Proposal 89

Insider Ownership, Corporate Governance and Corporate Performance

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"Being the managers of other people's money [rather than their own] it cannot be expected that they should watch over it with the same anxious vigilance."

Adam Smith 1776

Introduction

The lack of expectation from managers with no cash flow rights also applies to owner-managers with less than hundred percent cash flow rights. This fundamental governance problem arises due to a variance in the cash flow and control rights of the firm's stakeholders. Existing contract mechanisms however efficient can only mitigate this problem. Jensen & Meckling (1976) demonstrated that reduction in owner-manager's equity tends to encourage appropriation of corporate resources in the form of perquisites. This is attributed to a reduction in the claim on the outcomes (cash flow) without equivalent reduction in control rights. They demonstrate that such behavior gives rise to agency costs leading to expenditure of resources in mitigating the same.

Insider Ownership & Governance -Indian Context

Insider ownership reflects the governance problem arising due to variance in the cash flow and control rights such ownership entails. Insider ownership as defined in the governance literature has two dimensions. In the first case insider ownership can be defined as managerial ownership (manager-owner). Where managers are assigned ownership rights as a post facto incentive mechanism by owners. In the second case insider ownership is defined by the de facto ownership rights held by an insider who promotes and also manages (owner-manager). The behavior of the insider due to a discrepancy in cash flow and control rights in both the cases need not be similar due to a divergence in both motivation and expectations. The Indian governance mechanisms particularly the insider ownership of firms follows the latter pattern where owners are de facto promoters as well as managers.

The effect of insider ownership on the governance and by extension on the performance of the firm has been a topic of research in the past few decades. Most of this research is concentrated on the developing economies and in recent years on the emerging economies. In a majority of the

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above studies insider ownership is defined as managerial ownership and the above distinction between manager-owner and owner-manager is not very clear. We believe that without taking due care of this distinction any generalization of prior conclusions relating insider ownership with performance particularly in the Indian context will not be meaningful.

The difference may arise due to various factors like the nature & level of ownership, the return horizon, source & magnitude of investment of owner-managers as opposed to manager-owners. The nature of ownership is a very crucial factor in defining the insider's behavior. It has already been mentioned that incase of manager-owner its more of a post facto incentive mechanism as opposed to the ownership rights purchased by the owner-manager. This would alter the risk profile of an owner-manager as compared to a manager-owner. The level of ownership also varies significantly between these two categories. It might be anywhere between 0-10% and rarely above 30% in case of manager owners[5], in the latter it can be anywhere between 1 and 100%[6]. The level of ownership defines the control exercised by the owner-manager and hence is normally higher than a manager-owner.

It is intuitive to assume a variance in the return horizon between these two categories of insiders. The owner-managers return horizon is driven by considerations like transfer of wealth to the next generation whereas the manager-owner's horizon would be limited more by the length and security of his tenure. Given the above it would be reasonable to expect that any appropriation behavior by these two categories of insiders for a given level of ownership would not be similar in nature.

Other than the above any appropriation behavior will also be driven by the source and magnitude of investment by the owner-managers. Other than the financial outlay which differentiates the two types of insiders, the percentage of the wealth of the insider invested in the firm would also impact his behavior. This would be independent of the owner-manager's holding and would be driven by other considerations. This aspect would further complicate things when we consider the fact that in most cases the insider would source his investment not only from his savings but augment it from soliciting investment from family members, relatives and friends before approaching outside investors both debt and equity.

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[5] These figures are not uniform but tend to vary across countries with US & UK having lower levels of managerial ownership as compared to other countries.

[6] In case of publicly traded limited liability companies this will always be less than 100.

Combining this with weak market and institutional mechanisms distinctly biased towards owner-managers, assumption of dissimilarity in the functioning of governance mechanisms would be natural. It would also be reasonable to assume that the result of any study examining the relationship between insider ownership and performance of the firm in the Indian context might not be in consonance with similar studies in other countries.

This paper attempts to study this anomaly by examining the role of insider ownership on the performance of the firm in the Indian context. Past studies[7] in this direction have used insider ownership in the role of a control variable assuming that any relationship is similar to earlier studies in other countries. The time frame of these studies is also confined to a one year period which limits the scope of these studies. Since any generalization of results from these studies a priori assume that the direction of this relationship is impervious to exogenous changes.

Past 'insider ownership-performance' studies in the governance literature can be categorized into two, one which assume a positive relationship between insider ownership and performance and the other which assume a negative relationship between insider ownership and performance. The former argue that higher the insider ownership lower the motivation for appropriation and hence better the performance the latter argue that lower the insider ownership higher the monitoring from the other stakeholders particularly the block holders like institutional investors and hence lower the appropriation by the insiders. The probability of the former relationship is generally expected in manager-owner governance systems due to alignment of performance incentives with ownership rights. The latter relationship can be expected in both governance systems depending on the empowerment and active nature of the block holders.

The accuracy of both the arguments will depend on the perceived cost of appropriation technology at a given level of insider ownership. This cost is dependent among others on monitoring by the other stakeholders, efficiency of institutional, market and legal mechanisms in place. Given this it would not be prudent to generalize the behavior of insiders using studies from developed economies and for that matter even from studies in the emerging economy context. Since each country will have a unique governance mechanism which normally evolves over a period of time and reflects historical factors, social ethos and institutional mechanisms prevalent.

Conceptual Framework

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[7] Refer to Khanna & Palepu 1999, Sarkar & Sarkar 2000.

As mentioned earlier owner-manager governance system dominates governance of an Indian firm. Another dimension of ownership which is not normally considered is the role of family and community in the governance of the firm. Any understanding of role of insider ownership on governance and by default performance would not be complete unless this is taken into consideration. Other than being owner managed the Indian firms are mostly family owned and a majority of them belong to specific communities. These communities have evolved over time and regard business as their main or sole occupation. These communities evolved into distinct groups with their own set of social and cultural norms. Raychaudhuri and Habib (1982) observe that the same communities continued to dominate business over the millennia. According to a 1991 estimate[8] these communities constitute of around 1.88% of the Indian population. In her studies of Indian business communities, Helen Lamb (1955) has identified the Marwari, Gujarati, Parsi, Punjabi Hindu Khattri, Sikh, the Chettiar of Tamilnadu, Naidu of Andhra Pradesh, Kayastha (a caste of professionals) of North India, and a few families in Bengal as comprising the majority of entrepreneurs. Binoy Thomas's (1994) sample survey of the richest businessman in India shows that this trend has continued till today.

According to the Statistical outline of India 1994-95 there were 297000 companies with a paid-up capital of about Rs 100,000 Crore[9], in December 1993. The number of non-family businesses in a total 297,000 is approximately 3000[10]. Many of these are overseas offices of multinationals and have no domestic corporate structure. Out of these 297000 companies, 6,925 listed companies account for nearly 54% of the paid-up capital. The number of companies having a turnover of more than Rs 100 Crore is less than 600 and 75% of the largest companies are family businesses. Dutta (1997) avers that family firms or family owned firms in India constitute 99.9 percent of all private Indian companies.

The control of these family enterprises usually vests with a small group of shareholders, often belonging to the same family, with investments as low as 10% in the firm's assets with Pyramidal ownership structures being a common phenomena. Public financial institutions hold a large block of shares, some 40-50 % (Joshi & Little 1997, pg.206) with the rest subscribed by the general public. The public institutions also used to hold most or all of the long-term debt and are in general passive investors.

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[8] 'Reincarnation of Caste ', The Economist, 8 June 1991.
[9] One Crore is equal to 10 million units.
[10] Ibid. This number is an approximation because it is the sum of government companies, brnaches of foreign companies, subsidiaries of foreign companies, an estimation of non-FERA companies, widely held professional companies like Larsen and Toubro.

The insiders in the Indian context hold almost absolute control of the firm's resources independent of their holding in the firm which might be very low. This is due to two factors one a social ethos which always associates and implicitly accepts that corporate entities belong to the 'founding families' irrespective of their percentage ownership (RBI 2002), two lacunae in the legal and regulatory framework which allows these promoters to dictate the governance structure of the firm assuming full control irrespective of their level of ownership. This was further accentuated due to the lack of an active takeover market. The failures of sporadic attempts at hostile takeovers[11] did nothing to belie this. As the failure was more due to the invariable support from the government owned institutions in favor of the incumbent owner families or promoters. The support is driven more by political exigencies rather than pure commercial considerations.

Theoretically the insiders need for assuming full control might be driven by various compulsions imposed by the environment. La Porta et al. (2000) argue that entrepreneur firms may wish to keep control of their firms when investor protection is poor. Since in such situations the entrepreneurs or his family's personal reputation is the only way to raise external funds. On the other hand they also quote Bennedsen and Wolfenzon (2000) argument that when investor protection is poor, dissipating control among several large investors none of whom can control decisions of the firm without reaching a consensus might be useful to limit expropriation.

They note that "if expropriation of investors requires secrecy, sharing control may restrain the entrepreneur beyond his wishes". Zingales (1995), La Porta et al. (1999), and Bebchuk (1999) argue that if entrepreneurs disperse control between many investors, they give up the premium of private benefits in a takeover. In Bebchuk's (1999) model, diffuse control structures are unstable when investors can concentrate control without fully paying for it. When the dissipation of control reduces inefficient expropriation, it may emerge as an optimal policy for a wealth-maximizing entrepreneur.

The question now is if an entrepreneur retains control of a firm how can he raise external funds from outside investors for financing or for diversification when they expect to be expropriated? They argue that according to Jensen and Meckling (1976) cash flow ownership by an entrepreneur reduces incentives for expropriation and raises incentives to pay out dividends. They also (La Porta et al. (1999b)) show that this need for higher cash flow ownership shows a commitment to limit expropriation and is higher in countries with inferior shareholder protection. They also show that countries with poor investor protection typically exhibit more concentrated control of firms than do countries with good investor protection. In the former, even the largest

[11] A celebrated and high profile case was Sir Swaraj Paul's attempt at gaining control of Escorts in mid 80's

firms are usually controlled either by the state or by the families that founded or acquired these firms. In the latter countries, the Berle and Means type of Corporation with dispersed shareholders and professional managers in control is found to be more common. Claessens et al. (2000) examined a sample of nearly 3,000 firms from 9 East Asian economies and found that except in Japan, which has fairly good shareholder protection, family control and family management is predominant with some state control.

One has to note that the above arguments implicitly assume that control is attained through concentrated ownership which might not be true. Even in cases where investor protection is low a promoter would try to maximize his control with minimum cash flow rights. This behavior would be independent of the promoter's wealth. In case of promoter's who do not have resources to attain sufficient cash flow rights for attaining control this would anyway be an optimal choice. On the other hand in case of promoters whose wealth allows them to attain full control by attaining the requisite cash flow rights, minimizing cash flow rights and maximizing control rights would be the right strategy to adopt. Since this would not only enable them to diversify their risk but also gain from advantages attributed to scale of operations. The above would be true as long as the promoter or entrepreneur does not face any threat from other stakeholders. This includes the takeover markets. Given the above investment in the firm's cash flow rights by promoters or entrepreneurs will be driven more by their personal risk preferences rather than by the level of shareholder protection prevalent.

As mentioned earlier, in the Indian context control of a firm's resources is not synonymous with cash flow ownership in spite of inferior shareholder protection. The following paragraphs elucidate regarding the composition and functioning of the existing governance mechanisms which allow insiders to wield control disproportionate to their cash flow rights.

Indian public companies[12] are mandated by the Company Act 1956, to adopt a governance structure comprising of a board of directors headed by a Chairman. The day-to-day business is handled by either the managing director or the CEO. The board of directors may also have some nominee directors of the financial institutions with substantial stake in the firm. Externally this is similar to governance structures in public companies across the world but there exist large differences in the functioning of these structures.

[12] Public companies are defined as limited liability organizations with equity participation from the general populace and listed at least on one of the domestic stock exchanges.

Indian boards are dominated by close family members or acquaintances of the promoters or insiders. This dominance of the board which is a crucial governance mechanism in ensuring equitable treatment towards all stakeholders was made possible by certain provisions of the Companies Act (1956) and further encouraged by the lack of stringent penal mechanisms. Section 173 of the companies act specifies that appointment of directors needs only 51% majority with respect to the shareholders 'present' at the AGM. This facilitates appointment of friends and relatives as directors easy due to the passive nature of the institutional investors.

Other than the above the participation of minority shareholders comprising of the general public for most part was practically impossible due to their dispersed state. Even if they are not dispersed promoters can and do resort to various tactics inhibiting shareholder participation like holding the meeting at a time and place not convenient for a majority of shareholders, or delaying the notification until the last minute from reaching the shareholders etc. The appointment of independent directors looking after the interest of the outside shareholders or minority shareholders has been mandated by the law only in the year 2002. Even this is beset with crucial implementation issues.

The promoters could easily get away with such behavior as shareholder activism was almost non-existent and any penal actions inhibiting this are minimal. Though proxy voting was allowed, authorizing a proxy was a tedious and cumbersome process. This state of affairs is particularly true in case of retail investors holding small amount of shares but who may as a group hold substantial portion of the equity. This lack of activism by the shareholders is further accentuated by the passive role of the institutional investors (mostly government owned). Even in cases where shareholders sought legal intervention, the weak institutional mechanisms rendered these efforts largely ineffective.

The above state of affairs is substantiated by a survey (Dutta, 1997) of the composition and functioning of Indian boards. This survey shows that although fairly broad-based boards have no active role to play in the governance of the firm due to the family's management control. The board usually rubber-stamps its approval of actions or proposals of the family shareholder. The approval itself is necessary due to its mandatory requirement under the companies act. Recruitment of outside directors to broad base the management process is almost absent in India. Persons who are experts in their field and who can contribute to the growth of business are rarely inducted as directors. There is a strong cultural resistance towards opening up of the family firm to them. The nominee directors of financial institutions who are normally outsiders are treated indifferently and have no say in the

decision making process. They are normally expected and to a large extent comply with the proposals and decisions put forward by the business family. Single companies among family businesses in the survey often had more than half the board comprising family members.

There is some empirical proof corroborating the above situation substantiated by some qualitative studies. The various committees[13] entrusted with the responsibility of framing 'corporate best practices' code have also acknowledged the wide spread nature of these practices and recommended stringent remedial measures[14].

This leads one to assume that in the Indian context insiders can and do exercise control rights in excess of their cash flow rights. Due to which it is also reasonable to assume that misappropriation of the firm's resources by these shareholders is a distinct possibility. The probability of such behavior on the part of these owner-managers is also rendered very high due to the lack of a strong investor protection mechanism.

It would also be reasonable to assume that any strengthening of the legal and regulatory mechanism makes appropriation technology more expensive. This would in turn help in mitigating the problem to some extent.

Over the last one decade starting in the year 1992 changes in the regulatory framework were carried out to ensure the protection of outside investors. These took the shape of strengthening the market mechanisms, ensuring timely information dissemination and a larger role for financial institutions. Towards achieving this goal SEBI (Securities Exchange Board of India) has been constituted for the purpose of monitoring and regulating the capital markets. The measures undertaken by SEBI[15] are spread over the last one decade. The first set of measures undertaken between 1992 and 1994[16] were aimed at facilitating easy access to market finance. These measures identified and defined the role of various institutions (merchant bankers, underwriters, stockbrokers, registrars etc) involved in the process thus reducing and minimizing government intervention. The measures undertaken during the period 1995 to 1997 were aimed at ensuring effective investor protection along with increasing the breadth and depth of the market by allowing foreign institutional investors (FII), Mutual funds and venture capital funds. The period 1998-2000 is characterized by

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[13] Malegam Committee (1995), K M Birla Committee (1999), DCA (2002), RBI (2001).
[14] These have come in force since the year 2000 and are under constant review.
[15] The complete legal framework of acts, rules, regulations, guidelines and circulars by SEBI since year 1992 are available at http://www.sebi.gov.in
[16] period wise segregation of the various acts, rules, regulations and guidelines are provided in the appendix

providing more freedom to the promoters allowing them to buy back shares and also strengthening the market by framing guidelines allowing acquisitions and takeovers.

The above changes can be classified into three different categories (post 1992) depending on the issues they addressed. Given this the total time period (1989-2000) under study is broadly classified into 4 sub-periods 1989-91, 1992-94, 1995-97, 98-2000.

Most of the studies in the Indian context which have explored the relationship between insider ownership and performance of the firm have relied on one or two measures of performance reflecting the accounting and/or the market performance. Two of the most recent studies Khanna and Palepu 1999 and Sarkar and Sarkar 2000 have explored this relationship as part of a larger analysis. A third interesting study which provides insight into the behavior of the insider is provided by the model developed by Bertrand, Mehta & Mullianathan (1999). This model captures the tunneling of profits in firms affiliated to business groups in the pyramidal[17] ownership framework.

The three studies above have addressed the problem of insider ownership and its linkage to performance albeit indirectly. The first study (Khanna & Palepu, 1999) established that there is a positive linear relationship between insider ownership and performance of the firm by using single year (1993) data and both accounting (ROA) and market (Tobin's q) based performance measures to study this relationship.

The second study (Sarkar & Sarkar, 2000) questioned the linearity assumption and has come up with an alternate specification which showed that the relationship is piecewise linear. The threshold levels matching the percentage of equity holding, which provide the block holders with enough power to change the outcome of an ordinary or special resolution[18]. They have relied only on market based performance measures like market to book value ratio (MVBV) and a proxy for Tobin's q ratio the PQ ratio which uses book value of assets and book value of debt instead of replacement value and market value of debt.

The third study (Bertrand, Mehta & Mullianathan 1999) concluded that differential control and cash flow rights encourage appropriation or tunneling of profits. The study focused only on firms belonging to large groups but controlled by an ultimate owner through a pyramidal ownership

[17] Pyramidal structure allows the ultimate owner ending up with control of all the firms in the pyramid with little or no cash flows. This is possible as the owner holds controlling share in one firm and then this firm holds controlling share in another firm and so on and so forth thus gaining control of a set of firms by having a controlling share in one firm at the head of the pyramid.
[18] Ordinary resolutions need 51% and special resolutions need 75% majority of the shareholders attending the meeting for approval.

structure. The effect of this behavior reflects on the non-operating income of the firm. They contend that transfer pricing which effects the operating profit of the firm is not an important source of tunneling in India. Their examination only focused on tunneling in 'group' firms and does not specifically look into effect of appropriation behavior in firms with low insider ownership. They also define insider ownership as the percentage of holding by directors and relatives, but in the Indian context corporate holdings are essentially a mechanism through which insiders hold equity for tax planning purposes. Without considering them we believe that any measure of insider holdings would not appropriately reflect the cash flow rights of the insiders.

A set of nine performance measures have been used to ascertain the linkage between insider ownership and performance of the firm. Performance of a firm can be measured by both qualitative and quantitative measures. The quantitative measures can be further categorized into market measures and accounting measures. Market measures refer to those measures which incorporate the market value of the equity. These can be market capitalization, Price/Earning (P/E) ratio and earning per share (EPS), tobin's q etc. Market measures are essentially forward looking measures and reflect the shareholders expectations regarding the future performance of the firm based on past and current performance. Within the context of insider ownership studies use of market measures is essentially meant to test whether the market value of firm is in anyway related to insider ownership of the firm. This assumes that valuation of a firm is linked with firm's ownership structure and by default to the firm's performance.

Though it is beyond the scope of this study to elucidate on the various external and internal factors influencing the valuation of the firm by the market participants and whether this valuation thus arrived at truly represents the intrinsic value of the firm, the one crucial assumption which is inbuilt into the utilization of any market measure for achieving robust results is the perfect market assumption or at least a reasonably perfect market. In the latter case the measures might be adjusted so that the ensuing results will be robust and unbiased.

There have been extensive studies on the Indian stock markets over the past decade contradicting this assumption and commenting on the unreliable nature of market valuation due to high volatility[19] and lack of depth and breadth. (L.C.Gupta 1998, Obaidullah 1991)

- [19] Indian markets highly volatile for any market measures to be reliable
- Liquidity and volatility are also not directly related as is expected
- Actively traded stocks vary between 300-500 (50-60% of Market Cap) out of the 5000-6000 stocks listed
- Smaller company shares remain infrequently traded and sometimes not traded for a whole year
- Unhealthy and speculative market combined with manipulative practices and poor quality of information flow to the market.

Other than the above a majority of the stocks are infrequently traded, thus using market measures would limit the scope of the study, severely biasing any results so produced. This problem is further accentuated as the analysis independently studies the nature of this relationship for each industry separately due to inherent heteroscedasticity. Hence the study relies only on accounting measures to capture the changes in relationship between insider ownership and performance of the firm.

India follows uniform accounting standards in the preparation of financial statements with an active Accounting Standards Board and these are comparable and follow international accounting standards issued by International Accounting Standards Board (IASB). Companies were also required to adopt uniform accounting year ending on 31st March with effect from 1989. This makes use of accounting measures of performance a more reliable and considerably better option for the study under consideration. There is always the issue of creative accounting and window dressing practices. Given the large sample size for which data is available the probability of these practices affecting the results of the study are assumed to be low.

Hypotheses

The following hypothesis postulated below are aimed at gaining an insight into the relationship between Insider ownership and

1. **Overall efficiencies of the firm**
2. **Operational efficiencies of the firm**
3. **Residual Income of the firm**
4. **Capital Structure of the firm**
5. **Market Perception (Domestic and Foreign)**

Hypothesis 1 tries the capture the effect of appropriation behavior if any on the overall return of the firm.

Hypothesis 1: Insider ownership is invariant with the overall performance of the firm in a varying environmental context.

- The analysis of the short-term behavior of the markets P/E ratios shows that Indian Market as been a "bubble-market" until now, and not a market essentially governed by economic fundamentals.
- The period of 1989-2000 (current study period) was a period of recurrent market crises, generated by high speculation.
- Indian stock markets are among the worlds most speculative. In almost 90% of market transactions, no shares actually change hands.

After a careful review of the three measures Return on Equity (ROE), Return on Capita Employed (ROCE) and Return on Assets (ROA), ROA was considered as the most appropriate measure to quantify the overall performance of the firm. The reasons for the same are elaborated below.

Considering shareholder wealth maximization as the fundamental objective of a business entity, appropriation would affect the shareholders most, particularly the outsider shareholder. Given this ROE would be a more suitable measure to capture the effect of appropriation behavior of the insider. But ROE suffers from certain deficiencies when used in econometric testing, particularly when the sample also contains the worst performing companies. Some of these draw backs are elaborated below.

1. Firms reporting very low book values for equity are likely to be over- leveraged, in spite of having a high ROE ratio, excluding the same by a systematic search for outliers may not be successful.
2. In case of negative book value of equity, the resulting ratio will have no meaning in financial analysis. If these firms are eliminated then a serious source of sample bias might result as the worst performing firms will be eliminated.
3. For firms whose earnings and equity are negative, a "false- positive" ROE might result.

In case of the current study to capture the effect of insider ownership on the performance of the firm exclusion of the worst performing companies would undermine the results. Susanne (2002) has compared the results of various empirical studies and also statistically tested the relative merits of using ROA and ROE. She has concluded that in situations where the worst performing companies are included in the sample for econometric testing ROA provides a more robust result than ROE in spite of ROA suffering from an inherent bias due to historical valuation of assets. She concludes that there is no mathematical, statistical or econometric adjustment that makes ROE a useable measure of firm performance and simply should not be used in large sample econometric models.

In case of ROCE, capital employed does not include current liabilities. In the Indian context the current liabilities consist of bank borrowings which are used as permanent funds than short-term borrowing. Due to this reason the efficacy of ROCE as a measure of performance is suspect. Keeping the above problems in view ROA was considered as the most appropriate measure to quantify the overall performance of the firm.

Hypothesis 2 below is aimed at ascertaining as to the nature of this appropriation behavior by capturing the relationship if any between insider ownership and various operational efficiency parameters of the firm. Keeping this in view the following null hypothesis is proposed.

Hypothesis 2: Insider ownership is invariant with the operational efficiency parameters of the firm.

Four accounting variables representing overall cost efficiencies, material, human resource and financial efficiencies are used to test this hypothesis. The profit margin, Asset Turnover ratio, Manpower to sales ratio, and Interest cover ratio are used as the dependent variables to proxy for the operational efficiencies of the firm.

Literature suggests that the owner managers having lower financial stakes would rather reinvest the free cash flows than distribute the same as this is the cheapest source of finance available. Keeping this in view the following null hypothesis is proposed.

Hypothesis 3: Insider ownership is invariant with reinvestment rate and this association is independent of external environmental characteristics.

Similarly in the matter of raising external finance, given the choice of proportional cash investment to losing control and cash flow rights, concentrated owners would prefer to use debt rather than equity. Keeping this in view the following null hypothesis has been proposed.

Hypothesis 4: Promoters' ownership is invariant with debt in the capital structure of the firm.

We used the accounting measure Debt/Equity to represent the capital structure of the firm.

Corporate debt is proposed to represent the domestic market perception and foreign debt the global market perception with respect to the concentration of ownership. There is some doubt regarding the effectiveness of these measures to reflect the perception of outside investors. There is no indication whatsoever that these measures were ever used in this context to the best of our knowledge.

Availability of market credit particularly short-term credit is perceived as a measure of promoter's reputation and the firm's performance. The quantum of credit available to a firm defines

the perception of the market on this aspect particularly in the Indian context. Keeping this in view in our opinion this accounting measure may be used to represent the perception of outside investors due to the lack of reliable market measures. Given the fact that the corporate borrowings figure used here to measure short-term market credit does not include borrowings from group companies it was felt that this can be safely used to proxy for market perception.

Availability of foreign credit is dependant on various factors, prominent among them is the firm's capacity to access this form of finance. Since the costs involved are high and the viability of this source of finance is dependant on the magnitude of finance accessed. Though access was simplified in the post 1992 period still the barriers of access are very high as can be seen by the low number of industries in each period where firms have accessed this form of finance. Even when the entry barriers due to the high cost of accessing are surmounted access to this form of finance is further constrained by the stringent criteria imposed by the creditors. Both foreign debt and corporate debt are used to proxy for the perception of the outside investor with respect to the percentage of insider ownership and related performance. Individual reputations and community network may be very helpful for accessing short-term credit but the same is not true in case of foreign debt.

Hypothesis 5: Promoters holding is invariant with respect to the level of corporate debt

Hypothesis 6: Promoters holding is invariant with foreign debt

We used ratios corporate debt to total debt and foreign borrowing to total debt separately as the dependent variable to proxy for the same.

Data

The data pertains to all listed manufacturing companies listed and traded on the BSE. The time period is from 1989-2000 a total of 12 years divided into 4 sub periods of three years each. The four periods for which the data is aggregated are as follows:

Table 1
Time Periods used for Data Aggregation

PERIOD 1	**1988-89 to 1990-91**
PERIOD 2	**1991-92 to 1993-94**
PERIOD 3	**1994-95 to 1996-97**
PERIOD 4	**1997-98 to 1999-00**

The firms are further categorized under 26 industry classifications within the manufacturing sector based on a three digit National Industrial Classification (NIC) Code of 1970 (originally Standard

Industrial Classification 1962 (SIC)) for the Manufacturing Sector[20]. Industry classification is necessary to account for any industry effects on the performance parameters of the firm.

The following table provides a snap shot view of the 26 industries along with the number of firm's period wise.

Table 2
Period-Wise and Industry-Wise distribution of Firms

INDUSTRY	PERIOD 1	PERIOD 2	PERIOD 3	PERIOD 4
DRUGS&PHARMA	60	130	172	168
FERTILISERS & PESTICIDES	33	50	60	57
INORGANIC & ORGANIC	81	135	159	155
PAINTS & DYES	23	39	50	47
POLYMERS & PLASTICS	60	124	176	173
PETROLEUM & PETRO PRODUCTS	6	15	16	16
SOAPS & COSMETICS	12	19	24	22
TYRES & RUBBER PRODUCTS	25	38	44	44
DIVERSIFIED	46	47	48	49
BEVERAGES	26	33	39	40
FOOD	99	235	321	305
ELECTRICAL MACHINERY	77	126	147	143
ELECTRONIC MACHINERY	69	149	206	236
NON ELECTRICAL MACHINERY	84	118	137	134
FERROUS METALS	124	217	247	250
NON-FERROUS METALS	23	32	40	39
LEATHER	4	24	32	26
MISCELLANEOUS	18	38	59	61
PAPER & PAPER PRODUCTS	33	50	69	66
CEMENT & ASBESTOS	46	63	69	66
GLASS & GEMS	21	46	59	55
OTHER NON METALS	27	51	66	59
TRANSPORT	78	107	119	119
COTTON TEXTILES	100	153	188	185
OTHER TEXTILES	43	104	153	143
SYNTHETIC TEXTILES	45	58	67	65
TOTAL	1263	2201	2767	2723

Empirical Model

[20] The NIC classification is an activity and product based classification developed with the United Nations International Standard Industrial Classification (ISIC-1968 (Rev.2)) as the basis. The first activity and product based classification in India known as Standard Industrial Classification (SIC) was developed by CSO in 1962 based on ISIC, 1958 (Rev-1) released by the United Nations Statistics Division (UNSD). It was revised subsequently in the years 1970, 1987 and 1998. These revised activity classifications were known as National Industrial Classification (NIC)-1970, 1987 and 1998 respectively.

A multiple linear regression model has been used to examine the validity of the various hypotheses postulated in the earlier section. The relationship between insiders holding and the various performance measures as hypothesized is ascertained using the model below after duly controlling for size and age effects.

The model has the following functional form:

Performance = a + b Size + c Insider + d Age + u **(1)**

Size is represented by 'LnSales' (natural logarithm of sales) and along with Age (current year minus date of incorporation of the firm) are used as control variables to account for the size and experience of the firm. The coefficients a, b, c and d are parameters and u is a stochastic disturbance term. 'Insider' variable is defined as a percentage of promoters holding in the firm.

The control variable 'LnSales' reflects the effect of various unobserved factors related to the size of the firm. In case of the product market, size reflects a) possible entry barriers that might result from economies of scale, b) the extent of market power of a company. In case of the capital market, size reflects financial barriers of entry due to the ability of large companies to finance investment projects from internal sources as well as their capacity to raise additional resources through the issue of new equity.

The variable 'Age' is used to control for life cycle effects as profits of older and mature companies may be enhanced owing to reputation-building and learning efforts. This is particularly true in case of India due to the business-family ownership of the firm. Older firms may also be handicapped by management entrenchment which reduces their propensity to respond swiftly to changes in the environment.

Two sets of analysis is undertaken to ascertain the importance of the legally defined control ownership of 51% holding. At the primary level the total sample has been used with insider ownership as the independent variable. The secondary level analysis using the same model is undertaken by dividing the sample into two categories one containing the firms with promoters holding equal to or greater than 51% and the other category comprising of firms with less than 51% promoters holding. The above analysis is undertaken to ascertain whether the relationship between insider ownership and performance is non-linear in nature and if so the threshold level of ownership for which the relationship is non-linear. The results of the aggregated and the segregated data are compared to study whether the results vary and if they vary the reasons for the same.

Aggregation of industries was not possible due to inherent heteroscedasticity of the disturbance term and hence the analysis was undertaken for each industry separately for all the four periods. The nine performance variables selected earlier for examining the various hypotheses postulated and their definitions are given in table below. The first column in the table indicates the hypotheses to which the particular performance variable is related. The 'DESCRIPTION' column disaggregates these variables into its basic components from which this variable has been derived. The basic components have been gathered from information published in the annual accounting statements. The relevance of these variables to the various hypotheses postulated has already been elaborated upon in detail in the previous section.

Table 3
Performance Variables

HYPO	PERFORMANCE VARIABLE	DESCRIPTION
1	ROA	Profit Before Tax – Other Income – (Net non-recurring Income)/ (Total Assets – Intangible Assets.)
2	Profit Margin	Profit Before Interest & Tax – Other Income – (Net non-recurring Income)/ Sales – Internal Transfers
2	Asset Turnover Ratio	Net Sales/(Total Assets – Intangible Assets)
2	Interest Cover	Profit Before Interest & Tax – Other Income – (Net non-recurring Income)/ Interest
2	Manpower Ratio	Wages & Salaries/ Net Sales
3	Reinvestment Rate	Retained Earnings/Profit After Tax
4	Debt/Equity	Total Borrowings/Networth
5	Corp-Debt[21] / Total[22] Debt	Loans from corporate bodies/Total Borrowings
6	Foreign Borrowings / Total Debt	Foreign Borrowings/Total Borrowings

Results

The following tables provide information regarding the number of industries in which insider ownership is found to be significant in each time period for each performance variable. The results are given separately for each category of ownership. MAJOR category is defined as those firms which have insider ownership greater than or equal to 51% and the remaining firms come under the MINOR category.

Please note that the results pertain to only those industries where all the three variables are found to be significant. There are cases where only insider ownership or a single control variable along with insider ownership was found to be significant. These results though not displayed here have been taken into consideration while summarizing the results and arriving at the conclusions.

[21] Corp-Debt refers to the debt component raised in the inter corporate debt market and is generally short term in nature.
[22] Total Debt refers to total borrowings of the firm both short term and long term.

Table 4
Return on Assets (ROA)

Industry/Time Period	1	2	3	4
MAJOR				
INORGANIC & ORGANIC			0.001052	
OTHER TEXTILES		-0.003046		
MINOR				
ELECTRICAL MACHINERY		0.001318		
TRANSPORT				0.002277

Table 5
Profit Margin

Industry/Time Period	1	2	3	4
MAJOR				
INORGANIC & ORGANIC			0.004503	
MISCELLANEOUS		-0.003972		
CEMENT & ASBESTOS			-0.002997	

Table 6
Asset Turnover

Industry/Time Period	1	2	3	4
MAJOR				
ELECTRICAL MACHINERY			0.006916	
MINOR				
TRANSPORT				0.01233

Table 7
Interest Cover

Industry/Time Period	1	2	3	4
MINOR				
DRUGS&PHARMA				-0.255
FERROUS METALS			0.164	

Table 8 Wages/Sales				
MAJOR				
Industry/Time Period	**1**	**2**	**3**	**4**
PAINTS & DYES			**0.003976**	
INORGANIC & ORGANIC			**-0.001341**	**-0.002381**
GLASS & GEMS		**-0.001546**	**-0.001886**	**-0.002325**
OTHER NON METALS	**-0.003416**		**-0.001713**	
MINOR				
DRUGS&PHARMA			**-0.002694**	
TYRES & RUBBER PRODUCTS			**0.001207**	
FOOD		**-0.001991**		
ELECTRICAL MACHINERY			**-0.0008104**	
TRANSPORT		**-0.001138**		

Table 9 Foreign Borrowings/Total Debt				
MINOR				
Industry/Time Period	**1**	**2**	**3**	**4**
OTHER NON METALS	**0.0009957**			

Summary of Results

The most common observations in case of all the nine performance parameters used in ascertaining the relationship between insider ownership and performance are provided below:

1. *Insider ownership did not have any influence on the various performance parameters used in the study in case of a majority of industries*[23].
2. *This is true incase of all the 4 periods of the study and also in case of the two ownership categories*
3. *In case of the few industries where insider ownership was found to influence the performance, no specific pattern is observed*
4. *This trend is true both in case of the performance parameters and the different time periods*

The results indicate overwhelmingly that insider ownership in the Indian context has no influence on the performance of the firm in a majority of industries. This is true irrespective of the time period of the study. For those few industries where insider ownership was found to have an effect on the performance parameter, the following section provides the summarization of conclusions. This

[23] Please note that the results display the significant industries out of a total of 26 industries for each time period and for each dependent variable.

would help in providing an overview of the nature of the relationship between insider ownership and performance with a caveat that these conclusions cannot be generalized. These pertain to and to some extent applicable to insiders behavior for a given time period and a given variable. Provided that insider ownership affects the performance, these results indicate the nature of this relationship. But caution has to be exercised in interpretation and generalization of the same across industries even for a given time period and given performance parameter.

In case of the few industries[24] where insider ownership influenced the performance with or without the control variable being significant, the results indicate that:

1. Insiders influence on overall performance of the firm is not conclusive since even for a given time period the direction of this relationship is different for different industries.
2. Insiders and overall cost efficiencies were negatively related in the first two time periods and positively in the last two periods.
3. Asset utilization was positively associated with insider ownership irrespective of the time period under consideration.
4. Insiders with high investment in the firms assets seem to have better servicing capacities of their fixed obligations particularly in the post 1992 period
5. Higher insider ownership is also associated with higher employee productivity and lower human resource expenditure.
6. Insider's reinvestment pattern has varied with time, in the first two periods higher insider ownership is associated with higher reinvestment and in the next two with lower reinvestment.
7. High levels of insider ownership are associated with higher Debt/Equity ratios in the MAJOR[25] ownership category, whereas the reverse is true in the 'MINOR' ownership category.
8. Outside investors at least the short-term debt providers prefer firms with higher levels of insider ownership.
9. On the contrary foreign creditors prefer firms with lower insider holdings.

The above summarization indicates that in the few industries where insider ownership influences performance, in the Indian context at least the convergence of interest theory is more applicable. From the above it is clearly evident that at least in case of the few industries where the influence of

[24] These are not a common set of industries for the two ownership categories even for a given performance parameter
[25] MAJOR indicates firms with insider ownership greater than or equal to 51% and MINOR indicates vice versa

insider ownership on performance is detected higher insider ownership is associated with higher operational efficiencies (cost, asset, credit and human resources). Higher insider ownership is also associated with higher reliance on debt increasing the risk profile of these firms. In case of domestic and foreign suppliers of credit, the results indicate that domestic creditors put more faith in firms with higher insider ownership whereas foreign creditors prefer firms with lower insider ownership. To the extent these results are applicable they confirm to the existing studies in the Indian context, but the general applicability of these results is not advisable.

To provide an insight into the relationship between change in the environmental context and insider ownership, the observations one to nine in the previous section need further elaboration. The generalized comments one to nine in the previous section are not based on patterns observed in a particular industry over the four time periods of the study. Since for a given performance parameter it is very rare that the influence of insider is consistently observed in all the four time periods. This means that the conclusions will be very hard to justify as conforming to the pattern of insider's behavior over different time periods. In case of one or two performance parameters there are a couple of industries in each ownership category where insiders influence is observed in all the four periods. In these cases the sign is observed to be uniform across the four time periods.

Considering the scope and magnitude of the current study[26] arriving at generalized conclusions regarding the change in insiders behavior over time based on the results of a couple of industries for a couple of performance parameters is not justifiable. Hence invariance of insider ownership with respect to the performance of the firm is considered as the most generalized conclusion in this case.

As we mentioned earlier, the most general outcome is the invariance of insider ownership with performance of the firm, across various performance parameters, ownership categories, industry classifications and time periods. Given the conceptual framework, does this mean that appropriation behavior is not of major concern for investors in the Indian context? Considering the fact that such behavior becomes very cost effective in a weak regulatory and institutional framework.

Conclusion

We believe that it is very hard to understand these results unless we take into consideration the unique nature of "informal" Indian ownership and governance structures. The constitution and functioning of these structures is completely different from the formal governance structures

[26] The relationship between insider ownership and performance is studied separately in each of the 2 ownership categories using 9 different performance parameters covering 26 industries in 4 distinctive time periods covering a period of 12 years.

adhered as mandated by law. The foundation of this informal governance mechanism is the family ownership. Family ownership by itself is not a unique feature and is found in both developed and emerging economies. Family ownership in conjunction with business community networks is what makes Indian governance mechanisms unique. Combine this with the fact that the social ethos of these business communities who regard business as their main or sole occupation for a very long period spanning generations.

Commercial enterprise in India is dominated by these business families who rely on family members and community networks for financial support[27]. Appropriation by the insiders would reflect on their reputation both within the family and the network and affect future financial support. Since it is the business family's reputation which plays an important role in allowing the family access to network benefits particularly financial resources to fund future growth. This role of the family and community networks gain in importance due to the underdeveloped financial markets both institutional and retail which severely restricts access to institutional finance particularly prior to 1992. Post 1992 though many of these restrictions have been slowly removed these advantages still remain. Other than this the difference in the growth and return horizons of the family businesses when compared with promoters elsewhere makes this dependency all the more important. Since most of the promoters and their families in India aim to transfer control and the wealth they generate in their lifetime to the next generation maintenance of reputations becomes very crucial. This coupled with the fact that these families and business communities consider commercial activity as their primary source of employment and are highly reluctant to pursue other career paths due to historical, social and cultural factors unique to the Indian social system puts a constraint on their appropriation behavior irrespective of their level of ownership.

By the above argument it is not meant that appropriation does not occur or has not occurred what is meant basically is that due to the unique nature of Indian ownership structure it might not be related to percentage of insider holding or promoters level of investment in the firm's assets. Since the appropriation might be aimed mostly at undermining the existing institutional mechanisms without affecting their performance and is institutionalized and practiced by promoters irrespective of their holding or investment profile. This situation might arise due to the failure of existing institutional mechanisms making survival and growth dependent on the promoter's ability to appease those interests in the society undermining these institutional mechanisms. This might develop in environments characterized by high personal and corporate taxation, increased rent seeking and lack

[27] Though it is not cited here there is growing interest by researchers regarding the functioning and advantages entrepreneurs from these community networks enjoy, particularly while expanding into international markets.

of access to finance from institutional and market sources. To finance such activities which also allow them to make invisible profits and to evade taxes, skimming and under reporting of incomes may well become though illegal a commonly practiced governance behavior. In such an environment expropriation is not dependent on the promoter's cash flow and control rights and standard economic theories to model the same may not be relevant. This situation also provides opportunities for family and community networks to create and sustain high entry barriers for other entrepreneurs. In the process family and community networks tend to use their access to material, human and financial resources in effectively gaining control of all profitable economic activity.

In case of India with underdeveloped financial markets in the pre 1992 period family and community networks might have constrained the appropriation behavior of the insider. During this period many families from the business community have earned a high reputation of integrity and the firms owned by these families are highly valued. These families have also managed to grow and corner a major proportion of the commercial enterprise by turning the governments licensing system to their advantage. But there are many cases (irrespective of the insiders investment) in which the investor might have been rendered helpless, resigning himself to whatever return the promoter is willing to provide due to the lack of alternate investment opportunities and suitable exit options.

The fact that skimming and underreporting of income was a common practice with separate sets of accounting systems maintained to hide this finds credence in the literature. Some of this is anecdotal and circumstantial in nature but generally accepted. Limited empirical support is also available in case of large business groups where tunneling of profits was observed (Bertrand et al 1999). The magnitude of underreporting of corporate incomes can be gauged from the following figures. According to Dutta (1997) in 1987-88, there were 40.302 taxable private sector companies with profits of Rs.2317 Crore[28] and a tax liability of Rs 1219 Crore. Of these, only 2440 companies declared taxable profits of over Rs. 10 lakh, with a total profit of Rs 1934 Crore. The remaining 37,862 companies declared a total profit of Rs. 383 Crore with an average tax liability of just Rs. 56,500 per company. Taxable corporate profits according to a constant 1988 rupee rose from Rs. 2641 Crore in 1961-62 to Rs. 4235 Crore in 1966-67, and have plummeted to Rs. 2317 Crore in 1987-88 (Dutta, 1997).

According to Dutta (1997) this skimming behavior is attributed to a regime of high taxes and payments to the powerful sections of the society. Other than this, he contends that policies of the Indian government, inhibiting bank finance to family and group companies led to families skimming

[28] One Crore is equivalent to Ten Million

enterprises to fund new ventures. The skimming is achieved through a finely tuned parallel accounting system which for all practical purposes does not exist. The legal one is for outsiders (regulatory bodies, shareholders etc), while the internal one reflects the true health of the business. Since this system cannot exist legally, family members or trusted managers administer these parallel systems. He also contends that skimming is not limited to family businesses but exists among many multinationals operating in India too[29]. One thing which has to be noted here is that this is not normally carried out to finance personal expenses as the existing tax laws allow promoters to live almost on their expense accounts[30]. These expense accounts are accepted by the shareholders as high salaries used to attract high tax rates. Other than skimming there was a rampant underreporting of commercial activities due to a combination of high direct and indirect taxes by purchasing the raw material on the black market and selling the product underground.

This appropriation of profits was a conventional, if illegitimate, (mis) appropriation of profit by the promoters. Promoters could not declare their holdings in companies because these attracted high wealth tax (one of the reasons for the holding company structure of ownership mentioned above). Corporate and personal income taxes were also high and it became socially acceptable to skim the profits without showing it in the books. Second, banks were not allowed to accept equity as security against loans. Promoters therefore, often skimmed the companies to appropriate cash, which was converted into bankable assets like deposits. Banks accepted such assets as security against loans. These loans in turn were recycled into fresh investments in enterprise. As mentioned earlier the loser was the minority shareholder of the company, who did not get a share in the new enterprise. Post 1991 many of these have changed for example wealth tax on equity holdings has been removed, banks are allowed to accept equity as security against loans. In this scenario a high value share is therefore a bankable asset, and insiders or promoters do not need to skim the company to finance new enterprises. Similarly curbs on the compensation of executives and directors have been removed. Tax rates have also been rationalized and reduced, which allow insiders to draw high salaries and perquisites legally. These changes have been aimed at reducing the incentives for skimming and encouraging more transparency and accountability.

Given the above we believe that the results from the study are in conformity with reality and are quite acceptable. Since given the weak regulatory and institutional framework appropriation can be practiced with impunity by undermining the state owned institutions with active support from the

[29] ITC's $100 million foreign exchange and Rs.799 crore excise-evasion fraud and the other more recent findings from the raids at Shaw Wallace & Company (Rs.150 crores siphoned off by its NRI owner) and leading export house, Ganapati Exports (over Rs.85 crores of over-invoicing) are a few illustrations of skimming and under reporting practices of the insiders.

[30] At least till 2004, the new proposal of the fringe benefit tax in the 2004-05 budget is an attempt to address this issue.

political establishment and the bureaucracy. This would not affect the accounting performance of the firm but still allow insiders to make abnormal profits. The above evidence clearly indicates that this was practiced very successfully by the business families. The few industries where insider ownership is associated with performance can be seen as temporary aberrations and are industry, time period and performance parameter specific. These incidences tend to disappear in a short time span. Even within the nine performance parameters the influence of insider ownership on a particular parameter is industry specific and it can be concluded that the appropriation behavior of the insider is driven by a temporary opportunity set specific to that industry and in that time period.

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24. APPENDIX

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

Framework of Acts, Rules & Regulations, 1992-2000

CATEGORY	DATE	DETAILS
ACTS	16-Feb-57	The Securities Contract(Regulations)Act 1956
RULES	21-Feb-57	The Securities Contract (Rules), 1957

1992-1994

CATEGORY	DATE	DETAILS
ACTS	30-Jan-92	Securities and Exchange Board of India Act
ACTS	13-Sep-94	Delegation of Powers to SEBI under SC(R) Act
RULES	20-Aug-92	Securities And Exchange Board Of India (Stock Brokers And Sub-Brokers) Rules, 1992
RULES	22-Dec-92	Securities and Exchange Board of India (Merchant Bankers) Rules 1992
RULES	7-Jan-93	Securities and Exchange Board of India (Portfolio Managers) Rules 1992
RULES	2-Apr-93	Securities and Exchange Board of India (Appeal to Central Government) Rules, 1993
RULES	31-May-93	Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Rules, 1993
RULES	8-Oct-93	Securities and Exchange Board of India (Underwriters) Rules 1993
RULES	29-Dec-93	The Securities and Exchange Board of India (Debenture Trustees) Rules, 1993
RULES	14-Jul-94	Securities and Exchange Board of India (Bankers to an Issue) Rules, 1994

1995-1997

CATEGORY	DATE	DETAILS
ACTS	20-Sep-95	The Depositories Act 1996
RULES	10-Jul-95	Securities and Exchange Board of India (Procedure for holding inquiry and imposing penalties by adjudicating officer) Rules, 1995.
RULES	11-Sep-95	Securities and Exchange Board of India Appellate Tribunal (procedure) Rules 1995
REGULATIONS	25-Oct-95	Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 1995
REGULATIONS	14-Nov-95	Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 [Updated upto 24/06/2003]
REGULATIONS	16-May-96	Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 [As amended upto 30/06/2002]
REGULATIONS	16-May-96	Securities And Exchange Board Of India (Custodian Of Securities) Regulations, 1996 [As Amended upto 30/06/2002]

REGULATIONS	4-Dec-96	SECURITIES AND EXCHANGE BOARD OF INDIA (VENTURE CAPITAL FUNDS) REGULATIONS, 1996
REGULATIONS	9-Dec-96	SECURITIES AND EXCHANGE BOARD OF INDIA (MUTUAL FUNDS) REGULATIONS, 1996
REGULATIONS	20-Feb-97	Securities and Exchange Board of India (Substantial Acquistion of Shares and Takeovers) Regulations 1997 [As Amended upto 01/10/2002]

1998-2000

CATEGORY	**DATE**	**DETAILS**
REGULATIONS	14-Nov-98	Securities and Exchange Board of India (Buyback of Securities) Regulations
REGULATIONS	7-Jul-99	SEBI (Credit Rating Agencies) Regulations, 1999 [As Amended upto 30/06/2002]
REGULATIONS	15-Oct-99	SEBI (Collective Investment Schemes) Regulations, 1999 [As amended upto 30/06/2002]
REGULATIONS	15-Sep-00	SEBI (Foreign Venture Capital Investor) Regulations, 2000
GUIDELINES	10-Jul-99	GUIDELINES FOR OPENING OF TRADING TERMINALS ABROAD
GUIDELINES	4-Aug-00	DIP (Compendium) Circular No.3