

Dominant shareholders, board structure and bank performance: evidence from Serbia

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Predrag Stančić, University of Kragujevac, Faculty of Economics, Kragujevac
Milan Čupić, University of Kragujevac, Faculty of Economics, Kragujevac
Sladjana Barjaktarović Rakočević, University of Belgrade, Faculty of Organizational Sciences, Belgrade
Sladjana Benković, University of Belgrade, Faculty of Organizational Sciences, Belgrade

Summary: We investigate relation between board structure (size and composition) and bank performance in 18 Serbian commercial banks with a dominant shareholder in 2006-2010. We analyze this relation using OLS regression analysis on an unbalanced panel dataset of 75 observations. We find no significant relation between proportion of independent directors on the board and bank performance. We also find no significant relation between bank market performance and board size. We find that bank profitability, measured by ROA and ROE, increase as the number of directors on the board decreases. This result is statistically significant after controlling for endogenous variables and unobserved macroeconomic effects. We conclude that Serbian banks with dominant shareholder should put limits on board size. The relation between bank performance and ownership concentration ratio is always negative, but significant only in case of ROA and ROE.

Keywords: bank performance, board structure, commercial banks, dominant shareholder.

Rezime: U ovom radu istražujemo odnos između strukture upravnog odbora (veličine i sastava) i performansi 18 komercijalnih banaka sa dominantnim vlasnikom u Srbiji, u periodu od 2006. do 2010. godine. Ovaj odnos analiziramo koristeći OLS regresionu analizu na nebalansiranom panelu podataka od 75 opservacija. Nismo otkrili statistički značajne relacije između performansi banaka i nezavisnosti upravnog odbora. Takođe nismo otkrili statistički značajne relacije između veličine upravnog odbora i tržišnih performansi banaka. Otkrili smo da profitabilnost banaka, merena sa ROA i ROE, raste sa smanjenjem veličine upravnog odbora. Ovaj rezultat je statistički značajan nakon kontrole uticaja endogenih varijabli i neotkrivenih makroekonomskih efekata. Odnos između profitabilnosti banaka i racija koncentracije vlasništva je negativan i statistički značajan samo kada su ROA i ROE zavisne varijable.

Ključne reči: performanse banaka, struktura borda, komercijalne banke, dominantni vlasnik.

