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# **Financing Chinese Capitalism: Principal Banks, Economic Crisis, and Chinese Family Firms in Singapore**

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**29 March 2003**

# **Financing Chinese Capitalism: Principal Banks, Economic Crisis, and Chinese Family Firms in Singapore**

**Abstract:** It is a widely circulated myth that Chinese family firms rely exclusively on kinship ties and network capital to finance their domestic and international operations. In this empirical paper, I argue that large Chinese family firms are increasingly engaging with financial markets on a global scale. In order to finance their transnational business activities, these firms require financial services from banks beyond their domestic economies, resulting in a growing number and geographical spread of their principal banks. Second, I contend that as these Chinese family firms are diversifying their principal banks beyond a narrow confinement to other Chinese family-owned banks and financial institutions, their corporate performance will improve over time. Drawing upon time-series data (1996, 1998, and 2001) on over 150 Chinese family firms listed on the Singapore Exchange, I discuss both the geographical origins of their principal banks and the impact of the selection of these banks on their corporate performance before and after the 1997/1998 Asian economic crisis. I also show whether there is a relationship between the use of principal banks by these Chinese family firms and their shareholding structures.

## **Introduction**

For several centuries, millions of ethnic Chinese in East and Southeast Asian economies have engaged in a distinctive form of economic organization through which an informal array of Chinese entrepreneurs, traders, financiers and their closely-knit networks of family members and friends came to dominate the economic sphere of the very host economies they later considered “home”.<sup>1</sup> While deeply rooted in the cultural norms and values of the traditional Chinese society in mainland China, this form of economic organization has evolved and adapted to dramatically different institutional contexts and political-economic conditions in the host economies, and, more recently, dynamic processes of economic globalization. In this paper, I use the term “Chinese capitalism” to describe this historically- and geographically-specific form of economic organization that refers to the social organization and political economy of the so-called “overseas Chinese”<sup>2</sup> living outside mainland China, particularly in East and Southeast Asia (i.e. Hong Kong, Taiwan, Singapore, Indonesia, Malaysia, the Philippines, and Thailand). Chinese capitalism is a dominant mode of economic organization in East and Southeast Asia because of

not only its economic significance in the domestic economies, but also its complex and, yet, intricate social organization and authority systems. The sheer diversity and prowess of economic activities controlled and coordinated by these ethnic Chinese has enabled some of them to become the very foundations of their home economies. For example, Hong Kong-based Li Ka-shing, whose empire controls about 16 % of Hong Kong's stock exchange index (up from 12.7% in 1988 recorded in Redding, 1990: Table 7.4), caused the index to fall by 1.6 % on 23 December 1998 with his remarks about the unfriendly business environment in Hong Kong (*The Straits Times*, 23 and 24 December 1998). In another example, Wee Cho Yaw, the second-generation banker from Singapore, and his family-controlled United Overseas Bank succeeded in taking over the fourth largest Singapore bank (Overseas Union Bank) on 26 October 2001. After the acquisition, the Wee family held controlling stakes in at least 14 companies publicly listed on the Singapore Exchange (10% of all listed Chinese family firms). UOB became the largest bank in Singapore, with an international network comprising 273 offices in 18 countries in the Asia-Pacific region, Western Europe, and North America.

Amongst these glorified examples of unprecedented success of Chinese capitalism is a major paradox. It is a widely circulated myth that Chinese family firms rely exclusively on kinship ties and network capital to finance their domestic and international operations. If the economic prowess of these Chinese families becomes so significant and pervasive today, how is it that they managed to grow from small family businesses to giant transnational corporations within such a short period of time (often within one to two generations)? Even more paradoxical is the fact that most of this growth has taken place in developing economies in East and Southeast Asia that have weakly developed financial markets and banking systems. To unlock this mystery about the success of Chinese capitalism, we need to identify not only the sources of their first

“pots of gold”, so to speak, that enabled their early establishment and proliferation in domestic economies. But more importantly, we need to explain the fundamental basis of their successful transformations from small-scale family businesses to transnational corporate giants. In this quest for the fundamentals, we have to link the growth and development of Chinese family firms to *financial markets* – domestic and international. This linking is necessary because no matter how cooperative is the family network, there is a limit to the extent in which the network can provide capital and finance at such a huge scale required for dominating the domestic and regional economies.

In this paper, I aim to make an initial attempt to examine the ways in which Chinese capitalism is financed and their impact on corporate performance. I have chosen to focus mainly on publicly listed Chinese family firms, their principal banks, and their performance during the 1996-2001 period. As prime movers of domestic economies, publicly listed Chinese family firms are an ideal representation of Chinese capitalism. Their dynamic interactions with and adaptations to the global economy also allow for an analysis of the transformations in Chinese capitalism in a global era (see also Yeung, 2004). Their very public nature means data and information about their financial activities are more readily available than privately owned family businesses throughout the Asian region. Drawing upon time-series data (1996, 1998, and 2001) on over 150 Chinese family firms publicly listed on the Singapore Exchange, I discuss both the geographical origins of their principal banks and the impact of the selection of these banks on their corporate performance before and after the 1997/1998 Asian economic crisis. I also show whether there is a relationship between the use of principal banks by these Chinese family firms and their shareholding structures.

Two initial propositions can be put forward here. First, I argue that large Chinese family firms are increasingly engaging with financial markets on a global scale. In order to finance their transnational business activities, these firms require financial services from banks beyond their domestic economies, resulting in a growing number and geographical spread of their principal banks. Second, I contend that as these Chinese family firms are diversifying their principal banks beyond a narrow confinement to other Chinese family-owned banks and financial institutions, their corporate performance will improve over time. This argument is particularly relevant during the recent 1997/1998 Asian economic crisis because the collapse of several leading Chinese family firms were explained by their excessive reliance on the so-called “network capital” or – as Krugman (1998) argued – crony capitalism.<sup>3</sup> In the next section, I outline the basis on which these propositions are made by offering a critical evaluation of the existing literature on Chinese capitalism. I then analyze the nature and geography of the principal banks employed by listed Chinese family firms in Singapore. The penultimate section discusses the relationships between their use of principal bankers, the role of family shareholding, and their corporate performance before and after the Asian economic crisis. Some implications for understanding the changing nature of Asian financial markets are offered in the concluding section.

### **Network Capital in a Global Era**

During the past fifteen years or so, social science studies of Chinese capitalism have produced a large body of literature on the nature and organization of Chinese capitalism.<sup>4</sup> I have critically reviewed this literature elsewhere and will not repeat here again (see Yeung and Olds, 2000a; 2004). Suffice to say that one of the most dominant interpretations amongst the various approaches has been the *culturalist* perspective that views Chinese capitalism as essentially organized around family-owned and controlled firms. Once established in East and Southeast

Asian economies, these Chinese family firms are seen as autonomous agents capable of self-reproduction through (1) unfettered diversification under the whim of the founders or the patriarchs, (2) reliance on personal relationships and networks for capital, finance and business opportunities, and (3) relentless pursuit of political-economic alliances with domestic political elites. In her recent book on Chinese big business in Southeast Asia, Brown (2000: 42) concluded that “the cultural embeddedness of Chinese capitalism is a product of historical cultural factors. Chinese capitalism in Southeast Asia, despite its heterogeneity, is not competitive. The accumulative, predatory tendencies of Chinese capitalism should not be mistaken for competitiveness. The Chinese links with the state, indigenous merchants, local elites and native technocrats, have varied from co-opting elites onto the boards of Chinese companies, to raising equity from indigenous sources, government capitals, to operating joint ventures with the state and with foreign multinationals and seeking technological alliances with foreign multinationals. The state has ranged from patron to partner, from investor to executor”. She further argued that “links with the state and the exploitation of Chinese networks ensured the survival of Chinese family enterprises, irrespective of whether they were in labour intensive industries or in capital intensive sectors. Competition was not a determining factor in the survival of Chinese family enterprises” (p.100; see also Yoshihara, 1988).

How much then do we know about the *financial* aspect of Chinese capitalism? I think our knowledge remains rather limited for several reasons. First, much of the culturalist literature takes on an essentialist view of Chinese capitalism and therefore focuses narrowly on financial transactions among ethnic Chinese and their family networks. This view is premised on the essentialist assumption that ethnic Chinese, by virtue of their “Chineseness”, are culturally predisposed to transact with each other, even in the realm of financial arrangements (e.g.

McElderry, 1986; Nyaw and Chang, 1989; Brown, 1990). Clearly, this essentialist reading of the enormously diverse financial activities of Chinese family firms is problematic in today's globalizing world in which financial capital flows much more effortlessly across borders and many Chinese family firms have much better knowledge and access to global financial markets. Taking an anti-essentialism perspective, for example, Nonini and Ong (1997: 3-4) argued that "Chineseness is no longer, if it ever was, a property or essence of a person calculated by that person's having more or fewer 'Chinese' values or norms, but instead can only be understood only in terms of the multiplicity of ways in which 'being Chinese' is an inscribed relation of persons and groups to forces and processes associated with global capitalism and its modernities" (see also Nathan, 1993; Greenhalgh, 1994; Hodder, 1996; Dirlik, 1997; Ong, 1997; Yao, 1997; Ma, 2003). There is thus nothing invariably inherent about ethnic Chinese and their culture that compel them to rely *only* on network capital. The concept of culture in Chinese capitalism needs to be reconceptualized as a repertoire of historically- and geographically-specific practices that respond and adapt to changing local, regional and global circumstances rather than as permanently fixed mental and organizational structures that resist challenges and pressures to change (see also Hwang, 1987). Yang (2002: 469; original italics) contended that "it is better to treat *guanxixue* [the practice of relationships] not as an innate timeless given of Chinese culture, but as a historically situated set of cultural practices whose features and discourse have different meanings and different deployments in given historical moments and political contexts". The essentialism in the culturalist perspective is particularly problematic because "it creates and legitimises the notion of 'the Chinese' as a distinct entity which can be explained by the implicit application of laws and forces which are presumed to exist" (Hodder, 1996: 12-3). To Wang (1999: 119), "Chineseness is of little interest unless it is changing or is forced to defend itself



against change. And underlying the changes that have been the most meaningful for them [Chinese in mainland China] this past century are the forces of modernization”.

Second, most studies tend to see the organization and behavior of Chinese family firms and their business networks as a somewhat static product of *cultural adaptation* – an inward-oriented defense strategy in order to survive host country hostility, or of *institutional structuring* – a fixed and pre-determined outcome of the so-called “Chinese business system” (Whitley, 1992; 1999; cf. Yeung, 2000a; 2004). Once established, such firms and their business networks are perceived to exhibit little internal and external transformations, but rather continue to exist as relatively “closed” (albeit evolving) socio-cultural formations, often anchored in one national or regional base. There are no provisions for change and transformation among Chinese family firms within the same “home” economies and across different Asian economies. It is as if these firms have a particular fate or destiny, depending very much on their cultural origins and/or institutional structures that almost leave a permanent imprint on these capitalist organizations. This static analysis of Chinese capitalism has much to do with its Weberian origin. Max Weber, for example, had argued that the significant influence of Confucian values in Chinese social thought was detrimental to the development of a rational instrumentalism essential to the rise of modern capitalism in North America and Western Europe:

The patrimonial nature of administration and legislation created a realm of unshakeable sacred tradition alongside a realm of arbitrariness and favouritism. These political factors impeded development of industrial capitalism, sensitive to the lack of rational and calculable administration and law enforcement, whether in China, India, Islam, or elsewhere... Capital investment in industry is far too sensitive to such *irrational* use of authority and too dependent upon the possibility of calculating in advance the steady and rational operation of the state machinery to emerge under a government of this type. But the decision question is, why did this administration and judiciary [in Imperial China] remain so *irrational* from a capitalist point of view?... Rational industrial capitalism, which in the Occident found its specific locus in manufacturing, has been handicapped not only by the lack of a formally guaranteed law, a rational administration and judiciary, and by the ramifications of a system of rights to collect revenue, but also, basically, by the

lack of spiritual foundations. Above all it has been handicapped by the attitude rooted in the Chinese ‘ethos’ and peculiar to a class of officials and aspirants to office (Weber, [1920] 1983: 82-84; my emphasis).

Third, while small-scale Chinese family firms continue to receive the majority of research attention from academics, few resources have been devoted to the analysis of the growth of large business conglomerates (with public listed arms) that are controlled by ethnic Chinese (see Yeung, 1998; Gomez, 1999; Olds and Yeung, 1999; Zang, 1999; 2000; Brown, 2000; Yeung and Soh, 2000). These large business conglomerates are certainly more than the methodological proxy that “distinguishes any particular variety of capitalism” (Whitley, 1999: 65). They are indeed the prime movers and shakers in the economic organization of Chinese capitalism such that they cannot be analyzed simply as outcomes of abstract cultural norms and institutional structures in a *post hoc* manner. Instead, these large Chinese business conglomerates must be analyzed as an integral and critical constituent of Chinese capitalism. My empirical analysis in the next section therefore sheds light on how large Chinese family firms are engaging with global financial markets through their use of principal banks. As two *Business Week* editors recognized, “[a]s more and more Chinese network builders popped up each year in *Forbes*’ list of billionaires, there came a point when they began to shake their stigma of being ‘ersatz capitalists.’ Western investment bankers and consultants who learned more about the inner workings of a Dhanin Chearavanont, Li Ka-shing, Mochtar Riady, or Peter Woo found that these were serious business empires. They were men with a love for big deals who controlled powerful intelligence networks that gave them an inside track on deals” (Clifford and Engardio, 2000: 74). Even in Taiwan where small and medium enterprises (SMEs) have been hailed as the backbone of the burgeoning economy (see Hamilton and Kao, 1990; Shieh, 1992; Hamilton, 1998; Hsing, 1998), recent studies have shown an increasing concentration of corporate power in the hands of

the largest business groups, most of which are owned and controlled by Chinese families and are publicly listed on Taiwan's stock exchange. Amsden and Chu (2002: Table 2-1; 27), for example, showed that the share of sales/GNP by Taiwan's top 100 business groups has increased from 32.3% in 1973 to 33.8% in 1988 and a staggering 54% in 1998. Similar trend towards corporate concentration in sales, equity and assets is also occurring in other economies dominated by ethnic Chinese business firms.

Finally, there are few studies on the changing nature of capital sourcing for business expansion. This is a significant weakness in the context of the spread of global commodity chains driven by transnational corporations throughout the Asia-Pacific region, and the growth of regional equity and bond markets. Such regional equity and bond markets are heavily dependent upon the operation of Chinese family-controlled conglomerates. These regional financial markets, via digital technologies, provide real-time links between Chinese family firms and the skein of global financial centers. Thus, while Fields' (1995) study devoted a substantial chapter to corporate finance among Taiwanese firms before the 1990s, little substantial and quantitative data were provided to illuminate the nature of corporate finance. Instead, he conceded that "no comprehensive study of guanxiqiye [related enterprises] financial sources has been attempted. Nor can such a study be carried out as long as such financial information remains confidential. In fact, one of the motives for choosing the informal, 'related enterprise' mode of organization has been to facilitate unmonitored financial flows to the groups and among group firms" (Fields, 1995: 145). In another study of corporate networks among a sample of 107 Chinese business firms listed on the Stock Exchange of Singapore in 1992, Zang (1999: 864-865) found that "in the big Chinese business sector in East and Southeast Asia, the interlocking directorate has replaced traditional informal networks and has performed the function of co-ordination and

control in the market place. It is a modern form of maintaining personal relationships in the Chinese business community and embodies a class alliance among Chinese capitalists”. He also found that family firms are more likely to network than non-family firms, and family ownership has a positive effect on interlocking directorates (see also Zang, 2000). But he fell short of describing and explaining corporate finance and performance among these Chinese family firms. In brief, the study of how Chinese family firms mobilize global capital via domestic and international financial markets does not really exist yet (see, however, Shikatani, 1995; Olds and Yeung, 1999; Yeung and Olds, 2000b; Carney and Gedajlovic, 2002).

How then should we approach the financing of Chinese capitalism in a global era? I argue that it is important to go beyond an essentialist focus on small-scale Chinese family firms and their reliance on network capital among family members and close friends. This call for an alternative focus on large Chinese family firms operating across borders does not negate the significance of earlier work in the culturalist genre. Rather, it builds on our existing understanding of the role of network capital in explaining the rise and growth of Chinese family firms in developing Asia economies where capital markets used to be poorly developed and financial institutions were so intertwined with politics and nation-building initiatives. As these Asian economies have leapfrogged in their technological and economic development during the past two decades, many of their leading Chinese family firms have conceivably gone out of their “cultural mould” and adopted new management and financial practices that were previously unthinkable. Such transformations in Chinese capitalism do not happen only in such international financial centers as Hong Kong and Singapore (Wu and Duk, 1995), but also increasingly in such emerging financial markets as Taiwan, Malaysia and Thailand. In many of these economies, there is an interesting juxtaposition of old and new financial practices among Chinese family firms.

Some of these new financial practices include (1) tapping into non-Chinese international financial institutions for term loans and equity funds; (2) raising capital through public share offering and international bond listing and; (3) attracting international equity investors.

Key Asian cities act as source points to the global financial system, particularly prior to the 1997/1998 Asian economic crisis. Hong Kong and Singapore, for example, have long served as the “twin capitals” for ethnic Chinese firms (Wu and Duk, 1995; Enright et al., 1997; Wu, 1997). Both financial centers have also better than median shareholding protection (see La Porta et al., 1999: Table 2; 492), despite the large number of Chinese family firms listed on their stock exchanges. In the loan syndication business, the two financial centers have catered to customers from different geographic regions. While the US\$117.5 billion worth of syndicated loans arranged by Hong Kong-based financial institutions between 1992 and mid-1996 were more than double of that of Singapore, 71.7% of this total was accounted for by borrowers from East Asia, many of whom were ethnic Chinese entities. In Singapore, the borrowers were mainly from Southeast Asia that together with local borrowers, took up 88.5% of Singapore’s total syndicated lending of US\$54.6 billion during the same period (Wu, 1997: 13-5). Between 1993 and 1994, financial institutions in Hong Kong and Singapore arranged US\$6.5 billion and US\$8.6 billion worth of syndicated loans for Indonesian and Thai companies respectively. Of the total US\$38.4 billion worth of funds under the custody of Singapore’s fund managers at the end of 1993, some 40% originated from Southeast Asian countries. The bulk of these funds might have come from high net-worth ethnic Chinese and their cash-rich corporate entities (Wu and Duk, 1995: 26).

Among various financial institutions in these Asian economies, banks seem to occupy a particularly important position, not least because many of them are Chinese family-owned and controlled. Table 1 shows that the shares of banks in financial intermediation in Singapore,

Taiwan, Indonesia, Malaysia and Thailand during the 1994-1995 period were particularly high when compared to their counterparts from the US. Foreign banks were also very significant in Hong Kong and Singapore, accounting for around 80% of total assets in the banking sector. In Table 2, there are clear differences in the density and role of banks in Hong Kong and Singapore. While Hong Kong enjoyed the presence of more than double the number of banks per 1,000 population than Singapore, the total bank loans in Hong Kong were also significantly larger than in Singapore even after we have taken into account of their exchange rate differences. The same observation can also be found in the different stock market turnovers and their ratios to GDP during the 1990s. These preliminary data indicate the analytical need to focus on banks in the development and transformations of Chinese capitalism in East and Southeast Asia. In the case of publicly listed Chinese family firms, their relationships with domestic and foreign banks become an important nexus in our examination of their changing financial practices and performance, as evident in the following two sections.

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## **Chinese Family Firms and Their Principal Banks**

Before I present an analysis of the data on the 157 Chinese family firms listed on the Singapore Exchange (formerly the Stock Exchange of Singapore), some notes on the methodology of data collection are necessary. The 1996 data on these 157 Chinese family firms were originally collected and analyzed in Yeung and Soh (2000). We went through the entire pool of public-listed firms manually. The pool of selection came from a total of 355 Mainboard and Sesdaq firms listed in *Companies Handbook 1997*, published by the Stock Exchange of Singapore (1998). *Companies Handbook 1997* has relevant information on all publicly listed

firms from 1 January 1996 to 31 December 1996. Updates for 1998 and 2001 were subsequently completed in late 2002 and early 2003 at the Singapore Exchange (<http://www.sgx.com>), based on annual reports of individual companies.

How then did we distinguish the archetypical category of the “Chinese family firm” that was so often discussed synonymously with Chinese capitalism in the literature? In defining the Chinese family firm, we took the term “family” to mean persons related by blood or marriage. In general, the most commonly found relationships are usually that of father and son/daughter, husband and wife, and brother/sister and brother/sister. This will form the core family unit that consists of husbands, wives and/or their children. Other relationships may include family relatives related by blood or marriage, e.g. cousins, uncles, aunts, and so on. We identified all family relationships in sole or substantial shareholding ownership, be it deemed or direct interest, of a particular listed Chinese family firms in Singapore. Broadly, we used three criteria to identify a Chinese family firm listed on the Singapore Exchange. The first and most obvious condition stipulated *Chinese ethnicity* for the family or the individual in question. The determination of ethnicity was done through two ways, firstly, by examining the names on the board of directors and substantial shareholdings. If the names were of Chinese origin, for example having a surname of Chen, Tan, or Lee, the criterion was therefore satisfied. The second way was to confirm through telephone conversations with personnel in the respective listed firms. The secretary or personal assistant to the chief executive officer or general manager was usually approached to obtain information about the relevant board of directors and, at other times, to confirm relationships between several members on the board of directors. Our second criterion in relation to *family ownership* was the most important condition without which no evidence could be presented for a listed firm to be constituted as a “family firm”. Substantial shareholdings listed

in annual reports were considered in this case. The family (consisting at least two individuals related by blood or marriage) must be the largest substantial shareholder (be it deemed or direct interest) in the respective listed firm. This is a much stricter definition of family ownership than the one used in recent studies of corporate finance and governance because at least two family members and substantial shareholders must be identified in each case. In these studies, an individual ownership or blockholder of 10%-20% voting rights was often considered sufficient to define a family firm (e.g. La Porta et al., 1999; Zang, 1999; 2000; Claessens et al., 2000b). Our third criteria required family members to occupy important *executive positions*, e.g. chairman, chief executive officer, or managing director. This was not a necessary condition because some listed firms might satisfy the second criterion without satisfying the third. In this case, professional managers might be employed to take care of the family's diverse interests.

With the above stated criteria, the pool of publicly listed firms available in the *Companies Handbook 1997* was collated manually and a database was set up to facilitate our empirical analysis. Variables were identified and data collection could be considered as raw and secondary in nature, e.g. consulting annual reports, and making references to *Companies Handbook 1997* and *Singapore's Corporate Family Tree* (Datapool, 1999). The database yielded substantial data on the internal organization of publicly listed Chinese family firms in Singapore. Although the database covered only a certain percentage of the entire population of Chinese family firms (i.e. excluding privately owned Chinese family firms), the findings and observations gleaned from this kind of analysis can still enrich us about the realities and governance of Chinese family businesses in Singapore (see also Zang, 1999; 2000). Altogether, the manual exercise of going through 355 public-listed firms (available from *Companies Handbook 1997*) yielded a total of 157 Chinese family firms. These family firms made up about 44.2% of the total number of firms



listed on the Mainboard and Sesdaq of the Stock Exchange of Singapore in 1996. Their combined activities in 1996 amounted respectively to S\$37.2 billion (turnover), S\$4.9 billion (after-tax profits), and S\$27.2 billion (fixed assets). About 91% (n=143) of these them also satisfied all three criteria. By the end of 2001, some significant corporate transformations occurred among 45 of these 157 Chinese family firms. Some 18 of them were acquired by other firms and five of them were subsequently delisted from the Singapore Exchange. Another 13 were delisted and 14 experienced significant changes in shareholding (n=7) and board of directors (n=7). Their combined activities in 2001 totaled respectively at S\$38.8 billion (turnover), S\$4.1 billion (after-tax profits), and S\$36.5 billion (fixed assets).

Table 3 presents the distribution of family shareholdings among these 157 Chinese family firms in 1996, 1998 and 2001. In 1996, about 51.3% (n=77) of them had a majority shareholding above the 50% threshold. If we take 20% shareholding as the yardstick (see Zang, 1999; 2000), then an overwhelming majority of Chinese families 93% (n=140) had a substantial stake in these publicly listed firms. Interestingly, this pattern of family shareholding had not changed very much by 2001. Some 50.7% (n=69) of them had a majority stake controlled by various families, although only 84.5% (n=115) had a substantial stake of over 20% shareholding in these firms. This reduction in substantial stake occurred mainly in the 41%-50% category (7% decrease from 18% in 1996 to 11% in 2001). This finding indicates that corporate restructuring and maneuvers during and after the 1997/1998 Asian economic crisis had taken their tolls on some publicly listed firms in which Chinese families did not hold a majority stake. Overall, data in Table 3 point to the relative stability in the shareholding structures of Chinese family firms in Singapore during the 1996-2001 period. The implications of this stability for corporate performance will be addressed in the next section.

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The pattern of principal banks used by these 157 Chinese family firms, however, shows a rather different picture. In Table 4, there was a significant decrease in the number of principal banks used by Chinese family firms between 1996 and 2001. In 1996, about 75.7% (n=84) of Chinese family firms had one to five principal banks. But this figure increased to 82.8% (n=72) in 2001. Meanwhile, the proportion of these firms having six or more principal banks decreased over time. This reduction reflects the slowdown in corporate expansion among these Chinese family firms in the post-crisis era, the mergers and acquisitions in the domestic banking sector (Keppel Bank and Tat Lee Bank in 1998 and United Overseas Bank and Overseas Union Bank in 2001), and the reserved attitudes of non-Singapore banks towards the short-term growth of these family firms.

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Table 4 here  
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If we revisit the culturalist perspective on Chinese capitalism, it follows that Chinese family firms should be more inclined to use network capital to finance their domestic and international operations. Among small and medium enterprises (SMEs), this network capital often comes from pooling together investments and savings among family members and an inner circuit of close friends. In the case of the largest Chinese family firms, so the culturalist literature proposes, the founders and/or family patriarchs often attempt to use their personal relationships with other Chinese bankers to secure access to capital and finance. In Singapore's banking sector before 1998, only two domestic banks were government-linked (Development Bank of Singapore and Keppel Bank).<sup>5</sup> According to interviews with Chinese entrepreneurs (Yeung, 2002), these

government-linked banks were notoriously reluctant to extend loans and equity financing to Chinese family firms. In fact, a local entrepreneur wrote to Singapore's most read newspaper and openly complained that "all of them [banks in Singapore] were only interested in property business and trading – all heavily secured transactions. They had no desire to support a technical enterprise. The local banks also have limited experience in small and medium-sized enterprise (SME) operations and venture funding" (*The Straits Times*, 7 July 1999). All other domestic banks and finance houses in Singapore prior to 1998 were owned and controlled by leading Chinese families: Hong Leong Finance (the Kwek family), Industrial and Commercial Bank (the Wee family), Overseas-Chinese Banking Corporation (the Lee and the Tan family), Overseas Union Bank (the Lien family), Singapore Finance (the Kwek family), Tat Lee Bank (the Goh family), and United Overseas Bank (the Wee family).

Given this predominance of Chinese family-owned banks and finance houses in Singapore's banking sector, we would expect more Chinese family firms listed on the Singapore Exchange to use them as their principal banks, particularly those firms with higher shareholding by Chinese families. This is because majority-owned family firms are more likely to develop strong personal relationships with Chinese banks and the culturalist perspective would like us to believe in the positive relationship between family shareholding of family firms and their use of Chinese banks. In Table 5, I present results from a simple correlation analysis of the relationship between percentages of family shareholding and the number of Singapore banks as principal banks. My assumption is that greater family shareholding should correspond with higher use of Singapore banks (as a proxy for Chinese family banks). Ironically, the correlation analysis does not support the culturalist perspective on the alleged positive relationship between family shareholding and the use of Chinese banks as principal banks. Indeed, there is a consistently

negative relationship for all three years of 1996, 1998 and 2001 (statistically significant in four out of six cases). This finding indicates that the higher is the family share of a publicly listed Chinese family firm, the less is its number of Singapore (Chinese) banks as principal banks. It refutes tentatively the culturalist interpretation of network capital as the dominant source of financing Chinese capitalism.

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Table 5 here

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So what sorts of banks did these Chinese family firms use as their principal banks? I have summarized in tables 6 and 7 the geographical origins of principal banks of Chinese family firms by country and by region. Two empirical observations clearly stand out. First, the majority of principal banks are from outside Singapore. In 1996, only 14 out of 76 principal banks (18.5%) were from Singapore (Table 6) and this figure decreased by 50% to only seven Singapore banks in 2001, an outcome of the mega mergers and acquisitions during the 1998-2001 period. In Table 7, however, this small number of Singapore banks accounted for a disproportionately higher number of citations as principal banks by Chinese family firms. In 1996, the 14 Singapore banks made up 45.1% (n=222) of total citations (N=492) by the 111 Chinese family firms that indicated principal banks in their annual reports. Following the decline in the number of Singapore banks available as principal banks in 2001, the citation of Singapore banks also decreased by 27% to 162 in 2001, whereas its relative share of citations remained stable at 45.4%. This result shows that during the period 1996-2001, fewer Singapore banks were available as principal banks for listed Chinese family firms, though the former enjoyed a relatively higher share of the citations.

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Tables 6 and 7 here

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Second, the geographical scope of principal banks is highly diverse, ranging from the more obscure bank in South Africa (Amalgamated Banks of South Africa) and the Middle East (Arab Banking) to such globalized banks as Citibank (US) and the HSBC (UK). What is particularly interesting in Table 6 is the fact that Chinese family firms have well tapped into banks from North America and Western Europe as their principal banks. In 1996, banks from North America (n=11) and Western Europe (n=23) accounted for 43.4% of the total pool of principal banks (N=76). In terms of citations in Table 7, the two regions also made up 37.6% (n=185) of total citations. These findings imply that prior to the 1997/1998 Asian economic crisis, banks from North America and Western Europe were highly active in financing and servicing both the domestic and international operations of Chinese family firms from Singapore. In turn, this shows that Chinese capitalism in Singapore has been globalizing in its financial outreach during the past decade – a point certainly not anticipated in the existing literature on Chinese capitalism. Together with banks from East Asia, Australasia and other regions, non-Singapore banks contributed to almost 55% of total citations as principal banks.

By 2001, however, there were some significant changes to the above geographical patterns of principal banks. The number of banks available as principal banks decreased by 21.1% from 76 in 1996 to only 60 in 2001 (Table 6). The decline occurred primarily among banks from North America (from 11 in 1996 to 5 in 2001), Japan (from 7 in 1996 to 4 in 2001), and Singapore (from 14 in 1996 to 7 in 2001). To a certain extent, this decrease correlates with the 15.3% decline in the number of Chinese family firms indicating their principal banks (Table 4). It also reflects the negative impact of the Asian economic crisis on the Asian operations of American and Japanese banks, and the tendency among Chinese family firms to use less principal banks as they streamlined their operations and restructured their core business activities. In terms

of citations in 2001 (Table 7), banks from all regions except Australasia experienced a dramatic reduction in their citations as principal banks of Chinese family firms, although their relative percentage shares remained unchanged. The decline ranged from 25.7% for banks from Southeast Asia to 33.3% for banks from North America. Banks from Singapore and outside Singapore had similar drop in their citations (around 27%). These figures are all well above the 15.3% decrease in Chinese family firms indicating principal banks in their annual reports, pointing tentatively to the general tendency among these firms to use less principal banks during the 1996-2001 period.

### **Economic Crisis and Performance**

The above descriptive analysis of the Singapore Exchange data challenges the conventional wisdom that Chinese family firms rely exclusively on kinship ties and network capital to finance their business activities. It shows that Chinese family firms listed on the Singapore Exchange have a diversified pool of principal banks and higher family shareholding does not necessarily reduce the proportion of non-Singapore banks as principal banks. It remains unclear how these findings relate to the corporate performance of these firms during the 1996-2001 period when many East and Southeast Asian economies experienced their worst-ever financial crisis and instability (see different interpretations in Krugman, 1998; Radelet and Sachs, 1998; Wade and Veneroso, 1998; Johnson et al., 2000; Wade, 2002). Before we explore these relationships, it is useful to give a general idea of the extent to which the 1997/1998 Asian economic crisis has impacted on the profitability of these 157 Chinese family firms. In 1996, these firms enjoyed a combined after-tax profit at S\$4.8 billion. In 1998, however, the figure decreased very significantly by 62.5% to S\$1.8 billion. Data presented in Table 8 reveals clearly that while 144 (91.7%) of these 157 Chinese family firms enjoyed after-tax profits in 1996, only 95 (60.5%) of them did so in 1998. There is thus no question that a large number of publicly

listed Chinese family firms in Singapore suffered serious losses from the 1997/1998 Asian economic crisis.

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Table 8 here

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The more significant question is whether there are relationships between the role of family ownership and profitability, and between the use of principal banks and profitability. This question can potentially inform our understanding of the critical perspective on Asian financial markets that involve the participation of Chinese family firms as both providers and recipients of financial capital and services. For it might be argued, as the critics of crony capitalism would certainly have, that the more a publicly listed firm is owned and controlled by a family, the more likely it is to suffer from major losses during the Asian economic crisis. This is because, so the argument goes, family control could result in unwieldy diversification and investment decisions made by the founders and/or the patriarchs in their own personal or family interests rather than the interests of minority shareholders and the public companies in which they have invested. Tightly coupled family ownership and control also tends to generate poorer corporate governance and greater likelihood of expropriation of minority shareholders in the event of financial difficulties and crises. Such an argument against family control of public companies is extremely influential during the post-crisis restructuring of many Asian financial markets (e.g. in South Korea and Indonesia).

In Table 9, I use family shareholding as a proxy to measure the extent of family ownership and control and correlate the percentage of family shareholding with after-tax profits. Correlation analysis is useful here as it tells us about the direction of change between two different variables. Since I am not interested in predicting the causality of the exact change (as in

regression analysis), correlation analysis is a sufficient tool for my purpose. Although the corporate finance literature often uses return on assets (ROA) or return on invested capital (ROIC) as the proxy for profitability and performance (e.g. Carney and Gedajlovic, 2002; Mitton, 2002), I use after-tax profits as a simplified proxy for performance in my correlation analysis. The results presented in Table 9 seem to support the above argument by the critics of Chinese capitalism that there are negative correlations between family shareholding and after-tax profits. Indeed, in all three years under examination (1996, 1998 and 2001), there is a negative correlation between family shareholding and after-tax profits. The results for three particular cases are also statistically significant. What these results imply is that higher family shareholding of a Chinese family firm seems to correlate with lower after-tax profits or higher losses during the 1996-2001 period.

My evidence also lends some support to the conclusions in several recent studies on the relationship between family ownership and corporate performance. In a study of 106 Chinese family firms listed on the Hong Kong Stock Exchange in 1993, Carney and Gedajlovic (2002: 137) identified statistically significant positive relationships between tighter coupling of family ownership and control and dividends payouts, and negative relationships between tight coupling of ownership and control and investment in fixed assets. Their findings suggested that tighter family ownership and control leads to lower likelihood of corporate profitability due to higher dividend payouts and lower investment in fixed assets. Claessens et al.'s (2000a; 2000b) World Bank study of over 5,500 East Asian firms in nine economies during the 1988-1996 period also shows that family control helps explain the negative relationship between control rights and market evaluation. In another study of the 1997-1998 performance of 398 firms from the five crisis countries (Indonesia, South Korea, Malaysia, the Philippines and Thailand), Mitton (2002:



229) suggested the idea that blockholders of shares who are also involved with management could have more opportunity or incentive for expropriation of minority shareholders. Claessens et al. (1999) also observed that family ownership tends to reduce the likelihood of an East Asian firm to file for bankruptcy, possibly at the expense of minority shareholders. This relationship thus explains the survival of some family firms despite their lower or negative profitability during the crisis.

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Table 9 here

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Going back to my earlier point about the financing of Chinese capitalism in a global era, it might be useful to speculate on the relationship between the use of principal banks by Chinese family firms and their profitability. My proposition is that a Chinese family firm using more and geographically diversified principal banks *before* the crisis is more likely to make profits and less susceptible to losses arising from the crisis. This positive relationship can be explained by two rationales. First, different principal banks may offer different financial services and investment knowledge to a Chinese family firm. This is a point about risk diversification from the perspective of the recipients of credits and funds and thus a diversified base of principal banks allows these recipients to perform a more effective assessment of the global investment climate and credit availability before the onset of the crisis. An excessive reliance on a single or a few principal banks may reduce the potential repertoire of market information and financial knowledge available among a diverse pool of principal banks. Second, the role of personal relationships and relationship banking is less likely to be effective when the number of principal banks increases, thereby reducing the propensity for expropriation and fraud before the crisis. Different principal banks may have divergent credit requirements and risk-assessment procedures

that put significant constraints on both corporate governance and investment strategies of a Chinese family firm. We can thus infer that through diversifying principal banks, a Chinese family firm wants to tap into the financial strength and knowledge of the chosen principal banks rather than to secure capital and credits through personal relationships. This kind of Chinese family firms is also more likely to engage in professional management, impersonal decision-makings and sound corporate governance.

In Table 10, I correlate the total number of principal banks of Chinese family firms and their after-tax profits in all three years. The positive and statistically significant correlations between the number of principal banks and after-tax profits in 1996 and 1998 support my proposition that a larger number of principal banks *before* the crisis might lead to higher propensity for profitability in a Chinese family firm during the crisis. There is apparently a difference between the use of Singapore and non-Singapore banks as principal banks. Although both types of principal banks are positively correlated with the after-tax profits of Chinese family firms in 1996, the number of non-Singapore principal banks remains positively correlated with after-tax profits in 1998. The negative correlation between the number of Singapore principal banks and after-tax profits in 1998 seems to imply that the direct involvement of Chinese family banks in Singapore's corporate sector has a negative impact on profitability during the crisis. Taken together, these findings establish the significant role of a diversified pool and geographical origin of principal banks in ensuring profitability and corporate governance of Chinese family firms. To a certain extent, it explains why many Chinese family firms have moved away from the traditional model of financing their business activities through "network capital". There are clear benefits for those Chinese family firms that rely less on the culture of "familism" and more on

the culture of professionalism and sound governance structures through their diversification of principal banks beyond other Chinese family banks.

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Table 10 here

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## **Conclusion**

The debate on the cultural origins and predispositions of Chinese family firms and their business activities remains elusive because so much of the literature relies on static analysis that tends to produce cultural stereotypes and essentialist observations. In this ongoing debate, the powerful role of financial markets as both the vanguard of capitalism and the diffusion center of new management norms and regulatory influences has been largely neglected. In this paper, I have challenged the conventional wisdom in the literature on Chinese capitalism that essentializes the ways in which Chinese family firms finance their business activities. Drawing on a large dataset on 157 Chinese family firms listed on the Singapore Exchange, I have shown that several cultural stereotypes about these firms and their financial arrangements are out-dated, to say the least. As major players in Chinese capitalism, these firms have enormous corporate and financial power to effect dynamic changes in the nature and organization of the domestic economy of Singapore. I have provided relevant data and conducted statistical analysis on their shareholding structures, the geographical origins of their principal banks, and their after-tax profits during the 1996-2001 period. I have found good evidence to support my two initial propositions that these Chinese family firms have indeed been globalizing their sources of capital and this globalization process has certainly contributed to their corporate performance. These propositions are particularly significant in the context of the 1997/1998 Asian economic crisis during which severe criticisms were leveled against the so-called “crony capitalism” as the

fundamental cause of the crisis. While this paper does not add any new empirical evidence to explaining the cause of the crisis, it does clarify an important issue about the relationship between family control of public companies and their poor performance during and after the crisis.

As financial markets in Asia are recovering from the 1997/1998 crisis and new norms of corporate finance and legitimation procedures are emerging in these markets, my empirical analysis may offer some relevant implications for both researchers and practitioners. First of all, if culture were to remain as a useful analytical category, we must conceptualize it as a set of social practices that adapt to and change with time and place. While cultural norms – as in the case of Chinese family firms – might be influential in determining their relationships with financial markets during particular historical moments and in certain geographical contexts, these norms can evolve and change in unpredictable directions. The 1990s, for example, witnessed a heightened intensity of the globalization processes that put many cultural norms in distress (see Berger and Huntington, 2002). The traditional practice of Chinese family firms in the financial realm was to rely virtually exclusively on pooling capital among family members and close friends. Such a cultural model of financing Chinese family firms remains pervasive today among mostly small and medium enterprises. However, as financial capital becomes increasingly globalized and many more Chinese family firms are seeking capital on a much larger scale, we begin to witness new norms of corporate finance among large and often publicly listed Chinese family firms. These norms include the use of non-Chinese banking and financial institutions for access to global finance and the decline in the reliance on network capital and personal relationships. Whether these norms in financing Chinese capitalism will constitute a new culture of finance remains unclear. But in today's globalizing era, it is clearly absurd to deny any changes and transformations in the nature and organization of Chinese capitalism. What this

paper has shown is that there is much for us to learn from researching into the interactions between Chinese family firms and regional/global financial markets.

In terms of practice, my analysis implies that family ownership and control might not be too much a regulatory hazard if an informal regulatory process through various stakeholders such as principal banks can be put in place. The effectiveness of such informal regulatory process may explain why more than 75% of all registered companies in the industrialized economies remain family businesses and a third of listed companies in the Fortune 500 have families at their helm (Becht et al., 2003). Even in the UK where ownership is rapidly dispersed throughout the twentieth century, Franks et al. (2003) found that founding families retained board control well beyond the sale of their ownership stake (see also Chandler, 1990). According to a recent study of corporate ownership around the world (La Porta et al., 1999: 481), even Microsoft Corporation has been classified as a family-owned firm, 23.7% controlled by Bill Gates. *Prima facie*, there are thus no inherent limits to the growth of family firms in an era of global finance (Yeung, 2000c). In fact, if such informal process works well, shareholders of Chinese family firms – both majority and minority – might benefit from better corporate governance and improved profitability. This potential improvement in corporate governance is particularly significant in developing economies in which many Chinese family firms thrive and shareholder protection and judicial efficiency are inadequate. Klapper and Love (2002), for example, found that good corporate governance matters a lot more in countries with weak shareholder protection and poor judicial efficiency. In this sense, the latent pressures from principal banks may foster a kind of voluntary action on the part of Chinese family firms to take a stakeholder approach, rather than a personal or family approach, to corporate governance and performance. This process happens in many East and Southeast Asian economies in which banks play a critical role in financial

intermediation (see Table 1). There is no question about the future increase in the extent to which Chinese capitalism works with global finance. The critical issue is whether such a co-evolution of Chinese capitalism and global finance can take place within the existing framework of the global financial architecture in which financial crises and instabilities seem to be rather prevalent.

## Endnotes

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<sup>1</sup> I use “home” in inverted commas because many East and Southeast Asian economies might not be the birthplace for the first and, sometimes, second generations of many ethnic Chinese people. Unless otherwise specified, the term “economies” is used in lieu of “countries” because while economies like Hong Kong and Taiwan are populated by the largest concentration of ethnic Chinese outside mainland China, it is hotly debatable whether they can be known as “countries” in their own right.

<sup>2</sup> The term “overseas Chinese” may be contentious to some scholars of ethnic Chinese who are living outside mainland China. The term is related to the Chinese term *huaqiao* (Chinese national abroad) which has been sharply criticised in Southeast China for its implications that Chinese born abroad with status as a citizen in another nation are still Chinese in essence and *huaren* (ethnic Chinese) has become more politically acceptable. In English, overseas Chinese is usually used to include *huaqiao*, *huaren*, and residents of Taiwan, Hong Kong and Macau (*tong bao*) who are considered to compatriots living in parts of the territory of China temporarily outside mainland Chinese control. See Wang (1991; 2000) and Ma (2003) for the origin and status of ethnic Chinese living outside mainland China. Throughout this paper, I will refer to “ethnic Chinese” or to specific groups (e.g. Hong Kong entrepreneurs) rather than “overseas Chinese” in my discussions of research materials. But references to the literature sometimes require reference to “overseas Chinese” to be clear. In such cases, I will use inverted quotations to illustrate my discomfort with the term.

<sup>3</sup> See, for example, the collapse of Peregrine Investment Holdings from Hong Kong in Yeung (1999).

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<sup>4</sup> See, for example, Wong (1988), Redding (1990), Hamilton (1991), Menkhoff (1993), Chan and Chiang (1994), East Asia Analytical Unit (1995), Lever-Tracy et al. (1996), Weidenbaum and Hughes (1996), Hefner (1998), Douw et al. (1999; 2001), Chan (2000), Gomez and Hsiao (2001), Menkhoff and Gerke (2002) and Yao (2002).

<sup>5</sup> The third government-linked bank was the Post Office Savings Bank (POSB) that was merged with the Development Bank of Singapore in July 1998 (Yeung, 2000b). As a savings bank, the POSB did not involve much in corporate loans to Chinese family firms.



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**TABLE 1. The Nature of Banks in Selected Asian and Developed Economies, 1994-1995**

<b>Economy</b>	<b>Bank Share in Financial Intermediation<sup>1</sup></b>	<b>State-Owned Banks (% of total assets)</b>	<b>Foreign Banks (% of total assets)</b>	<b>Non-Interest Operating Costs<sup>2</sup></b>	<b>Net Interest Margins<sup>2</sup></b>
Hong Kong	-	0	78 <sup>3</sup>	1.5	2.2
Singapore	71	0	80	1.4	1.6
Indonesia	91	48	4	2.4	3.3
Malaysia	64	8	16	1.6	3.0
Taiwan	80	57	5	1.3	2.0
Thailand	75	7	7	1.9	3.7
South Korea	38	13	5	1.7	2.1
Japan	79	0	2	0.8	1.1
Germany	77	50 <sup>3</sup>	4	1.1	1.4
United States	23	0	22	3.7	3.7

<sup>1</sup> Assets as a percentage of the assets of banks and non-bank financial institutions.

<sup>2</sup> As a percentage of total assets, averaged over the 1990-1994 period.

<sup>3</sup> Not directly comparable to percentages for other countries.

Source: Guillén (2001: Table 7.1; 185).

**TABLE 2. Financial Markets and Institutions in Hong Kong and Singapore, 1960-1999 (in \$million)**

Hong Kong	Growth Rate (%)				Annual Figures				
	1961-67	1967-80	1980-90	1990-98	1961	1967	1980	1990	1998
Number of banks	3.9	54.0	4.0	-1.0	59	75	415	599	544
Per 1,000 population	-	-	-	-	1.9	1.9	8.1	10.6	8.1
Total bank loans (HK\$)	-	157.2	41.3	20.4	-	5401	124287	689369	1957752
Manufacturing (%)	-	-	-	-	-	19.8	10.7	7.2	4.8
General Commerce	-	-	-	-	-	31.4	25.9	10.8	9.2
Financial industries	-	-	-	-	-	3.1	5.3	15.2	11.8
Transport & Comm.	-	-	-	-	-	4.1	9.3	6.0	5.4
Construction	-	-	-	-	-	16.4	15.5	15.7	21.3
Individuals	-	-	-	-	-	13.1	19.7	30.0	37.4
For business	-	-	-	-	-	5.3	5.1	3.2	1.2
Prime rates (%)	-	-	-	-	6.0	7.5	13.5	10.5	9.94
Stock market turnover	-	2232	18.3	54.4	1414.2	305.2	95684	288715	1701112
Ratio to GDP at current prices (%)	11.2	-	-	-	19.0	2.0	67.5	49.6	134.2
	-								
Singapore	1962-70	1970-80	1980-90	1990-99	1962	1970	1980	1990	1999
Number of banks	-	-	4.1	0.9	-	-	97	141	154
Per 1,000 population	-	-	-	-	-	-	4.0	4.7	4.0
Total bank loans (S\$)	21.8	75.7	16.9	15.5	731.1	2167.7	20206.9	57696.4	147178
Manufacturing (%)	-	-	-	-	12.8	34.1	21.6	13.0	7.9
General Commerce	-	-	-	-	51.6	31.3	39.3	23.7	13.5
Financial industries	-	-	-	-	6.7	3.6	10.4	17.2	14.3
Transport & Comm.	-	-	-	-	2.7	1.5	6.4	3.0	2.5
Construction	-	-	-	-	2.6	8.4	9.3	22.3	39.8
Individuals	-	-	-	-	-	13.1	7.0	13.4	14.7
Prime rates (%)	-	-	-	-	-	8.00	13.60	7.73	5.80
									1998
Stock market turnover	-	85.9	51.9	11.4	-	746.9	7806.1	36756.0	74479.4
Ratio to GDP at current prices (%)	-	-	-	-	-	12.9	31.1	55.3	52.7
Contributions to central provident fund (S\$)	45.7	124.4	19.3	13.7	30.6	156.4	2296.0	7174.2	16000.4
Ratio to GCF at current prices (%)	-	-	-	-	9.6	7.0	19.7	29.5	33.9

Sources: Census and Statistics Department (various years); Monetary Authority of Singapore (various years).



**TABLE 3. □□□□□□ Distribution of Family Shareholdings Among Chinese Family Firms Listed on the Singapore Exchange, 1996, 1998 and 2001**

Family Shareholdings (%)	Number and Percentage			Change between 1996 and 2001 (%)
	1996	1998	2001	
1 – 10	0 (0.0)	3 (2.1)	6 (4.4)	4.4
11 – 20	10 (6.7)	14 (9.7)	15 (11.0)	4.3
21 – 30	23 (15.3)	24 (16.7)	20 (14.7)	-0.6
31 – 40	13 (8.7)	14 (9.7)	11 (8.1)	-0.6
41 – 50	27 (18.0)	19 (13.2)	15 (11.0)	-7.0
50.01 – 60	30 (20.0)	28 (19.4)	29 (21.3)	1.3
61 – 70	23 (15.3)	21 (14.6)	18 (13.2)	-2.1
71 – 80	16 (10.7)	13 (9.0)	10 (7.4)	-3.3
81 – 90	7 (4.7)	6 (4.2)	11 (8.1)	3.4
91 – 100	1 (0.6)	2 (1.4)	1 (0.7)	0.1
Total	150 (100)	144 (100)	136 (100)	-
NA	7	13	21	-

Source: Author's compilation from annual reports of companies.

**TABLE 4. Chinese Family Firms Listed on the Singapore Exchange and Their Principal Banks, 1996, 1998 and 2001 (percentage in parentheses)**

No. of principal banks	Number and Percentage			Change between 1996 and 2001 (%)
	1996	1998	2001	
1 – 5	84 (75.7)	77 (78.6)	72 (82.8)	7.1
6 – 10	19 (17.1)	16 (16.3)	12 (13.8)	-3.3
11 – 15	6 (5.4)	3 (3.1)	2 (2.3)	-3.1
16 – 20	1 (0.9)	1 (1.1)	0 (0.0)	-0.9
21 – 25	0 (0.0)	0 (0.0)	0 (0.0)	0.0
26 – 30	1 (0.9)	1 (1.1)	1 (1.1)	0.2
Subtotal	111 (100)	98 (100)	87(100)	-15.3
No indicated principal banks	46 (29.3)	59 (37.6)	70 (44.6)	15.3
Total	157 (100)	157 (100)	157 (100)	-

Source: Author's compilation from annual reports of companies.

**TABLE 5. Correlation Between Percentages of Family Shareholding □□□□□□□□□□ and the Number of Singapore Banks as Principal Banks of Chinese Family Firms Listed on the Singapore Exchange, 1996, 1998 and 2001**

Independent Variables		No. of Singapore Banks as Principal Banks		
		1996	1998	2001
Family Share percentage, 1996	Pearson Correlation	-.270**	-.306**	-.146
	Sig. (2-tailed)	.005	.003	.190
	N	107	92	82
Family Share percentage, 1998	Pearson Correlation	-	-.352**	-.181
	Sig. (2-tailed)	-	.001	.102
	N	-	93	83
Family Share percentage, 2001	Pearson Correlation	-	-	-.220*
	Sig. (2-tailed)	-	-	.042
	N	-	-	86

\* Correlation is significant at the 0.05 level (2-tailed).

\*\* Correlation is significant at the 0.01 level (2-tailed).

Source: Author's compilation from annual reports of companies.

**TABLE 6. Country of Origin of Principal Banks of Chinese Family Firms Listed on the Singapore Exchange, 1996, 1998 and 2001  
(percentage in parentheses)**

Origins of principal banks	Number and Percentage			Change between 1996 and 2001 (%)
	1996	1998	2001	
Canada & US	11 (14.5)	11 (15.3)	5 (8.3)	-54.5
Australia & New Zealand	3 (3.9)	3 (4.2)	4 (6.7)	33.3
France	3 (3.9)	5 (6.9)	5 (8.3)	66.7
Germany	7 (9.2)	7 (9.7)	6 (10.0)	-14.3
Luxemborg & Switzerland	4 (5.3)	4 (5.6)	2 (3.3)	-50.0
The Netherlands	4 (5.3)	3 (4.2)	4 (6.7)	0.0
UK	5 (6.6)	5 (6.9)	5 (8.3)	0.0
China	3 (3.9)	4 (5.6)	4 (6.7)	33.3
Hong Kong SAR	4 (5.3)	4 (5.6)	4 (6.7)	0.0
Japan	7 (9.2)	4 (5.6)	4 (6.7)	-42.9
Malaysia	7 (9.2)	7 (9.7)	6 (10.0)	-14.3
Singapore	14 (18.5)	12 (16.7)	7 (11.7)	-50.0
Others	4 (5.4)	3 (4.2)	4 (6.7)	0.0
Total	76 (100)	72 (100)	60 (100)	-21.1

Source: Author's compilation from annual reports of companies.

**TABLE 7. Regional Origins of Principal Banks Cited by Chinese Family Firms Listed on the Singapore Exchange, 1996, 1998 and 2001 (percentage in parentheses)**

<b>Origins of principal banks</b>	<b>Number of Citations and Percentages</b>			<b>Absolute Change between 1996 and 2001 (%)</b>
	<b>1996</b>	<b>1998</b>	<b>2001</b>	
Southeast Asia	268 (54.5)	235 (55.0)	199 (55.7)	-25.7
Western Europe	140 (28.5)	123 (28.8)	99 (27.7)	-29.3
North America	45 (9.1)	40 (9.4)	30 (8.4)	-33.3
East Asia	34 (6.9)	24 (5.6)	23 (6.4)	-32.4
Australasia	5 (1.0)	4 (0.9)	5 (1.4)	0.0
Other regions	0 (0.0)	1 (0.2)	1 (0.3)	-
<b>Total</b>	<b>492 (100)</b>	<b>427 (100)</b>	<b>357 (100)</b>	<b>-27.4</b>
Singapore	222 (45.1)	199 (46.6)	162 (45.4)	-27.0
Outside Singapore	270 (54.9)	228 (53.4)	195 (54.6)	-27.8

Source: Author's compilation from annual reports of companies.

**TABLE 8. Profit and Loss Among Chinese Family Firms Listed on the Singapore Exchange, 1996, 1998 and 2001**

Profit and Loss	Number and Percentage		
	1996	1998	2001
Profit	144 (91.7)	95 (60.5)	101 (64.3)
Loss	13 (8.3)	54 (34.4)	39 (24.8)
NA	0 (0.0)	8 (5.1)	17 (10.8)
Total	157 (100)	157 (100)	157 (100)

Source: Author's compilation from annual reports of companies.

**TABLE 9. Correlation Between Percentages of Family Shareholding  $\square\square\square\square\square\square\square\square\square\square$  and After Tax Profits of Chinese Family Firms Listed on the Singapore Exchange, 1996, 1998 and 2001**

Independent Variables		1996	Profits after tax	
			1998	2001
Family Share percentage, 1996	Pearson Correlation	-.203*	-.132	-.170*
	Sig. (2-tailed)	.013	.116	.050
	N	150	142	133
Family Share percentage, 1998	Pearson Correlation	-	-.115	-.188*
	Sig. (2-tailed)	-	.170	.028
	N	-	144	136
Family Share percentage, 2001	Pearson Correlation	-	-	-.093
	Sig. (2-tailed)	-	-	.278
	N	-	-	137

\* Correlation is significant at the 0.05 level (2-tailed).

Source: Author's compilation from annual reports of companies.

**TABLE 10. Correlation Between the Use of Principal Banks  $\square\square\square\square\square\square\square\square\square\square$  and After Tax Profits of Chinese Family Firms Listed on the Singapore Exchange, 1996, 1998 and 2001**

Independent Variables		Profits after tax		
		1996	1998	2001
Total No. of Principal Banks, 1996	Pearson Correlation	.970**	.841**	.937**
	Sig. (2-tailed)	.000	.000	.000
	N	158	150	141
Total No. of Principal Banks, 1998	Pearson Correlation	-	.842**	.937**
	Sig. (2-tailed)	-	.000	.000
	N	-	150	141
Total No. of Principal Banks, 2001	Pearson Correlation	-	-	.936**
	Sig. (2-tailed)	-	-	.000
	N	-	-	141
No. of non-Singapore Principal Banks, 1996	Pearson Correlation	.969**	.841**	.934**
	Sig. (2-tailed)	.000	.000	.000
	N	158	150	141
No. of Singapore banks as Principal Banks, 1996	Pearson Correlation	.968**	.838**	.938**
	Sig. (2-tailed)	.000	.000	.000
	N	157	149	140

\*\* Correlation is significant at the 0.01 level (2-tailed).

Source: Author's compilation from annual reports of companies.