Conflicts between Shareholders in ASEAN 5 M&A

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ABSTRACT

The paper investigates principal-principal (PP) conflicts arising in mergers and acquisitions (M&A) in ASEAN 5 countries; Indonesia, Malaysia, Philippines, Singapore and Thailand. The issue is of importance to investors and the growth of equity markets in ASEAN countries in South East Asia and probably well beyond. Large controlling shareholders in Asian public limited corporations, according to prior research, do cause agency conflicts. However, the net effects cannot be estimated with any degree of accuracy without understanding and being able to distinguish the single effect of an investment project. The relation between large shareholders and agency conflicts is difficult to test empirically since no public information is provided at the individual investment project level, which differs from the case of corporate mergers and acquisitions (M&A) (Amihud, Lev, & Travlos, 1990). The diagnostic testing potential the analysis to utilise Hausman-Taylor (HT) technique that takes into account time variant and time-invariant data into the model analysis. PP conflicts associated with M&A were found to be rampant. These suggest consequences in terms of limited willingness to participate in shareholding as part of individuals' portfolios. Similarly, challenges regulators concerned to promote the secondary market for equities are addressed in this paper by promoting the use of dividend ratio policies as an indicator for PP conflicts.

Keywords: Principal-principal conflicts, merger & acquisition, dividend policy, ASEAN

INTRODUCTION

In many concentrated holding companies, non-controlling shareholders or minority shareholders may be treated unfairly due

to a lack of development in capital markets leading to deficient protection for outside investors (La Porta, Lopez-de-Silanes, & Shleifer, 1998, 1999). In addition, companies which have the greatest concentration of shareholding also exhibit less company's overall value (Barontini & Siciliano, 2003).

M&A activities in the selected ASEAN countries provide a solid platform for the study of PP conflicts in the region. Metwalli and Tang (2002) reported that M&A activities in Asia have expanded significantly from US$16.1 billion in 1990 to US$48.2 billion in 2000, and by 2004, about one third of the total world M&A activities are in Asia (Kim, 2009). The M&A activities continue to show increased trend, especially in Malaysia, remaining as the most active market as compared to the other countries in ASEAN (Soon & Hekkelman, 2013).

Research in the mature markets suggests that large shareholders are important in reducing Principal-Agent (PA) conflicts. They have higher incentives and more resources to efficiently monitor the company's performance (Jensen & Meckling, 1976; Schleifer & Vishny, 1986). These large shareholders may attain private benefits from this control that may be translated into financial and non-financial benefits for them. A non-financial benefit is the amenity of being in control (Demsetz & Lehn, 1985), while financial benefits of being in control can be explained in the context of expropriating the wealth of minority shareholders (B. Maury, 2004).

The role played by a dividend payout ratio should be inherent to address concentrated holding companies or PP conflict issue. Dividend payment is regarded as an avenue for the controlling shareholders to extract resources away from the company (Easterbrook, 1984; Faccio et al., 2001; La Porta et al., 2000) for own private benefits (Chiou et al., 2010). Recently, Banchit and Locke (2011) viewed that PP conflicts do exist in ASEAN 4 market via higher payment of cash dividends.

Dharwadkar et al. (2000) stress that the traditional agency solutions to mitigate the PA conflicts in developed economies are not necessarily effective in emerging economies due to that the existence of other unique conflicts. This paper investigates PP conflicts and address these occurrences in the context of M&A in Asean 5, addressing the question whether concentrated ownership in Asean 5 markets empowers large shareholder to expropriate income during M&A activities.

Within Southeast Asia, these five countries are regarded as major in the economic expansion through M&A. Metwalli and Tang (2009) described their convenient geographical proximity along the busy Strait of Malacca and the southern part of the South China Sea, as well as stable growth rate as the reasons why ASEAN 5 has leading the most number of M&As activities for the past 20 years. The study of ASEAN 5 can be generalised for the Southeast Asian, as well as the overall developing market.

LITERATURE REVIEW

PA and PP conflicts

Principal-Agent (PA) conflicts are a result of lack of goal congruence between shareholders (principal) and managers (agent) who are appointed to administer the company's assets. Though this traditional problem has been widely explored, Dharwadkar et al. (2000) pointed out that agency theorists offering solutions in mature markets have not considered the PP problem. In the context of PP conflicts, the underlying factors of information asymmetry, moral hazard and adverse selection still prevail, but the problems lie mainly in the conflicts between large and small shareholders (Su, Xu, & Phan, 2008).

PP conflicts can be explained as a range of subsets. Large shareholders might use their voting power to control the company for their own interests while other dispersed shareholders and stakeholders bear the cost (Johnson, La Porta, Lopez-de-Silanes, & Shleifer, 2000). Conflicts between shareholders may be shown in outright expropriation such as controlling shareholders, not paying dividends but appropriating fund for themselves, transferring profits to other companies they control, and indirect expropriation by making non-profitable business ventures (Shleifer & Vishny, 1997; Morck, Stangeland, & Yeung, 1998; La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1999; Song & Chu, 2011). Managerial entrenchment is also an issue (Schulze, Lubatkin, Dino, & Buchholtz, 2001) through hiring unqualified family members in the top management positions.

PP conflicts are potentially more detrimental in emerging economies. Faccio, Lang, and Young (2001) documented the problems of East Asian corporate governance as more severe than in mature markets due to the extraordinary concentration of control. Ownership in East Asia is mostly in blocks or single shareholders (Claessens, Djankov, & Lang, 2000; Lins, 2003). Weak legal protection for minority shareholders (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1997; Dharwadkar, et al., 2000) results in a more vulnerable status for minority shareholders than would be the case in more mature markets with stronger legislation.

Large shareholders are deemed to be advocates for the ultimate balance in decision making between the shareholders and managers. In publicly held corporations, these large shareholders hold a sizeable fraction of all voting rights may solve the problems of "modern capital markets", where there is always the inevitable agony in monitoring the management to act in the best interest of the shareholders. Large shareholders are in a position where they can benefit from inside information they obtain from the management, while at the same time be able to influence the corporate outcomes because of their powerful voting rights (Zeckhauser & Pound, 1990).

Different definitions of large shareholders are analysed in the literature. Dahya, Dimitrov, and McConnell (2008) define a dominant shareholder as the one who can significantly influence selection

of the company's board. Their data include the largest single owner of voting rights in companies with at least 10% of the company's votes. La Porta et al. (1998) and Claessens et al. (2000) identified controlling owners when they hold more than 20 percent of the shares in the company. In reality, while 33 percent voting power would in fact give de facto control, Loh (1996) describes that a 15-25 percent control over voting rights is sufficient for control over a corporation. It is ubiquitously agreed that large or controlling shareholders are those who are more likely to wield a large influence over the company and thus impact decision-making processes. Shareholders who hold less than the controlling shares are regarded as the minority or small shareholders.

Large shareholders may also opt to collude with managers to divert the resources off the company and share private benefits (Burkart & Lee, 2008; Becht, et al., 2010). These conflicts may be exacerbated when large shareholders also hold managerial positions in the company. Furthermore, one of the key assumptions of PP conflict is that managers act as agents and answer directly to the controlling shareholders (Young et al., 2008).

Board members elected to represent company's shareholders are formed to align the interests of principals and agents. However, large, controlling shareholders have a stronger tie to the managers/executive directors and are known in the literature to have a considerable influence to elect their choice of directors, especially when most of public companies are mostly owned by family members. Hence, the Board and managers owe their allegiance to the controlling shareholders as opposed to the whole body of investors (Singhai, 2002). Nonetheless, this study does not take into account board ownership in the analysis as this will not give a true representative of corporate ownership in the East Asian market. This is because many of these holdings are owned by directors through indirect ownership, which is usually in the form of private limited companies or nominee companies whose identities remain anonymous (Chu & Cheah, 2004).

Not only that, Morck et al. (1998) also showed that concentrated control may stump companies' growth as opposed to their companies with diffused ownership as large shareholders may put their interest first by preserving their investment in the company. By using cash flow associated with controlling shareholders, La Porta, Lopez, Shleifer and Vishny (1999) stated that countries that have law to better protect minority shareholders will also have higher valued companies than those companies with less regulation. Some of the merits analysed included in the legal protection are whether shareholders would send a nominee if they could not attend a meeting for a vote, ability to mail their proxy vote directly, allowing legal mechanisms against oppression by directors and that minority interests may vote cumulatively for their choice of directors or board, or if the country are mandated to pay dividend (La Porta et al., 1998).

Faccio et al. (2001) observes that companies with controlling shareholders in Asia extract high returns from projects

that incur negative investment returns and pay lower dividends than their counterparts in Europe. Chang (2003) found large shareholders in Korean companies use insider information to transfer profits to less profitable and less promising affiliates through intragroup trade, and that there is no evidence of better company performance with concentrated ownership. Since the idea of dispersed ownership does not universally hold true, especially in emerging markets, Young et al. (2008) strongly affirmed that PP conflicts are the major concern of corporate governance in emerging markets. The literature focusing on PP conflicts is developing (Su, et al., 2008; Chen & Young, 2010; Jiang & Peng, 2010) but the authors assert that because of the unique nature of the PP problem, it has been ignored by the mainstream agency theory, and more research should address the problem stemming from large shareholders (Chang, 2003). The paper accepts this challenge in addressing this unique yet crucial problem, using cross-country analysis of panel data for the five most active economies in East Asia. This will help to illuminate PP conflicts issues with a potential for betterment of financial and economic outcomes in the region.

Dividends as Proxy for PP conflicts

The most prominent agency problem suggested in the literature in East Asia agency relationship is the expropriation of profit from large controlling shareholder as established in the literature (Shleifer & Vishny, 1997; Bebchuk, Kraakman, & Triantis, 1999) which typically representative PP conflicts. As mentioned by Faccio et al. (2001 p.55), "dividends play a basic role in limiting insider expropriation because they remove corporate wealth from insider control." In another statement, "dividends signal the severity of the conflicts between the large, controlling owner and small, outside shareholders" (Gugler & Yurtoglu, 2003, p. 733).

This paper builds upon this research by relating dividends to large controlling shareholders. The next issue to address is whether lower or higher dividends explicate PP conflicts? Contradictory studies of higher or lower dividend payouts related to expropriation among large shareholders have been undertaken. It can be argued that the high concentration of shareholdings using direct and indirect voting rights may worsen the expropriation among minority shareholders especially during mergers and acquisitions. Why dividends are paid is always an intriguing dilemma as suggested by many scholars, including Renneboog and Trojanowski who stated that "the controversy about why firms should pay dividends has not been satisfactorily resolved" (2005, p. 2).

In the agency context, dividends play a basic and important role in the reduction of agency cost. By paying out dividends, corporate earnings or free cash flows are returned to investors and are no longer available to management to benefit themselves (Rozeff, 1982; Jensen, 1986). Jensen and Meckling (1976) corroborated that managers are reluctant to pay out

dividends for shareholders' benefit, but rather permit them to enjoy corporation's income for their own perquisite consumption. This corresponds to the free cash flow theory developed by Easterbrook (1984), which was discussed extensively in later work (Jensen, 1986; Gugler & Yurtoglu, 2003; Bena & Hanousek, 2005). Companies in the United Kingdom use dividends to maintain shareholder loyalty, supporting the free cash flow theory that the market is disciplining the managers (Dickerson, Gibson, & Tsakalotos, 1998). This is shown in the negative relationship with dividend payments to the probability of companies being taken over.

Agency theory also supports the notion of using dividends to limit the conflicts among the agents and principals by reducing the gap in information asymmetry or disequilibrium. Any payouts of dividend to shareholders convey credible information to the market which are usually private to the insiders (board of directors and management) (Bhattacharya, 1979; Miller & Rock, 1985). It is assumed that dividend payments require managers to participate in the capital market more frequently because cash dividends paid will use up the companies' fund. Hence, any future investments will ensure managers to supply as much information as possible to the shareholders in order to apply for more funds.

Banchit and Locke (2011) explored the concept of PP conflicts by measuring them with cash dividends paid out to large shareholders. A cross-sectional analysis was conducted in a small sample of 194 companies in ASEAN 4 (Indonesia, Malaysia, Thailand and Philippines) by regressing cash dividend to total assets, with other variables including the large shareholdings (measured at 5% to 20% concentration level). They asserted that there is evidence that suggests the presence of large shareholders paying more dividends, and this impacts negatively with the cash flows and growth, which in turn implies PP conflicts in the Asian markets. It is summarised that minority shareholders are at risk of being expropriated, which calls for urgency in stronger investor protection in these markets to improve the attractiveness for investors' performance.

Dividends have been demonstrated in previous studies as providing evidence of how controlling shareholders expropriate minority shareholders. High dividends reduce the value of the company (Lins, 2003) and thus negatively impact its growth. Alternatively, lower dividend payouts mean that large shareholders prefer keeping earnings within the company for their easy access to expropriate for own private benefits (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000; Pinkowitz, Stulz, & Williamson, 2006). Discerning how both high and low dividends may reflect PP conflicts requires consideration of a range of other variables.

HYPOTHESIS

Prior empirical studies deduce that in markets (such as in South East Asia) with concentrated ownership, the main agency problem may be between the controlling

shareholders and the minority shareholders (Johnson, Boone, Breach, & Friedman, 2000; Claessens, et al., 2002). Controlling shareholders dominate board members and managers to expropriate resources company to their private benefits (Faccio et al., 2001) and high dividend disbursals may one of the ways this may be revealed and ultimately measured (Faccio, et al., 2001; Maury & Pajuste, 2002; Chiou, Chen, & Huang, 2010).

Companies in certain countries have been found to pay higher dividends to suggest higher potential of conflicts between shareholders (Berzins, Bohren, & Stacescu, 2011). It has also been discussed that since large controlling shareholders in Asia have a direct management role, including making M&A decisions for their companies, it is anticipated that significant relationship with large shareholders and dividend payments may indicate PP conflicts. It is suggested in the first hypothesis for which it is envisaged that there will be a positive relationship with dividend payment and largest shareholders associated with M&A.

H1: There is a positive relationship between the largest shareholders and PP conflicts (dividend) associated with M&A.

Because many past studies have used performance measurement to proxy for expropriation from large shareholders, this study incorporates Tobin's q as a robust measure of PP conflicts. Doukas, Kim, and Pantzalis (2000) explained that poorly managed companies in the US are more likely to be exposed to higher agency costs than well-managed companies. This is as consequent of when a company is performing below the market value, it is more likely to waste its free cash flows in a non-positive net present value projects. It is anticipated for the next hypothesis that that there is a negative relationship between company performance (Tobin's q) and large shareholders.

H2: There is a negative relationship between large shareholders and PP conflicts (performance) associated with M&A

DATA AND METHODOLOGY

Table 1 presents the sample selection criteria for this study. The original dataset comprised of 4253 effective M&A deals. However, the final sample was reduced to 1,013 deals (807 acquiring companies) from the years 2000 to 2008 after going through the different stages of sample selection explained below. Generally, there are three main stages in building the sample dataset to ensure it is appropriate for the analysis.

Table 1
Sample selection Criteria

Total available effective deals (SDC Database)		
Effective deals from 2000 - 2008 (Less)		4253
Banks, other finance and utilities	738	
Multiple bids	1728	
No data available (ownership, financial data)	774	
Total available effective deals for analysis **(Comprises of 807 acquiring companies)**		**1013**

Data were extracted from Securities Data Corporation's (SDC) Platinum™ *Worldwide Mergers & Acquisition Database*. This database is regarded as the most comprehensive source of M&A transaction data than any other sources (Lang & Tudor, 2003). Researchers in M&A studies have also been using this database extensively to conduct their analysis (Luo, 2005; Ben Amar & Andre, 2006; Faccio & Stolin, 2006; Kamaly, 2007; Martynova & Renneboog, 2009).

All completed and successful M&A companies from January 2000 through December 2008 were collected inclusively. Ratio of common dividends to cash flow was used when available. If no data are available, information on common dividend is taken from the difference of total dividends and preferred dividends (Denis & Osobov, 2008). Because of the differences in accounting standards of each country, other measures of dividend payout ratio are analysed as well.

For robust analysis, Tobin's q as one of the dependent variable is also being used following that many past studies utilise this in their methods (Wiwattanakantang, 2001; Cronqvist & Nilsson, 2003; Dahya, et al., 2008). Their argument is that Tobin's q acts as a proxy of performance measurement will indicate that lower/higher company value shows higher/lower expropriation incidence by the dominant shareholders. Most often, Tobin's Q ratio is calculated as the market value of assets measured by the sum of market value of debt and equity divided by replacement of assets. However, replacement cost information is not readily accessible because of the unavailability of financial information from past decades and the inactive corporate debt market in South East Asia (Yon, 1999). Hence, an alternative acceptable measurement of Total Asset (sum of the book value of equity, debt, and preferred shares) is used to replace this information (Chung & Pruitt, 1994).

For the purpose of this paper, the ownership data were collected 1 year prior to the announcement of the M&A. This is because the final decisions by the management for M&A would have been made prior to the announcement of the M&A. Hence, only acquirers with ownership data that are available 1 year prior to the announcement date selected which include those from years prior to the year 2000 up to year 2007. Further check also revealed that there were no significant changes in shareholdings after the M&A.

Alternative panel regression: Hausman-Taylor (HT) estimator

A basic empirically testable dividend model was developed by Andres, Betzer, Goergen, and Renneboog Andres et al. $(2009)^{1}$, where it was based on Lintner's (1956)

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[1]Lintner (1956) partial adjustment model: $Div_{it} = r_i E^{it}$ (E=Earnings). It is rewritten to $Div_{it} - Divi,^{t-1} = \alpha_i + \beta_1 (Div_{it} - Div_{i,t-1})_{it} + \mu_{it}$. Upon using Fama and Babiak (1968) extended partial adjustment model by including a lagged earnings variable: $E_{i,t-1} =)1 - \lambda_i)E_{i,t-1} + v_{it}$ where v_{it} is a serially uncorrelated error term. After arrangement to the full adjustment of dividends to the expected earnings change $\lambda_i E_{i,t-1}$, and partial adjustment to the remainder: $Div^{it} - Di_{vi,t-1} = \alpha_i + \beta_1 (r_i E_{it} - \lambda_i E_{i,t-1}) - Div_{it-1}) + r_i \lambda_i E_{i,t-1} + \mu_{it}$ (Andres, et al, 2009).

dividend model of adjustment of the current dividend as a function on the dividends of the previous year and earnings. This model has been claimed as being the best and commonly used in the setting of dividend (Khan, 2006).

$$Div_{it} = \beta_0 + (1 - \beta_1)Div_{i,t-1} + \beta_2 Earn_{it} + \beta_3 Earn_{it-1} + \beta_4 Year_t + \eta_i + V_{it} \quad (1)$$

where

Div_{it} and $Div_{i,t-1}$, $=$ Dividend per share company i pays in year t and t-1 respectively, (t=effective year of M&A)

$Prof_{it}$ = Published profits in year t or Cash Flow per share at time t for firm i

$Year_t$= with t=1,...T are time dummies that control for the impact of effective year/time on the dividend behaviour of all sample companies

$\eta_{I.}$ = is a firm-specific effect to allow for unobserved influences on the dividend behaviour of each company and is assumed to remain constant over time

V_{it} = disturbance term

M&A are referred to the economist as non-contemporaneous event because the events do not occur on the same day across all entities (de Grassa & Masson, 2012). To indicate the changes of M&A impacts upon the dependent proxies, dummy variables are created to include pre and post years. M&A control variables discussed in the literature include size of company, risk, age of incorporation, toehold (whether the acquirer has any ownership prior to M&A), related industry to the target and payment methods (cash, shares or mixed). Industry and country variables are also included to form Equation 2 below.

$$Div_{it} = \beta_0 + \beta_1 Div_{i,t-1} + \beta_2 Earn_{it} + \beta_3 Earn_{it-1} + \beta_4 Year_t + \beta_5 Own_{i,t-2} + \beta_6 GrowthSales_{it} + \beta_7 Debt_{it} + \beta_8 M\&A_{it} + \beta_{11} Country_i + \beta_{11} Industry_i + \eta_i + \varepsilon_{it} \quad 2$$

The main explanatory variable for investigation is large shareholders in period t-2 because the decision to M&A will precede the announcement period of t-1. As it is time-invariant and likely to be exogenous because at t=0, it has no impact to the period of measurement. A dynamic method suggested by Verbeek (2008) and Cameron and Trivedi (2009) is to use Hausman-Taylor (HT) estimator introduced by Hausman and Taylor (1981). HT also takes into consideration the fixed effect estimator by allowing the estimation of the effects of time-invariant variables even though they are correlated with α_i . HT estimator maintains the benefits of both the fixed effect estimator (correlation between individual effects and regressors) and also the random effect estimator (taking into account the time-invariant regressors). The main advantage of using HT estimator is that the model does not have to use external instruments. Furthermore, autocorrelation for HT does not cause inconsistencies in the estimated regressors (Wooldridge, 2002).

REGRESSION RESULTS

PP conflict using dividend ratios

Table 2 shows the regression results using HT analysis to answer the research hypotheses. All the models in Table 2, with different regression analyses, show similar results, especially in testing the main ownership variable of large shareholder.

The results generated in all three panels show that there are positively significant relationships between PP proxies with large shareholder in each model. The results are also significant even after controlling for the country and industry effects (columns 5, 6, 11, 12, 17 and 18). More dividends are allocated for payouts with higher shareholdings by the largest shareholder. These results are in accord with Hypothesis 1 that PP conflicts increase with large shareholders with M&A control variables in the model. These results are also consistent with other developed market studies which state larger shareholders do influence the dividend ratio policy (Faccio et al., 2001; Thomsen, 2005; Truong & Heaney, 2007). However, instead of saying the expropriation is lower with higher dividend, this thesis argues that the higher payout of dividend after M&A indicates higher expropriation.

Lags of dividends (t-1) are incorporated in the model. This is important as the lags are usually included as the control determinants of the dividend ratio policy to be implemented in the current year. These positively significant relationships are manifested across Panels B and C for dividends to earnings and dividends to market capitalisation. This is supporting studies on payout ratio of listed companies in a fast-growing market where the current dividends are affected by their past and future prospects (Abdulrahman, 2007). However, insignificant relationships for the past dividend to cash flows may indicate that the dividend ratio policies may be based on published earnings rather from cash flows (Andres et al., 2009).

PP conflict using performance measurement (Tobin' sq)

As a robustness check, Hypothesis 2 using performance measurement based on Tobin's q as proxy for PP conflicts was tested using HT regression method shown in Table 3. Models 1-3 in the table show that HT regression with Tobin's q as the dependent variable with the large shareholder and other control variables. It is observed that the coefficients of large shareholders are negative, but they are insignificant. Only the year control dY0 shows significant coefficient across all models. This may show that as large shareholder increases, the performance of the companies tends to deteriorate. However, this remains inconclusive due to the insignificant p-values. It is also noted that the relationships between Tobin's q with the cash flow and company's growth were found to be negative but insignificant coefficient.

Table 2
Panel data OLS, fixed effects, Hausman-Taylor (HT) regression results for principal-principal conflicts (large shareholders)

	Panel A: Ratio of dividend to cashflow						Panel B: Ratio of dividend to earnings						Panel C: Ratio of dividend to market capitalisation					
	OLS	FE	RE	HT	HT (ctry)	HT(ind)	OLS	FE	RE	HT	HT (ctry)	HT(ind)	OLS	FE	RE	HT	HT (ctry)	HT(ind)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Large Shareholder	0.3084 (4.43)***		0.3079 (4.12)***	2.0432 (2.27)**	1.7549 (2.1)*	2.0922 (3.33)***	0.0037 (2.94)***		0.0040 (3.08)***	0.0585 (3.34)***	0.0596 (4.10)***	0.0598 (3.97)***	0.0003 (2.42)***		0.0003 (2.42)***	0.0060 (2.49)**	0.0051 (1.93)*	0.0062 (1.94)*
LagDivCFlow	9.3200 (4.14)***	-0.4441 (0.1500)	7.9713 (3.57)**	-0.1050 (0.0300)	-0.1072 (0.0400)	-0.0202 (0.0100)												
LagDivEbitda							0.0756 (1.6200)	0.4599 (8.63)***	0.1001 (2.13)**	-0.4386 (9.32)***	0.4308 (8.77)***	-0.4338 (8.94)***						
LagDivMcap													0.0905 (2.13)**	-0.3030 (5.48)***	0.0905 (2.13)**	-0.2804 (5.69)***	-0.2838 (6.15)***	-0.2911 (6.20)***
Profitability	0.0000 (0.9800)	0.0000 (0.3700)	0.0000 (1.0300)	0.0000 (1.4000)	0.0000 (1.3400)	0.0000 (0.4200)	0.0046 (0.1400)	0.0665 (0.9400)		0.0095 (0.1800)	0.0135 (0.2600)	-0.0061 (0.1200)	0.0000 (0.3400)	0.0000 (0.2800)	0.0000 (0.3400)	0.0000 (0.7300)	0.0000 (0.5400)	0.0000 (0.4200)
LagProfitabiltiy	0.0000 (0.4900)	0.0000 (0.8700)	0.0000 (0.5600)	0.0000 (0.1800)	5.7800 (1.5600)	0.0000 (0.5800)	0.3585 (3.31)***	0.2703 (2.08)**		0.2570 (2.26)**	0.2455 (2.08)**	0.2489 (2.13)**	0.0000 (0.3600)	0.0000 (0.3600)	0.0000 (0.3600)	0.0000 (0.2200)	0.0000 (0.4000)	0.0000 (0.4700)
TDTA	-0.2374 (3.84)***	-0.0120 (0.1100)	-0.2204 (3.49)***	-0.1165 (1.3100)	-0.0464 (1.2800)	-0.0770 (0.9100)	-0.0019 (1.65)*	0.0038 (-1.1700)	-0.0008 (1.3900)	0.0013 (0.5700)	0.0003 (0.1500)	0.0006 (0.2800)	-0.0002 (2.31)**	0.0001 (0.6100)	-0.0002 (2.31)**	0.0001 (0.7700)	0.0001 (0.3100)	0.0001 (0.3900)
lnTotalAssets	0.1871 (0.8100)	0.0933 (0.2500)	0.1682 (0.7500)	0.1136 (0.3700)	4.5822 (1.2100)	0.1329 (0.4600)	-0.0206 (2.80)***	-0.0171 (2.01)**	-0.0006 (0.1700)	-0.0195 (2.66)***	-0.0201 (2.64)***	-0.0199 (2.64)***	0.0000 (0.0200)	-0.0002 (0.2300)	0.0000 (0.0200)	-0.0003 (0.4800)	-0.0002 (0.3800)	-0.0002 (0.2700)
Sales1YrGrth	-0.0426 (1.3500)	-0.0465 (1.0600)	-0.0422 (1.3600)	-0.0449 (1.1700)	-0.0512 (1.4600)	-0.0464 (1.2800)	-0.0009 (1.5400)	-0.0015 (2.02)**	-0.0006 (1.0400)	-0.0013 (2.16)**	-0.0013 (2.09)**	-0.0013 (2.10)**	-0.0001 (1.7000)	-0.0001 (0.9900)	-0.0001 (1.7000)	-0.0001 (1.1600)	-0.0001 (1.2500)	-0.0001 (1.2400)
Beta	0.1315 (0.0700)		-0.0260 (0.0100)	6.6197 (1.4600)	5.8034 (1.1800)	6.8900 (1.5200)	0.0481 (1.4500)		0.0425 (1.2600)	0.2257 (1.6300)	0.2774 (2.26)**	0.2509 (2.00)**	-0.0008 (0.2300)		-0.0008 (0.2300)	0.0177 (1.1600)	0.0174 (0.9600)	0.0192 (0.9100)
Ln Age	5.0338 (2.57)**	1.1860 0.0600	5.0357 (2.43)**	4.8198 (1.5300)	0.1175 (0.7400)	4.5822 (1.2100)	0.0732 (2.13)**	-0.0416 (0.1100)	0.0702 (2.00)**	0.0489 (0.4100)	0.0214 (0.2000)	0.0321 (0.2900)	0.0120 (3.22)***	-0.1900 (2.35)**	0.0120 (3.22)***	0.0127 -1.0800	0.0099 -0.7600	0.0100 -0.6700
dY0	5.5357 (1.77)*	5.9176 -1.9400	5.5970 1.88*	5.4472 -1.6400	5.4647 (1.90)*	5.5622 (1.93)*	0.4089 (3.67)***	0.3821 (3.00)***	0.095 -1.6500	0.3702 (3.32)***	0.3578 (3.08)***	0.3611 (3.14)***	0.0108 (1.82)*		0.0108 (1.82)*	0.0137 (2.56)**	0.0137 (2.75)***	0.0137 (2.70)***
lnValueTransacton	-0.4313 (0.6400)		-0.3362 (0.4700)	-0.8327 (0.7200)	-0.6561 (0.5200)	-1.1584 (0.6800)	0.0097 (0.8800)		0.0106 (0.8800)	-0.0361 (0.8000)	-0.0332 (0.8700)	-0.0364 (0.9100)	0.0019 (1.5200)		0.0019 (1.5200)	0.0006 (0.1300)	0.0009 (0.1700)	-0.0006 (0.1000)

Table 2

Panel data OLS, fixed effects, Hausman-Taylor (HT) regression results for principal-principal conflicts (large shareholders) continue

	Panel A: Ratio of dividend to cashflow						Panel B: Ratio of dividend to earnings						Panel C: Ratio of dividend to market capitalisation					
	OLS	FE	RE	HT	HT (ctry)	HT(ind)	OLS	FE	RE	HT	HT (ctry)	HT(ind)	OLS	FE	RE	HT	HT (ctry)	HT(ind)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
PaymentCash	13.3434 (1.2000)		11.9187 (1.0100)	35.7930 (1.6300)	30.0879 (1.3600)	32.5396 (1.3900)	0.0102 (0.0500)		0.0545 (0.2700)	0.7582 (0.9500)	0.6204 (0.9200)	0.6118 (0.8800)	0.0083 (0.3900)		0.0083 (0.3900)	0.0812 (1.0000)	0.0601 (0.6800)	0.0889 (0.8400)
PaymentShares	-2.9095 (0.5100)		-2.8100 (0.4600)	5.1839 (0.5400)	5.3155 (0.5200)	5.8844 (0.5100)	0.0693 (0.7200)		0.0788 (0.8000)	0.2882 (0.7700)	0.2286 (0.7200)	0.2571 (0.7700)	0.0049 (0.4500)		0.0049 (0.4500)	0.0219 (0.5800)	0.0153 (0.3700)	0.0075 (0.1500)
PaymentMixed	-4.4706 (0.7600)		-4.6216 (0.7400)	1.3271 (0.1400)	5.8600 (0.5300)	7.5014 (0.6100)	0.0643 (0.6500)		0.0665 (0.6600)	0.1819 (0.4800)	0.3042 (0.9000)	0.3351 (0.9400)	0.0012 (0.1100)		0.0012 (0.1100)	0.0137 (0.3600)	0.0188 (0.4200)	0.0085 (0.1600)
RelatedInd	0.0868 (0.0200)		-0.0683 (0.0100)	5.8387 (0.7500)	3.5162 (0.4300)	4.7053 (0.5200)	-0.0086 (0.1100)		-0.0331 (0.4200)	0.2426 (0.8000)	0.2262 (0.8800)	0.2488 (0.9300)	-0.0126 (1.5200)		-0.0126 (1.5200)	0.0038 (0.1200)	-0.0006 (0.0200)	-0.0005 (0.0100)
Toehold	0.0144 (0.2100)		0.0184 (0.2500)	-0.0570 (0.4700)	-0.0295 (0.2300)	-0.0723 (0.4900)	0.0009 (0.7500)		0.0010 (0.7900)	-0.0020 (0.4000)	-0.0005 (0.1300)	-0.0016 (0.3600)	0.0000 (0.2400)		0.0000 (0.2400)	-0.0002 (0.3900)	0.0000 (0.0900)	0.0000 (0.0700)
Country control					Included	Included					Included	Included					Included	Included
Industry Control						Included						Included						Included
Constant	-44.770 (2.64)***	-27.399 -0.4100	-43.609 (2.46)***	-112.511 (2.89)**	-131.151 (2.66)***	-152.2564 (2.91)**	-0.2534 (1.75)*	0.2314 -0.2200	-0.2982 (2.04)**	-2.2045 (2.87)***	-2.3657 (2.42)**	-2.7449 (2.46)**	0.007011 -0.22	0.114052 -0.86	0.007011 -0.22	-0.152397 -1.4	-0.13613 -0.93	-0.254316 -0.92
Observations	669	669	669	669	669	669.0000	746	746	732	746	746	746	683	683	683	683	683	683
R-squared/RHO	0.1400	0.0200	0.2345	0.3847	0.5576	0.6326	0.0600	0.1528	0.1886	0.8900	0.8397	0.8541	0.0683	0.4604		0.8672	0.9049	0.9234
F-Stat/Wald Chi	6.15***	0.8400	87.51***	28.47*	28.18*	33.38*	2.89***	10.21***		102.4***	95.3***	97.73***	2.87***	4.42***		49.89***	53.55***	53.93**

Absolute value of t statistics in parentheses (* significant at 10%, ** significant at 5%; *** significant at 1%)

Table 3
Hausman-Taylor results for principal-principal conflicts using Tobin's q (performance measurement)

Model	(1)	(2)	(3)
	Tobin'sq	Tobin'sq	Tobin'sq
Lship	-0.027707	-0.048222	-0.040557
	(0.63)	(0.68)	(0.65)
TDTA	-0.000140	0.000122	0.000094
	(0.13)	(0.10)	(0.08)
lnTotalAssets	0.001112	0.001120	0.001123
	(0.40)	(0.41)	(0.42)
CashtoTA	-0.000791	-0.000808	-0.000761
	(0.79)	(0.75)	(0.73)
Sales1YrGrth	-0.000428	-0.000441	-0.000442
	(0.80)	(0.81)	(0.83)
LnAge	-0.017414	0.049166	0.038532
	(0.16)	(0.38)	(0.31)
dY0	-0.089397	-0.087664	-0.087626
	(2.17)*	(2.14)*	(2.17)*
Beta	-0.046153	-0.181605	-0.134644
	(0.23)	(0.53)	(0.47)
LnValue Transacton	0.070327	0.086045	0.081584
	(1.31)	(1.16)	(1.17)
Payment Cash	-0.430581	-0.580869	-0.456511
	(0.42)	(0.44)	(0.38)
Payment Shares	0.168866	0.138078	0.157031
	(0.41)	(0.27)	(0.32)
Payment Mixed	0.104961	-0.161364	-0.121782
	(0.26)	(0.24)	(0.19)
Related Ind	0.081688	-0.002332	0.024727
	(0.24)	(0.01)	(0.06)
Toe hold	0.001346	0.000400	0.000683
	(0.28)	(0.07)	(0.12)
Country		Included	Included
Industry			Include
Constant	1.742883	2.693747	2.425652
	(0.94)	(0.75)	(0.73)
Observations	713	713	713
Number of IDCODE	272	272	272

CONCLUSION

This paper details the results of the research and analyses the information and statistical methods using a HT analysis by applying ASEAN 5 M&A data. The relationships between PP conflicts, ownership, financial and M&A variables have been elaborated in detail as well. Overall, this study supports the indication that PP conflicts are significant in ASEAN 5 acquiring companies using three different measurements of dividend ratios. The results from multivariate analysed the proxies of PP conflicts using both dividends and performance measurement also suggested that large, controlling shareholders seemed to be expropriating minority shareholders during M&A.

Some of the limitations of this study are having an uneven distribution of the number of effective M&A deals among the five countries included in this study. It is noted that the sample data have low number of effective M&A deals in Indonesia and Philippines, while Malaysia dominates by having the highest number of effective M&A deals. Data for this study were mainly sourced from Securities Data Corporation's (SDC) Platinum™ *Worldwide Mergers & Acquisition Database* which comprises of information collected and gathered from annual reports of public-listed companies in the five countries from the year 1997 to 2011. Although there is a requirement for disclosure of the top 20 shareholders in the annual reports of public-listed companies in the ASEAN 5 countries, there is no restriction for using nominee names or corporations as shareholders.

Thus, as a result of this leniency, many large shareholders use the nominee account name to be displayed in the top 20 shareholders in the annual reports of the companies.

Moreover, this paper only analysed PP conflicts in the perspective of acquiring companies. The impacts of PP conflict on target companies are therefore not explored and thus represent an opportunity for further research. Again, data collection may be more difficult given that not all of the target companies are public-listed companies. If an M&A involves a private company as the target entity, information on the target company may be difficult to obtain.

In summary, the region that comprises ASEAN 5 countries have been identified as a region that provides exceptional opportunities for businesses and investors. The buoyant economies of the five countries bring along a wave of corporate restructuring activities which include M&A. These M&A deals may be done with good intention of expanding the business and eventually enhancing the shareholders wealth. However, it should also be acknowledged that scrupulous and dishonest directors or shareholders may take advantage of an M&A deal to benefit themselves. At the same time, many M&A deals are too complex and complicated for small and minority shareholders to understand, and thus these directors or shareholders may escape while expropriating more of companies' income for their own benefits.

This research can be extended by conducting further studies on PP conflicts using other than M&A as a point of

event study. M&A is usually not the only major corporate restructuring exercise a corporation may undertake. Expropriation by the large shareholders may occur without involving M&A, and PP conflicts may be evidenced and prevalent in such cases. In addition, companies may also undergo major restructuring as a result of a significant individual investment project, which may attract PP conflicts. These areas are not covered in this paper and may be explored for further research.

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