


## Markets and how they work: a comparative analysis of fieldwork evidence on globalisation, corporate governance, institutional structure and competition in Russia, India and China, supported by a quantitative worldwide cross-section study of market anomalies



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### Abstract

This thesis examines the efficacy of markets, using both quantitative and qualitative methods in a complementary way. Specifically, it starts (in Part II) by using the results from a quantitative analysis of initial public offering (IPO) underpricing

as a barometer for corporate governance failure. This quantitative work identified Russia, China and India as extreme outliers. The data set used for this work was the cross-section sample of 45 countries developed by Loughran, Ritter & Rydqvist (2008). More broadly (in Part III), the thesis takes the lead of the quantitative evidence to examine, in a qualitative framework, possible sources of corporate governance failure in China, India and Russia. This was done categorically, under the headings of Globalisation, Corporate Governance, Institutional Structure and Competitive Strategy. Data were gathered by eldwork in China, India and Russia, and these findings were then benchmarked against findings from further fieldwork in the United Kingdom. This created a unique 56,000 word database, which was used for both cross-site and within-site analysis. This indicates how both unique attributes (e.g. rule of law, transparency, regulation, etc.), and common attributes (e.g. transition from a socialist/Marxist regime, market immaturity, asymmetric information etc.), combine to explain the different morphologies of corporate governance in these three countries. The quantitative analysis (Part II) consists of exploratory data analysis (EDA) and econometric work. The exploratory data analysis establishes, through graphical means and regression techniques, a negative correlation between IPO underpricing and globalisation (as measured by the KOF index, see Dreher, 2006). Building on this, the subsequent econometric modelling suggests that economic, demographic and institutional factors are all significant determinants of IPO underpricing. The qualitative analysis carried out in Part III of the thesis, builds on and extends the quantitative analysis of Part II. This is consistent with the multiple method approach, which combines both quantitative and qualitative analysis to achieve a synthesis of findings. The qualitative analysis uses evidence from semi-structured interviews with finance professionals and opinion makers, as well as evidence from additional primary and secondary sources, which was also made available through fieldwork contacts. This analysis emphasises the especial importance of board composition, information flows, the judicial system, the stock exchanges, and financial regulators for forms of corporate governance.

## Type

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