIZE) (Setia-Atmaja et al., 2009). CEO duality (CEODU) refers to the situation where the same person serves the role of the CEO of the firm as well as the chairman of the board. This study uses the CEO duality variable as a dummy, which is equal to 1 if the CEO and chairman are the same person and 0 otherwise (Boyd, 1995).

We control bank size, growth and leverage which may affect firm performance. Bank size (FSIZE): larger firms may have fewer growth opportunities (Morck et al., 1988) and more co-ordination problems (Williamson, 1967) which may negatively influence their performance. Bank size is measured as a natural logarithm of total assets (Yermack, 1996). Growth: faster growth is more likely to be positively correlated with performance. The growth of a firm is measured by taking the firm’s assets growth ratio. Leverage (LEV): the leverage of a firm could lead to external corporate control (Chen and Jaggi, 2000). Debt holder would actively monitor the firm’s capital structure to protect their own interest (Hutchinson and Gul, 2004). Therefore leverage influences firm performance through monitoring activities by debt holders. On the other hand, a negative relationship could be expected between leverage and performance according to the pecking order theory, whereby a firm prefers to fund operations through retained earning rather than debt and equity (Myers, 1984). Leverage is measured by taking the ratio of book value of total debt to book value of total assets (Anderson and Reeb, 2003).

4. Findings and analyses

4.1 Descriptive statistics

Table I show that the number of directors average around nine, and that an average of 19 per cent of banks have CEO duality. With regard to ownership structure of the sample banks, average family ownership is 46 per cent, foreign investors hold around 17 per cent of shares and institutions hold 29 per cent of shares, respectively. The state holds an average of 11 per cent. Therefore, it is observed that the banks in the sample are characterised by a highly concentrated level of family ownership and are dominated by a strong presence of institutional investors with the participation of foreign investors and the state. The average firm value (Tobin’s Q and MTB) is 1.20 and 2.05, respectively. The average firm size is 16.44 (natural logarithm of total assets) and the leverage is 0.81.
4.2 Correlation matrix and multicollinearity analysis
Multicollinearity in explanatory variables has been diagnosed through analyses of correlation factors and variable inflation factors (VIF), consistent with Weisberg (1985). Table II presents the correlation matrix of the dependent and continuous variables, from which it has been observed that the highest simple correlation between independent variables was 0.46 between bank size and performance (Tobin’s Q). Bryman and Cramer (1997) suggest that the simple correlation between independent variables should not exceed 0.8 or 0.9. A VIF in excess of 10 should be considered an indication of harmful multicollinearity (Neter et al., 1989). Alternatively, if the average VIF is substantially greater than 10, the regression be biased (Bowerman and O’Connell, 1990). The average VIF (1.51) is close to 2 and this suggests that multicollinearity between the independent variables does not pose a serious problem in the interpretation of the results of the multivariate analysis.

4.3 Discussion of regression results
The focus of our analysis is to examine the effect of corporate governance on GCC banks’ performance. The results are presented in Table III. We use two market measures of performance: Tobin’s Q and MTB. In model 1, we find that family ownership has a positive and significant effect on banks performance (i.e. b=0.0916, t=1.844, p<0.1). This is consistent with the findings of Anderson and Reeb (2003), who suggest that family ownership improves monitoring, which leads to better firm performance. We also note that the foreign ownership (FOROWN) has a significant positive impact on bank performance measured by Tobin’s Q (i.e. b=1.180, t=2.080, p<0.05). This finding lends support to H2. This indicates that foreign ownership in firms facilitates stronger outside monitoring of managers and helps to reduce agency costs, thereby increasing the firm value. This result is consistent with the previous studies that recognise that when a firm is exposed to international investment, the governance of the firm improves and expropriation will reduce (Bekaert et al., 2005; Mitton, 2006).
Another finding is that institutional ownership has a positive and significant effect on firm value (i.e. $b=1.066, t=1.709, p<0.1$). This finding supports our third hypothesis. This result suggests that institutional investors have great experience and financial resources that assist monitoring firm governance. Further, they can reduce conflict of interests and, therefore, contribute to firm performance and improve firm value (Chen et al., 2007; Cornett et al., 2007). However, state ownership (GOVTOWN) does not appear to improve firm value in GCC banks due to lack of proper incentives to positively influence the bank’s management. Other corporate governance variables, such as board size (BSIZE) and CEO duality (CEODU), have an insignificant effect on bank value. We obtain similar findings in model 2 when we employ MTB as a performance measurement.

Table II. Correlation matrix
5. Conclusion
This study developed several hypotheses concerning corporate governance and bank performance using agency theory. Empirical data for the study was derived from 58 banks in GCC countries in 2010. Using both Tobin’s Q and MTB measures of firm performance, this study finds that family ownership (FAMOWN) has a significant impact on the bank performance of GCC countries. Given that family wealth is closely related to the welfare of the family businesses, family members are motivated to increase their wealth by improving firm performance. Our results also reveal that there is a positive and significant association between the foreign ownership (FOROWN) and bank value measured by Tobin’s Q and MTB. This implies that foreign ownership facilitates stronger outside monitoring of managers. Further, evidence indicates a positive and significant impact of institutional investors (INSTOWN) on bank value for both measures of performance. However, government ownership (GOVTOWN) is insignificantly associated with bank value due to lack of proper incentives to positively influence the bank’s management. Board size (BSIZE) has an insignificant impact on performance. Our result suggests that bank boards in GCC countries do not have impact on performance. One possible reason could be that boards in GCC countries are still at an emerging stage. Consistent with Griffith et al. (2002) our findings suggest that CEO duality does not have any impact on bank performance in the GCC countries. Perhaps holding both positions (CEO and chairperson) has no significant impact on performance because the added title and responsibilities do not significantly add to his or her ability to affect performance. Further, CEO’s ownership could be an important driver of performance, not his or her title. Therefore, future research may investigate the impact of CEO ownership on bank performance in the GCC countries.

We provide evidence that ownership structure in GCC countries has a positive impact on bank performance. This implies that ownership structures such as family ownership, foreign ownership and institutional ownership provide a better monitoring role to the GCC banks. Our insignificant

---

### Table III. Corporate governance and bank performance

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1 Tobin's Q</th>
<th></th>
<th>Model 2 MTB</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient</td>
<td>t-statistic</td>
<td>Coefficient</td>
<td>t-statistic</td>
</tr>
<tr>
<td>C</td>
<td>3.338</td>
<td>2.409**</td>
<td>-3.371</td>
<td>-1.725*</td>
</tr>
<tr>
<td>FOROWN</td>
<td>1.180</td>
<td>2.080**</td>
<td>-4.291</td>
<td>2.291**</td>
</tr>
<tr>
<td>FAMOWN</td>
<td>0.916</td>
<td>1.844*</td>
<td>3.230</td>
<td>1.854*</td>
</tr>
<tr>
<td>INSTOWN</td>
<td>1.066</td>
<td>1.709*</td>
<td>3.708</td>
<td>1.694*</td>
</tr>
<tr>
<td>GOVTOWN</td>
<td>1.556</td>
<td>1.450</td>
<td>-1.120</td>
<td>-0.282</td>
</tr>
<tr>
<td>BSIZE</td>
<td>-0.506</td>
<td>-1.121</td>
<td>1.716</td>
<td>0.995</td>
</tr>
<tr>
<td>CEODU</td>
<td>-0.061</td>
<td>-0.218</td>
<td>-0.050</td>
<td>-0.050</td>
</tr>
<tr>
<td>FSIZE</td>
<td>-0.086</td>
<td>-1.222*</td>
<td>-0.140</td>
<td>-0.727</td>
</tr>
<tr>
<td>GROWTH</td>
<td>-0.034</td>
<td>-0.315</td>
<td>-0.008</td>
<td>-0.021</td>
</tr>
<tr>
<td>LEV</td>
<td>-0.416</td>
<td>-0.467</td>
<td>1.567</td>
<td>0.501</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.268</td>
<td>0.155</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$F$-statistic</td>
<td>3.321</td>
<td>2.161</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** The following table reports the regression results relating to corporate governance and performance. The data consists of 58 banks for the year 2010. Tobin’s Q is the market value of equity plus the book value of total debt divided by the book value of total assets. The market to book ratio (MTB) is measured as market value of equity divided by the book value of equity. Family ownership (FAMOWN) percentage of total shares held by family members. Institutional ownership (INSTOWN) is defined as institutional shareholdings as a percentage of the total outstanding shares and foreign ownership (FOROWN) is measured as foreign shareholdings as a percentage of the total outstanding shares. Government ownership (GOVTOWN) is defined as government shareholdings as a percentage of the total outstanding shares. Board size is defined as the number of directors on the board. CEO duality (CEOEDU) is a dummy variable equal to one when the chairperson is the CEO and zero otherwise. Bank size (FSIZE) is the natural log of book value of assets. Growth (GROWTH) of a firm is measured by taking the firm’s assets growth ratio. Leverage (LEV) is calculated as the ratio of book value of total debt to book value of total assets. ***$p < 0.01$; **$p < 0.05$; *$p < 0.1$
results for board variables also implies that bank boards in GCC countries may not be an effective mechanism to ensure better corporate governance. One limitation of this study is that we could not consider other corporate governance variables such as board independence due to the unavailability of data in the annual reports.

Notes
1. Kuwaiti families own the major Kuwaiti banks (GCC Banking Sector, 2005).
2. For more detail information see http://www.ameinfo.com/96664.html

References


**Further reading**


**Corresponding author**

Dr Mohammed Hossain can be contacted at: mohammed.hossain@griffith.edu.au