



Munich Personal RePEc Archive

An analysis into the Stock Selectivity skill of Indian Fund Managers

Butt, Prof. Khursheed A and Pandow, Bilal Ahmad

University of Kashmir

2013

Online at <https://mpra.ub.uni-muenchen.de/83500/>
MPRA Paper No. 83500, posted 29 Dec 2017 17:41 UTC

An analysis into the Stock Selectivity skill of Indian Fund Managers

Prof. Khursheed A Butt

Mr. Bilal Ahmad Pandow

Introduction

With the increasing emphasis in domestic savings and improvement in deployment of investments through markets, the need and scope for mutual fund operation has increased tremendously. The mutual fund is a vehicle that enables millions of small and large savers spread across the country as well as internationally to participate in and derive the benefit of the capital market growth. It is an alternative vehicle of intermediation between the suppliers and users of investible resources. The vehicle is becoming increasingly popular in India and abroad due to higher investor return, relatively lower risk and cost. Thus the involvement of mutual funds in the transformation of Indian economy has made it urgent to view their services not only as financial intermediary but also as pace setters as they are playing a significant role in spreading equity culture.

In India, the mutual fund industry started with the setting up of the erstwhile Unit Trust of India in 1963. Public sector banks and financial institutions were allowed to establish mutual funds in 1987. Since 1993, private sector and foreign institutions were permitted to set up mutual funds. In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs 29,835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India doesn't come under the purview of the Mutual Fund Regulations. The second is the UTI Mutual Fund, sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual Fund Regulations.

India has been amongst the fastest growing markets for mutual funds since 2004, witnessing a CAGR of 29 percent in the five-year period from 2004 to 2008 as against the global average of 4 percent. The Indian mutual fund industry in terms of regulatory framework is believed to match up to the most developed markets globally. The regulator, Securities and Exchange Board of India (SEBI), has consistently introduced several regulatory measures and amendments aimed

at protecting the interests of the small investors that augurs well for the longterm growth of the industry.

Given the size of their stake, the investing public's interest in identifying successful fund managers is understandable, especially in light of mounting evidence that the returns of most actively managed funds are lower than index fund returns. From an academic perspective, the goal of identifying superior fund managers is interesting because it challenges the efficient market hypothesis. The ability of mutual fund managers to time the market, that is, to increase a fund's exposure to the market index prior to market advances and to decrease exposure prior to market declines has remained the subject matter for researchers. The other important aspect which attracted the attention of researchers world over is stock selection skills of fund managers. Number of studies has been conducted on these two skills of fund managers. A critical review of the studies on selectivity aspects of mutual funds has been undertaken in the following paras which becomes essential to know what the existing literature has to say about the market timing and stock selectivity skills of fund managers. The other objective of the review of available literature is to identify the gaps in the existing literature with the purpose to set an agenda for future research on the subject.

Review Of Related Literature

With the growing popularity of mutual funds, performance evaluation of fund managers has become a fundamental issue for both practitioners and academicians .Studies have been conducted world over to examine the investment performance of managed portfolio. These studies presumed investment risk stability through time, and thus concentrated exclusively on fund manager's stock selection ability. The pioneering work on the performance evaluation of mutual funds was done by Sharpe (1966), who has developed a composite measure and on the basis of his study of 34 open ended mutual funds, he has found that the average mutual fund performance was distinctly inferior to an investment in Dow Jones Industrial average. A study conducted by Treynor and Mazny (1966) found no statistical evidence to prove that the fund managers of sample 57 funds were able to predict the market movements. Elaborating further, the study revealed that an improvement in fund returns was due to the fund manager's ability to select undervalued shares. However, Jensen M.C (1968) found that for a sample size of 115 mutual funds, the fund managers were not able to forecast the security prices with accuracy. Kon (1983) also developed a methodology for measuring the market timing performance of investment managers. It noted some empirical evidence of significant superior timing performance; however at individual fund level the Multivariate tests used in the study produced

results consistent with efficient market theory. Apart from market timing ability, the performance of mutual funds also depends on stock selection skills of fund managers. Chang and Hewellen (1984) empirically examined both market timing and stock selection abilities of 67 fund managers by employing parametric statistical procedure developed by Henriksson and Merton (1981). The study concluded that neither skillful market timing nor right type of stock selection abilities were evident in abundance in observed sample mutual fund returns data and fund managers were collectively unable to out form a passive investment strategy. Henriksson (1984) has also empirically examined the market timing ability of 116 Open ended mutual funds for the period between 1968-80 and has found no evidence to support the view that fund managers were more successful in their market timing activity. Lee and Rehnan (1990) also examined market timing and selectivity abilities of fund managers by using simple regression technique and the results indicated some evidence of micro and macro forecasting ability of fund managers. Coggin, et al (1993) empirically studied selectivity performance of 71 US equity pension funds over the period 1983-1990 by applying Jensen (1968) Treynor and Mazny (1966) and Bhattacharya and Pfleiderer (1983) performance measures and has found that regardless of the choice of benchmark and/ or estimation model, the selectivity measure was positive on an average. However, it did appear to be somewhat sensitive to the choice of a benchmark when managers were classified by investment style.

Graham and Harvey (1990) studied the market timing abilities and volatility implied in investment allocation recommendations. The study investigated over 1500 asset allocation recommendations and found little evidence that hot recommendations contained adequate information regarding future market returns. Further, some recommendations even appear to have short-run insight over the common level of predictability. Ippolito (1989) examined overall performance of 143 mutual funds between 1965-84 and found that estimated alphas for the mutual fund industry was significantly greater than zero, an antithesis that mutual fund managers do not add value to portfolio management. Jiang (2001) developed a non-parametric test for examining market timing ability and found an average negative parameter for actively managed Equity funds. The relation between market timing ability and fund characteristics was also studied and had found that market timing was fund specific and very difficult to predict by observable characteristics.

In India small numbers of studies were conducted on market timing and stock selectivity abilities of fund managers. The important studies include: M Jayadev (1996), S S. Dave (1998) Vivek kulkarni (1998), Anjan Chakarabarti and Harsha Rungta (2000) Amitab Gupta (2001), Turan et al (2001) Biswaseep Mishra (2002) and Ramesh Chander (2002). (2001) conducted a

comprehensive study to evaluate investment performance and market timing abilities of fund managers in India and has found that the results of the study could not provide credence to the successful market timing proposition. Roa and Venkateshwarlu (2000) also studied the market timing abilities of UTI fund managers and found that out of nine investment schemes only one exhibited an attempt to forecasting the market and changing the portfolio accordingly. Sondhi and Jain (2006) examined the stock selection abilities of 36 fund managers of diversified equity schemes during the period 1993-2002. The study reported that the majority of the sample schemes had generated positive alpha values implying that the investment managers had added value to the portfolio by their stock selection ability. Thus, contrary to findings of most of the studies in India and abroad Chander (2002) studied portfolio and performance attribution relation to three fund characteristics viz, nature, sponsorship and investment objectives using methodological framework developed by Fama(1972). On the basis of this study it noted that fund managers failed to time the market correctively. However, with regards to stock selecting ability of fund managers, it has found significant evidence for positive stock selecting abilities of Indian fund managers.

Need for the Present Study

In India mutual fund industry came into being with the establishment of UTI in 1964. With the ushering of economic reforms in the early 1990's, the government of India opened up the way for the entry of private sector and foreign players in mutual fund industry. Today, mutual fund industry in India consists of 41 funds houses belonging to the public sector, private sector and foreign sector which are operating around 968 schemes. Although the mutual fund industry has witnessed a sufficient growth in all respects yet, the growth has not been commensurate with the potential that the industry enjoys in the country. This is being partly attributed to the poor investment culture particularly in the capital market and partly due to the failure on the part of the mutual fund industry to deliver superior returns to the investing public in the country. The fact is that the reason for the less than expected growth in the mutual fund industry is yet to be fully explored in India.

In the developed capital market, large number of studies have been conducted on different aspects of mutual funds e.g Grinblatt and Titman (1989, 1993), Grinblatt, Titman, and Wermers (1995), Daniel, Grinblatt, Titman, and Wermers (1997), Wermers (1999, 2000, 2004), and Ferson and Khang (2002) but in emerging markets, including India limited number of studies on mutual funds have been conducted. For example Guha (2008) focused on return-

based style analysis of equity mutual funds in India, Anand and Murugaiah (2008) examined the components and sources of investment performance in order to attribute it to specific activities of Indian fund managers, Sinha and Gosh (2009), Raju and Rao (2009), Anand and Murugaiah (2007). In addition to this, most of the studies conducted in India were not comprehensive and also not based on well defined methodologies. The present study entitled ' An analysis into the Stock Selectivity skill of Indian Fund Managers' has been undertaken to fill in this research gap, which is essentially aimed to examine the stock selection abilities of fund managers operating in the Indian capital market. The performance of mutual funds grossly depends on selectivity abilities of fund managers. So, the present study is expected to go a long way in understanding this important phenomenon of mutual fund industry in the country, thus in suggesting an investment framework which would enable fund managers to deliver superior value to the investing public which in turn will encourage more people to park their savings in the capital market which has a great significance for accelerating economic growth.

Objectives of The Study

The study is aimed to achieve the following specific objectives:

1. To assess the growth and development of mutual fund industry in India.
2. To study whether stock selectivity bears an impact on the performance of mutual funds in India.
3. To draw meaningful inferences about stock selectivity skills of fund managers in India and based on the findings of the study suggest an investment frame work for fund managers, which will enable them to earn superior risk adjusted returns for the investing public.

Materials and Methods

To examine the validity of the above stated hypotheses, the study will use secondary data which will be compiled from time series data related to Net Asset Value (NAV) of various funds. The secondary data regarding monthly NAVs of sample mutual fund schemes will be compiled from different sources viz. www.navinidia.com, www.amfiinida.com and from different issues of financial newspapers and magazines like, Economic Times, Business Standard, Financial Chronic, and Business Line. The study will be based on NAV rather than market price for accessing the selectivity performance for one simple reason that the former is not influenced by

the double incidence of market volatility. However, the NAVs will be adjusted for any dividend, bonus with the purpose to arrive at meaningful investment returns. Further the monthly returns thus obtained will be annualized through geometric averaging to obtain average annual fund return for the study period.

Market Return and Risk Free Return Proxies

The yield on 91 day treasury bills, issued by Reserve Bank of India will be used as a proxy for risk free return. The information in this regard will be collected from www.rbi.org.in which, will be annualized through the process of geometric averaging. Further S&P CNX Nifty, which are the two popular indices in the Indian stock markets, will be used as surrogates for the market portfolio/return to test the stock selectivity skills of fund managers as well as benchmark variability.

Scope of the Study

The mutual fund industry in India consists of public sector, private sector and foreign sector mutual funds. The total number of fund houses as on 31st March 2012 stands at 41 which operate around 968 schemes. The present study will cover sample schemes across different categories belonging to public, private and foreign sector mutual funds and have existed for more than a year as of the end, March 2012.

Reference Period

The period of study would be five years between April 1st, 2007 and March 31st, 2012. A period of five years has been deliberately chosen as it would be long enough to cover both the periods of upswings and down-swings of the stock markets thus enable to generalize about the market timing and stock selectivity abilities of fund managers.

Sample Design

Since large numbers of schemes are being operated by various fund houses in India, as such it would not be feasible and also desirable to study all the schemes. It is in view of this fact, an adequate and representative sample will be drawn from the universe which will cover all types of fund houses viz, public, private and foreign sector mutual funds and fund characteristics viz nature, size, investment objectives and sponsorship. In order to provide an equal opportunity to each scheme to get selected, a stratified random proportionate sampling technique will be used. For this purpose the universe of the study will be divided into different strata based on type of fund house and fund characteristics viz. nature, size, investment objective and sponsorship and then from each strata a reasonable sample will be drawn.

Measures of Testing Stock Selectivity

Several methods have been developed to test stock selectivity abilities of fund managers. For example Jensen's alpha and Fama Alpha have developed performance evaluation measures for assessing the selectivity ability of fund managers.

Fama's Selectivity Model

Fama (1972) model also prescribes the statistical formulation for assessing the stock selectivity performance which segregates the past observed returns that is due to the ability of fund managers to pick the best securities. The Fama's decomposition performance evaluation measure of portfolio, is attributed to selectivity and risk which is further decomposed into net selectivity and diversification. The process of decomposition formulation is expressed as:

$$O_p = R_p - R_f \text{ ----- (i)}$$

$$R_p - R_f = \text{Selectivity} + \text{Risk} \text{ ----- (ii)}$$

$$[R_p - R_p(\beta_p)] = \text{net selectivity} + [R_p(\sigma_p) - R_p(\beta_p)] \text{ ---- (iii)}$$

$$\text{Net selectivity} = [R_p - R_p(\beta_p)] - [R_p(\sigma_p) - R_p(\beta_p)] \text{ ---- (iv)}$$

selectivity - diversification

Analysis

Select ten funds and their outcomes based on Jensen and Fama model in 2007-08:

2007-08			
NAME	JENSEN ALPHA	FAMA'S ALPHA	
	NSE		
SBI ARBITRAGE OPPORTUNITIES FUND	0.184497361	0.096461785	
SBI ONE INDIA FUND	-0.0542293	-0.20411859	
LIC NOMURA MF EQUITY FUND	0.111675327	-0.06056264	
FIDELITY EQUITY FUND	0.164360158	0.010544062	
BIRLA SUN LIFE FRONTLINE EQUITY	0.252026086	0.093120246	
BIRLA SUN LIFE TOP 100 FUND - GROWTH	0.113124434	-0.04660183	
KOTAK 50 GROWTH	0.287863077	0.125541223	
KOTAK EQUITY ARBITRAGE GROWTH	0.186694935	0.098501136	
SUNDARAM GROWTH FUND	0.398444563	0.229786447	
SUNDARAM SELECT FOCUS	0.483603489	0.31319711	

Select ten funds and their outcomes based on Jensen and Fama model in 2008-09:

2008-09			
NAME	JENSEN ALPHA	FAMA'S ALPHA	
	NSE		
SBI ARBITRAGE OPPORTUNITIES FUND	0.36943556	0.060173258	
SBI ONE INDIA FUND	0.55560042	0.009136819	
LIC NOMURA MF EQUITY FUND	0.80364579	0.216426635	
FIDELITY EQUITY FUND	0.71111871	0.168049747	
BIRLA SUN LIFE FRONTLINE EQUITY	0.74006454	0.182035528	
BIRLA SUN LIFE TOP 100 FUND - GROWTH	0.69591701	0.162432069	
KOTAK 50 GROWTH	0.72848869	0.171509591	
KOTAK EQUITY ARBITRAGE GROWTH	0.37303053	0.063864669	
SUNDARAM GROWTH FUND	0.60045011	0.047338811	
SUNDARAM SELECT FOCUS	0.60008192	0.074545792	

Select ten funds and their outcomes based on Jensen and Fama model in 2009-10:

2009-10			
NAME	JENSEN ALPHA	FAMA'S ALPHA	
		NSE	
SBI ARBITRAGE OPPORTUNITIES FUND	0.16917381		0.05519621
SBI ONE INDIA FUND	0.55560042		0.00913682
LIC NOMURA MF EQUITY FUND	0.77424848		0.59463454
FIDELITY EQUITY FUND	0.97127735		0.79954195
BIRLA SUN LIFE FRONTLINE EQUITY	1.05759924		0.88086334
BIRLA SUN LIFE TOP 100 FUND - GROWTH	0.91342735		0.73682867
KOTAK 50 GROWTH	0.65456579		0.45595287
KOTAK EQUITY ARBITRAGE GROWTH	0.16978307		0.05500393
SUNDARAM GROWTH FUND	0.95416029		0.76663622
SUNDARAM SELECT FOCUS	0.79371997		0.60215035

Select ten funds and their outcomes based on Jensen and Fama model in 2010-11:

2010-11			
NAME	JENSEN ALPHA	FAMA'S ALPHA	
		NSE	
SBI ARBITRAGE OPPORTUNITIES FUND	-0.60067831		0.074107332
SBI ONE INDIA FUND	-0.63196062		0.058418355
LIC NOMURA MF EQUITY FUND	-0.55717634		0.11167044
FIDELITY EQUITY FUND	-0.48809547		0.182138117
BIRLA SUN LIFE FRONTLINE EQUITY	-0.53244044		0.136262628
BIRLA SUN LIFE TOP 100 FUND - GROWTH	-0.51338564		0.159727964
KOTAK 50 GROWTH	-0.55083126		0.116810669
KOTAK EQUITY ARBITRAGE GROWTH	-0.59338747		0.07965344
SUNDARAM GROWTH FUND	-0.57683589		0.10482458
SUNDARAM SELECT FOCUS	-0.60766401		0.066451215

Select ten funds and their outcomes based on Jensen and Fama model in 2011-12:

2011-12			
NAME	JENSEN ALPHA	FAMA'S ALPHA	
		NSE	
SBI ARBITRAGE OPPORTUNITIES FUND	-0.14034506	0.09189798	
SBI ONE INDIA FUND	-0.17638815	0.13524787	
LIC NOMURA MF EQUITY FUND	-0.2219888	0.10576346	
FIDELITY EQUITY FUND	-0.19554378	0.12048057	
BIRLA SUN LIFE FRONTLINE EQUITY	-0.18553573	0.13941351	
BIRLA SUN LIFE TOP 100 FUND - GROWTH	-0.15400751	0.17015879	
KOTAK 50 GROWTH	-0.17898866	0.12898178	
KOTAK EQUITY ARBITRAGE GROWTH	-0.14538097	0.08676583	
SUNDARAM GROWTH FUND	-0.1970189	0.13152817	
SUNDARAM SELECT FOCUS	-0.22055928	0.10182046	

Ranking of Select ten funds based on Jensen model:

FUND NAME	JENSEN's SELECTIVITY (NSE)	RANKING
BIRLA SUN LIFE FRONTLINE EQUITY	0.26634274	1
SUNDARAM GROWTH FUND	0.235840036	2
FIDELITY EQUITY FUND	0.232623395	3
BIRLA SUN LIFE TOP 100 FUND - GROWTH	0.211015129	4
SUNDARAM SELECT FOCUS	0.209836417	5
KOTAK 50 GROWTH	0.188219527	6
LIC NOMURA MF EQUITY FUND	0.18208089	7
SBI ONE INDIA FUND	0.106676694	8
KOTAK EQUITY ARBITRAGE GROWTH	-0.001851981	9
SBI ARBITRAGE OPPORTUNITIES FUND	-0.00358333	10

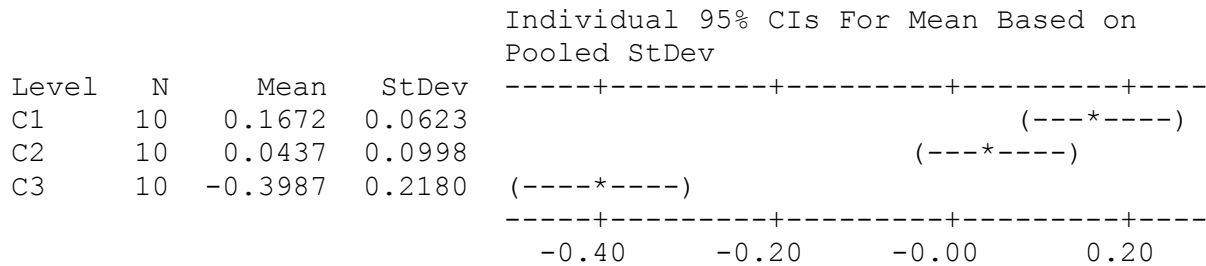
Ranking of Select ten funds based on Fama model:

FUND NAME	FAMA's NET SELECTIVITY (NSE)	RANKING
BIRLA SUN LIFE FRONTLINE EQUITY	0.242905988	1
SUNDARAM GROWTH FUND	0.226061302	2
SUNDARAM SELECT FOCUS	0.218371753	3
FIDELITY EQUITY FUND	0.214805535	4
BIRLA SUN LIFE TOP 100 FUND - GROWTH	0.201762203	5
KOTAK 50 GROWTH	0.183109381	6
LIC NOMURA MF EQUITY FUND	0.145684698	7
SBI ONE INDIA FUND	0.108722443	8
KOTAK EQUITY ARBITRAGE GROWTH	0.076757801	9
SBI ARBITRAGE OPPORTUNITIES FUND	0.075064959	10

One-way ANOVA: C1, C2, C3

Source	DF	SS	MS	F	P
Factor	2	1.7707	0.8853	43.28	0.000
Error	27	0.5523	0.0205		
Total	29	2.3229			

S = 0.1430 R-Sq = 76.23% R-Sq(adj) = 74.46%



Pooled StDev = 0.1430

Based on above F-Test Fund Managers haven't been able to select the right kind of stocks in their portfolio.

Findings of the Study

The followings are the major findings of the present study.

- Indian Mutual Funds Industry is relatively new but it has grown at a rapid speed influencing various sectors of financial markets and the national economy.
- The Mutual Funds is one type of an investment that mobilizes savings of individuals and institutions and channelises these savings into corporate securities to provide investors with a steady stream of returns and capital appreciation.

Analysis of Stock Selection Ability of Fund Managers:

- It is found that that Managers of majority of sample Mutual Fund Schemes experienced insignificant stock selection skills to their market movements during the study period.
- From Jensen and Fama's Models, it is found that four sample Mutual Fund Schemes' Managers suffered from negative stock selection ability during the study period.
- Fund Managers of sample schemes did not acquire sufficient knowledge about macro economic factors influencing market movement for selecting the stocks.

Conclusion

Indian Mutual Funds have emerged as strong financial intermediaries and they play a significant role in bringing stability into the financial system and efficiency in resource allocation. The present study discussed the different phases of development of Mutual Funds since the inception to the present scenario. It encompasses an analysis of the performance of selected sample Mutual Fund Schemes. The results of this study indicate that the performances of majority of the sample Equity Schemes were not significantly related to their market movements during the study period.

The present study presented empirical results pertaining to the stock selection abilities of Fund Managers under two models proposed by Jensen and Fama. It is found that the public information variables are important to be considered while evaluating fund stock selection ability. The overall results of this study indicate that the Indian Mutual Fund Managers did not have adequate information efficiency. Hence it is concluded that the Indian Mutual Fund Managers must improve their skills relating to internal activities as well as external market related information so as to promote the confidence among small investors who prefer to invest their savings in Mutual Fund.

The growth of Indian Mutual Fund Industry mainly depends on Mutual Fund Managers whose skills in stock selection would improve the confidence of the investing public in Mutual Funds Schemes.

References

1. Brown, Keith C., W. V. Harlow, and Laura T. Starks, 1996, Of tournaments and temptations: Aanalysis of managerial incentives in the mutual fund industry, *Journal of Finance* 51, 85–110.
2. Brown, Stephen J., and William N. Goetzmann, 1995, Performance persistence, *Journal of Finance* 50, 679–698.
3. Brown, Stephen J., William N. Goetzmann, Roger G. Ibbotson, and Stephen A. Ross, 1992, Survivorship bias in performance studies, *Review of Financial Studies* 5, 553–580.
4. Busse, Jeffrey A., 1999, Volatility timing in mutual funds: Evidence from daily returns, *Review of Financial Studies* 12, 1009–1041.
5. Carhart, Mark M., 1997, On persistence in mutual fund performance, *Journal of Finance* 52,57–82.
6. Chance, Don M., and Michael L. Hemler, 1999, The performance of professional market timers:
7. Daily evidence from executed strategies, Working paper, Virginia Tech.
8. Chen, Zhiwu, and Peter J. Knez, 1996, Portfolio performance measurement: Theory and applications, *Review of Financial Studies* 9, 511–555.
9. Fama, E. 1970. Efficient capital markets: a review of theory and empirical work. *Journal of Finance* 25 (2): 383-417.
10. Fama, E. 1972. Components of investment performance. *Journal of Finance* 27 (2): 551-67.
11. Fama, E., and MacBeth, J. 1973. Risk, return and equilibrium: empirical tests. *Journal of Political Economy* 81 (3): 607-36.

12. Jensen, M.C., 1968. The performance of mutual funds in the period 1945-1964, *Journal of Finance* 23, 389-416.
13. Henriksson, R. D. 1984. Market timing and mutual fund performance: An empirical investigation. *Journal of Business* 57 (January): 73-96.
14. Henriksson, R. D., and Merton, R. C. 1981. On market timing and investment performance II: Statistical procedures for evaluating forecasting skills. *Journal of Business* 54 (October): 513-33.
15. Klemkosky, R.C. and T.S. Maness, 1978. The predictability of real portfolio risk levels, *Journal of Finance* 33, 631-639.
16. Kon, S.J. and F.C. Jen, 1978. Estimation of time-varying systematic risk and performance for mutual fund portfolios: an application of switching regression, *Journal of Finance* 33, 457-475.
17. Treynor, J. L., and Black, F. 1973. How to use security analysis to improve portfolio selection. *Journal of Business* 46 (January): 66-86.
18. Treynor, J. L., and Mazuy, K. K. 1966. Can mutual funds outguess the market? *Harvard Business Review* 44 (July-August): 131-36.
19. Stein, Jeremy C. "Information Production and Capital Allocation: Decentralized versus Hierarchical Firms." *Journal of Finance*, 2002, 57(5), pp. 1891-921.
20. Wermers, Russ. "Mutual Fund Performance: An Empirical Decomposition into Stock-Picking Talent, Style, Transactions Costs, and Expenses." *Journal of Finance*, 2000, 55(4), pp. 1655-95.
21. Williamson, Oliver E. "Corporate Finance and Corporate Governance." *Journal of Finance*, 1988, 43(3), pp. 567-91.