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The influence of business group control over firm disclosure in offshore financial centres: Evidence from the Caribbean

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ABSTRACT

Using a unique, hand-collected sample of 169 firms in the Caribbean region, this paper explores an interrelationship between business group (BG) control, institutional factors and firm-level transparency in offshore financial centres. Our analysis shows that BG control is positively associated with the degree of information disclosure in these generally secretive jurisdictions. This relationship is moderated by the contingency factors associated with formal and informal institutions on various levels, such as the firm belonging to offshore financial services multinational enterprise industry and the quality of formal institutions in a specific jurisdiction.

> * *"On maps they appear no bigger than a full stop, but each year billions of dollars in capital sail into the global banking system along the warm currents of the Caribbean. Economists are charting an unrelenting, escalating transfer of wealth, enabled by the offshore system, often from the very poorest to the very richest nations… The movement of this offshore money is an industry made possible in part by the secrecy on sale in tax havens, led by the UK's substantial network of offshore enclaves. The "Panama Papers" lifted the veil on how this world works – and the people who use it*" (Guardian news, 2016)

1. Introduction

Over the last twenty years, there has been a prolific increase in the usage of offshore financial centres (OFCs) within international business (IB) with the IMF estimating that those located in the Caribbean act as conduits in over 40% of all foreign direct investment (FDI) globally (Damgaard, Elkjaer & Johannesen, 2018). Moreover, OFCs account for an estimated US$1–1.6 trillion per year in cross-border financial flows, dwarfing the approximately US$135 billion in annual global foreign aid receipts (Tax Justice Network, 2019). Of central importance to OFCs is their institutionalized provision of secrecy (Sugathan & George, 2015) in the form of opacity and anonymity, which often far outweighs the importance of their negligible tax regimes. Our study contributes to this debate in exploring the deeper institutional determinants behind offshore secrecy.

The focus of our study is how business group (BG) control asserted over firms within smaller emerging and offshore economies influences their level of disclosure. BGs alongside their ultimate owners emanate from the societal cultural fabric, which conveys huge legitimacy and underscores their dominance within local economies. Their extensive influence seamlessly transcends smaller societies' commercial sectors as well as their national executives and legislatures (e.g., Walther, Schulz & Dörry, 2011) in facilitating frequent interactions and extensive social trust. These traits are essential in nurturing innovation in the legally mandated opacity, asset protections and taxation law that constitute the basis of offshore legal frameworks (Moon, 2020; Sybblis, 2023) and underscore their competitiveness. While BGs' and their owners' influence over smaller economies is extensive, their control over firms is more heterogeneous. It ranges from fractional minority control to overlapping control by several BGs, to supermajority control. Such heterogeneity alongside the extensiveness of their influence throughout smaller economies often blurs the traditional BG boundaries and prompts our study's emphasis on the level of BG control exerted over firms.

Our theoretical model emphasizes the importance of the contextual embeddedness of the corporate governance arrangements, including disclosure, of firms. Firms subject to BG control are therefore at a juxtaposition. On the one hand, they are subject to considerable institutionalized pressures eschewing isomorphic conformity (DiMaggio & Powell, 1983) with opaque indigenous corporate governance. On the

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other hand, the extent of resource provision to firms is delimited by the extent of the BG and its networks. This forces firms subject to BG control to seek supplementary outside infusions of resources. The latter, in turn, necessitates conformity in their corporate governance, including disclosure, to that associated with international investment norms (Aguilera & Jackson, 2010). Our first theoretical contribution is to study how BG control over firms determines their disclosure by drawing on the political (North, 1990) and economic (e.g., Williamson, 1981, 1991, 1998) as well as sociological (Zucker, 1991) and organizational (DiMaggio & Powell, 1991) branches of institutional theory.

Next, we explore how industry constituency, namely being a constituent of an offshore financial multinational enterprise (FMNE), and national institutional quality moderate the theorized association between elevated BG control and firm-level disclosure. FMNEs are a novel financial industry, exporting offshore products and services alongside competencies (Morriss & Hensen, 2013) honed from within their home territory's institutional context (Dharmapala & Hines, 2009). Legally mandated secrecy, yet also the upholding of the highest-quality regulatory standards (Moon, 2020; Sybblis, 2023), is essential to FMNEs competitiveness and firm-specific advantages. In this way, we extend the sociological and organizational theory branch of institutional theory in rationalizing the effect of powerful externalities that eschew secrecy amongst the constituents of FMNEs. We also explore the influence of national institutional quality, which is typically amongst the highest in the world amongst the biggest offshore jurisdictions (Hampton & Christensen, 2002), which simultaneously harbour some of the greatest infringements of third-party contracting in the form of legally mandated asset protections and secrecy (Moon, 2020; Sybblis, 2023). Our second theoretical contribution relates to our exploration of contextually based moderating tensions in the underlying theoretical mechanism associating BG control with firm-level disclosure.

Our empirical contribution originates from our unique hand-collected sample of annual reports of 169 listed firms from eight national securities exchanges across the Caribbean region from 2000 to 2017. As per Worrell, Cherebin & Polius-Mounsey (2001), the region is unique in exhibiting a sharp divide between emerging and offshore economies, with no developed economies present. Our findings indicate BG control is associated with transparency, while this relationship is negatively moderated by the firm's constituency within an FMNE, and by the firm being located within a jurisdiction with high (as opposed to low) institutional quality. Our findings are maintained following the application of extensive robustness tests, including different model specifications.

Our study makes several contributions to the literature. First, we integrate insights on OFCs from several distinct literature strands from within different disciplines. These include economic geography (e.g., Fichtner, 2016; Buckley, Sutherland, Voss & El-Goharly, 2015), economics (e.g., Rose & Spiegel, 2007), finance (e.g., Bennedsen & Zeume, 2018; O'Donovan, Wagner & Zeume, 2019; Durnev, Li & Magnan, 2016), IB (e.g., Akamah, Hope & Thomas, 2018; Kohlhase & Pierk, 2020), and law (e.g., Haberly & Wojcik, 2017; Sybblis, 2023). Second, we respond to the call by Buckley, Doh & Benischke (2017) for IB research to address "grand challenges" through our study's exploration of the unique determinants behind the supply of offshore products and services. Third, we address recent calls for contributions to the "blue economy" within IB (e.g., Michailova, Rammal, Varela, Thams & Newburry, 2025) regarding the severely understudied island and coastal economies of the Pacific and Indian oceans (e.g., Menzies, Raskovic, Innes & de Klerk, 2025) and the Caribbean.

The study proceeds in the next section with an outline of the theory and hypotheses. Section 3 details the sample, defines the independent and control variables used, and the model. Section 4 reveals the empirical results, while Section 5 provides the discussion. The final section concludes.

2. Theory and hypotheses

Our starting point is to define BGs and then the closely related concept of BG control exerted across group constituents. Prior studies within the formal institutional voids literature typically draw on the definition by Khanna & Rivkin (2001: 47) of BGs as "a set of firms which, though legally independent, are bound together by a constellation of formal and informal ties and are accustomed to taking coordinated action." This definition emphasizes the superiority of internal group-wide resource intermediation, which substitutes for ineffective external intermediation in managerial labour, product and capital markets that is due to deficiencies in formal institutional protections for legal contracting. A parallel definition is prevalent within the sociological literature, emphasizing the contextual embeddedness of relations between economic actors and across firms. This is apparent in Granovetter (1994: 454), who suggests BGs are "a collection of firms bound together in some formal and/or informal ways." Such a definition emphasizes the social ties between firms, based on socialized norms and values, such as familial and religious altruism, which emanate from the informal social fabric of society.

Despite their differences, both definitions emphasize BGs as constellations of firms subverted under the joint strategic direction and coordination of an ultimate owner. However, both also have shortcomings. One is that the institutional voids' definition is too reliant on the economic rationale for BG formation and lacking in a more fine-grained socialization and contextual appraisal. Another concerns the lack of consistency in *de jure* recognitions afforded to BG-constituent firms and their joint liability for one another's obligations across many countries' legal systems. In the light of the shortcomings in the prior definitions, we draw on Dau, Morck & Yeung's (2021: 165) "roughly right" definition that "*a business group is a set of private sector firms under common control but with different (though possibly overlapping) sets of owners*." Importantly, this omits from consideration state-controlled BGs, which are merely a function of government policy. It also accommodates heterogeneity amongst private-sector ultimate owners, who may also overlap in their role as ultimate owners.

Next, we define BG control. A critical vulnerability across BGs is their inability to access resources and financing sufficient to facilitate group-wide expansion and growth. Ultimate owners are typically constrained by their endowments of resources, while those of the group are defined by the extent of the group itself. Ultimate owners of BGs only exceptionally rarely own 100% of a collection of firms across diverse industries since, as Dau et al. (2021) argue, this is beyond the means of all, but the very wealthiest families located in the world's poorest and smallest economies. Consequently, to expand BGs and to dilute the risk exposure attributable to the ultimate owners, external investors are sought to provide resource infusions and financing. As Dau et al. argue, the attraction of external resources and financing into BG-constituent firms leads to a dilemma in terms of a trade-off between the sale of equity ownership, and its accompanying voting rights, versus the need to retain elevated control over both the constituent firm and the group itself. This dilemma leads to a range of structural or organizational design measures being implemented across BGs, broadly falling into the categories of "hard", namely ownership-based, and "soft", referring to socialization. BGs often implement pyramidal structures, with an ultimate owner owing a majority only in the first firm within a chain of ownership across subordinate firms, each with minimal, if any, direct ownership by the ultimate owner but with higher ownership than the next firm in the chain. Such structures are often augmented by cross-shareholding networks, comprising firms mutually co-owning one another. Together, these methods dilute the ultimate owner's direct ownership of any given firm, while accentuating their control. The elevated control can then be further cemented through socialization amongst the BG-constituent firms, including joint training as well as interlocking directorates. Here, directors are drawn from a talent reservoir comprising the ultimate owner, typically an extended family,

and/or directors from across group-constituent firms. Together, these arguments emphasize the importance of considering direct ownership alongside more indirect measures, centring on the control asserted by firms over subordinate firms within the group, through increasing representation of the ultimate owner on their boards of directors.

Our definition of BG control addresses several shortcomings in prior literature. The first of these relates to ultimate owners, and especially families, exerting control over firms despite holding minimal ownership. Here, ultimate owners (families) take advantage of dispersed shareholdings of subordinate firms, which are comprised of essentially atomized individual shareholders with negligible personal ownership, who typically lack the motivation to coalesce. Such a dispersion of ownership amongst a huge plethora of minority owners amounts to an effective rationing of voting control. This accentuates the ultimate owner's concentrated control – albeit vested through their low direct ownership. The prevalence of such control rationing questions the rationale of using threshold cut-off levels of ownership, attributable to a given ultimate owner or family, to define a BG or family firm. It is also reflected in such thresholds ranging from 50% direct ownership (e.g. Aguilera, Crespi-Cladera, Martin-Oliver & Pascual-Fuster, 2025) to 25% (Leitterstorf & Rau, 2014; Imperatore & Pope, 2024) to as little as 5% (Gomez-Mejia, Nuñez-Nickel & Gutierrez, 2001; Villalonga & Amit, 2006), with little consensus. This shortcoming is highlighted by Andersen, Mansi & Reeb (2003: 269) when they state, "that some families are able to exert control with minimal fractional ownership, while others require larger stakes for the same level of control due to differences in firm size, industry, business practices, and product placement." Therefore, a threshold or cut-off may undermine the determination of BG and/or family control. Given these shortcomings, we follow Anderson et al., 2003) in considering a combination of ultimate owner direct ownership alongside their membership of the board of directors in BG-constituent firms. In terms of replicability, our definition requires a-priori identification of the ultimate owners, and then the tracing of their direct ownership of and proportion of board of directors' membership in subordinate firms within BGs.

2.1. BG control and firm disclosure

We adopt an institutional perspective in theorizing the contrasting influences on BG-constituent firms, depending on whether they adopt corporate governance conforming with that of the opaque indigenous context or alternatively with that embedded in international investment norms. A firm's disclosure is a cornerstone of these international norms.

On the one hand, in terms of the opaque indigenous context, we argue emerging economies are synonymous with formal institutional voids that often severely undermine arm's length contracting and external resource intermediation. Such deficiencies in the contracting environment arise from national polities, which constitute the executive, legislature and often the judiciary too, lacking broader societal legitimacy. Often, the national polity lacks broader social legitimacy across society – partly because it emphasizes formal institutional frameworks historically based on the institutional architecture inherited by the country at independence from former European imperial metropoles. The lack of legitimacy is also attributable to the incongruence that occurs when formal institutions, centred on European notions of impartiality, arm's length third-party contracting and often individualism, are imperfectly applied to informal societal matrices centred on communitarian values. An immediate outcome from these formal institutional deficiencies is an emphasis on dense social networks (Granovetter, 1973), alongside relational contracting schemas that are embedded within them to facilitate economic activity. Such relational contracting schemas typically centre on intertemporal extended reciprocity, namely the promise of expected future transactions and powerful social trust.

While networks are essential in circumventing the deficiencies in external resource intermediation, they also constitute an important part of the societal social fabric and act as conduits in the promotion of informal socio-cultural norms and values that shape interactions between transacting economic actors. They also have huge social legitimacy. Sociologically, the institutionalization of historical norms, traditions and values into a cohesive cultural framework is attributed to a society maintaining the influence of ancient definitions of family rubrics – based on extended familial relations – through time into current periods and reflected more generically as culture. This has important implications for the shape, structure and dynamics of interactions between and within BGs. While BGs form through a coalescence of firms under the control of entities such as families, which are inextricably embedded within the indigenous social context, their structure, and the dynamics of their interaction, are largely guided by cultural parameters. Such culture, originating from historical definitions of ancient families, may even cause the displacement of families from BGs, as is argued by Bhappu (2000) to be the case in Japan, where banks have formed a controlling orientation over BGs (or keiretsu). We argue that, while family ultimate owners overtly draw on family-orientated culture in shaping their BGs (Fogel, 2006; Bhappu, 2000), this is also true of their non-family counterparts, who draw on the same cultural foundations to similarly shape their involvement in BGs.

We argue that firms subject to increasing BG control are equally subject to powerful isomorphic influences eschewing conformity with opaque indigenous network-centred corporate governance. In this way, more opaque firms attain more legitimacy from their conformity with indigenous governance norms which are embedded within BGs. Moreover, in smaller emerging economies, we argue that the familial cognitive institutions (see Scott, 1995), encompassing conservatism, secrecy and opacity, effectively subsume the regulatory and normative realms, owing to singular, albeit multi-branch, family units transcending all three dimensions. In turn, this overwhelming dominance is reinforced by a significant triad of coercive, mimetic and normative pressures (DiMaggio & Powell, 1983) on BG-controlled firms to conform with the culturally imbued family governance model, which entails opacity. This is exemplified in the case of the island territory of Nevis where, at a regulatory level, legal and judicial sanctions exert coercive prohibitions curbing disclosure, including significant fines and imprisonment[1]. Furthermore, at normative and cognitive levels, firms are subject to considerable mimetic and cognitive pressures through the contextual embeddedness of industry peers, which also emphasize opacity.

On the other hand, we argue that a firm's adoption of optimal disclosure, which is a cornerstone of international investment norms, is motivated by the need to attract additional supplementary infusions of external resources. First, we argue that access to resources is significantly constrained by the extent of networks and the BGs within them. The need for external resources (Pfeffer & Salancik, 1978) creates a compelling need to acquire and maintain pragmatic legitimacy (Suchman, 1995) from external constituencies outside of the confines of the island territories. Such constituencies range in identity from institutional investors, capital market analysts, financiers and capital market participants to foreign regulators and international financial institutions (Fiss & Zajac, 2004). The legitimacy centres on conformity in corporate governance to international investment norms, the cornerstone of which is disclosure. The need for external legitimacy and associated resources offsets the powerful indigenous moral and cognitive legitimacy claims from within the indigenous jurisdiction. Hence, conformity with external constituencies theoretically encourages BGs to adopt higher disclosure.

Second, following Miller, Le Breton-Miller & Lester (2013), we argue that BGs, which are predominantly under family control, are more

[1] See 2018 article by The Guardian news journal: https://www.theguardian.com/news/2018/jul/12/nevis-how-the-worlds-most-secretive-offshore-haven-refuses-to-clean-up#:~:text=According%20to%20a%201985%20law,as%20a%20fine%20of%20%2410%2C000.

motivated to overtly conform with external stakeholders' expectations of governance, and in particular with transparency so as to mitigate suspicions regarding the downside risks associated with family control. Conformity through higher disclosure is motivated by much more strategic concerns on the part of the ultimate controlling owner, typically a family, which seeks to offset the legitimacy concerns of external stakeholders by protecting its considerable socio-emotional wealth that is tied up in the firm. Such socio-emotional wealth can arise in the form of maintaining a familial dynasty, employment and income for wider family members, as well as facilitating inheritance. Building on Miller et al.'s study, we argue that, in smaller territories, where hegemonic control by a handful of oligarchic families is prevalent, socio-emotional wealth considerations are intertwined with powerful cognitive legitimacy. Consequently, BGs subject to the controlling influence of families are motivated to protect this legitimacy and therefore overtly comply with external constituencies' expectations of higher disclosure so as to mitigate any risk of punitive sanctions or additional surveillance by external stakeholders (Miller et al., 2013). Drawing on these theoretical arguments, we suggest the following base hypothesis:

Hypothesis 1. *In emerging and offshore economies, the level of control BGs have over a firm is positively associated with its information disclosure.*

2.2. Multi-level contingency effects

While we expect that the extent of control of the ultimate owners will *generally* affect the extent of information disclosure in our research context, we also anticipate this will be moderated by variations in meso- (industry) and macro- (national) institutional settings. We thus further explore these environmental contingency factors through two additional interactive terms: affiliation to an FMNE industry and national institutional quality in a specific offshore jurisdiction. Both contingency factors relate in some way to either the ultimate owner's *ability* or its *need* to maintain control over its constituent firm at any given level of disclosure.

The FMNE industry is largely unique to smaller offshore jurisdictions, with its exports centring on offshore products and services (Hearn, Oxelheim & Randøy, 2023) as well as closely related offshore competencies. These are largely specific to the jurisdictional context (Foss, Klein, Lien, Zellweger & Zenger, 2020) within which a specific FMNE originates. FMNEs typically specialize in the innovative range of products that have evolved in "regulatorily light" offshore jurisdictions, encompassing legally codified (sanctioned) banking secrecy, captive insurance products and a range of offshore organizational forms (e.g. Allred, Findley, Nielson & Sharman, 2017) that, when concatenated, lead to formidable asset protection (e.g., see panel 1 of Appendix A Table A1). Importantly, FMNEs constitute a form of relational intermediated finance, equating to a highly cost-effective source of funds for clients in onshore and offshore economies alike.

The dense nature of the FMNE industry is reflective of network externalities, taking the form of spill-over benefits and costs that occur because of the proximity between firms within the offshore financial services industry (e.g. Nachum & Zaheer, 2005). These dense network externalities underscore industry-specific resources (e.g. Pfeffer & Salancik, 1978) in the form of institutionalized competencies, from social networks and especially ethnic ties specific to the Caribbean jurisdictions (Zaheer, Lamin & Subramani, 2009). While conducting fieldwork research in Bermuda, the authors interviewed a local compliance director who talked of the local offshore insurance industry having the characteristic of "…*such dense social networks and interlocking directorates that these are almost incestuous in nature*…". Collectively, these dense industry clusters ubiquitous to the FMNE industry exert significant normative and mimetic pressures to reinforce notions of appropriateness and conformity (DiMaggio & Powell, 1983). Therefore, FMNEs seek to attain conformity to wider industry-specific norms and values, these being based on secrecy. In this way, they attain moral and normative legitimacy in relation to intra-industry expectations (Suchman, 1995; Tost, 2011).

Consequently, if a firm is constituent to an FMNE, then the very basis of its competitive advantage ultimately rests on its accentuated legitimacy with opacity. This leads to a tipping of the trade-off in governance conformity between opacity and disclosure towards the former, owing to opacity being central to competitive advantage. As such, we suggest the following hypothesis:

Hypothesis 2. *In emerging and offshore economies, the positive association between the level of family BG control and the level of the firm's disclosure is negatively moderated by the BG being an offshore FMNE.*

So far, our focus has been on the moderating effects of industry-level institutions. However, there is notable variation in the formal institutional frameworks across the Caribbean region. Notably, we draw on the dichotomy of the region's jurisdictions between emerging and offshore economies, with no developed economies being present. Our narrower regional focus on the Caribbean increases our theorization on the typology of national jurisdictions in the IB literature, evidenced by the dichotomous distinction between developed and developing/emerging frameworks (Cantwell, Dunning & Lundan, 2010; Meyer & Sinani, 2009; Wang, Hong, Kafouros & Wright, 2012). Our institutional theorization addresses Allred et al.'s (2017) call for a third category of formal frameworks accounting for offshore jurisdictions.

We argue that the most prominent characteristics of offshore jurisdictions are their extremely small size (Bruner, 2016), very high formal institutional quality and binding sovereign or macroeconomic relations with a major onshore economy while simultaneously having considerable autonomy from its interference in local affairs. The smallness of the territories nurtures frequent intimate interaction (Walther et al., 2011) between the public sector, namely the national executive and legislators, the private sector, often centred on collusion amongst powerful BGs, and some combination of international law firms, the Big Four auditors, and/or insurance companies (Hampton & Christensen, 2002; Sybblis, 2023). A territory's smallness engenders frequent interactions, leading to strong social trust (Walther et al., 2011) that transcends public-private sector boundaries. Such smallness is associated with a single individual occupying multiple roles that would be separated in larger economies. Moreover, extended multi-branch families typically provide a means of seamlessly spanning the boundary between public- and private-sector realms.

Such smallness also leads to a proactive reform of legal and formal institutional frameworks, typically involving extensive consultation with international law firms, insurance companies and Big Four auditors, who are ideally placed to advise of commercially beneficial regulatory changes. The fiscal autonomy of small territories motivates their reform of their corporate legal frameworks, proactively and "by design" (Moon, 2020; Sybblis, 2023), so as to improve the jurisdictions' competitiveness in attracting lucrative offshore business. Consequently, in enhancing the competitiveness of the offshore jurisdiction as a whole (Moon, 2020), there is an emphasis on the legal framework providing high-quality institutional protections for external contracting yet paradoxically accommodating some of the greatest infringements in the form of legally mandated secrecy and opacity. These paradoxical institutional traits are even more evident in territories which have retained dependent-territory (akin to colonial) relations with a European metropole (Sybblis, 2023). Such relations confer huge advantages in negotiating treaties, in preferential recognition and in the avoidance of "blacklisting" (e.g., Financial Action Task Force FATF, 2019; Rowe, 2021) owing to their high levels of secrecy and concerns over money laundering (Suss, Williams & Mendis, 2002; Rowe, 2021; Robertson, 2021). While the authors were conducting field research, one chairperson of a sovereign stock exchange remarked that "…*the securities exchanges of Bermuda and Cayman Islands have an almost unfair advantage in terms of international recognition owing to the disproportionate influence of a major OECD supporter through their maintained colonial relationship*."

We argue that in smaller territories such high-institutional-quality characteristics are more likely to tip firms with elevated BG control towards opacity since this will conform with the powerful isomorphic influences underpinning the competitiveness of the jurisdiction.

Conversely, we argue that larger territories are associated with low formal institutional quality and a much greater likelihood of sovereign independence. We argue that, while the political process leading to formal institutional reforms is often flawed, it is nevertheless based on a form of universal suffrage (e.g., North, 1990, 1991, 1994) – albeit this is subject to the idiosyncrasies of demographically narrow national polities. Consequently, reforms of corporate law frameworks arise through an essentially reactive process involving a political process that explicitly involves parliamentary and judicial participation. Here, we argue that the flaws underlying institutional voids lead to low formal institutional quality, while these larger jurisdictions lack access to the international "regulator of last resort" and political backer for the negotiation of treaties and attainment of preferential recognitions (Freyer & Morriss, 2013; Fichtner, 2016), available to the smaller territories. In summary, we argue in larger territories firms subject to increased BG control are more likely to seek conformity with international investment norms, and especially those relating to disclosure, given the necessity of securing access to external resource infusions due to the constraints of the local context. These theoretical arguments lead us to suggest the following:

Hypothesis 3. *In emerging and offshore economies, the positive association between the level of family BG control and the level of the firm's disclosure is negatively moderated by the quality of institutions in the firm's jurisdiction.*

3. Data

3.1. Sample

Our Caribbean sample comprises formal securities markets which attract domestic alongside foreign listed firms. Consequently, we omit the informal Saint Vincent and the Grenadines securities exchange, which lacks recognition by national regulators, and the Haitian stock exchange, in Francophone République d'Haïti, and the Bolsa de Valores in República Dominicana, the latter two having attracted no equity listings since their inception. Our final omission is the Dutch Caribbean securities exchange, in Curaçao, Netherlands Antilles, which is designated as an offshore market focussing solely on the attraction of international listings. This leads to a final sample of firms listed in the eight established equity markets of Bermuda, the Bahamas, Barbados, the Cayman Islands, Jamaica, the regional Eastern Caribbean securities exchange, Trinidad & Tobago, and Guyana.

The dataset is unique and was constructed in two stages. The first involved the compilation of a comprehensive list of firms with listed ordinary shares. These have single-class voting rights, namely "one share – one vote". Thus, entities with primary listings of dual- or multiple-class shares, preference shares or convertible instruments were removed from consideration. Lists of listed firms were compiled for each Caribbean stock exchange from the year 2000 or its inception, whichever date was earliest. These lists also considered new listings, suspensions and de-listings that had occurred during the period of 2000–2017 inclusive, to account for potential survivorship bias in the final dataset. Such listings data was obtained from the national stock exchanges.

The second stage in the construction of the dataset involved the procurement of individual listed firms' annual reports from across the Caribbean region. Some annual reports were obtained directly from the national stock exchange websites of the Bahamas, Bermuda, Jamaica and Trinidad & Tobago. Others were obtained directly from the exchange of Barbados and from the Eastern Caribbean securities exchange, while additional direct procurement was undertaken from the national regulator (GASCI) in the case of Guyana. Individual listed firms' websites were used for procurement in the case of the Cayman Islands, where this was relatively time efficient given the handful of listings. Additional recourse to individual listed firms was also undertaken across the Caribbean region to supplement the original data collection and augment any missing values. However, there is some variation in the consistency of the time availability of the annual reports – typically, before 2004 there are many omissions. All firm-specific balance sheet and governance variables were then sourced directly from the collected annual reports. All data was converted to US$ end-of-period equivalent values to facilitate comparison in the multi-country sample. This led to 171 firms. A further two firms were missing variables leading to a final sample cross section of 169 firms with a time series of up to 17 years for each firm[2]. This led to a final sample of 1697 firm-year observations.

3.2. Business groups in the Caribbean

BGs proliferate in economies across the Caribbean region, with many adopting inter-island configurations and additionally expanding outside of the region, internationally. Following the typology of BGs outlined in Dau et al. (2021), most BGs in our Caribbean sample adopt either a horizontal or a pyramidal configuration. Both have ultimate owners, typically a family. The former has a single layer of firms subject to control by an ultimate owner (family), with each firm potentially open to additional overlapping ownership by outside entities. The latter has multiple layers of firms with the ultimate owner directly owning the first layer, then this layer owning the second layer and so on. Firms across all layers are then potentially open to additional outside ownership. Examples of horizontal and pyramidal BGs are outlined in Figs. 1 and 2, centred on the Trinidadian "Massey" and "Sagba" family groups, respectively. Both are diversified industrially as well as geographically across national, regional, and international domains. Furthermore, there is mutually overlapping co-ownership between the BGs in some constituent firms.

Only a few BGs in our sample follow a web configuration, comprising a network of cross-shareholdings between constituent firms alongside co-ownership by an ultimate controlling owner. This is exemplified in Fig. 3, showing "Banks Holdings", domiciled in Barbados. Also apparent is overlapping co-ownership of group-constituent firms from other BGs, such as Guyana's "Puri" family via the "Continental Group", and Trinidad's "Massey Holdings" and the "Sagba" family. The structure of "Banks Holdings" also provides a versatile platform through which to coordinate inward FDI by multinational enterprises (MNEs) such as Belgian Anheuser-Busch. Finally, the horizontal BG configuration shown in Fig. 4 is that of Bermuda's "Bank of Butterfield" group, which is based around the Bermudian Butterfield family. This exemplifies a BG which has utilized its network structure as the basis of an FMNE exporting offshore financial competencies in the form of products and services. Notably, its expansion into Guernsey and Jersey was facilitated through its acquisition of the Dutch investment bank ABN-AMRO's former custodial services division in the Channel Islands.

[2] It is notable that, of the 169 listings across the region, 32 are constituents of offshore FMNEs. All firms within the sample fall under the wider influence of BGs through supplier and customer relationships, and regulatory and governmental structures, all of which fall under the control of dominant families. This reflects the dominance of extended BGs across the region, a significant minority of which are also offshore FMNEs. There is also considerable variation in the average proportion of BG representatives on boards of directors per country, which ranges from 17.65% in the Bahamas, 29.39% in Trinidad & Tobago, and 38.91% in Bermuda to 47.93% in Guyana and 50.55% in the Cayman Islands. In contrast, amongst the BGs there are generally very high levels of ethnic concentration, which is reflective of the dense family networks from which the BGs are derived, emanating from within prevailing ethnicities. It is also a reflection of the social structure within Caribbean societies and the degree of hegemonic control over the island economies by certain ethnicities.

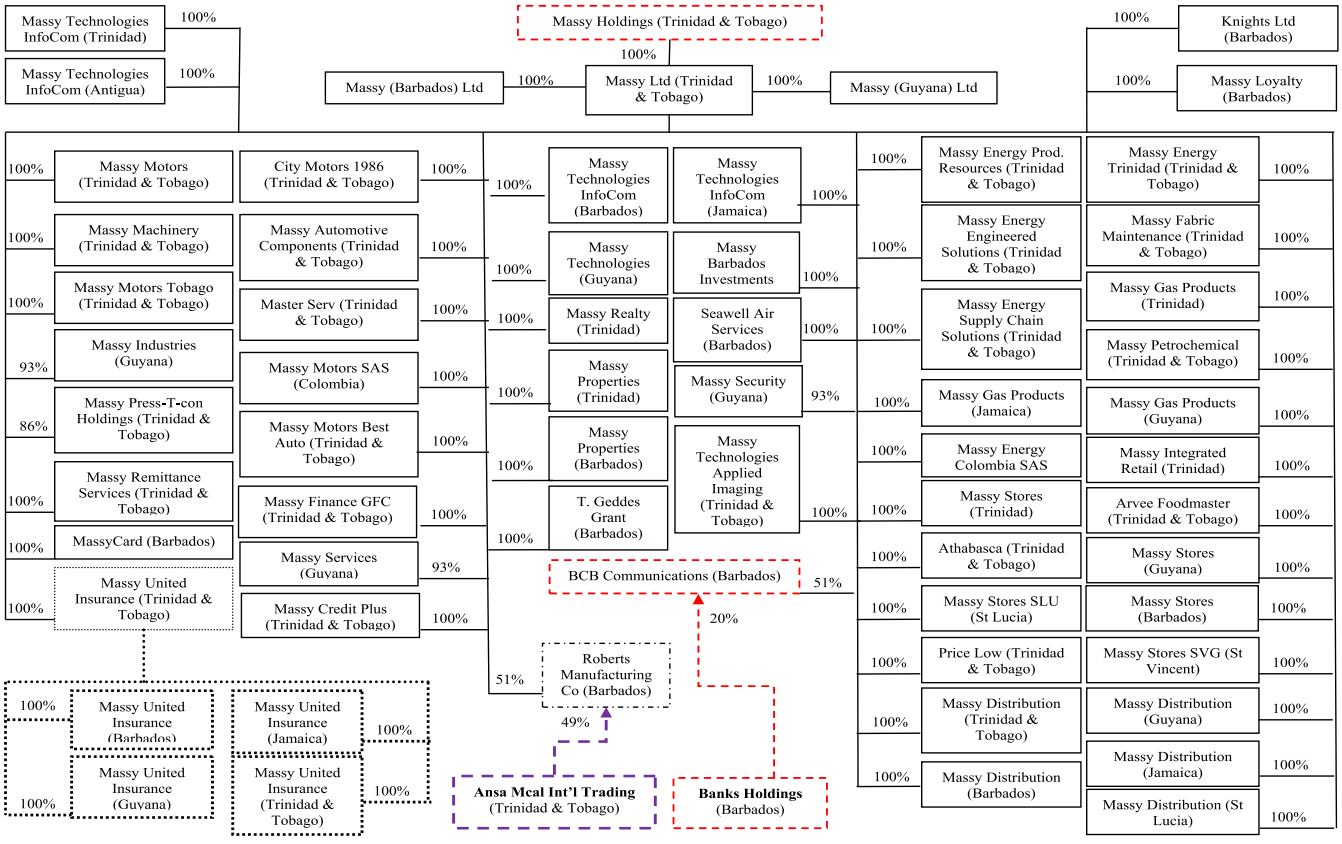


Fig. 1. Massey holdings business group [Trinidad & Tobago]. Notes: Firms with overlapping ownership by Massey group and Banks group are outlined in red, while those subject to overlapping ownership by Sagba group and Massey groups are outlined in purple.

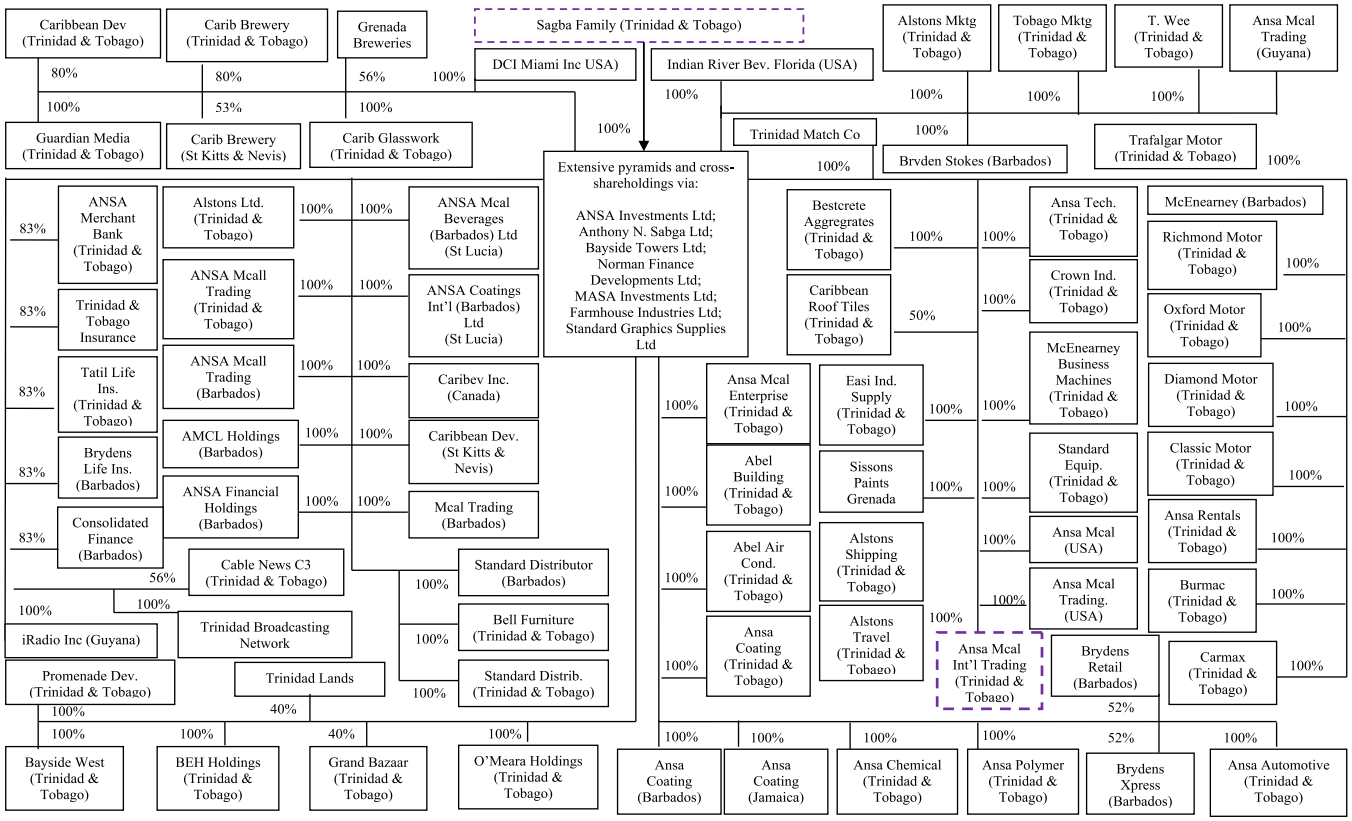


Fig. 2. Sagba family business group [Trinidad & Tobago]. Those entities within Sagba group which own entities in Massey group are outlined in purple.

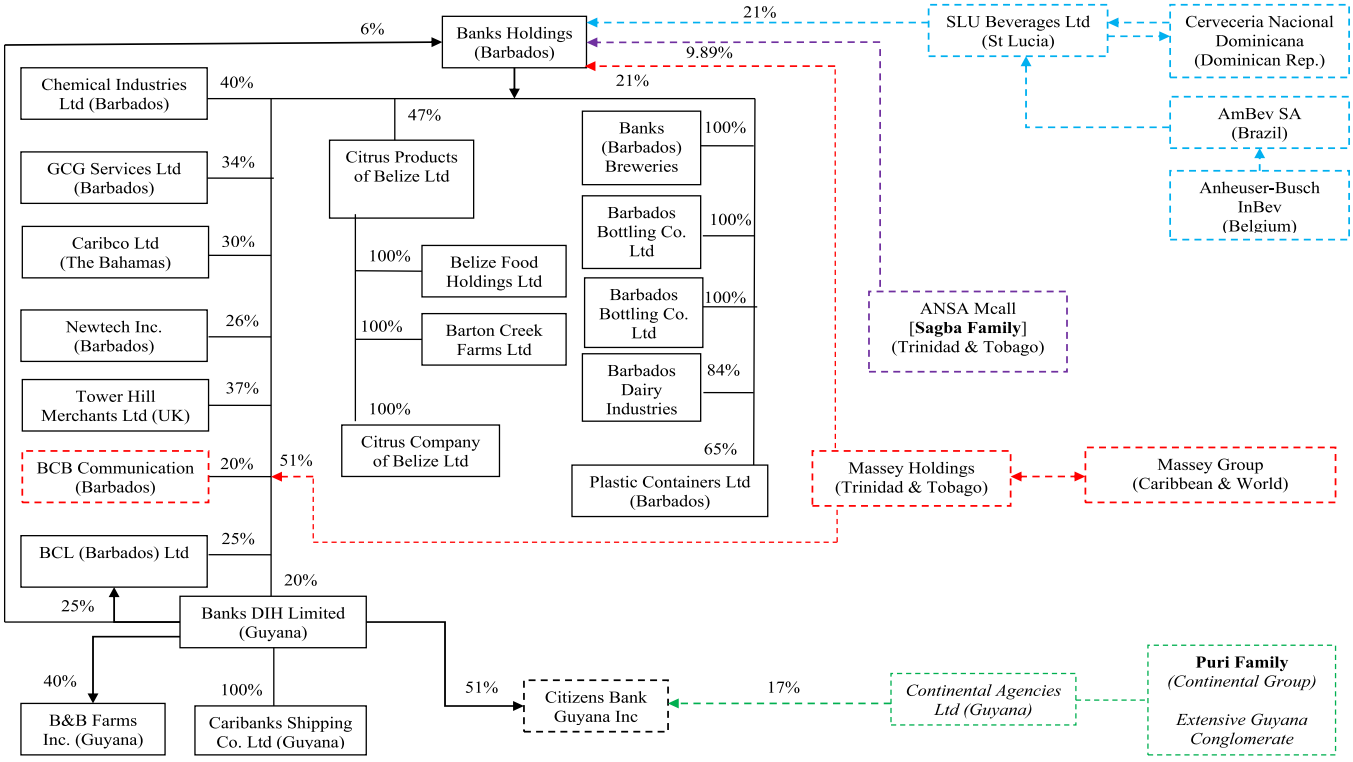


Fig. 3. Banks holdings business group [Barbados]. Notes: Entities subject to overlapping ownership between Massey and Banks groups are outlined in red, while those subject to overlapping ownership between Sagba and Banks' groups are outlined in purple, and those subject to overlapping ownership between Banks and the Continental group of Guyana's Puri family are outlined in green. The blue outlines relate to inward foreign direct investment by European (Belgian) multinational enterprise.

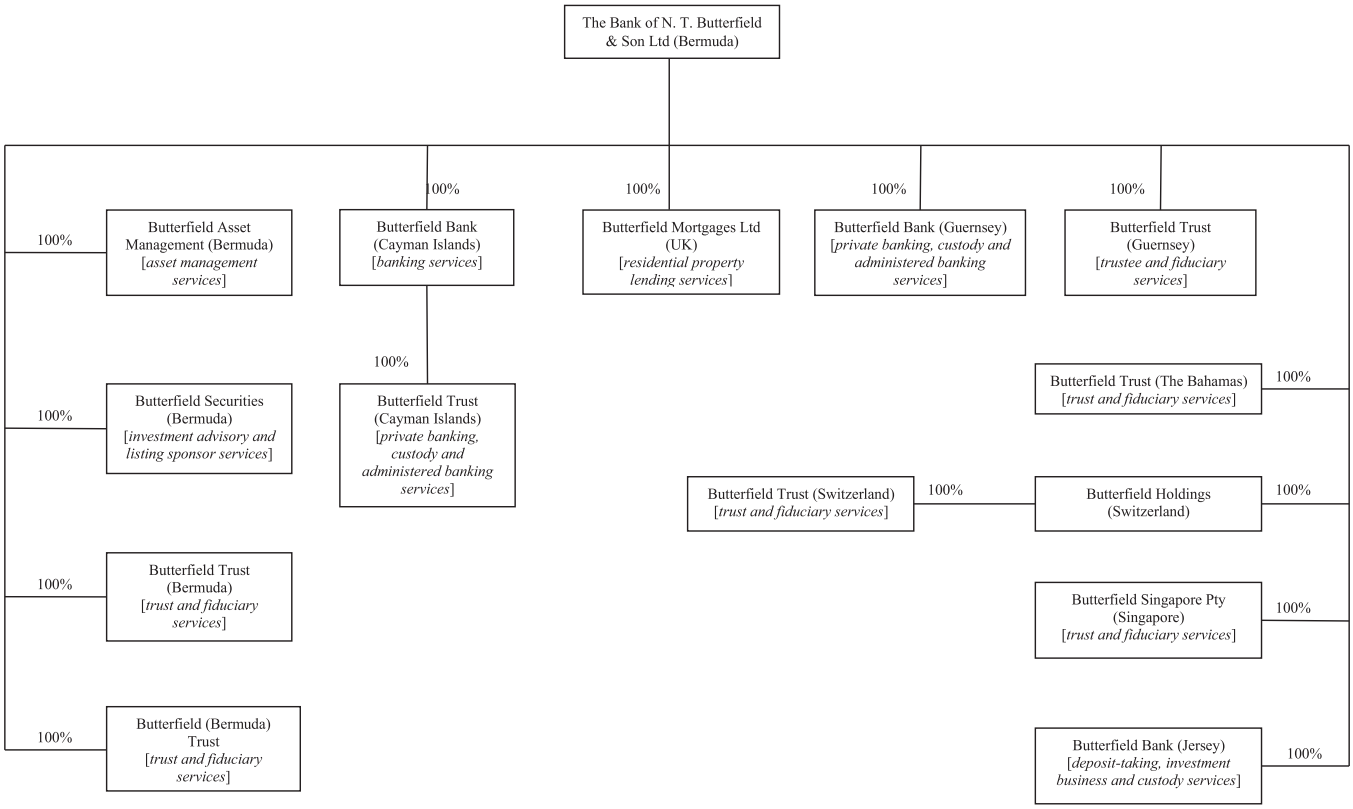


Fig. 4. Butterfield business group and FMNE [Bermuda]. Notes: FMNE is abbreviation for offshore financial multinational enterprise.

4. Methodology

4.1. Dependent variable

To focus on firm transparency, we introduce the disclosure sub-index of the OECD's (2015) *G20/OECD Principles of Good Governance*, formed from the equally weighted average of 12 elements and sub-indices (Appendix C Table C1). We obtained these 12 items from a total of 32 individual governance elements isolated annually, per individual firm, from annual reports. The focus of this specific index is on capturing the quality of minority informational rights protections, annually, for each firm. Constructing this firm-level index was labour intensive and involved having unrestricted access to all annual reports for each firm in each year of listing. This alone resulted in 2506 firm-year observations for each of the 32 governance elements. The disclosure index represents an extension of the Standard & Poors (2004) financial transparency and information disclosure sub-index which, despite also being a firm-level index, is restricted to looking at transparency in financial statements and balance sheets, without the consideration of ownership and directors (see Khanna, Palepu & Srinivasan, 2004). It also avoids being overly onerous through too many elements, which is useful given the often extremely limited levels of disclosure in regions such as the Caribbean that are dominated by opaque OFCs and emerging financial markets.

4.2. Explanatory variables

Our study has one explanatory variable, namely the level of BG control exerted over the firm. This corresponds to our main effect outlined in Hypothesis 1. It is formed from the sum of (1) the normalized BG ownership and (2) the normalized proportion of BG representatives on the board of directors of a focal firm.

The operationalization of the BG control measure involved three steps: (1) identification of BG constituency, (2) measurement of BG ownership and (3) measurement of BG representatives on the boards of directors of BG-constituent firms. Step (1) involved the perusal of individual firms' annual reports, with those constituent to BGs often displaying a chart depicting the BG and its constituents. Following Aguilera, Crespí-Cladera, Infantes & Pascual-Fuster (2020), we additionally augmented this by studying each owner's affiliation. This entailed drawing on a non-exhaustive list of local sources within each listing jurisdiction, as outlined in Appendix B Table B1. Step (2) involved adding together the direct ownership attributable to all owners declared in the ownership section which were themselves constituents of a BG. In this way, we considered a number of declared owners being potentially constituent to the same BG. The declared owners were themselves checked for having constituency of a BG or being the ultimate owners of a BG, both through the study of the ownership sections of annual reports and recourse to the aforementioned non-exhaustive list of local sources, as outlined in Appendix B Table B1.

However, there are several shortcomings in attributing control rights solely to direct ownership. The first is in relation to families, who are prevalent in BGs, asserting often far greater levels of control over firms within which they are involved than their direct ownership would suggest. Masulis, Pham & Zein (2011) cite the Walton family's routinely holding under 5%, the US Securities and Exchange Commission's (SEC's) definition of block voting rights, while retaining considerable control over the boards of directors in firms' constituent to the wider Walmart group. This issue regarding potentially wide separations of direct ownership levels from control, in addition to the informality of some BGs, undermines the application of ownership thresholds to identify BG-constituent firms, and lends support to our broader control measure. The second shortcoming relates to the ultimate owners of BGs, typically families, obfuscating the tracing of their ownership of group assets in order to reduce their tax liabilities. Typically, this entails the deployment of a wide range of opaque offshore structures such as shell companies, trusts, and nominee accounts in concatenated pyramidal chains in order to assert elevated control over BG-constituent firms while minimizing direct ownership.

In the light of these issues, control is paramount, and this is vested through representation on boards of directors. This motivates our second normalized measure of the proportion of BG representatives on boards of directors. Thus, step (3) involves the identification of BG representatives through an in-depth study of the directors' biographical sections of annual reports and listings filings. However, these are at best minimal in the case of the Bahamas, Bermuda and the Cayman Islands, necessitating our recourse to the earlier mentioned local sources (Appendix B Table B1). In this light, we follow Masulis et al. (2011) in defining a boundary condition for a given firm's constituency within a BG in terms of formal ownership as well as the informal proportions of BG-representative directors, achieved via interlocking directorates across group members.

Our study utilizes two levels of moderating variables in respect to our main effect identified above. The first, corresponding to Hypothesis 2, measures industry-level moderation in the form of a binary effect taking the value of unity if the firm is an overseas (non-Caribbean) offshore FMNE and zero otherwise. The categorization of financial industries includes banking, diversified financial and insurance, which are defined according to the two-digit Global Industry Classification (GICS) codes developed by MSCI (see https://www.msci.com/gics).[3] The FMNE classification derives from that of Buckley & Casson (1985) in terms of a threshold definition of a firm which owns outputs of goods and services originating in more than one country. This avoids thorny issues of control while not necessarily implying the firm is a foreign direct investor. In practice, firms characterized as FMNEs have a significant proportion (over 30%) of their revenue streams coming from overseas non-Caribbean jurisdictions.[4]

The second moderating variable, corresponding to Hypothesis 3, measures formal institutional quality through the World Governance Indicator (WGI) index for formal institutional quality. It is formed from the equally weighted average of the six WGI metrics (Kaufman, Kraay & Mastruzzi, 2009). The six dimensions are (1) Voice and Accountability, (2) Political Stability and Absence of Violence/Terrorism, (3) Government Effectiveness, (4) Regulatory Quality, (5) Rule of Law and (6) Control of Corruption. Detailed definitions of the six metrics alongside their sourcing are provided by the World Bank (2025). These six metrics range in value from -2.5 to $+2.5$ but here have been rebased to a 0–10 scale prior to aggregation.

As an additional robustness check, we also used a binary effect, taking the value of unity if an island territory maintains a European dependent-territory, or colonial, status and zero otherwise. Such a dependent tie implies potentially huge benefits for smaller territories in terms of preferential recognition[5] of the island's regulatory authorities,

[3] This equates to 24 industry categories, for four of which no firms fall into that definition, resulting in 20 industry categories used in our study. We follow the techniques of Khanna & Yafeh (2007) in allocating industry classifications in emerging economies. We use the GICS codes owing to the lack of homogeneity in industry classifications across the Caribbean, with many of the markets in our sample being amongst the smallest and least developed worldwide.

[4] A full list of offshore FMNEs drawn from listings across the Caribbean is provided in the supplementary appendices of the online version.

[5] This is exemplified by both Bermuda and the Cayman Islands having recognition by *IOSCO*, having been named designated offshore securities exchanges under Regulation S by the US SEC, having been named designated exchanges by the state income tax authorities of Canada, Ireland and the UK, and having membership of the World Federation of Exchanges.

and powerful support in negotiating treaties with major overseas economies. Furthermore, the European imperial authorities effectively become regulators of "last resort", thereby providing credibility. This is essential in providing increased international access to the territory's offshore financial products, as well as allowing the regulatory regime to help foreign companies to engage in forms of "regulatory arbitrage" by exploiting their own tax management strategies. As a result, the lucrative registration of foreign corporations is facilitated.

4.3. Control variables

We adopt six sets of control variables. *Institutional controls* include a binary effect to account for whether a firm has a related party or affiliate located in an OFC, or tax haven. This takes into account the extensive opportunities provided by such a subsidiary in terms of innovative tax engineering strategies within a wider network (Dyreng, Lindsay & Thornock, 2013; Allred et al., 2017). Next, we include a measure of ethnic diversity amongst the members of the board of directors, based on a modified Herfindahl index, gauging the degree of ethnic concentration of directors drawn from three identifiable ethnic groups prevalent across the Caribbean, namely European, Asian and of African origin (e.g. Harjoto, Laksmana & Lee, 2015). Two theoretical perspectives appear particularly relevant in supporting our inclusion of board ethnic diversity within our study: the similarity-attraction (Byrne, 1971) and social categorization (Tajfel, 1972; Turner, 1987) perspectives. The former emphasizes demographic similarity and social homophily in being central to interpersonal attraction, owing to the shared social norms and beliefs of participants to a relationship mutually positively reinforcing one another (Jiang, Chua, Kotabe & Murray, 2011). Conversely, the latter focusses on the mental models of individuals who are participant to a relationship, which are based on cues salient to them, such as occupation, ethnicity and religion (Tajfel, 1972; Tajfel & Turner, 1986). This leads to the psychological formation of "in group" and "out group" social categories. The focal point of these two rival perspectives is cognitive and affect-based trust, which has been documented to vary across cultural lines within the workplace (e.g. Chua, Morris & Ingram, 2009). Finally, we control for income and wealth inequalities through the inclusion of the natural logarithm of a jurisdiction's GDP per capita, denominated in US$.

Board controls account for firm-level variations. The first is the logarithmically transformed board size, defined as the total number of both nonexecutive and executive directors, which controls for differences in communication and decision-making effectiveness, larger boards being argued to be less effective at achieving consensus and formulating strategy (Boyd, 1994), while at the same time their larger size better enables them to accommodate wider outside block and stakeholder interests prevalent in non-shareholder-value governance systems, such as those related to family. The second is the board independence ratio – defined as the proportion of independent non-executives on the board, while the third is the ratio of social elites, which captures the degree to which indigenous polity elites have been co-opted on to the board of directors (e.g. North, 1991, 1994). Finally, we introduce the ratio of directors with elite education to board size, capturing the proportion of directors who have been educated at elite educational secondary and tertiary establishments, including prestigious schools and universities. This provides a measure of the social capital derived from these entities through enhanced networks and recognition-based trust.

Firm controls are drawn from prior empirical governance studies (Sanders & Carpenter, 1998; Finkelstein & Boyd, 1998). We use the natural logarithm of a firm's pre-tax revenues (or sales) as a proxy for size, assumed to control for the complexity of a given firm's operations and thus mirroring the complexity of the task environment, which in turn is reflective of an enhanced need for disclosure in order to successfully cope with increased information-processing requirements and complexities in decision-making. We adopt the accounting return on assets (ROA)[6] as a measure of firm performance in line with Finkelstein & Boyd (1998). We also control for firm age, with older firms anticipated to have larger, more complex operations, mirroring more complex task environments. The variable also controls for the "liability of newness" and the considerable information asymmetries generated by a lack of operational and performance history (Arthurs, Hoskisson, Busenitz & Johnson, 2008).

Capital structure controls capture the influence of capital and financial structure through three variables. These are the ratios of ordinary equity to total assets and then preferred stock to total assets. These provide a means of capturing deviations in the separation of ownership from control through the employment of financial instruments (preferred stock) that make infringements on equality in voting rights.

Ownership controls account for the concentrated cash flow holdings of directors, private equity, foreign MNEs and entrepreneurial founders. Director holdings are reported either in a dedicated director ownership subsection adjacent to their biographies, in a shareholders' section, or in the annexures of the financial statements. Private equity is formed from the combination of business angels (BAs) and venture capital (VC). These are identified, firstly, from an analysis of the ownership section of each annual report, and then through a triangulation exercise utilizing the local sources outlined in Appendix Table B1. Concentrated patterns are visible in both the domestic and foreign VC – where, rather than reflecting levels of economic prosperity, they reflect the relative size of the economy and respective opportunities. Finally, foreign MNEs' and entrepreneurial founders' ownership is obtained through the shareholder or ownership sections, with founders identified from the director biographies section of the annual reports.

4.4. Empirical model

To test our hypotheses, we adopt a panel OLS regression model with White cross-section covariance adjustments to take into account that relatively fewer changes occur within a small sample.

Four sets of regression models are estimated, the first solely having the explanatory variable of BG control. The remainder correspond to the moderating hypotheses, with the second being moderated by a binary effect accounting for FMNE constituency, while the third and fourth include institutional quality and a binary effect accounting for the listing jurisdiction being a European colony. These tests correspond to our hypotheses.

Country binary fixed effect controls are omitted since their addition would lead to perfect collinearity with formal institutional quality. In this way, we avoid the dummy variable trap (Wooldridge, 2010).[7] However, industry binary controls are included, albeit with the exception of banks, insurance and diversified financial industries that constitute the basis of the aggregate offshore financial services included within the offshore FMNE explanatory variable. Finally, time (year) fixed effects are applied across all models.

[6] ROA is conventionally defined as ROA = (Net Income + Interest*(1 – Tax Rate))/ Total Assets (see Khanna & Palepu, 2000). However, due to significant variation in the data arising from varying reporting standards across Caribbean, with frequent omission of reported interest income and corporate taxation rates from listings prospectuses, we used a modified version of this, namely ROA = Net Income / Total Assets. However, while both measures suffer from business cycle effects and are not forward-looking, they do provide a representative indication of firm performance subject to the data limitations prevalent in emerging economies.

[7] If dummy variables for all country (and time) categories were included, their sum would equal one for all observations, which would be identical to and hence perfectly correlated with the vector-of-ones variable whose coefficient is the constant term; if the vector-of-ones variable were also present, this would result in perfect multicollinearity, so that the matrix inversion in the estimation algorithm would be impossible. This is referred to as the dummy variable trap.

5. Empirical results

5.1. Bivariate analysis

A study of the Pearson correlations in Table 1 reveals minimal bivariate co-movement between the variables used in the later analysis, while a majority of the correlations are statistically significant ($p \leq 0.010$) with these outlined in bold type. Two exceptions are the correlations between the natural logarithm of GDP per capita and both formal institutional quality (0.778) and retained European dependent-territory status (0.730), alongside a third between the ratio of equity to total assets (0.774) and ROA. These are intuitively to be expected, in line with the significant intra-regional variation in economic development. This motivates our extensive testing of the variance inflation factors (VIFs), which provides a decision rationale for the inclusion of variables. All VIFs are under 10 and, while that of the natural logarithm

Table 1
Correlations.

		Mean	Std. Dev.	1	2	3	4	5	6	7	8	9
1	Disclosure index	0.622	0.190	1.000								
2	BG Control, Normalized	0.588	0.556	0.023	1.000							
3	Board ethnic diversity index	0.624	0.194	**-0.313**	**-0.076**	1.000						
4	FMNE	0.145	0.352	**0.030**	**0.272**	**0.066**	1.000					
5	Institutional quality, Normalized	0.519	0.549	**-0.620**	**-0.075**	**0.211**	**0.082**	1.000				
6	European dependent territory	0.113	0.317	**-0.489**	**0.123**	**0.419**	**0.281**	**0.392**	1.000			
7	OFC Subsidiary	0.742	0.438	**-0.207**	**0.191**	0.022	**0.163**	**0.415**	**0.211**	1.000		
8	Ln (GDP per capita US$)	9.363	0.957	**-0.613**	-0.009	**0.302**	**0.184**	**0.778**	**0.730**	**0.359**	1.000	
9	Ln (Board size)	2.151	0.296	**0.227**	**0.192**	**-0.106**	**0.237**	**0.049**	0.023	**0.240**	**0.060**	1.000
10	Ratio Independent Nonexecutives	0.196	0.163	**0.126**	**-0.105**	**-0.112**	**-0.029**	0.006	**-0.070**	0.006	**-0.078**	**0.211**
11	Ratio Social Elite directors	0.408	0.272	**0.184**	**0.174**	**-0.159**	**0.050**	**0.031**	**-0.086**	**0.137**	**-0.075**	**0.267**
12	Ratio Elite Education directors	0.192	0.274	**0.318**	**-0.086**	**-0.048**	0.010	**-0.057**	**-0.169**	**0.149**	**-0.215**	**0.107**
13	Ln (gross revenues, US$)	17.294	1.958	**0.215**	**0.136**	**-0.099**	**0.167**	**0.106**	-0.011	**0.279**	**0.168**	**0.531**
14	ROA	-0.078	5.256	0.005	0.025	**-0.054**	0.008	**-0.036**	**-0.076**	-0.010	**-0.057**	**0.071**
15	Ln (Firm age)	3.409	1.001	0.132	**0.177**	**-0.068**	**0.066**	**-0.101**	**-0.056**	0.021	**-0.046**	**0.236**
16	Equity/Total assets	0.459	1.274	**-0.030**	0.022	**-0.027**	**-0.056**	0.009	**-0.028**	-0.029	-0.003	0.023
17	Preferred stock/Total assets	0.013	0.059	**-0.203**	**-0.048**	**0.069**	**-0.080**	**0.101**	**-0.076**	**0.122**	**0.052**	-0.020
18	Director ownership	2.247	7.761	**-0.120**	**-0.180**	**-0.107**	**-0.051**	**0.093**	**-0.045**	**-0.104**	**0.051**	**-0.078**
19	Private equity ownership	3.917	8.225	**0.221**	**-0.147**	**-0.035**	**-0.147**	**-0.195**	**-0.096**	**-0.164**	**-0.230**	**-0.044**
20	Foreign MNE ownership	9.490	23.561	**0.121**	**-0.400**	**-0.116**	**-0.158**	**0.127**	**-0.119**	**0.193**	0.020	**-0.078**
21	Founder ownership	8.610	22.869	**0.051**	**-0.244**	**0.037**	**-0.155**	**-0.196**	**-0.099**	**-0.270**	**-0.245**	**-0.238**

Table outlining means and standard deviations for all variables included in later empirical modelling alongside their bivariate Pearson correlations. The variables include the 32-element firm level disclosure sub-index of the OECD (2015) principles of good governance with elements manually extracted/sourced from individual firm annual reports. Codification is Yes/No corresponding to 1/0 with the 32 elements being additive to form an equally weighted index for each firm-year (see Appendix Table A1 for detailed definition), BG control which is the sum of Normalized BG direct ownership and proportion of BG directors to total board size of firms. Next, is the Board ethnic diversity index which is a modified Herfindahl index comprised of directors categorized on their cultural background heritage with this being African, European or Asian. High values towards 1 indicate homogeneity while low values towards 0 indicate heterogeneity. FMNE is binary effect taking value 1 if firm is constituent to an offshore financial multinational enterprise (FMNE) and zero otherwise. Institutional quality is the average of the six World Governance indicators established by Kaufman et al. (2009) after each has been rebased on a 0–1 scale. These are obtained from http://info.worldbank.org/governance/wgi/index.aspx#faq. European dependent territory is binary taking value 1 if jurisdiction retains European dependent territory or colonial status or zero otherwise. Definitions of variables are continued in next part of correlations table. Bold values have p values ≤ 0.10

		10	11	12	13	14	15	16	17	18	19	20	21
1	Disclosure index												
2	BG Control, Normalized												
3	Board ethnic diversity index												
4	FMNE												
5	Institutional quality, Normalized												
6	European dependent territory												
7	OFC Subsidiary												
8	Ln (GDP per capita US$)												
9	Ln (Board size)												
10	Ratio Independent Nonexecutives	1.000											
11	Ratio Social Elite directors	**0.153**	1.000										
12	Ratio Elite Education directors	**0.113**	**0.269**	1.000									
13	Ln (gross revenues, US$)	**0.031**	**0.189**	**0.112**	1.000								
14	ROA	0.021	**0.034**	**-0.078**	**0.035**	1.000							
15	Ln (Firm age)	**-0.097**	**0.043**	**-0.046**	**0.387**	**0.064**	1.000						
16	Equity/Total assets	-0.007	-0.001	**-0.101**	0.020	**0.774**	0.027	1.000					
17	Preferred stock/Total assets	**-0.027**	**-0.056**	**-0.064**	**0.064**	0.006	**-0.051**	-0.014	1.000				
18	Director ownership	**-0.149**	-0.021	**-0.091**	**-0.072**	0.009	0.016	0.020	-0.012	1.000			
19	Private equity ownership	**0.154**	**0.097**	**0.154**	**-0.164**	-0.023	**-0.047**	**-0.047**	**-0.082**	-0.002	1.000		
20	Foreign MNE ownership	-0.019	-0.003	**0.112**	**0.190**	0.024	**-0.086**	**0.030**	**-0.029**	**-0.070**	**-0.059**	1.000	
21	Founder ownership	**0.129**	**-0.036**	**0.041**	**-0.361**	**-0.070**	**-0.321**	**-0.057**	**-0.055**	0.014	**0.191**	**-0.144**	1.000

Definitions of variables are continued with OFC subsidiary being binary and taking value 1 if firm has a subsidiary or corporate affiliate within its network located in an offshore financial centre (OFC) and zero otherwise. Ln (GDP per capita US$) is the natural logarithmically transformed GDP per capita expressed in $US. Ln (Board size) is the natural logarithmically transformed total number of directors, including both nonexecutive and executives. Ratio independent nonexecutives are proportion of independent, unaffiliated nonexecutive directors to the total number of nonexecutive directors. Ratio social elite nonexecutives are the proportion of nonexecutive directors drawn from senior governmental, commercial and elevated social status backgrounds to the total number of nonexecutive directors. Ratio elite education nonexecutives are the proportion of nonexecutive directors who have elite educations, from international universities to total number of nonexecutive directors. Ln (gross revenues, US$) is naturally logarithmically transformed gross, pre-tax, revenues in US$. ROA is net accounting return over total assets, denominated in US$. Ln (Firm age) is natural logarithmically transformed age of firm in years. Equity/total assets and preferred stock/total assets are the ratios of equity and then separately preferred shares to the total asset value of firms, with all three denominated in US$. Finally, ownership, in percentage % terms, of directors, private equity, foreign multinational enterprise (MNE) and entrepreneurial founders are included. Bold values have p values ≤ 0.10

of GDP per capita is just over 7, all other variables have VIFs between 1 and 2. This evidence mitigates concerns over potential collinearity within the sample.

5.2. Multivariate analysis

Our main statistical results relate to the testing of Hypotheses 1 and 2, with evidence in Table 2, and Hypothesis 3, with evidence in Table 3.

The Table 2, model 1 results reveal the ratio of BG control (+0.0261, $p = 0.000$) to be positively associated with the dependent variable, supporting Hypothesis 1. This result has economic significance too, with a one-percentage-point change in the ratio of BG control suggesting a 2.61% increase in a firm's disclosure.

The evidence from Table 2, model 2 relates to industry-level moderation. The main effect of the ratio of BG control (+0.0352, $p = 0.000$) is negatively moderated by firm-level designation as an offshore FMNE (-0.0910, $p = 0.000$), which provides statistical support for Hypothesis 2. In terms of economic significance, there is a net 5.58% reduction in disclosure under a one-percent increase in BG control for those firms that are FMNE constituents as opposed to those that are not.

The evidence from Table 3, models 3 and 4 relates to institutional moderation. In model 3, the main effect of the ratio of BG control (+0.0381, $p = 0.000$) is negatively moderated by formal institutional quality (-0.0284, $p = 0.003$). This statistically supports Hypothesis 3. In respect of economic significance, the higher is the institutional quality, the lower is a BG-constituent firm's disclosure, with the sum of the coefficients on the interaction and on BG control being 0.97% (= 0.0381–0.0284).

Next, in Table 3, model 4, the main effect of the ratio of BG control (+0.0450, $p = 0.000$) is negatively moderated by the binary effect of whether a firm is located in a European dependent-territory jurisdiction (-0.1908, $p = 0.000$). This provides further confirmatory evidence and statistical support for Hypothesis 3. In respect of economic significance, this evidence is suggestive of a 14.58% reduction in firm disclosure in relation to a one-percent increase in the ratio of BG control if the firm is in a European dependent territory as opposed to an independent nation.

In terms of the controls, the statistical associations are largely consistent across all models and both tables. Firms with subsidiaries located in OFCs are associated with weaker disclosure. Conversely, firms with larger boards of directors, and firms whose boards are populated with higher proportions of independent nonexecutive directors or higher proportions of directors with elite education, are associated with elevated transparency. Larger firms, in terms of pre-tax revenues, and those with weaker performance, in terms of the accounting ROA, are associated with higher disclosure. Firms with higher disclosure are more likely to use higher amounts of ordinary shares in relation to total assets, while being over thirty times less likely to use preferred shares (in relation to total assets). Finally, higher transparency is associated with elevated ownership by private equity, foreign MNEs and entrepreneurial founders.

The diagnostic statistics reveal relatively minimal differentiation across models – with the sole exception of model 4 involving moderation by European dependent-territory status. Here, the F-statistic and adjusted R^2 are markedly higher than in all the other comparable models.

As a final exercise, we focus on obtaining further confirmatory evidence for our main statistical analysis reported above. We construct three-dimensional statistical probability surfaces and two-dimensional binary effects charts for the dependent variable, namely disclosure, in terms of how it varies with the main effect, the ratio of BG control, and then with each of the three moderating variables in turn. These are FMNE (model 2), formal institutional quality (model 3) and European dependent-territory status (model 4). Figs. 5–7 show the results.

The binary effect displayed in Fig. 5 reveals that, in non-FMNEs, steadily increasing BG control is associated with equally increasing disclosure. However, this profile reverses in FMNE-constituent firms,

Table 2
OLS regression for determinants of disclosure.

	Dependent variable: disclosure			
	Main effect Model 1	*p* value	Moderating effect Model 2	*p* value
Intercept	**0.2924** **[0.113]**	**0.0095**	**0.3091** **[0.116]**	**0.0079**
Explanatory variables				
H1: BG Control Normalized	**+ 0.0261** **[0.004]**	**0.0000**	**+ 0.0352** **[0.004]**	**0.0000**
H2: x FMNE	– –		**-0.0910** **[0.009]**	**0.0000**
H3: x Institutional quality	– –		– –	
x European dependent territory	– –		– –	
FMNE	**0.0385** **[0.003]**	**0.0000**	**0.1232** **[0.010]**	**0.0000**
Institutional quality	**-0.1496** **[0.010]**	**0.0000**	**-0.1528** **[0.010]**	**0.0000**
European dependent territory	**-0.1383** **[0.019]**	**0.0000**	**-0.1381** **[0.021]**	**0.0000**
Institutional controls				
Board ethnic diversity index	**-0.0338** **[0.011]**	**0.0016**	**-0.0250** **[0.011]**	**0.0227**
OFC Subsidiary	**-0.0466** **[0.003]**	**0.0000**	**-0.0446** **[0.003]**	**0.0000**
Ln (GDP per capita US $)	-0.0049 [0.012]	0.6733	-0.0071 [0.012]	0.5495
Board controls				
Ln (Board Size)	**0.0832** **[0.005]**	**0.0000**	**0.0838** **[0.005]**	**0.0000**
Ratio Independent Nonexecutives	**0.0399** **[0.015]**	**0.0061**	**0.0338** **[0.016]**	**0.0354**
Ratio Social Elite directors	**0.0124** **[0.005]**	**0.0141**	0.0085 [0.005]	0.1161
Ratio Elite Education directors	**0.1147** **[0.008]**	**0.0000**	**0.1094** **[0.008]**	**0.0000**
Firm controls				
Ln (gross revenues, US $)	**0.0169** **[0.001]**	**0.0000**	**0.0174** **[0.001]**	**0.0000**
ROA	**-0.0031** **[0.000]**	**0.0000**	**-0.0031** **[0.000]**	**0.0000**
Log (Firm age)	0.0007 [0.003]	0.8073	-0.0029 [0.003]	0.3458
Capital controls				
Equity/Total assets	**0.0090** **[0.001]**	**0.0000**	**0.0092** **[0.002]**	**0.0000**
Preferred stock/Total assets	**-0.3280** **[0.048]**	**0.0000**	**-0.3330** **[0.049]**	**0.0000**
Ownership control				
Director ownership	**-0.0006** **[0.000]**	**0.0456**	-0.0003 [0.000]	0.2446
Private equity ownership	**0.0025** **[0.000]**	**0.0000**	**0.0025** **[0.000]**	**0.0000**
Foreign MNE ownership	**0.0016** **[0.000]**	**0.0000**	**0.0016** **[0.000]**	**0.0000**
Founder ownership	**0.0003** **[0.000]**	**0.0001**	**0.0003** **[0.000]**	**0.0000**
Time (year) fixed effects	Yes		Yes	
Industry fixed effects	Yes		Yes	
No. obs.	1697		1697	
No. Firms	169		169	
F-statistic	73.342		73.232	
Probability	0.000		0.000	
Adjusted R^2	0.6973		0.7008	

Table outlining OLS regression results and diagnostic statistics. All variables are as defined in Table 1. Robust standard errors in square brackets alongside p-values referring to statistical significance. White cross-section standard errors & covariance (d.f. corrected). Industry and time (year) binary fixed effects in all models. Bold indicates *p* value ≤ 0.10. *** $p \leq 0.01$; ** $p \leq 0.05$; † $p \leq 0.10$

Table 3
OLS regression for determinants of disclosure [a].

	Dependent variable: disclosure			
	Moderating effect Model 3	*p* value	Moderating effect Model 4	*p* value
Intercept	**0.2852 [0.07]**	**0.0000**	**0.2292 [0.069]**	**0.0008**
Explanatory variables				
H1: BG Control Normalized	**+ 0.0381 [0.008]**	**0.0000**	**+ 0.0450 [0.007]**	**0.0000**
H2: x FMNE	– –		– –	
H3: x Institutional quality	**-0.0284 [0.010]**	**0.0031**	– –	
x European dependent territory	– –		**-0.1908 [0.020]**	**0.0000**
FMNE	**0.0396 [0.009]**	**0.0000**	**0.0420 [0.009]**	**0.0000**
Institutional quality	**-0.1275 [0.012]**	**0.0000**	**-0.1447 [0.010]**	**0.0000**
European dependent territory	**-0.1353 [0.016]**	**0.0000**	-0.0061 [0.022]	0.7814
Institutional controls				
Board ethnic diversity index	**-0.0364 [0.017]**	**0.0282**	**-0.0319 [0.016]**	**0.0485**
OFC Subsidiary	**-0.0480 [0.008]**	**0.0000**	**-0.0566 [0.008]**	**0.0000**
Ln (GDP per capita US $)	-0.0051 [0.007]	0.4871	-0.0037 [0.007]	0.6056
Board controls				
Ln (Board size)	**0.0799 [0.012]**	**0.0000**	**0.1102 [0.012]**	**0.0000**
Ratio Independent Nonexecutives	**0.0392 [0.018]**	**0.0337**	**0.0308 [0.018]**	**0.0876**
Ratio Social Elite directors	0.0164 [0.012]	0.1566	**0.0224 [0.011]**	**0.0463**
Ratio Elite Education directors	**0.1129 [0.011]**	**0.0000**	**0.1059 [0.011]**	**0.0000**
Firm controls				
Ln (Gross revenues, US $)	**0.0172 [0.002]**	**0.0000**	**0.0168 [0.002]**	**0.0000**
ROA	**-0.0030 [0.001]**	**0.0002**	**-0.0024 [0.001]**	**0.0022**
Ln (Firm age)	0.0015 [0.003]	0.6455	-0.0034 [0.003]	0.2975
Capital controls				
Equity/Total assets	**0.0089 [0.003]**	**0.0072**	**0.0080 [0.003]**	**0.0143**
Preferred stock/Total assets	**-0.3406 [0.050]**	**0.0000**	**-0.3270 [0.048]**	**0.0000**
Ownership control				
Director ownership	**-0.0009 [0.000]**	**0.0290**	-0.0002 [0.000]	0.6410
Private equity ownership	**0.0026 [0.000]**	**0.0000**	**0.0026 [0.000]**	**0.0000**
Foreign MNE ownership	**0.0015 [0.000]**	**0.0000**	**0.0018 [0.000]**	**0.0000**
Founder ownership	**0.0003 [0.000]**	**0.0311**	**0.0004 [0.000]**	**0.0094**
Time (year) fixed effects	Yes		Yes	
Industry fixed effects	Yes		Yes	
No. obs.	1697		1697	
No. Firms	169		169	
F-statistic	72.508		77.550	
Probability	0.000		0.000	
Adjusted R^2	0.6987		0.7128	

Table outlining OLS regression results and diagnostic statistics. All variables are as defined in Table 1. Robust standard errors in square brackets alongside p-values referring to statistical significance. White cross-section standard errors & covariance (d.f. corrected). Industry and time (year) binary fixed effects in all models. Bold indicates p value ≤ 0.10. *** $p \leq 0.01$; ** $p \leq 0.05$; † $p \leq 0.10$

reflected in a downward-sloping trajectory indicating that, as BG control increases, disclosure decreases correspondingly. This further evidence supports Hypothesis 2. The three-dimensional probability surface associated with moderation by formal institutional quality, a continuous variable, is displayed in Fig. 6. This reveals that, at low levels of institutional quality, there is already a high level of disclosure, over 75%, which additionally marginally increases in tandem with increases in BG control. The dominant feature of this profile is the substantial decrease in disclosure as institutional quality increases. Then, at high levels of institutional quality, variation in BG control leads to negligible change in disclosure. The dominant effect here, between BG control and disclosure, is at low levels of institutional quality. Lastly, the binary effect relating to moderation by the firm's listing jurisdiction being a European dependent territory (or not) is revealed in Fig. 7. This reveals that, in sovereign territories, namely non-dependent territories, increases in BG control are accompanied by steadily increasing disclosure. However, the opposite is true in jurisdictions which have retained their European dependent-territory status. Here, there is a steep downward-sloping trajectory indicating that, with increasing BG control, disclosure decreases. These latter two moderating profiles, in Figs. 6 and 7, further support Hypothesis 3.

5.3. Robustness

The main robustness test centres on the application of hierarchical mixed effects models, using both the statistically normalized and separately standardized variants of BG control. These take into account the nested structure of the underlying data in terms of firm-level data which is nested within country-level observations. The coefficients on the main effect, namely BG control, are consistently positive and statistically significant throughout the main model and its interactive counterparts, as displayed in Appendix D Tables D1 to D3. Moderation by FMNE, institutional quality and European dependent-territory status leads to consistently negative coefficients which are also statistically significant, and critically, there are no changes to the direction of the main effect nor in any of the effects of the controls, relative to the initial main effect model. These results are also mirrored when the standardized BG control is substituted for its normalized counterpart. These results reveal significant support for our earlier OLS models and the maintenance of all three hypotheses.

5.4. Additional robustness and extensions

We undertake several robustness tests to further verify our findings. First, we focus on endogeneity and potential dual causality between BG control and disclosure through the possibility of simultaneous co-determination bias (see Heflin & Shaw, 2000). This involves regressing BG control as a dependent variable on disclosure plus all the controls mentioned above. The residuals from this first-stage regression are then entered into a second-stage model, where in conjunction with the controls, we can explore the statistical significance of these residuals in explaining disclosure as the dependent outcome variable. We find the coefficients on the first-stage residuals within the second-stage regression model to be very small and almost wholly lacking in statistical significance. This implies that BG control has predominantly unidirectional causality with the level of disclosure.

Second, we re-estimate our BG control variable as the sum of the standardized, as opposed to normalized, BG ownership and the ratio of BG representation on the board of directors. The new standardized variable is then included as an explanatory variable in all of the four models previously estimated by OLS and including all the moderators as before. The results are very similar in both size and direction to our initial results based on the ratio of BG directors to board size.

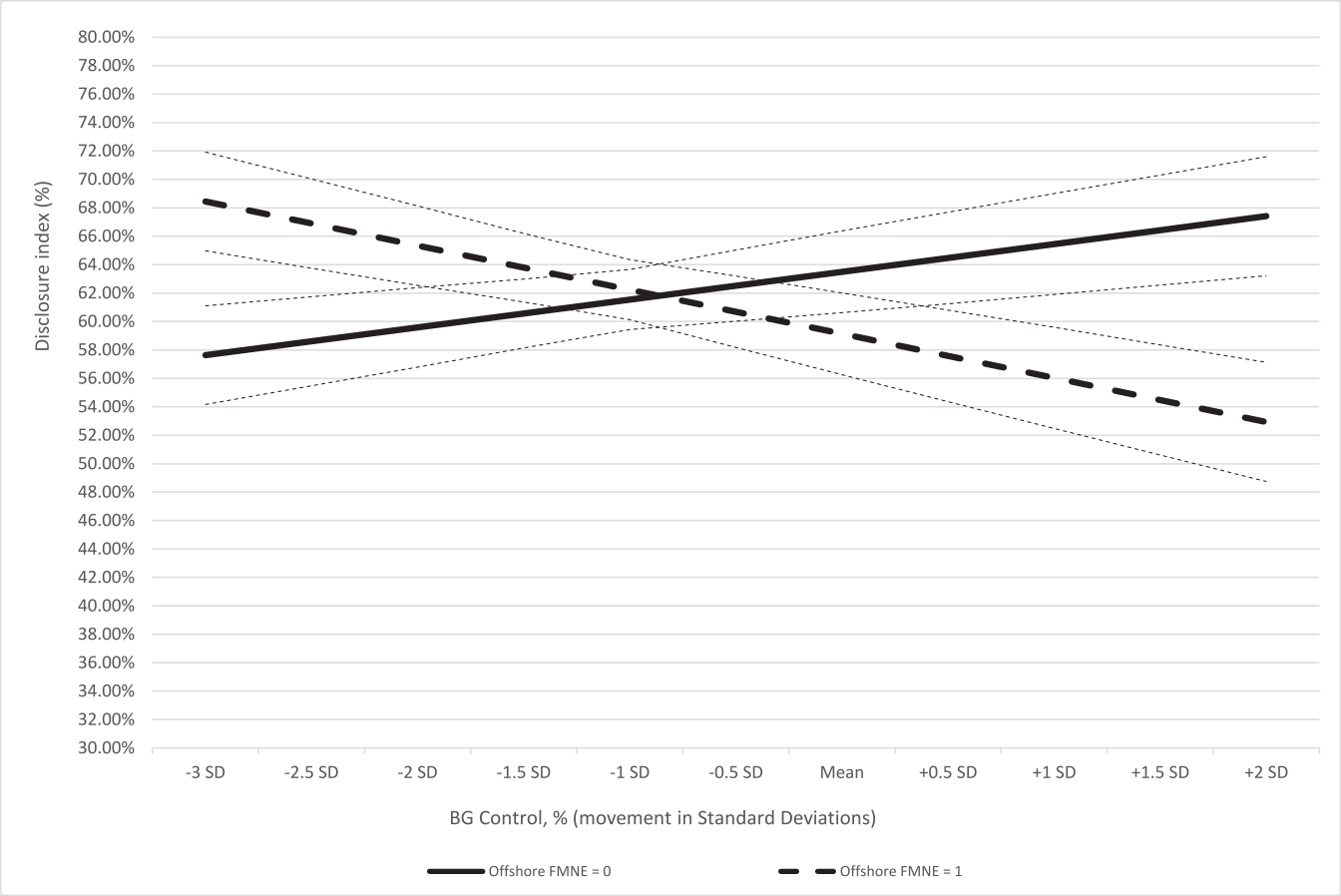


Fig. 5. Moderation by Overseas offshore financial FMNE. Note: Error bars are based on standard error at $p \leq 0.05$ confidence margin.

Third, we replace BG control as the independent variable with, first, the ratio of BG directors, and then the ratio of BG nonexecutives, to total board size, before applying both maximum likelihood random effects regressions and OLS regressions. The results from each of the two additional BG control parameters substantiate our initial findings in terms of both the size and direction of the estimated coefficients. These additional robustness results are not reported due to brevity reasons but are available from the authors upon request.

6. Discussion

6.1. Theoretical contribution

This study contributes to the literature in three specific ways. First, our study departs from prior studies and theorization of BGs within emerging economies – whether sociologically based or rooted in formal institutional voids. Such studies are contextually embedded in larger emerging economies, with BGs emanating from the societal informal cultural foundations, while at the same time the group structure facilitates resource coordination and intermediation, given the formal institutional voids that inhibit external intermediation. BGs are then powerful in the political lobbying of state institutions for favourable regulatory reforms. At this juncture we depart, in emphasizing a rival view of the near complete hegemonic dominance of BGs and their ultimate owners within smaller economies. BGs are merely offshoots from locally huge, extended, multi-branch families, whose members occupy roles throughout the public and private sectors, while individuals themselves often occupy multiple roles (e.g., Faccio, 2006). This alludes to the collusive nature of smaller economies, as well as their "capture" by BG ultimate owners, typically families. As such, for any given firm, BG ultimate owners will exert significant influence over suppliers of resources and factors of production, over the procurement of managerial labour, over assets such as land and premises, financing, and even over customer audiences. Moreover, ultimate owners will likely seek "toehold" minority ownership within a given firm in order to secure a degree of formalized influence over it. As such, BGs and their ultimate owners are more diffuse in nature, and less identifiable by ownership thresholds, than is prevalently assumed in the prior literature. Rather, there are blurred boundaries and an emphasis on contrasting levels of control asserted over firms within smaller economies.

Second, our finding that greater BG control leads to higher disclosure by a firm in smaller emerging and offshore economies extends the insights of the comparative corporate governance literature. Prior studies, such as those of Aguilera & Jackson (2010), develop theoretical insights regarding firms' agility in adopting different corporate governance from that prevalent within the environment within which they are embedded.

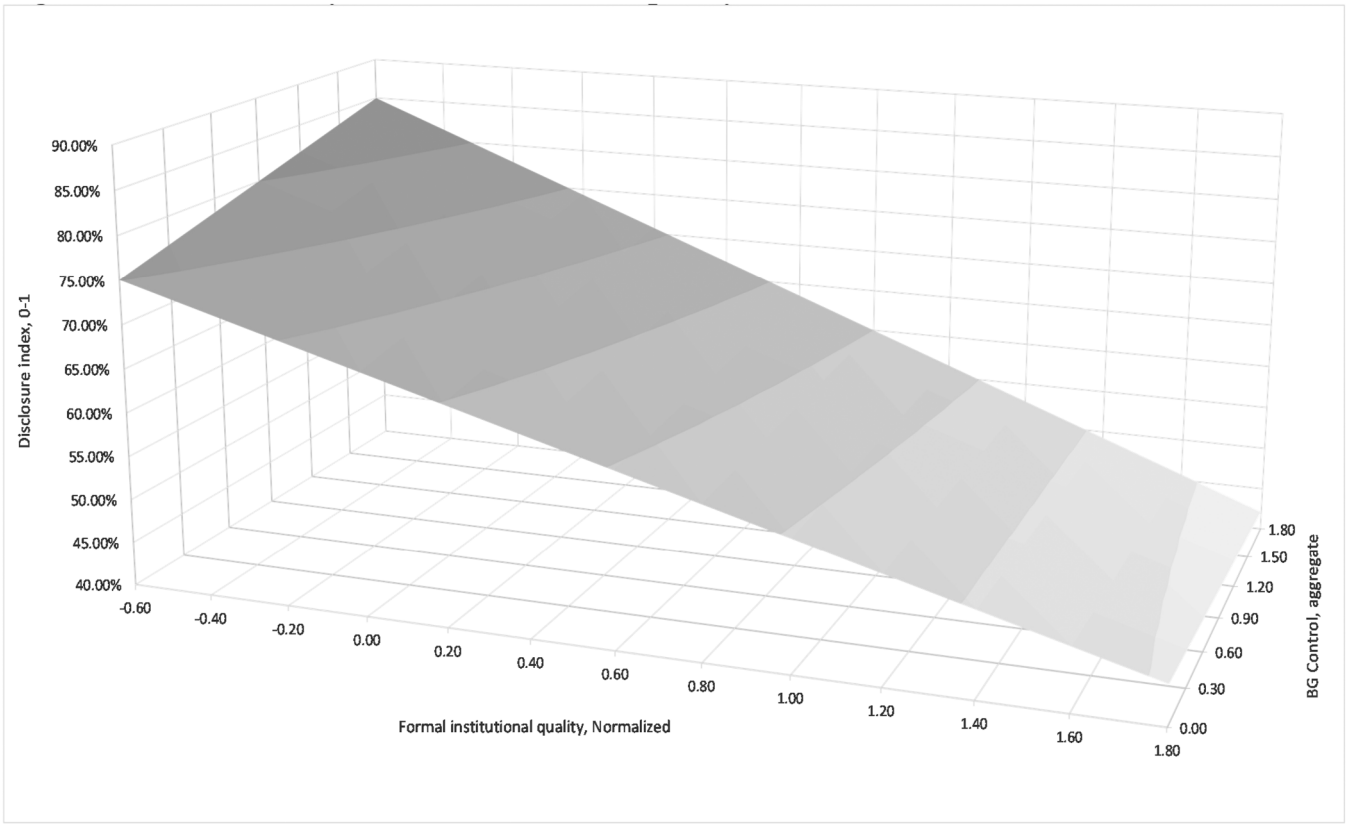


Fig. 6. Moderation by formal institutional quality.

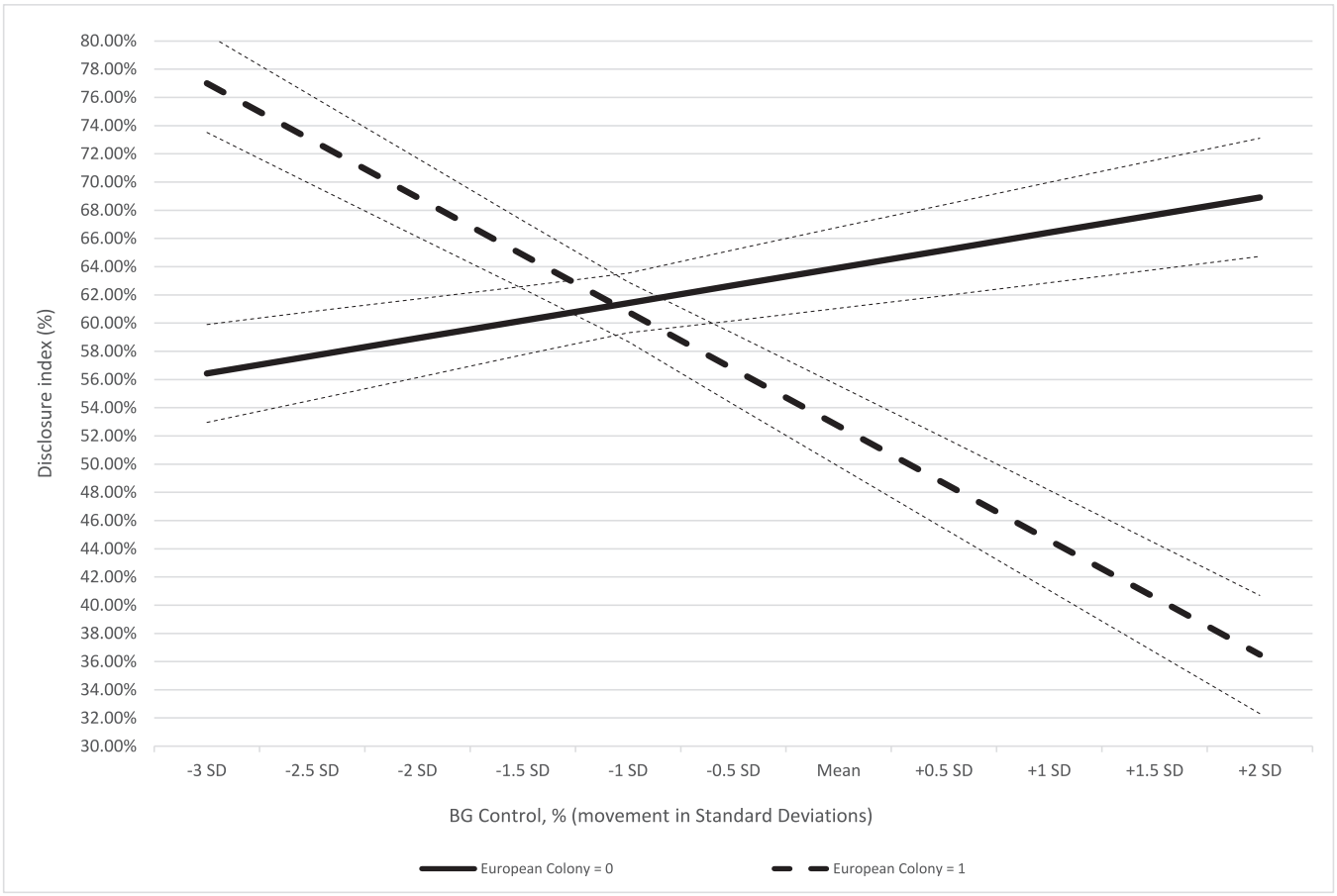


Fig. 7. Moderation by European dependent territory [colony] status. Note: Error bars are based on standard error at $p \leq 0.05$ confidence margin.

Our findings support our proposition that firms face a trade-off between seeking conformity with opaque, indigenous, predominantly network-orientated corporate governance versus conforming to the elevated disclosure inherent within international investment norms. Firms subject to increasing BG control then face competing claims for legitimacy and commensurate access to resources. While greater BG control increases firms' indigenous legitimacy, the commensurate access to resources is constrained by the extent of the networks centred on the BG and its ultimate owner. This necessitates the adoption of higher disclosure, in conformity with the legitimacy norms of external resource providers, from whom supplementary resource infusions are sought to facilitate growth and expansion (e.g., Masulis et al., 2011).

Third, our analysis supports the contextualization of corporate governance by emphasizing moderating influences attributable to environmental contingencies. Affiliation to the FMNE industry exerts powerful externalities, reflected in opacity being essential for firms' competitiveness in exporting legally mandated opaque financial products and services, as well as intangible competencies. The acute need for secrecy, yet at the same time reputability, is critical in differentiating FMNE intermediation. In a similar vein, moderation by national institutional quality leads to a similar theorized influence. Here, the biggest OFCs are also the smallest in terms of size, which facilitates intimate interaction between commercial sectors and public executives and legislatures. Control by BGs and their ultimate owners facilitates such intimate interactions, and the elevated social trust this engenders forms the basis for offshore regulatory reform, as well as innovation in offshore products and services. The latter are almost invariably based on secrecy as well as efficiencies in the reform of offshore corporate law frameworks. Here, legally mandated opacity is integrated into otherwise high-quality regulatory architecture. Firms subject to heightened BG control are more central to this process of offshore effectiveness and competitiveness, with this leading to reduced transparency.

6.2. Managerial implications

Our findings have practitioner implications too. BGs are profoundly important in terms of resource coordination within emerging and offshore economies, though, in the latter, their extended influence renders public–private sector distinctions almost superfluous. While some degree of BG control over firms facilitates their indigenization and engenders their social legitimacy, at the same time, in the context of offshore jurisdictions, heightened opacity is essential to accessing offshore-compatible resources, these being centred on secrecy and relational intermediation. Contrastingly, managers within firms subject to BG control, in emerging as opposed to offshore economies, are more focussed on transparency to facilitate access to external constituencies reliant on third-party contracting. A further constraint arises from firms that are constituent to FMNEs, these being subject to powerful industrial externalities in the form of isomorphic pressures that emphasize reduced transparency. This centres on morally appropriate expectations of how a firm providing offshore finance should be structured, and pragmatic audience expectations regarding the appropriateness of products and services associated with offshore secrecy.

6.3. Limitations and further research

Our study has several limitations and offers possibilities for further research. Our research sample is constrained to only the listed firms across the mostly English-speaking Caribbean region. Thus, the first limitation is that our sample excludes unlisted firms and vehicles, which are more typically used in aggressive tax-engineering strategies by controlling owners. Our study partially addresses this issue by focussing on the level of overall BG control in a firm, which is an outcome of direct ownership and representation more than director discourse. The use of unlisted firms within a conglomerate network would be anticipated to obfuscate direct ownership levels while accentuating board control. The second opportunity for further research is that it would be useful to widen the study to encompass the non-Anglophone Caribbean, with similar offshore centres notably present in the Netherlands Antilles of Aruba, Curaçao, and Sint Martin. The third limitation is the lack of comparison between the Caribbean and several non-Caribbean OFCs such as the Channel Islands, Dubai (UAE), the Seychelles and Mauritius and Luxembourg, which could provide robustness or a boundary test of our findings in this study. However, a major constraint leading to these limitations lies in the severe impediments to obtaining data, these restrictions themselves being a function of the secrecy and asset protections we are studying here.

7. Conclusions

Our study explores the extent of BG control on disclosure, where the protection of minority informational property rights provided by the BG facilitates the further accessing of resources from external sources. It also provides multi-level evidence of the institutional contextual embeddedness of this association. Practitioners can gain better insights into the role of BGs and closely related family institutions in shaping offshore centres and associated offshore regulatory frameworks, and the extent of that influence under certain predetermined contextual embeddedness conditions.

Acknowledgements

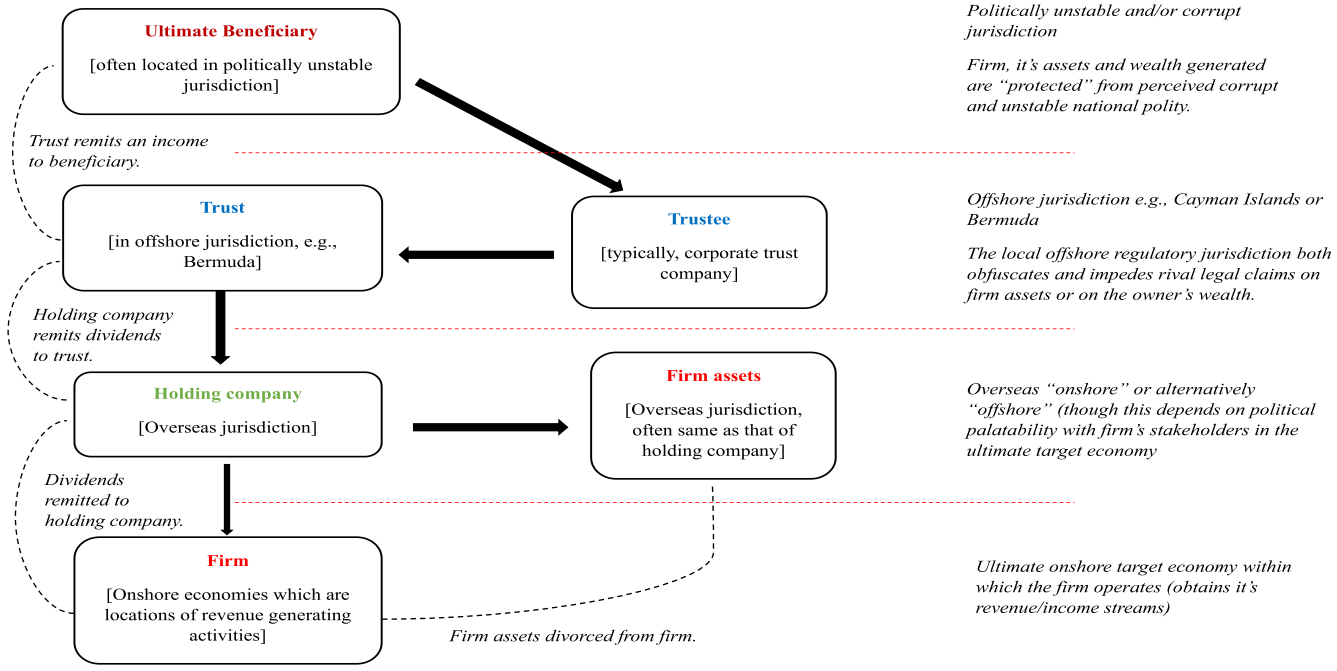
We are very grateful for constructive comments and feedback from the participants at invited seminars in April 2025 at the University of the South Pacific in Nuku'alofa, Kingdom of Tonga; University of Sydney Business School, Australia; School of Business & Government, Victoria University of Wellington, New Zealand; those in January 2025 at WU Vienna, Austria; participants at the Academy of Management annual meeting, Copenhagen, Denmark in July 2025; and those at the European International Business Academy in Aalto University, Finland in December 2024. We are very grateful for feedback from Igor Filatotchev, Bo Nielson, Trond Randøy, Lars Oxelheim, Collins Ntim, Ven Tauringana and Alex Mohr.

Appendix A

Table A1
Offshore structures and financial engineering strategies

Panel 1 Offshore secrecy structure [asset protection] example

This simple example provides an asset protection schema which effectively "divorces" a firm's underlying assets from its ownership and ultimate control through a concatenation of offshore-compliant structures, namely offshore trusts and offshore holding companies located in jurisdictions notable for their institutionalized minimal financial reporting requirements



Panel 2: Aggressive financial engineering scheme examples

A. Interest payment's structure (simple)

Two example tax strategies falling within this remit are (1) the offshore loan structure, and (2) the corresponding financing via offshore/average structures. These shift income revenues through the interest repayments channel. The tax base in the target entity is reduced via the interest deduction. In contrast to the offshore/average loan structures, the interest payments are not received in a lower tax country or no tax country. Due to a legal mismatch of the treatment of the interest payment in the receiving entity, the financial flow is exempted from taxation.

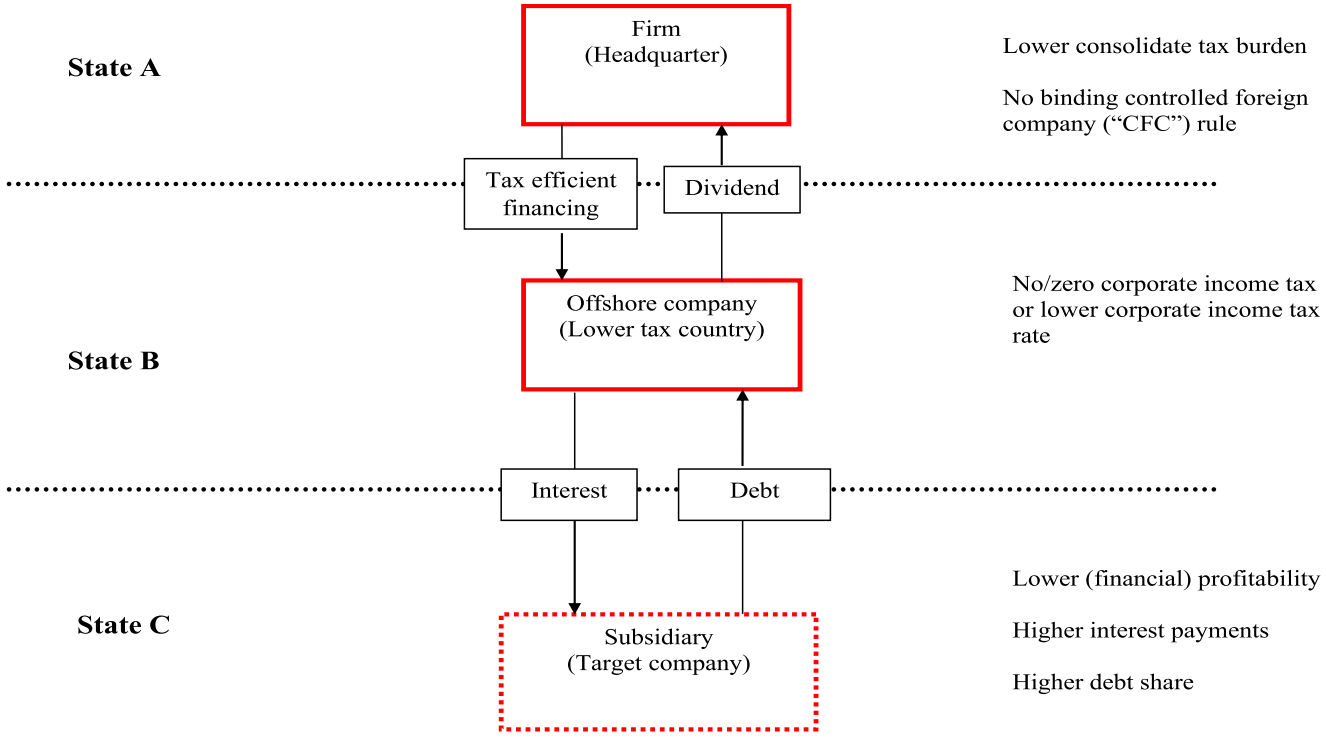


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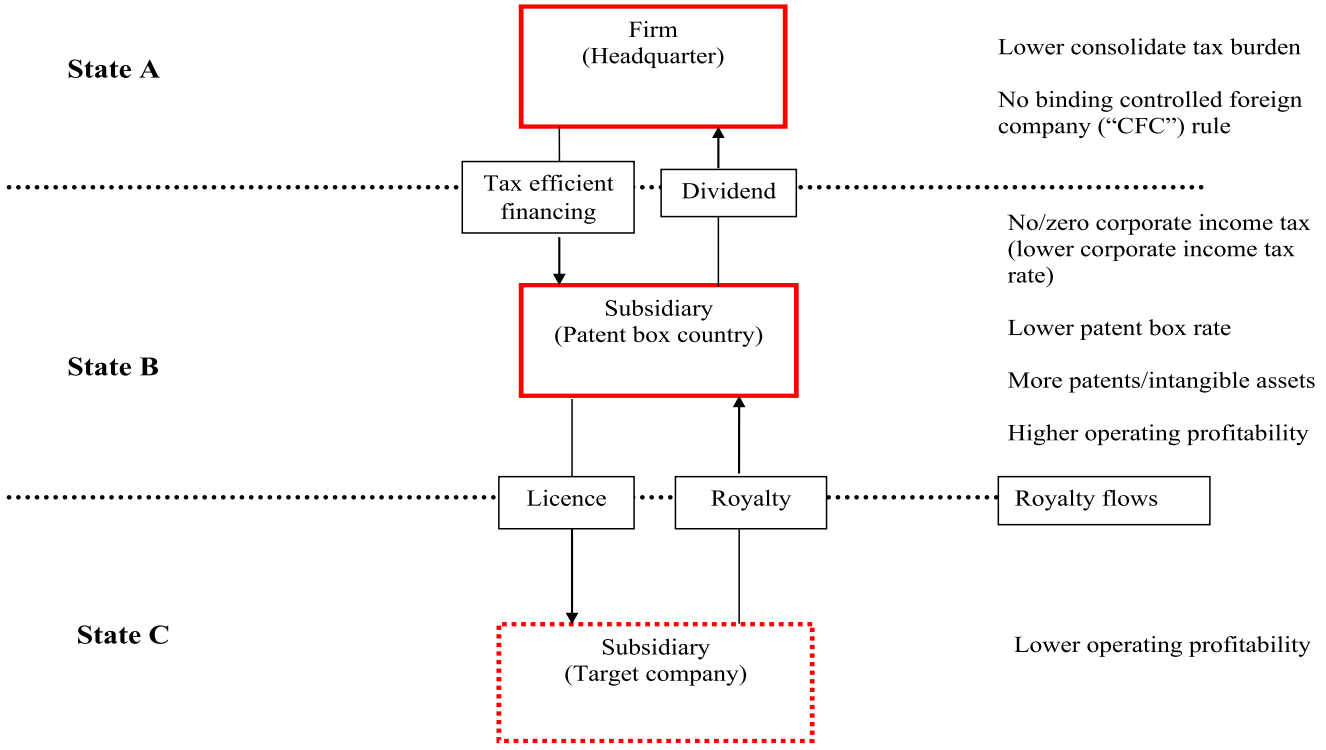
Table A1 (*continued*)

B. Royalty payment's structure (simple)

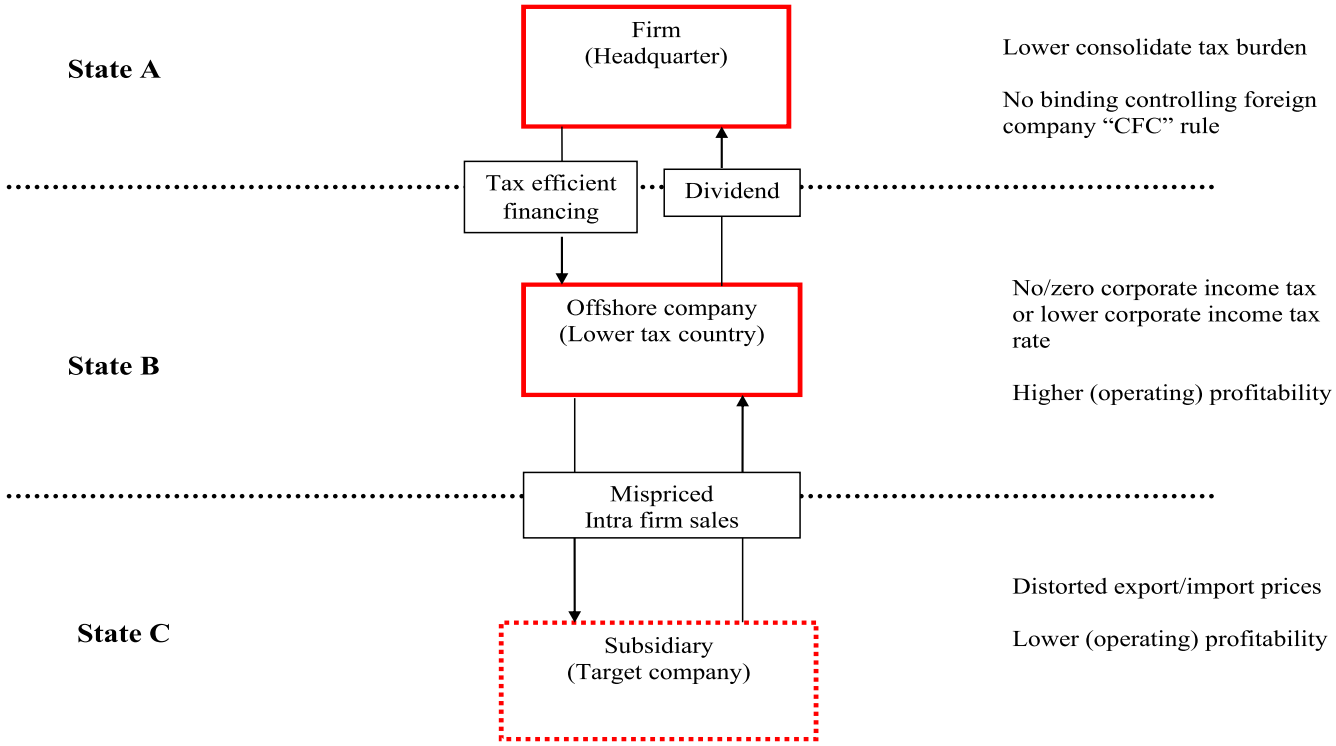
Tax strategies based on the income shifting through royalty payments have in common that the tax base in the target entity is reduced through a deduction of royalty costs. The tax saving in most tax strategies using this channel results from lower taxation of the royalty payments in the receiving lower tax entity. This lower tax burden on the royalty received is either due to a generally lower corporate tax rate or to a specific regime benefitting income from intellectual property (a "patent box")



C. Strategic transfer pricing structure (simple)

Strategic transfer pricing of goods and services for internal transactions is associated with the mispricing of internal transactions, where the corporate tax base is reallocated to jurisdictions where lower taxes are levied.

Treaty shopping: This primarily focusses on the diverting of dividend flows with the aim to reduce/eliminate the tax burden on the repatriation of the profits (withholding tax).



Appendix B

Table B1
Data sources

Market	Information source
Caribbean	Databases: Bloomberg LLP; Thomson Perfect Information portal & Datastream
	Bermuda stock exchange library, Hamilton, Bermuda and website: http://www.bsx.com/
	Hamilton-based interviews (11/2016 & 05/2019):
	Bermuda stock exchange: James S. McKirdy (Chief Compliance Officer)
	Bermuda Monetary Authority (BMA): Tessa Ingham (Analyst)
	Bermuda Chamber of Commerce: Kendaree Burgess (Executive Director)
	Bermuda Government: Victoria Taylor, Executive Officer
Bermuda	Listed firm: Ozics Holdings Ltd (Auvo Kaikkonen, CEO); Cohort Ltd (Tracey Packwood); Bermuda Commercial Bank Ltd (Charlene Gilbert)
	Barbados stock exchange, Bridgetown, Barbados and websites: http://www.bse.com.bb/
	Bridgetown-based interviews (07/2011 and 11/2016):
	Barbados exchange: Marlon E. Yarde (GM); Barry Blenham (Operations); Donna Hope (Operations Manager)
Barbados	Central Bank of Barbados: Financial Division
	Bahamas stock exchange, Nassau, The Bahamas and websites: http://bisxbahamas.com/
	Nassau based interviews (05/2019)
	Bahamas international securities exchange [BISX]: Keith Davies (CEO); Holland Grant (COO)
	Chamber of Commerce: Jeffrey N. Beckles (CEO)
	Securities Exchange Commission of the Bahamas (Senior Analysts)
	Bahamas Venture Capital Fund c/o Baker Tilly Managers: Joan Octaviano (Head of Audit)
	Bahamas Development Bank: Director (Mme Pelicanos)
	University of the Bahamas graduate school of business: Remelda Moxley (Dean)
	Listed firm: Bank of Bahamas (Leashawn McPhee); Emera (Dina Bartolacci Seely); Commonwealth Bank (Gina Greene); ICBL (Jenifer Clarke); Doctors Hospital
Bahamas	(Joanne Lowe)
	CISX, Cayman Islands exchange, Georgetown, Grand Cayman and websites: http://www.csx.ky
	Georgetown, Grand Cayman-based interviews (05/2019):
	Cayman Islands exchange: Sandy McFarlane (Operations Manageress)
	Cayman Islands Development Bank: Tracy Ebanks (General Manager/CEO)
Cayman Islands	Cayman National Securities: Erol Babayigit (Vice President)
	JSE, Jamaican stock exchange, Kingston, Jamaica and website: https://www.jamstockex.com/
	Kingston-based interviews (07/2016):
	Jamaican stock exchange: Marlene J. Street Forrest (General Manager); Sandra Shirley (Principal e-campus); Charlette Eddie-Nugent (Listings Manager); Neville R. Ellis (Operations Manager)
	JSE electronic media marketing event (07/2016): Spanish Court Hotel Annex, Kingston, Jamaica
Jamaica	Bank of Jamaica: Financial services division interviews
	ECSE, Basseterre, St Kitts & Nevis and website: http://www.ecseonline.com/
	Basseterre-based interviews (11/2011):
	Eastern Caribbean stock exchange: Trevor E. Blake (GM); Sherizan Mills (Operations Officer)
	Eastern Caribbean Central Bank visit (11/2011)
	Telephone-based interviews (06/2016–08/2016):
	Eastern Caribbean stock exchange: Trevor E. Blake (GM); Sherizan Mills (Operations Officer)
Eastern Caribbean	Nevis, Charlestown-based interviews (11/2011): Financial district in Charlestown, Nevis;
	St Lucia-based interviews (11/2011): Financial district, Castries, St Lucia
	GASCI, Guyana Securities Council, Georgetown and website: http://www.gasci.com/
	Telephone-based interviews (08/2015 – 01/2017): Cheryl Ibbott (CEO, Guyana Securities Council c/o Bank of Guyana); Vick (Compliance Officer, Guyana
Guyana	Securities Council)
	TTSE, Trinidad & Tobago stock exchange, Port of Spain and website: http://ttsec.org.tt/
	Trinidad, Port of Spain based procurement (06/2016–07/2016):
	Trinidad, Ministry of Finance: Melissa Mattoo and Christine Frank (Communications Officers)
	Trinidad, Central Bank of Trinidad & Tobago: Candice Dilbar (Research Economist)
Trinidad & Tobago	Trinidad, Listed firm: National Enterprises Limited (Keisha Armstrong, Head of Secretariat)
	Tobago: Scarborough and Canaan-based interviews in financial district (06/2016–07/2016)

Appendix C

Table C1
Disclosure index

Disclosure elements [%]	BG Control High	BG Control Low	T - statistic
1 Does the company have a transparent ownership structure?	79.95	82.04	-1.10
(i) Breakdown of shareholdings.	62.67	62.13	0.23
(ii) Is it easy to identify beneficial ownership?	78.57	79.52	-0.48
(iii) Are director shareholdings disclosed?	**66.71**	**61.56**	**2.24**
(iv) Is management shareholding disclosed?	**59.56**	**55.61**	**1.67**
2 Does the company have a dispersed ownership structure?	**0.46**	**3.20**	**-4.28**
3 Is the company's actual ownership structure obscured by cross-shareholdings and pyramids?	**68.78**	**54.46**	**6.20**
4 Is the company's beneficial owner's identity easily traceable?	**81.68**	**77.23**	**2.30**
5 Is company's beneficial owner located in Tax Haven?	**61.98**	**54.12**	**3.33**

(*continued on next page*)

Table C1 (*continued*)

Disclosure elements [%]	BG Control High	BG Control Low	T - statistic
6 Assess the quality of the annual report. In particular, the following:			
(i) Financial performance	100.00	100.00	– –
(ii) Business operations and competitive position	**94.93**	**92.22**	**2.30**
(iii) Board member background	53.8	51.83	0.82
(iv) Basis of the board remuneration	**23.04**	**19.34**	**1.89**
(v) Operating risks	**78.11**	**86.73**	**-4.75**
7 Is there any statement requesting the directors to report their transactions of company stock?	**59.42**	**53.66**	**2.42**
8 Does the company use an internationally recognized accounting standard?	**94.12**	**99.66**	**-6.74**
9 Does the company have an internal audit operation established as a separate unit in the company?	**58.18**	**52.63**	**2.33**
10 Does the company perform an annual audit using international (independent and reputable) auditors?	**90.55**	**85.01**	**3.54**
11 Does the company offer multiple channels of access to information?			
(i) Annual report	100.00	100.00	– –
(ii) Company website	**88.82**	**85.13**	**2.29**
(iii) Stock Exchange website	83.99	83.64	0.19
(iv) National Regulator website	**9.91**	**5.61**	**3.36**
12 Does the company have a website, disclosing up-to-date information?			
(i) Business operation	85.71	84.44	0.74
(ii) Financial statement	**68.89**	**60.41**	**3.71**
(iii) Press release	**64.29**	**59.73**	**1.96**
(iv) Shareholding structure	**58.18**	**49.54**	**3.62**
(v) Organizational structure	69.59	67.73	0.83
(vi) Corporate group structure	**78.00**	**69.79**	**3.91**
(vii) Annual report downloadable	**65.55**	**56.06**	**4.07**
Disclosure index – aggregate [%]	62.26	62.20	0.06

Table defines each of the 32 elements that form the disclosure sub-index which is part of the Organisation for Economic Co-operation and Development or OECD (2004) "principles of good governance" index. All are manually sourced from individual firm annual reports, and all are measured as binary effect Yes/No which is coded as 1/0. t-difference in means test for each of the respective governance elements between firms with high BG control and those with low BG control; High BG control is differentiated from low BG control by those firms with BG Control index over the sample median value of 0.6311; Bold indicates $p \leq 0.10$

Appendix D

Table D1
Hierarchical Mixed Effects regression for determinants of disclosure

	Dependent variable: disclosure	
	Main effect Model 1	*p* value
Fixed variance		
Intercept	**1.0714 [0.197]**	**0.000**
Explanatory variables		
BG Control Normalized	**+ 0.0110 [0.006]**	**0.067**
x Board ethnic diversity index	– –	
x FMNE	– –	
x Institutional quality	– –	
x European colony	– –	
Board ethnic diversity index	0.0024 [0.015]	0.867
FMNE	**0.0376 [0.008]**	**0.000**
Institutional quality	0.0278 [0.019]	0.144
European dependent territory	-0.0947 [0.087]	0.275
Institutional controls		
Tax Haven Subsidiary	**-0.0171 [0.007]**	**0.018**
Log (GDP per capita US$)	**-0.0830 [0.021]**	**0.000**
Board controls		
Board Size	**0.0099 [0.001]**	**0.000**
Ratio Independent Nonexecutives	**0.0964 [0.016]**	**0.000**
Ratio Social Elite directors	0.0163 [0.012]	0.170
Ratio Elite Education directors	**0.0662 [0.010]**	**0.000**
Firm controls		
Log (gross revenues, US$)	**0.0118 [0.002]**	**0.000**
ROA	-0.0013 [0.002]	0.445
Log (Firm age)	-0.0011 [0.003]	0.679
Capital controls		
Equity/Total assets	0.0050 [0.004]	0.160
Debt/Total assets	0.0059 [0.006]	0.355
Retained earnings/ sales	-0.0006 [0.001]	0.305
Ownership control		
Director ownership	**-0.0007 [0.000]**	**0.054**
Private equity ownership	**0.1248 [0.031]**	**0.000**
Foreign MNE ownership	**0.0018 [0.000]**	**0.000**
Variable variance		
Country constant	0.0086 [0.004]	

(*continued on next page*)

Table D1 (*continued*)

	Dependent variable: disclosure	
	Main effect Model 1	*p* value
Residual	0.0081 [0.000]	
No. obs.	1697	
No. Firms	171	
Log-likelihood	1655.96	
Wald χ^2	1404.18 [0.00]	
LR test vs. linear model χ^2	447.89 [0.00]	

Notes: No. Firms [No. Years] is 170 [17]; [a] Time (year) and industry binary fixed effects in all cases; Bold indicates *p* value $\leq$ 0.10

Table D2
Hierarchical Mixed Effects regression for determinants of disclosure

	Dependent variable: disclosure			
	Moderating effect Model 2	*p* value	Moderating effect Model 3	*p* value
Fixed variance				
Intercept	**1.1958 [0.198]**	**0.000**	**1.0497 [0.197]**	**0.000**
Explanatory variables				
BG Control Normalized	**+ 0.0904 [0.017]**	**0.000**	**+ 0.0220 [0.006]**	**0.000**
x Board ethnic diversity index	**-0.1222 [0.024]**	**0.000**	– –	
x FMNE	– –		**-0.1178 [0.018]**	**0.000**
x Institutional quality	– –		– –	
x European colony	– –		– –	
Board ethnic diversity index	**0.0815 [0.022]**	**0.000**	0.0159 [0.015]	0.278
FMNE	**0.0426 [0.008]**	**0.000**	**0.1494 [0.019]**	**0.000**
Institutional quality	**0.0341 [0.019]**	**0.072**	**0.0330 [0.019]**	**0.079**
European dependent territory	-0.0576 [0.087]	0.506	-0.1241 [0.090]	0.168
Institutional controls				
Tax Haven Subsidiary	**-0.0233 [0.007]**	**0.001**	-0.0143 [0.007]	0.046
Log (GDP per capita US$)	**-0.1023 [0.021]**	**0.000**	**-0.0820 [0.021]**	**0.000**
Board controls				
Board Size	**0.0103 [0.001]**	**0.000**	**0.0099 [0.001]**	**0.000**
Ratio Independent Nonexecutives	**0.0978 [0.016]**	**0.000**	**0.0877 [0.016]**	**0.000**
Ratio Social Elite directors	**0.0308 [0.012]**	**0.011**	0.0127 [0.012]	0.280
Ratio Elite Education directors	**0.0622 [0.010]**	**0.000**	**0.0598 [0.010]**	**0.000**
Firm controls				
Log (gross revenues, US$)	**0.0113 [0.002]**	**0.000**	**0.0125 [0.002]**	**0.000**
ROA	-0.0012 [0.002]	0.471	-0.0014 [0.002]	0.395
Log (Firm age)	-0.0020 [0.003]	0.474	**-0.0061 [0.003]**	**0.033**
Capital controls				
Equity/Total assets	0.0047 [0.004]	0.183	0.0052 [0.004]	0.143
Debt/Total assets	0.0056 [0.006]	0.376	0.0053 [0.006]	0.407
Retained earnings/ sales	-0.0007 [0.001]	0.279	-0.0004 [0.001]	0.514
Ownership control				
Director ownership	-0.0003 [0.000]	0.340	-0.0003 [0.000]	0.348
Private equity ownership	**0.1289 [0.031]**	**0.000**	**0.1213 [0.031]**	**0.000**
Foreign MNE ownership	**0.0019 [0.000]**	**0.000**	**0.0019 [0.000]**	**0.000**
Variable variance				
Country constant	0.0085 [0.004]		0.0094 [0.005]	
Residual	0.0080 [0.000]		0.0079 [0.000]	
No. obs.	1697		1697	
No. Firms	171		171	
Log-likelihood	1668.33		1677.13	
Wald χ^2	1449.68 [0.00]		1482.01 [0.00]	
LR test vs. linear model χ^2	456.00 [0.00]		470.48 [0.00]	

Notes: No. Firms [No. Years] is 170 [17]; [a] Time (year) and industry binary fixed effects in all cases; Bold indicates *p* value $\leq$ 0.10

Table D3
Hierarchical Mixed Effects regression for determinants of disclosure

	Dependent variable: disclosure			
	Moderating effect Model 4	*p* value	Moderating effect Model 5	*p* value
Fixed variance				
Intercept	**1.2090 [0.195]**	**0.000**	**1.2522 [0.194]**	**0.000**
Explanatory variables				
BG Control Normalized	**+ 0.0352 [0.007]**	**0.000**	**+ 0.0272 [0.006]**	**0.000**

(*continued on next page*)

Table D3 (*continued*)

	Dependent variable: disclosure			
	Moderating effect Model 4	*p* value	Moderating effect Model 5	*p* value
x Board ethnic diversity index	– –		– –	
x FMNE	– –		– –	
x Institutional quality	**-0.0661 [0.009]**	**0.000**	– –	
x European colony	– –		**-0.1681 [0.018]**	**0.000**
Board ethnic diversity index	0.0016 [0.014]	0.914	0.0061 [0.014]	0.671
FMNE	**0.0390 [0.008]**	**0.000**	**0.0434 [0.008]**	**0.000**
Institutional quality	0.0644 [0.019]	0.001	0.0377 [0.019]	0.042
European dependent territory	-0.0519 [0.085]	0.543	0.0601 [0.087]	0.489
Institutional controls				
Tax Haven Subsidiary	**-0.0181 [0.007]**	**0.011**	**-0.0269 [0.007]**	**0.000**
Log (GDP per capita US$)	**-0.0998 [0.021]**	**0.000**	**-0.1051 [0.021]**	**0.000**
Board controls				
Board Size	**0.0088 [0.001]**	**0.000**	**0.0119 [0.001]**	**0.000**
Ratio Independent Nonexecutives	**0.0984 [0.016]**	**0.000**	**0.0853 [0.016]**	**0.000**
Ratio Social Elite directors	**0.0295 [0.012]**	**0.012**	**0.0342 [0.012]**	**0.003**
Ratio Elite Education directors	**0.0552 [0.010]**	**0.000**	**0.0592 [0.010]**	**0.000**
Firm controls				
Log (gross revenues, US$)	**0.0122 [0.002]**	**0.000**	**0.0120 [0.002]**	**0.000**
ROA	-0.0009 [0.002]	0.580	-0.0009 [0.002]	0.573
Log (Firm age)	-0.0007 [0.003]	0.789	-0.0052 [0.003]	0.059
Capital controls				
Equity/Total assets	0.0042 [0.004]	0.231	0.0043 [0.003]	0.212
Debt/Total assets	0.0064 [0.006]	0.310	0.0049 [0.006]	0.436
Retained earnings/ sales	-0.0003 [0.001]	0.674	-0.0003 [0.001]	0.578
Ownership control				
Director ownership	**-0.0013 [0.000]**	**0.000**	-0.0002 [0.000]	0.518
Private equity ownership	**0.1285 [0.031]**	**0.000**	**0.1409 [0.030]**	**0.000**
Foreign MNE ownership	**0.0016 [0.000]**	**0.000**	**0.0019 [0.000]**	**0.000**
Variable variance				
Country constant	0.0082 [0.004]		0.0083 [0.004]	
Residual	0.0078 [0.000]		0.0077 [0.000]	
No. obs.	1697		1697	
No. Firms	171		171	
Log-likelihood	1685.26		1699.62	
Wald χ^2	1513.15 [0.00]		1567.79 [0.00]	
LR test vs. linear model χ^2	502.14 [0.00]		454.30 [0.00]	

Notes: No. Firms [No. Years] is 170 [17]; [a] Time (year) and industry binary fixed effects in all cases; Bold indicates p value ≤ 0.100

Data availability

Data will be made available on request.

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