Preface

The governance of companies is of importance to developing countries due to the nexus between effective corporate governance and economic development. Ownership and control of public companies, often in the hands of a few individuals, families or corporate groups in many countries, is the nuclei of corporate governance and often dictates the tenor of the corporate governance debate.

Corporate Ownership and Control: Corporate Governance and Economic Development in Sri Lanka accordingly seeks to discover the implications of corporate ownership and control on the governance of companies in Sri Lanka, an illustrative example, and thereafter, suggests a reform agenda to meet the challenges posed by such structures.

The main purport of the book is to demonstrate that an analysis into the reform of corporate governance in developing countries should begin with a focus on local market structures that define the adaptation and effectiveness of corporate governance. Such analysis also provides an insight into ownership and control structures, the costs and benefits of such local market structures, and a viable reform framework. Above all, the analysis presented can be used to both understand the impact of ownership and control structures on corporate governance and to suggest how corporate governance issues arising from such structures should be resolved.

The book is organised as follows. First, the nexus between corporate governance and economic development, and corporate ownership, control and corporate governance is examined. The focus then shifts to the corporate governance challenge facing developing countries such as Sri Lanka, the illustrative example, by empirical examination of ownership structures of its companies and investigation of the causes of such structures. Thereafter, the focus is on the costs and benefits of controlling shareholder systems and a view is expressed on factors making controlling shareholder systems efficient. Crucially thereafter, the study utilises the findings on ownership structures and their causes to frame a reform agenda to meet the challenges to corporate governance. Finally, the book argues that it is vital to empower a market-based governance mechanism such as a lender to control the costs of controlling shareholders. The conclusions drawn from this detailed analysis of Sri Lanka, applied on a global scale, have the potential to greatly improve the quality of corporate governance of many developing countries.