Corporate Governance in Emerging Markets

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My focus

- **Concentrated control of business**
  - Help initial development
  - But, can lead to a middle income trap
    - **Negative impact on human capital development**
  - Evolving path
    - **Entrench, crisis, reforms?**

Start with the first point

- **Paul Rosenstein-Rodan 1943 – "Problems of Industrialisation of Eastern and South-Eastern Europe" – three major developmental challenges:**
    - ➢ Hard to get financing because of underdeveloped capital markets
    - ➢ Investors ignore investments' pecuniary spillovers
    - ➢ Thin markets → transaction difficulties
        - ➢ **coordination and bargaining problems**
- **Business groups fill in the institutional void, overcome transaction difficulties**
    - – Big pushers with the right incentives → Propel growth

Mitsui's Structure in 1914 (Morck and Nakamura 2007/9)

Mitsui Partnership
100% owned by
Mitsui family

Affiliated Firms

Oji Paper	72.5% by Mitsui Partnership
Shibaura Seisakusho	55.4% by Mitsui Partnership
Sakai Celluloid	75.1% by Mitsui Partnership

Related Firms

Bank of Japan	n/a
Toa Kogyo	8.0% by Mitsui Partnership
Chunichi Jitsugyo	3.0% by Mitsui Partnership
Nichiei Hydro	n/a
Teikoku Theaters	6.3 by Mitsui Partnership
Inawashiro Hydro	n/a

Mitsui Bussan
100% owned by
Mitsui Partnership

Mitsui Mining
100% owned by
Mitsui Partnership

Mitsui Bank
100% owned by
Mitsui Partnership

Toshin Warehouses
36% by Mitsui Partnership
15% by Mitsui Bussan

Firms controlled by Mitsui Bussan

Taito Sugar	6.0% stake
Nippon Match	25.0% stake
Mitsubishi Yubo	60.0% stake
Shanghai Textile	9.9% stake
Kanebo	0.9% stake
Toyodashiki Looming	n/a
Osaka Textile	n/a
Hukui Seiren	n/a
Hibino Anzen Fertilizer	n/a
Ryoto Shipping	100% stake
Wakamatsu Chikuho	n/a

Firms controlled by Mitsui Bank

Hokkaido Tanko Kisen
Tokyo Marine Fire Insurance
Kanebo
Toshin Warehousing
Nippon Yusen Kaisha
Teikoku Hotel
(stakes unknown)

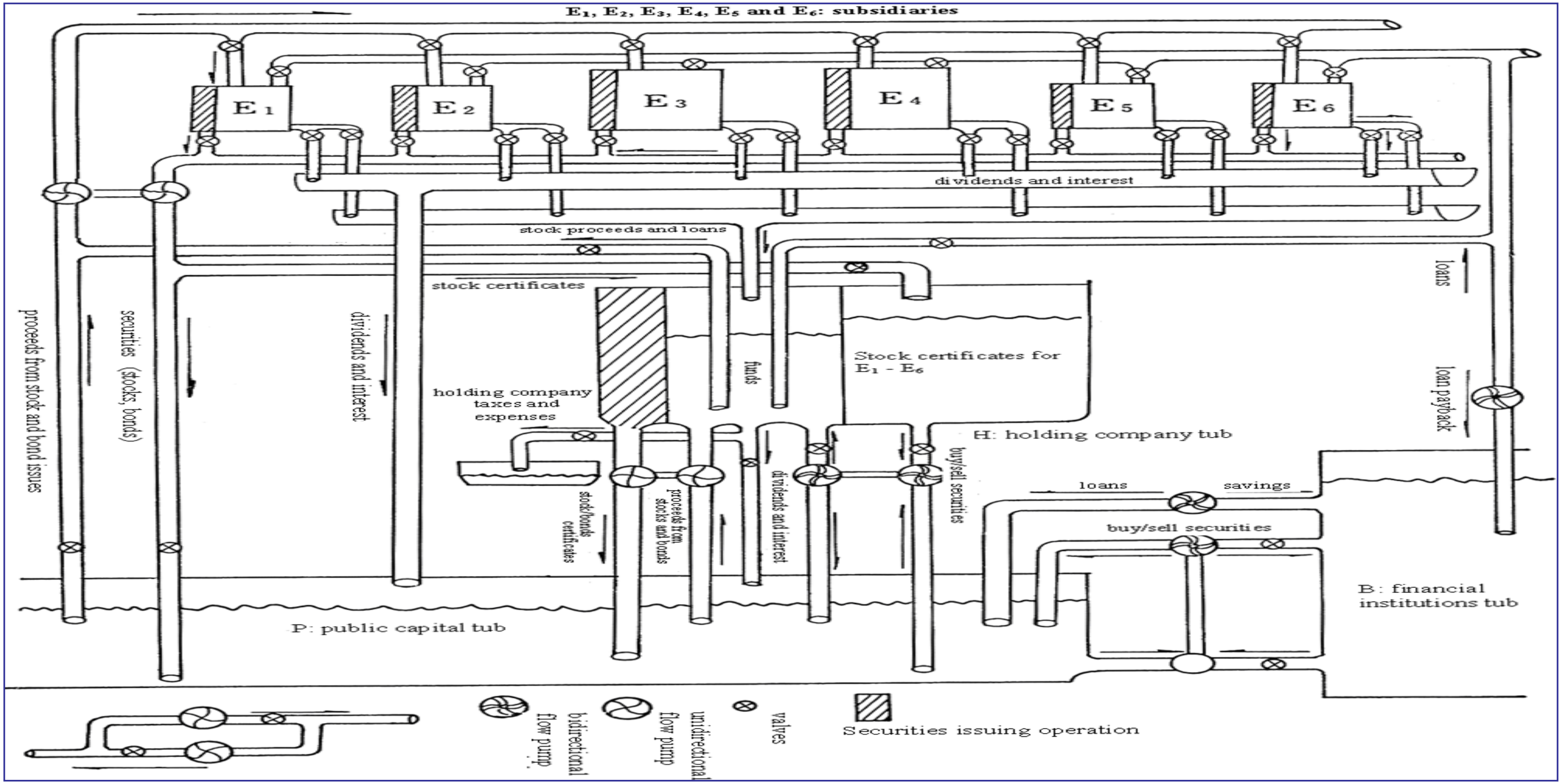
Firms controlled by Mitsui Partnership & Mitsui Mining

Hokkaido Tanko Kisen — 6.3% by Mitsui Mining
18.2% by Mitsui Partnership
24.5% total

Firms controlled by Mitsui Bussan and Mitsui Mining

Matsushima Coal Mine	33.3% by Mitsui Mining 30.0% by Mitsui Bussan 63.3% total
Onoda Cement	1.4% total

From Aikawa (the plumber)'s Autobiography Business groups : Pyramidal Financing, friends of the government, and only credible borrowers (Morck and Nakamura 2007)



- Efficient tunneling is expected

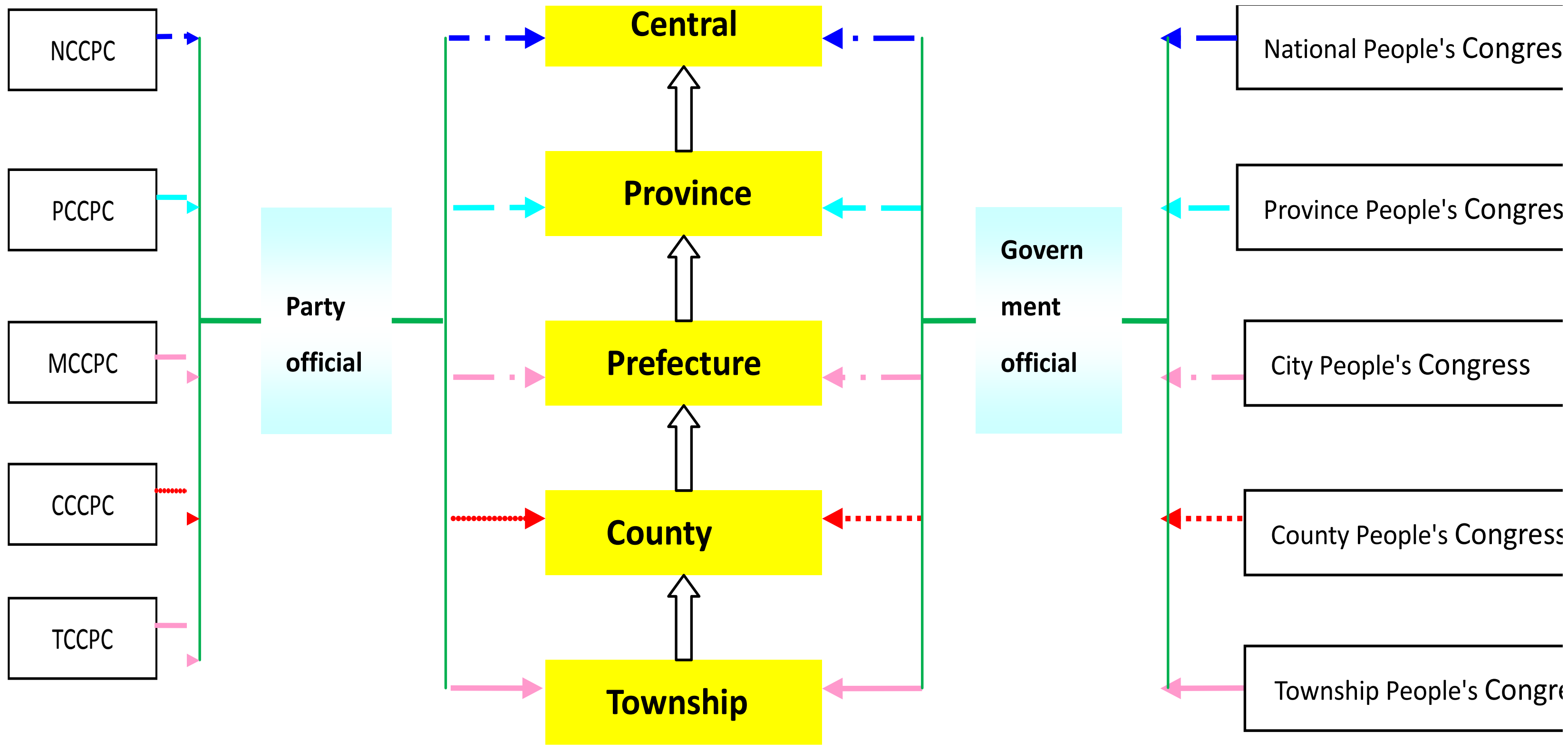
Characters of business groups at the beginning of development

- **Good government connections**
- **Get finance: pyramidal structure, trust arrangement and bank loans**
- **Highly diversified, control cashcow industries**
  - Plumbs to pump –“efficient tunneling”

→ **With profit incentives, solve Rosenstein-Rodan’s development problems, provide the “big push”**
  - Japan (Morck and Nakamura 2007/9), Korea (Lim and Morck 2011), Hong Kong, Taiwan, Latin America
  - Western world – US, Canada, Germany, Sweden, .. (Morck 2005)

- **China? Business groups + government = big pushers?**

The Dual Government-Party System



Note: NCCPC denotes National Congress of Communist Party of China; PCCPC denotes Provincial Congress of Communist Party of China; MCCPC denotes Municipal Congress of Communist Party of China; CCCPC denotes County Congress of Communist Party of China; TCCPC denotes Township Congress of Communist Party of China.

Government/Party Organization structure

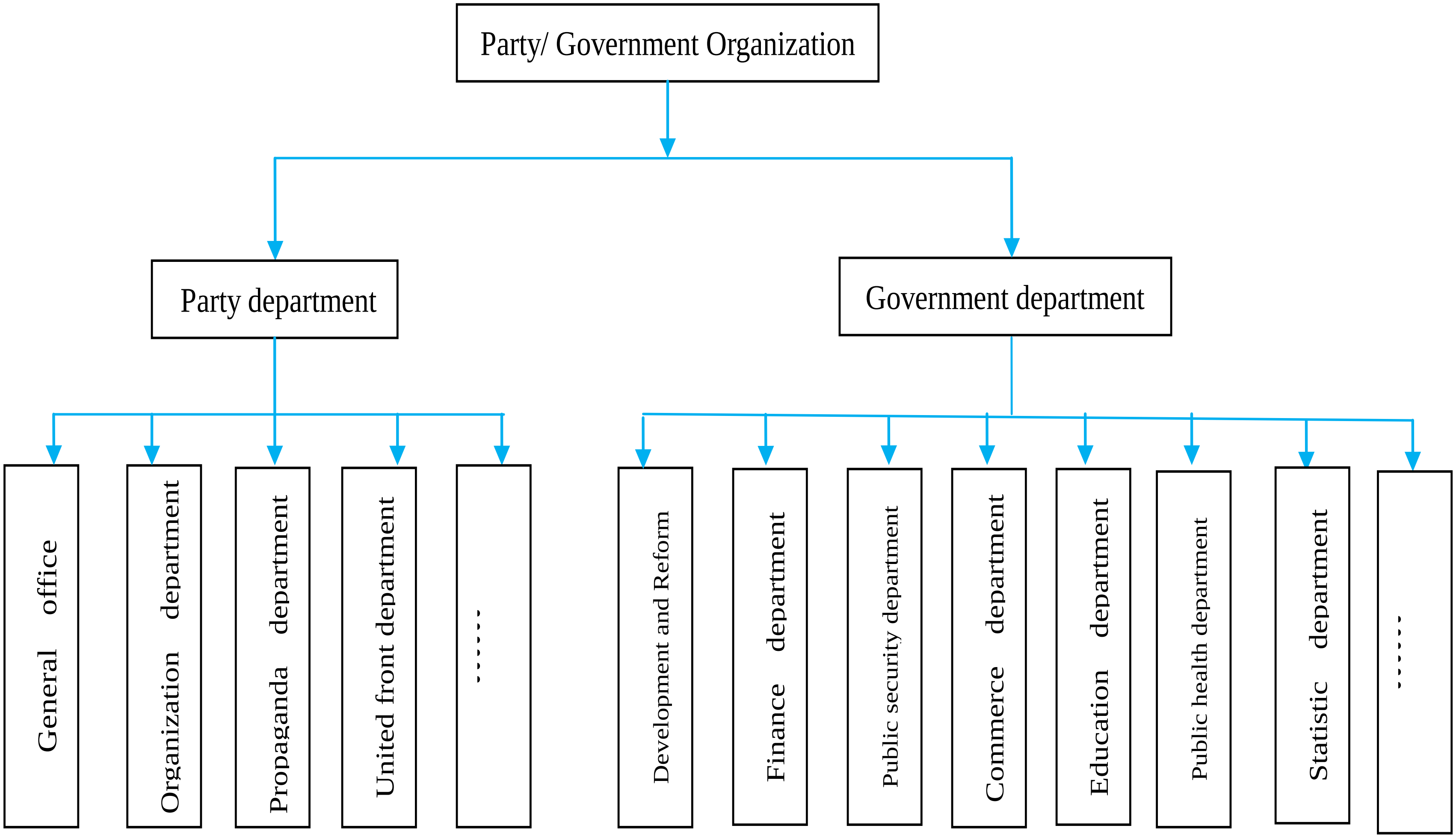
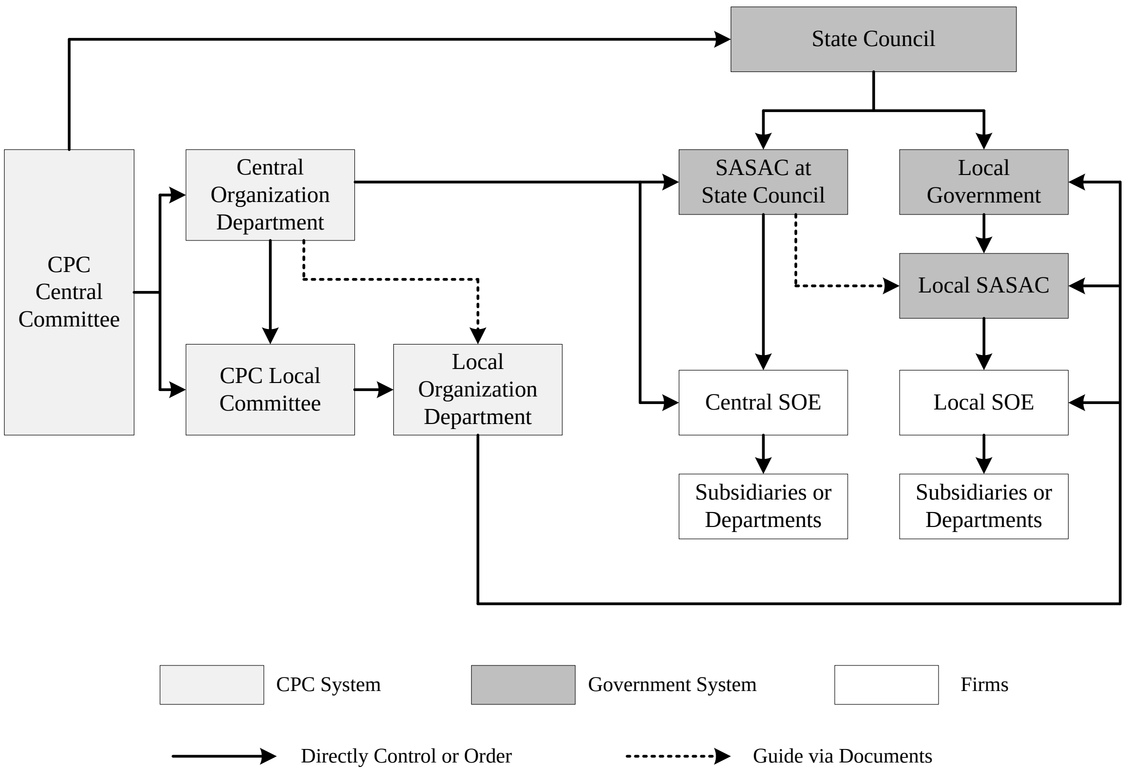


Figure 1: Structure of SASAC Institutions and State-Owned Banks

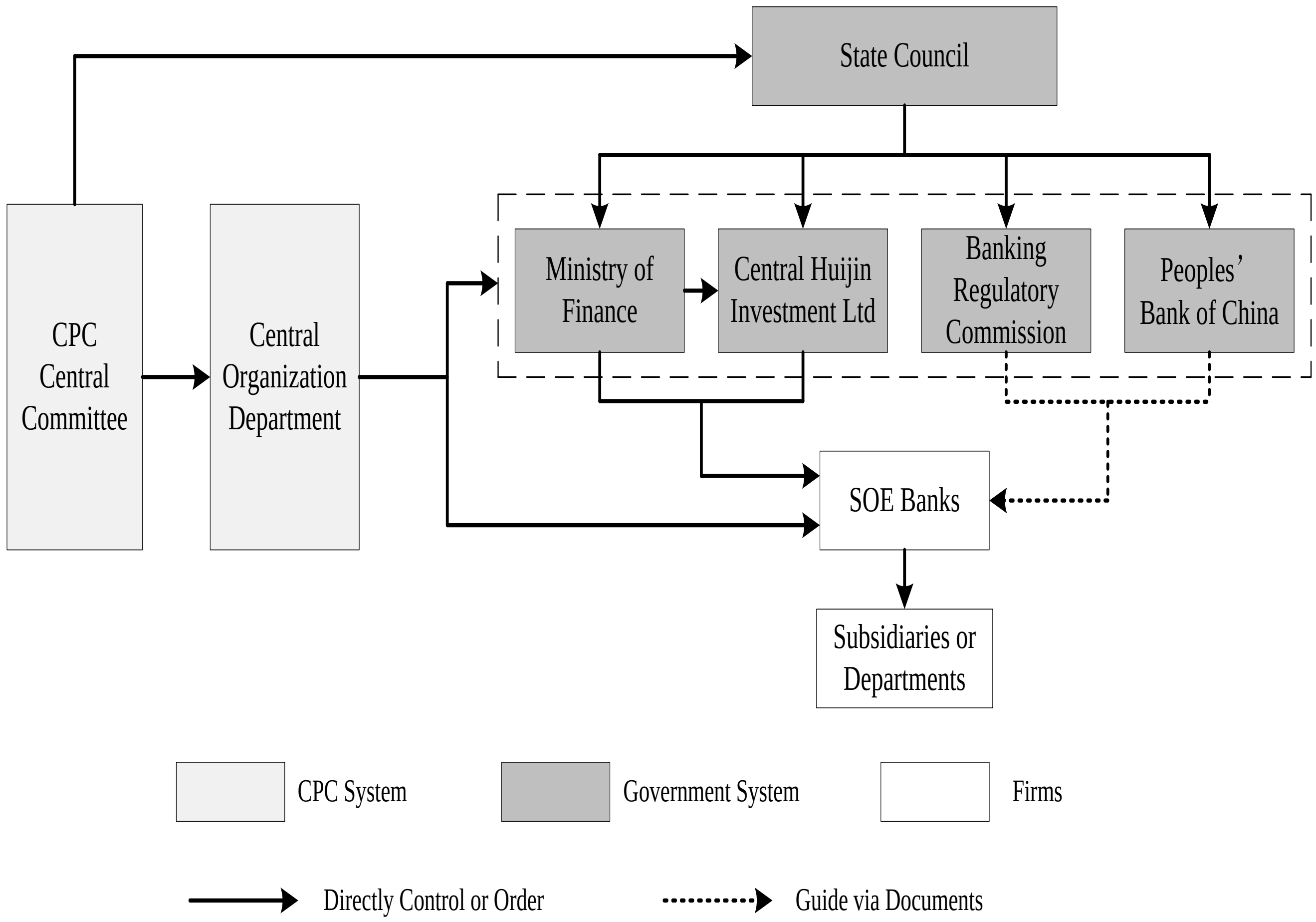
(A) SASAC Institutions

China's roughly 300 SASACs include the SASAC of the State Council, which supervises SOEs controlled by the national government; about 30 province-level SASACs, which supervise provincially-controlled SOEs; and numerous municipal SASACs, which supervise locally-controlled SOEs. Top SOE executives are hired, renewed, and dismissed by the SASACs, and also require approval from the Organization Departments of CPC.



(A) State-Owned Banks

The major shareholders in SOE banks are the Ministry of Finance and the Central Huijin Investment Ltd, the latter is a C-SOE. The SOE banks' businesses are guided by both the Banking Regulatory Commission and People's Banks of China. Like their counterparts in the non-financial sector, top executives of the SOE banks are appointed by the Central Organization Department of CPC.



Concentrated control and stagnation

- **Concentrated control can be bad for further growth**

	Good for an economy	Bad for an economy
Good for groups	I – Beginning stage of development	II – Middle income trap
Compete with groups	IV – reforms	

Big Pushers control business space

(Kathy Fogel, 2006)

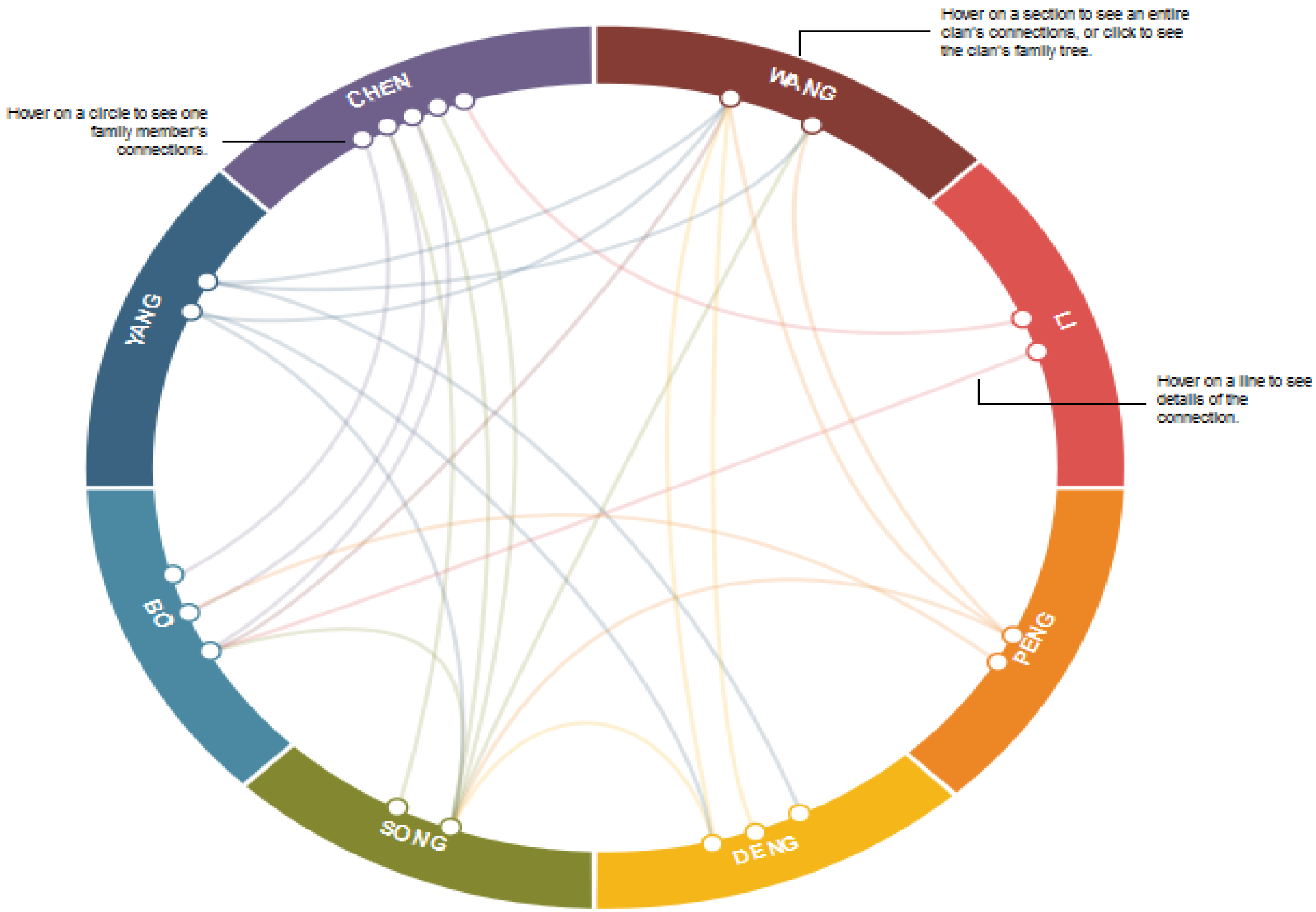
Table I. Family Control Indices

Family control indices are based on the largest ten conglomerates in the private sector, and are calculated as the fraction of firms that are majority-controlled by wealthy families in 1996. D_V and D_E are based on the largest ten domestically owned firms and are labor-weighted and equally weighted, respectively. P_V and P_E are based on the largest ten conglomerates including foreign subsidiaries, and are labor-weighted and equally weighted, respectively. Sample includes 41 countries.

	D_V	D_E	P_V	P_E		D_V	D_E	P_V	P_E
Argentina	0.852	0.7	0.749	0.6	Mexico	1.000	1.0	0.887	0.9
Australia	0.061	0.1	0.000	0.0	Netherlands	0.198	0.3	0.198	0.3
Austria	0.839	0.8	0.588	0.6	New Zealand	0.391	0.5	0.141	0.2
Belgium	0.895	0.9	0.738	0.7	Norway	0.334	0.5	0.286	0.4
Brazil	0.913	0.9	0.551	0.5	Pakistan	1.000	1.0	1.000	1.0
Canada	0.415	0.6	0.415	0.6	Peru	1.000	1.0	0.324	0.5
Chile	1.000	1.0	0.530	0.6	Philippines	1.000	1.0	0.681	0.7
Colombia	0.852	0.8	0.732	0.7	Portugal	0.960	0.9	0.869	0.7
Denmark	0.063	0.1	0.063	0.1	Singapore	0.158	0.3	0.000	0.0
Finland	0.250	0.3	0.250	0.3	South Africa	0.568	0.5	0.555	0.5
France	0.382	0.4	0.382	0.4	South Korea	0.614	0.5	0.614	0.5
Germany	0.066	0.1	0.066	0.1	Spain	0.468	0.5	0.414	0.4
Greece	1.000	1.0	0.959	0.9	Sweden	0.732	0.6	0.732	0.6
Hong Kong	0.427	0.7	0.367	0.6	Switzerland	0.145	0.3	0.145	0.3
India	0.963	0.9	0.917	0.8	Taiwan	0.728	0.7	0.655	0.6
Indonesia	0.699	0.9	0.651	0.8	Thailand	1.000	1.0	0.727	0.6
Ireland	0.279	0.2	0.279	0.2	Turkey	1.000	1.0	1.000	1.0
Israel	0.786	0.7	0.786	0.7	United Kingdom	0.159	0.2	0.159	0.2
Italy	0.671	0.5	0.671	0.5	United States	0.188	0.1	0.188	0.1
Japan	0.000	0.0	0.000	0.0	Venezuela	1.000	1.0	0.703	0.7
Malaysia	1.000	1.0	0.948	0.9					

Immortal together

Like any aristocracy, the families of the Eight Immortals often intertwine. Connections found by Bloomberg News include business dealings, employers in common, ties to the same private or state-owned companies and diplomatic organizations, and even an intermarriage.



Sources: Hong Kong corporate and stock exchange filings; Chinese corporate filings with the State Administration for Industry and Commerce and stock exchange filings; interviews; Chinese official news media reports; school alumni records.

Oster, Shai, Michael Forsythe, Natasha Khan, Dune Lawrence and Henry Sanderson. 2012. Heirs of Mao's Comrades Rise as New Capitalist Nobility

- ***"Twenty-six of the heirs ran or held top positions in state-owned companies that dominate the economy … Three children alone – General Wang's son, Wang Jun; Deng's son-in-law, He Ping; and Chen Yuan, the son of Mao's economic tsar – headed or still run state-owned companies with combined assets of about $1.6 trillion in 2011. That is equivalent to more than a fifth of China's annual economic output."***
  - Bloomberg News Dec. 26th 2012 at www.bloomberg.com/news/2012-12-26/immortals-beget-china-capitalism-from-citic-to-godfather-of-golf.html .

Second quadrant

- As an economy develops, it needs sharper resource allocation and more innovations (creative destruction)

- Concentrated control goes against that leading to a middle income trap

1) Financing bias: Efficient tunneling may be inefficient for the economy

- **Say, valuation discount in external financing is 50% and internal is less than 20% (Almeida and Wolfenson 2004)**

	External party	Intra-group
Value generated	16	10
Group paid	8	> 8

  - Money tends to be kept inside a group – tunneling is natural
  - Projects tend to be grab by groups with money
  - Mis-allocation, better off leaving the project to an “independent” business
    - **Not good for the economy**

2) Low innovation and rent-seeking

- **Groups are also naturally less innovative**
  - Why creative self-destruction?
  - Why innovate? Property rights to the boss
- **To preserve their economic power, concentrated control groups invest in influencing public policies to deter entries, including preserving their capital market dominance**
  - Low transaction costs (Morck and Yeung 2004)
    - **Economies of scale in lobby**
    - **Can hide (web of diversified firms)**
    - **Credible (multiple businesses)**
      - *Rent seeking may be more appealing than innovating*

Middle income trap

- **Fogel (2006) produces comprehensive correlations**
  - Dominance of family controlled business groups is associated with
    - **Low institutional development hurts merit based capital markets**
    - **High government activism**
    - **High regulatory burdens**
    - **High rent-seeking**
- **A long literature: ‘Morck, Wolfenson, and Yeung’, ‘Acemoglu, Johnson and Robinson’, ‘Rajan and Zingales’, etc. → great reversal, economic entrenchment**
- **Concentrated control contributes to middle income trap**

Family control in dominant firms is associated with less developed and more “restricted” capital markets

Table VII. Family Control and Financial Markets

The left panel reports correlation coefficients between family control indices and various measures of investors’ protection, the availability of domestic financial and the international capital flows. The right panel reports partial correlation coefficients controlling for the log of 1996 per capita GDP at PPP. Numbers in parenthesis are probability levels for the null hypothesis that the correlation coefficients are zero.

	Simple Correlations				Partial Correlations Controlling for log of 1996 per capita GDP				N
	D_V	D_E	P_V	P_E	D_V	D_E	P_V	P_E	
Panel A: Investors’ Protection									
Higher value indicates more shareholder rights.	-0.247	-0.224	-0.202	-0.191	**-0.389**	**-0.355**	**-0.289**	**-0.283**	40
	(.13)	(.16)	(.21)	(.24)	**(.01)**	**(.03)**	**(.07)**	**(.08)**	
Higher value indicates more rights for creditors at bankruptcy.	-0.078	-0.025	0.030	0.042	-0.141	-0.066	0.013	0.028	39
	(.64)	(.88)	(.86)	(.80)	(.40)	(.69)	(.94)	(.87)	
Higher value indicates stricter accounting disclosure rules.	**-0.580**	**-0.536**	**-0.431**	**-0.424**	**-0.360**	**-0.297**	-0.190	-0.182	37
	(.00)	**(.00)**	**(.01)**	**(.01)**	**(.03)**	**(.08)**	(.27)	(.29)	
Panel B: Availability of Domestic Financing									
Credit available to private sector, % of GDP, 1996.	**-0.525**	**-0.472**	**-0.468**	**-0.457**	-0.241	-0.152	-0.202	-0.171	40
	(.00)	**(.00)**	**(.00)**	**(.00)**	(.15)	(.36)	(.22)	(.31)	
Total value of stock traded as % of GDP, 1996.	**-0.309**	-0.229	-0.222	-0.152	-0.116	0.004	-0.027	0.082	40
	(.05)	(.15)	(.17)	(.35)	(.49)	(.98)	(.87)	(.63)	
Higher value indicates venture capital is more readily available.	**-0.511**	**-0.463**	**-0.428**	**-0.397**	-0.203	-0.118	-0.158	-0.087	40
	(.00)	**(.00)**	**(.01)**	**(.01)**	(.22)	(.48)	(.34)	(.60)	
Higher value indicates higher possibility of hostile takeovers.	**-0.582**	**-0.543**	**-0.487**	**-0.475**	**-0.383**	**-0.318**	**-0.282**	-0.252	40
	(.00)	**(.00)**	**(.00)**	**(.00)**	**(.02)**	**(.05)**	**(.09)**	(.13)	
Panel C: International Capital Flows									
Number of types of capital restrictions out of 12.	**0.567**	**0.510**	**0.564**	**0.510**	0.126	0.020	0.250	0.131	39
	(.00)	**(.00)**	**(.00)**	**(.00)**	(.45)	(.91)	(.13)	(.43)	
Restrictions on capital flow openness	**0.559**	**0.536**	**0.551**	**0.499**	0.191	0.153	0.246	0.134	39
	(.00)	**(.00)**	**(.00)**	**(.00)**	(.25)	(.36)	(.14)	(.42)	
Gross private capital flows as % of GDP	**-0.370**	**-0.345**	**-0.367**	**-0.381**	-0.0635	-0.0113	-0.109	-0.103	39
	(.02)	**(.03)**	**(.02)**	**(.02)**	(.70)	(.95)	(.52)	(.54)	
Total FDI flows as % of GDP, 1996	**-0.503**	**-0.408**	**-0.557**	**-0.502**	-0.236	-0.0609	**-0.356**	-0.253	37
	(.00)	**(.01)**	**(.00)**	**(.00)**	(.17)	(.72)	**(.03)**	(.14)	

Family control in dominant firms is correlated with a high level of government activism

Table V. Family Control and Bureaucrats in Business

The left panel reports correlation coefficients between family control indices and various measures of government ownership in enterprises, banks, the relative size of SOEs, and the quality of governments when dealing with businesses. The right panel reports partial correlation coefficients controlling for the log of 1996 per capita GDP at PPP. Numbers in parenthesis are probability levels for the null hypothesis that the correlation coefficients are zero.

	Simple Correlations				Partial Correlations Controlling for log of 1996 per capita GDP				N
	D_V	D_E	P_V	P_E	D_V	D_E	P_V	P_E	
Panel A: Government Corporation Activities									
SOE investment/GDP, avg. 1978-91	**0.441** **(.01)**	**0.453** **(.01)**	**0.496** **(.00)**	**0.513** **(.00)**	0.120 (.51)	0.119 (.51)	0.257 (.15)	0.242 (.18)	34
SOE output/GDP, avg. 78-91	**0.356** **(.06)**	**0.388** **(.04)**	**0.391** **(.04)**	**0.442** **(.02)**	0.236 (.24)	0.277 (.16)	0.294 (.14)	**0.352** **(.07)**	28
Panel B: Government Ownership of Banks									
% of banks governments owned	**0.566** **(.00)**	**0.519** **(.00)**	**0.630** **(.00)**	**0.596** **(.00)**	**0.332** **(.04)**	0.254 (.12)	**0.461** **(.00)**	**0.400** **(.01)**	39
% of commercial banks government owned	**0.513** **(.00)**	**0.469** **(.00)**	**0.583** **(.00)**	**0.547** **(.00)**	**0.297** **(.07)**	0.227 (.17)	**0.425** **(.01)**	**0.366** **(.02)**	39

Family control in dominant firms is correlated with high bureaucracy and regulatory burdens

Table IV. Family Control and Bureaucracies and Regulatory Burdens

The left panel reports correlation coefficients between family control indices and various measures of bureaucracy, barriers to entry, and government intervention in markets. The right panel reports partial correlation coefficients controlling for the log of 1996 per capita GDP at PPP. Numbers in parenthesis are probability levels for the null hypothesis that the correlation coefficients are zero.

	Simple Correlations				Partial Correlations Controlling for log of 1996 per capita GDP				N
	D_V	D_E	P_V	P_E	D_V	D_E	P_V	P_E	
Panel A: Bureaucracy									
Higher score indicates lower level of red tape, avg. 1972 to 95	**-0.780 (.00)**	**-0.754 (.00)**	**-0.704 (.00)**	**-0.703 (.00)**	**-0.484 (.00)**	**-0.390 (.02)**	**-0.428 (.01)**	**-0.349 (.03)**	39
Higher score indicates autonomy from political pressure.	**-0.746 (.00)**	**-0.772 (.00)**	**-0.633 (.00)**	**-0.686 (.00)**	**-0.437 (.00)**	**-0.497 (.00)**	**-0.298 (.06)**	**-0.373 (.02)**	41
Panel B: Regulatory Burdens									
Higher score indicates better and fair business regulation.	**-0.477 (.00)**	**-0.459 (.00)**	**-0.440 (.01)**	**-0.459 (.00)**	-0.081 (.63)	-0.051 (.76)	-0.095 (.57)	-0.103 (.54)	39
Freedom to compete in the private market, 1995	**-0.339 (.05)**	**-0.363 (.04)**	**-0.299 (.09)**	**-0.288 (.10)**	-0.003 (.99)	-0.057 (.76)	-0.078 (.67)	-0.052 (.78)	33
Log of the time it takes to obtain legal status of a new business.	**0.623 (.00)**	**0.593 (.00)**	**0.581 (.00)**	**0.564 (.00)**	**0.377 (.02)**	**0.326 (.04)**	**0.350 (.03)**	**0.308 (.05)**	41

Family control in dominant firms is associated with corrupt and non-credible government, little respect for the rule of law, and high level of rent-seeking

Table VI. Family Control and Political Rent-Seeking

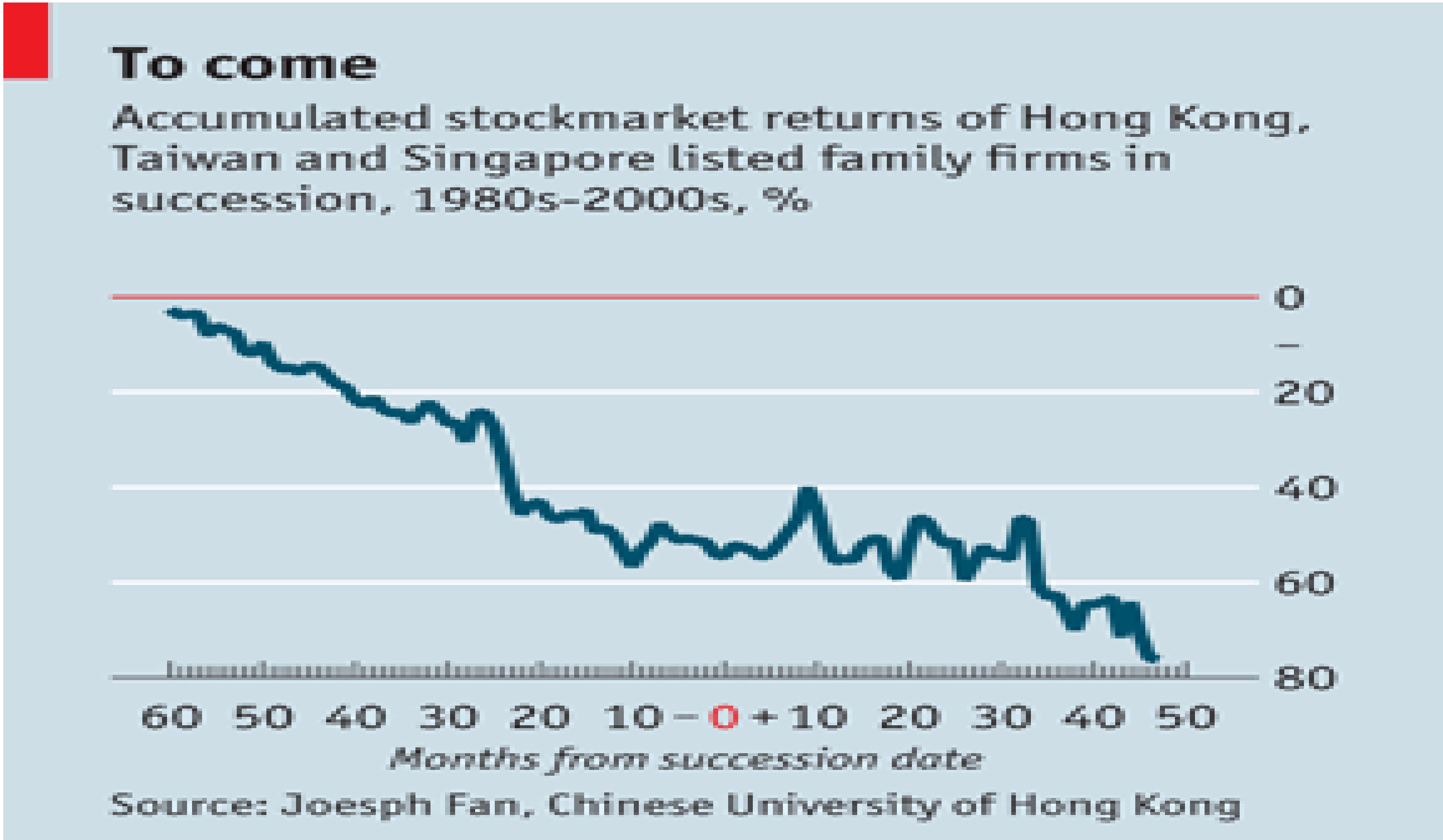
The left panel reports correlation coefficients between family control indices and various measures of political rent-seeking. The right panel reports partial correlation coefficients controlling for the log of 1996 per capita GDP at PPP. Numbers in parenthesis are probability levels for the null hypothesis that the correlation coefficients are zero.

	Simple Correlations				Partial Correlations Controlling for log of 1996 per capita GDP				N
	D_V	D_E	P_V	P_E	D_V	D_E	P_V	P_E	
Panel A: Dealing with Governments									
Higher score indicates lower risk of expropriation.	**-0.738 (.00)**	**-0.728 (.00)**	**-0.616 (.00)**	**-0.645 (.00)**	**-0.338 (.04)**	**-0.318 (.06)**	-0.166 (.33)	-0.185 (.27)	40
Higher score indicates lower risk of repudiation of contracts.	**-0.725 (.00)**	**-0.716 (.00)**	**-0.599 (.00)**	**-0.630 (.00)**	**-0.294 (.07)**	**-0.272 (.09)**	-0.126 (.44)	-0.149 (.36)	41
Panel B: Corruption and Rent-Seeking									
Higher value indicates more respect for rule of law	**-0.664 (.00)**	**-0.633 (.00)**	**-0.588 (.00)**	**-0.601 (.00)**	-0.117 (.48)	-0.030 (.86)	-0.101 (.54)	-0.077 (.64)	40
Higher score indicates less corruption in governments, avg. 1982-95.	**-0.702 (.00)**	**-0.688 (.00)**	**-0.607 (.00)**	**-0.613 (.00)**	-0.253 (.12)	-0.216 (.18)	-0.172 (.29)	-0.130 (.42)	41
Higher score indicates judiciary systems are more efficient.	**-0.661 (.00)**	**-0.644 (.00)**	**-0.618 (.00)**	**-0.598 (.00)**	**-0.295 (.07)**	-0.263 (.11)	**-0.301 (.06)**	-0.235 (.15)	40
Higher score indicates low levels of tax avoidance.	**-0.649 (.00)**	**-0.577 (.00)**	**-0.646 (.00)**	**-0.589 (.00)**	**-0.368 (.02)**	-0.239 (.15)	**-0.437 (.01)**	**-0.329 (.04)**	39
% of firms connected to a minister, MP, and close relationships.	0.215 (.20)	**0.267 (.10)**	**0.281 (.09)**	**0.298 (.07)**	0.020 (.91)	0.099 (.56)	0.148 (.38)	0.165 (.33)	38

3) Further negative consequence

Entrenchment limits market alternatives → negatively affect human capital development

Starting: Groups do not have sustainable advantage – succession stress to illustrate



What explains the succession stress?

- **Lack of channels to protect wealth, families have to control the corporations, the source of their wealth**
  – successors within the family

- **Grooming successors from within in a non-competitive environment is problematic**
  – In-breeding?

- **Politics among the succession generation negatively affect performance**
  – Because of limited employment choices, employees:
    - **Develop human capital that is boss specific**
    - **Develop human capital for corporate politics**

- **These factors explain the succession damage, also shed light on the lack of innovations and human capital constraints**

War for Talent

- More than half (62%) of CEOs in Asia Pacific expect to hire aggressively in the next 12 months, up from 49% in the last survey.
- As economic recoveries take hold, the continuing war for talent is top of the agenda for CEOs in 2011.
- Top challenges for CEO over the next three years are:
  - A limited supply of candidates with the right skills (63%)
  - Losing top people to competitors (47%)
  - Difficulty of deploying top talent globally (47%)

China is producing 600,000 engineering graduates per year and India another 350,000. However, only 10% of China's engineers, and a quarter of India's, are employable.

Source: 14th Annual Global CEO Survey (PricewaterhouseCoopers, 2011)

Genericallly

- **Low property rights + limited access to finance + high barriers to market entry + high rent seeking**

  → independent talents are less geared towards developing game changing innovations

    - **the gains go to the economically powerful.**

At the end: risk averse employees

- **Limited opportunities → employees aim to protect jobs, develop boss specific human capital**
  - Risk avoidance,
  - Responsibility avoidance
  - Some become peacocks and sea-gulls
    - **not conducive to the development of dynamic capabilities.**

Talent constraints hurt growth

- **Emerging markets' continuous economic revolution needs Human Capital**
  - Needs entrepreneurship and intra-preneurship
  - Needs leaders to improve policies, regulations and institutions
- **Systematic shortage?**

Affect the government's choice

- **The human capital market constraints**
  - hinder the transformation of existing dominant firms
  - hinder entrepreneurial entry.
- **Impact on government's policy choices:**
  - Low entrepreneurial entry reduces the marginal benefit of reforms
    - **Zhao, Fogel, Morck and Yeung (2011: "Trade Liberalization and Institutional Reform," <u>Asia Economic Paper</u>, Vol. 9 (2) 2011)**

Exit?

- **History of Corporate Governance(Morck ed 2005) and Morck and Yeung (2013)**
  – US – Great depression and FDR anti-group policies, e.g., double taxation and bequeath tax
  – UK – pension funds, institutional investors
  – Germany – government allowed and empowered banks to collective vote for minority shareholders
  – Japan – military took over Zaibatsu after the big earthquake weakened the economically powerful

- **Need powerful countering groups**
  – China?
    - **Try to set a path no one has trod before?**

Conclusion

- **In emerging economies, Asian economies included, concentrated control helps growth but creates daunting corporate governance problems**
  - Economic entrenchment limited human capital development
- **Continuous Asian economic revolution needs human capital development**
- **Historically, economic entrenchment is a natural outcome, and busted up by economic creses**
- **Must we go there? China is creating a new path?**

Finish

There are exceptions (an Asian solution?)

- Positive evolution? – learn from the exceptions, does an Asian solution exist?
- Some companies are able to overcome human capital constraints, transform themselves to become world class competitors.
  - Develop intra-preneurship
    - break down hierarchical mind-set, have a flat organization, yet retain centralized decision making
    - empower and motivate employees to develop intra-preneurship
- Good clinical studies needed

State-Owned Banks – China Banking Regulatory Commission (CBRC)

- **Similar policies for the state-owned banks, in particular, identical control structure.**
- **State controlled banks dominate.**

	Number	Asset (trillion yuan RMB)
Policy Banks	3	56454
State-Owned Commercial Banks	4	291575
Joint-Stock Commercial Banks		
State as Largest Share Holder	11	101247
Others	2	13628
Others		
Urban Commercial Banks and Credit Union	158	42123
Rural Commercial Banks and Credit Union	5241	71436
Postal Savings Bank	1	22163
Foreign Banks	32	13448
Non-Bank Institutions	182	11802
Total	5634	623876

72.01 % of Total Asset

Sources: People's Bank of China.

(Figures at the end of 2008)

SOEs in China

- **The number of SOEs kept decreasing in past years, but SOEs still play an important role in China.**

		Number		Assets	
		Thousand	Percentage	Trillion Yuan	Percentage
Domestic Funded Enterprises	State Owned Enterprises	**156**	**3.15%**	**63.5**	**30.53%**
	Collective Enterprises	260	5.24%	9.0	4.33%
	Other Joint-Stock Enterprises	638	12.86%	86.9	41.78%
	Private Enterprises	3596	72.50%	25.7	12.36%
	Other Types	124	2.50%	1.4	0.67%
Foreign Funded Enterprise		186	3.75%	21.5	10.34%
Total		4960	100.00%	3027	100.0%

Sources: National Economic Census in 2008, China.

- **Especially, SOEs still dominate in the banking sector.**
  - Assets of 18 largest banks controlled by the State accounted for **72.01%** in all banking financial institutions.