

The Correlation between Governance Mechanism and Changing Trends in the Ownership of Mongolian Companies

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Abstract : This paper examines the changing trend in ownership of Mongolian companies and how this trend has influenced corporate governance mechanisms in Mongolian companies. A study of this magnitude is essential as it x-rays the systematic transformation of Mongolia's corporate world from the public to private ownership and the tremendous impact it has had on firm governance mechanisms. Owing to Mongolia's Soviet past, much of the companies in Mongolia were state-owned, state-directed and state-controlled resulting in serious inefficiencies in these companies. This scenario is antithetical to the economic growth and development of any nation as it is grossly at variance with the fundamental principles of good corporate governance that drive prosperity. Consequently, the Mongolian government has in the past decades fine-tuned government policy to prioritize private ownership, establishing various frameworks that will strengthen corporate governance structures in Mongolia. These efforts have paid off and gone a long way in changing the trend in the ownership of companies in Mongolia reversing the old order. The expectation locally and internationally is that companies in post-socialist Mongolia will be more closely aligned to generally accepted corporate governance mechanisms, generally improving company performance and ultimately returns to shareholders. To achieve the research objectives, the survey research method was employed utilizing a sample of seventy randomly selected listed companies representing 22% of Mongolian Stock Exchange listings. Research hypotheses formulated to guide the conduct of the study were tested using Chi-Square analysis, and results show that ownership trend has drastically changed in the post-socialist Mongolia leading to better corporate governance practices in Mongolian companies. This result has important policy implications.

Keywords : corporate disclosure, free market, private ownership, Mongolia

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