

**THE IMPACT OF INTERNATIONAL INSTITUTIONAL CONTAGION:
ANGLO-AMERICAN CORPORATE GOVERNANCE IN EMERGING AND OFFSHORE
MARKET FIRMS**

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Abstract

This study investigates how elite non-executive directors shape firms' adoption of Anglo-American corporate governance in offshore and emerging economies. By integrating perspectives from institutional and resource dependence theory (RDT), we theorize that directors drawn from governmental and commercial elites act as boundary-spanning agents of institutional contagion, transmitting international governance norms across firms and jurisdictions. Institutional economics explains how demographically narrow polities concentrate elite power, while institutional contagion and RDT illuminate how firms conform isomorphically to either indigenous opaque network governance, or internationally legitimate investor norms. Using a unique dataset of 183 headquartered across eight Caribbean exchanges we find that both governmental and commercial elite directors are positively associated with the adoption of Anglo-American corporate governance practices. Governmental elites exert nearly twice the influence of commercial elites, though their effect weakens in offshore jurisdictions. The study advances understanding of how elite agency mediates the global diffusion of governance practices and reveals how institutional design conditions the transfer of international governance norms.

Keywords: Social Elites; Anglo-American; Caribbean; Offshore Financial Centres; Institutional Theory; Non-executive Directors

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Introduction

Offshore financial centres (OFCs) have become pivotal nodes in the global economy, now mediating nearly 40% of worldwide foreign direct investment (FDI) positions (Damgaard, Elkjaer, & Johannesen, 2018). Traditionally OFCs have been viewed as instruments of tax management for multinational enterprises (MNEs) with this role often overshadowed by controversies surrounding secrecy, tax evasion, and regulatory opacity (The Guardian, 2025). Yet emerging evidence offers a more nuanced perspective: firms incorporated in OFCs often demonstrate higher compliance with international standards of transparency, governance, and financial integrity than comparable firms in both emerging and developed economies (Allred, Findley, Nielson, & Sharman, 2017). These contradictory narratives motivate our inquiry into how firms' embeddedness within distinct political economies — offshore versus emerging — shapes the diffusion of Anglo-American corporate governance practices.

Our starting point is the recognition that Anglo-American corporate governance principles constitute a cornerstone of international investment norms (Aguilera & Jackson, 2003, 2010), owing to their co-evolution within a predominantly English common law institutional context. We argue that directors serve as critical conduits for the diffusion of these principles within firms — a process of institutional contagion previously demonstrated in other jurisdictions (Oxelheim & Randøy, 2005). We draw on studies that highlight the role of interlocking directorships with constituencies external to the focal firm in facilitating the spread of corporate governance norms (Sanders & Tuschke, 2007; Aguilera, Judge & Terjesen, 2018). Drawing on both institutional perspectives and resource dependence theory (RDT), we posit that directors recruited from different realms of national polities — governmental and commercial — differentially influence firms' alignment with global governance standards.

Institutional theory helps explain how politically narrow or exclusive systems tend to concentrate power in the hands of elites, making it harder to implement more equitable reforms. (North, 1991, 1994; Williamson, 2000). Furthermore, institutional isomorphism emphasizes that

firms conform isomorphically to prevailing norms — either indigenous opaque network governance or internationally legitimate investor models (DiMaggio & Powell, 1983; Scott, 2014). RDT (Pfeffer & Salancik, 1978; Shropshire, 2010) complements these perspectives by identifying directors as boundary-spanning agents who mediate critical dependencies between firms and their institutional environments.

In many emerging economies, institutional arrangements reflect narrow, elite-dominated polities that concentrate authority, capital, and legitimacy among a small number of actors. Decision-makers within these systems operate under bounded rationality, their strategic choices shaped by the institutional logics and informal norms of their domains (North, 1991). Within this context, governmental and commercial elites embody distinct forms of institutional rationality: governmental elites derive legitimacy from regulation, hierarchy, and control, while commercial elites operate within market logics emphasizing efficiency, competition, and transparency. Their influence on governance thus reflects the intersection of institutional incentives and the transactional efficiencies that arise when firm-level practices align with globally legitimate models (Williamson, 2000; Scott, 2014).

From an RDT perspective, boards are mechanisms through which firms manage interdependencies with external constituencies (Pfeffer & Salancik, 1978; Hillman & Dalziel, 2003; Hillman, Withers, & Collins, 2009). Elite directors supply complementary resources: governmental elites provide political legitimacy and regulatory access, whereas commercial elites contribute market credibility, financial expertise, and international networks (e.g., Judge & Talaulicar, 2017). We extend RDT by highlighting the heterogeneity of elite directors in providing different resource channels that shape the adoption of Anglo-American corporate governance.

Our framework also recognizes the dual orientation of national polities: entrenched institutional structures reinforce elite dominance and path dependence (Acemoglu & Robinson, 2012; Hall & Soskice, 2001), while global interdependencies expose these same elites to international norms and resources (Whitley, 1999). This duality (e.g., Kostova & Roth, 2002) generates competing pressures — domestic institutions preserve elite privilege, while global forces promote convergence

toward Anglo-American corporate governance logics through internationally connected elites. We further unpack the influence of political economy by examining how firms' embeddedness in offshore versus emerging economies moderates these relationships (Acemoglu & Johnson, 2005). Offshore jurisdictions represent proactively designed institutional environments shaped through state–market collaboration and consultation with international business intermediaries, such as the Big Four auditors or international lawyers (Hampton & Christensen, 2002). Offshore jurisdictions' defining features — regulatory flexibility and confidentiality — attract global capital through “regulatorily light” legal frameworks (Dharmapala & Hines, 2009). In contrast, emerging economies are reactively shaped through hybrid political processes marked by institutional voids and weaker enforcement. The “by-design” institutional architectures of OFCs (Morris & Henson, 2013) thus produce a bifurcated character: proactive regulatory reform coexists with limited transparency, fostering both institutional innovation and opacity.

Our empirical analysis draws on a hand-collected dataset of 183 listed firms across eight Caribbean securities exchanges between 2000 and 2017. This region is an ideal laboratory within which to study the unique attributes of offshore vis-à-vis emerging economies given it hosts the world's highest concentration of OFCs (Hines, 2010) and comprises jurisdictions divided between offshore and emerging economies. Both are characterized by formal institutional voids and dense social networks that sustain indigenous business activity. The data allow us to illuminate the distinctive corporate governance dynamics of offshore and emerging economies and demonstrate how national politics shape the diffusion of international investment norms, specifically Anglo-American corporate governance practices into firms. Although our empirical setting focuses on Caribbean firms, the phenomenon under study — how offshore jurisdictions institutionalise and export governance templates — is profoundly international. OFCs are not marginal anomalies but central nodes in the global FDI network, reflected in 50 to 90% of all outward FDI from major emerging economies and in 50 to 60% from advanced economies, such as US and UK, passing through their jurisdictions (Damgaard et al., 2018). They embody the institutional mechanisms through which global capital is structured, legitimised, and, paradoxically, rendered opaque. By

examining how local elites in these contexts navigate between indigenous governance norms and Anglo-American investor expectations, our study advances core international business debates on institutional duality, governance diffusion, and institutional arbitrage. In doing so, we reveal how institutional voids can evolve into institutionalised advantages — opacity and secrecy that serve as tradable governance resources in the international investment system.

This study makes four contributions. First, it extends institutional perspectives and RDT by demonstrating how distinct elite types mobilize different forms of institutional and resource capital to shape governance outcomes, advancing understanding of elite heterogeneity in institutional change (Shropshire, 2010; Gupta, Wowak, & Boeker, 2022). Second, it shows how jurisdictional design — offshore versus emerging — conditions the influence of elites, revealing how variations in international institutional configurations moderate the diffusion of governance practices. Third, it shifts international business research from the demand side of OFCs, focused on multinational tax efficiency (Jones, Temouri, & Cobham, 2018; Niu, Wang, Zhou, & Gan, 2024) to their supply-side institutional determinants, highlighting how national polity structures shape governance capability. Finally, it contributes to debates on institutional hybridity and grand challenges (Buckley, Doh, & Benischke, 2017) by conceptualizing small, often island-based OFCs as hybrid institutional ecosystems within the blue economy, where governance, sustainability, and economic survival intersect.

Our study proceeds with an elaboration of theoretical framework and hypotheses in section 2. This is followed by data in section 3 and research design, including definitions of variables and outlining of empirical models in section 4. Next, section 5 outlines empirical results while section 6 discusses these. The final section concludes.

Theory

Our theoretical framework draws on institutional theories at the macro-structural level by providing rationale for why emerging and offshore economies differ in their governance environments. We argue that institutional contagion explains how global norms diffuse isomorphically through elite

carriers; and RDT specifies the mechanisms - legitimacy, networks, and resources - through which these elites exert influence. The integration of these perspectives (see Meyer, Estrin, Bhaumik & Peng, 2009) explains not only *whether* elites promote Anglo-American corporate governance adoption, but also *how* institutional context conditions their efficacy.

We begin by outlining the institutionalized structure of national polities typical of emerging economies, before rationalizing how polity-contingent boards facilitate the diffusion of Anglo-American corporate governance within firms. This process reflects a form of institutional contagion transmitted through directors — an idea consistent with the diffusion of governance practices via interlocking directorships observed in other settings (Oxelheim & Randøy, 2005; Shropshire, 2010). We argue that such contagion can be understood through the lens of RDT, whereby directors act as conduits of external legitimacy and resources embedded in distinct institutional environments.

Emerging economies institutions are characterized by persistent voids in their formal institutional architecture (Khanna & Palepu, 2000; North, 1991, 1994). These voids hinder arm's-length contracting and impede the efficient intermediation of external resources. North's framework attributes such deficiencies to demographically narrow polities that inhibit inclusive political and economic reform. Concentrated elites maintain control over resources, shaping the institutional "rules of the game" to preserve their privileged positions. This dynamic often reflects a historical evolution from colonial-era imperial elites to post-independence successors who inherited administrative structures and territorial boundaries drawn to serve imperial rather than indigenous logics. The result is enduring ethno-cultural fragmentation and uneven access to power, where narrow elite coalitions dominate political authority and economic coordination (Acemoglu & Robinson, 2012).

The demographic narrowness of these polities undermines broader social legitimacy and constrains checks on executive power, creating systems that perpetuate exclusionary governance. Thus, stalled reform in many emerging economies can be traced not only to elite self-interest but also to the institutionalized structure of the polity itself. These institutional arrangements mirror the logic

of institutional economics: path-dependent, self-reinforcing systems that shape actors' bounded rationality and limit access to productive exchange (North, 1994; Williamson, 2000).

Voids in formal institutions often prompt firms to rely on dense social networks (Boddeyn & Peng, 2021) to coordinate economic activity and mitigate transaction costs. Such networks, embedded in socio-cultural norms, facilitate relational contracting by providing reputational monitoring and sanctioning mechanisms that substitute for formal enforcement. These networks can reduce behavioral uncertainty by deterring opportunism and enabling information exchange. Yet, consistent with institutional economics, these informal mechanisms are themselves imperfect institutions: they are exclusionary, privilege insiders, and reproduce patterns of favour exchange, cronyism, and nepotism (Berger, Silbiger, Herstein, & Branes, 2015). Consequently, informal networks may stabilize economic exchange but also entrench inequality and restrict access to opportunity.

Despite these limitations, national polities and their embedded networks serve as the principal institutional interface linking domestic firms to the global economy. Governments — and to a lesser extent, commercial associations — mediate this interaction by legislating, regulating, and negotiating international frameworks such as investment treaties and trade agreements. These engagements create isomorphic pressures that encourage the alignment of domestic governance standards with global norms, including Anglo-American corporate governance practices. Such alignment enhances institutional legitimacy and facilitates access to external resources and capital — an objective consistent with the efficiency orientation of institutional economics.

Following North (1991, 1994), we reconceptualize the polity not as a singular entity but as a multidimensional institutional field composed of interrelated elite groups. These include governmental elites, who shape formal institutions and regulatory frameworks, and commercial elites, who influence markets through professional networks, trade associations, and financial intermediation. While both derive authority from the same polity, their institutional rationalities differ. Governmental elites emphasize political legitimacy and regulatory control, whereas commercial elites prioritize market efficiency and transnational integration.

Within this institutional structure, firms interact with elite-dominated environments through their boards of directors. We view the diffusion of Anglo-American corporate governance principles as a process of institutional contagion (DiMaggio & Powell, 1983; Scott, 2014) — the transfer of governance logics and practices across organizational boundaries through socially embedded actors. Directors serve as carriers of institutional templates, transmitting governance norms that confer legitimacy in the eyes of investors and regulators. Firms thus conform isomorphically either to the indigenous, opaque network model dominant in narrow polities or to internationally legitimate investor norms embodied in Anglo-American corporate governance.

Here, RDT complements this view by providing a micro-level mechanism for institutional contagion. Boards function as boundary-spanning mechanisms linking firms to their external environments (Pfeffer & Salancik, 1978; Hillman & Dalziel, 2003). Elite directors provide access to critical external resources — political legitimacy, policy knowledge, financial capital, and reputational credibility — enabling firms to navigate institutional constraints. Governmental elites offer connections to regulatory institutions and enhance political legitimacy; commercial elites contribute transnational expertise, market credibility, and investor access. The degree of governance adoption thus depends on how these elites mobilize distinct forms of institutional and resource capital within their firms.

Taken together, institutional factors explain why national polities produce concentrated elite structures that shape the rules of exchange, while RDT explains how firms strategically leverage these elites to acquire resources and legitimacy. In combining these perspectives, we theorize that the diffusion of Anglo-American corporate governance practices reflects both institutional alignment — as firms conform to globally legitimate governance models (e.g. Whitley, 1999) — and resource adaptation — as directors channel external resources and norms into the firm. The relative influence of governmental and commercial elites thus depends on the underlying polity: in politically embedded emerging economies, state-linked directors exert greater influence, whereas in offshore jurisdictions with regulatory autonomy, commercially oriented elites dominate.

Interconnectedness of political economy and embedded firms

Our theoretical model (Figure 1) emphasizes the interconnectedness between the polity and embedded firms. In developed economies, political exchange studies typically focus on transactional markets for influence (e.g., Hillman et al., 2009; Choi, Jia, & Lu, 2015). In contrast, emerging markets exhibit state capture, where firms and political elites are mutually dependent in the distribution of rents and privileges. This mutual interdependence reinforces institutional path dependence (North, 1991; Williamson, 2000) and embeds firms deeply within elite networks.

Within such settings, firms' governance practices are shaped by the dual pressures of outward-oriented isomorphic conformity and inward-oriented elite preservation. Governmental and commercial elites — central to the business–government interface — develop cognitive heuristics reflecting their institutional origins. Governmental elites, socialized in state-centric logics of control and hierarchy, are more responsive to international legitimacy pressures as national institutions seek to attract foreign capital. Commercial elites, rooted in market-based logics, align with global investor expectations but maintain connections to domestic networks that sustain their influence. Both types of elites therefore act as institutional intermediaries who translate global norms into firm-level governance behavior.

Anglo-American corporate governance, originally developed within common-law systems (Aguilera & Jackson, 2010), has diffused internationally through isomorphic pressures and interlocking directorships (Shropshire, 2010; Gupta et al., 2022). Directors' social identities shape how they internalize and propagate these norms (Mael & Ashforth, 1992; Ashforth & Mael, 1996). Elite directors who identify strongly with international investor communities or transnational policy networks are more likely to promote Anglo-American corporate governance adoption, while those embedded in domestic networks may reproduce local relational logics. Thus, board composition determines whether a firm aligns with global transparency norms or perpetuates indigenous opaque governance systems. Hence, we hypothesize:

Hypothesis 1. *In emerging economies, increased representation of governmental and commercial social elites as non-executive directors is positively associated with firms' adoption of Anglo-American corporate governance.*

Offshore institutional contingencies

Our theorization so far has examined the general case of emerging economies, where governmental and commercial elite directors promote the adoption of Anglo-American corporate governance through access to political legitimacy, market networks, and external resources. We now extend this argument by considering how jurisdictional embeddedness — specifically, whether a firm is based in an offshore versus an emerging economy - moderates this relationship. To do so, we draw on the distinct political economy features that characterize offshore jurisdictions.

OFCs are typically small, territorially discrete entities that remain geographically or politically separate from the regulatory frameworks of larger onshore economies (Rose & Spiegel, 2005). While proximity to major economies was once crucial for their operation, globalization has rendered geographic distance less relevant. Their small size imparts several unique institutional traits (Hines, 2010). First, public–private boundaries are often blurred in tightly knit societies dominated by extended families with strong socio-emotional ties to the territory (Cobb, 1999, 2001). Second, their limited administrative capacity produces high costs in delivering public goods (Van Beurden & Jonker, 2021), including the continual updating of regulatory frameworks — contributing to institutional voids despite formal legal sophistication.

To offset these constraints, many offshore jurisdictions sustain binding political or macroeconomic relationships with major economies, often through colonial ties or currency pegs (e.g., to the U.S. dollar). These arrangements enhance institutional credibility and facilitate access to global financial networks. At the same time, the autonomy afforded by geographic and regulatory isolation allows for proactive legal reforms (Hampton & Christensen, 2002), typically shaped by the

expertise and lobbying of international business service providers — such as auditors, lawyers, and financial intermediaries (Rose & Spiegel, 2005; Jones et al., 2018). These reforms frequently target heavily regulated onshore sectors, enabling offshore jurisdictions to attract business through flexible and competitive regulatory regimes.

This proactive regulatory orientation, while strategically advantageous, also shapes the cognitive heuristics of elite actors. Governmental elites in offshore jurisdictions operate within institutional environments emphasizing confidentiality, sovereignty, and discretionary control (Hines, 2010). As such, we argue that the heuristics employed by governmental elites tend to privilege opacity and limited disclosure, rendering them less likely to advocate for transparent, Anglo-American governance practices. In contrast, commercial elites in these jurisdictions depend heavily on reputational credibility to safeguard property rights, ensure contract enforcement, and attract external investors. Their institutional rationality is therefore outward-oriented and aligned with RDT's emphasis on securing legitimacy and resources from transnational markets (Pfeffer & Salancik, 1978; Hillman & Dalziel, 2003). Accordingly, commercial elites are expected to favour transparency and international best practices, promoting Anglo-American corporate governance adoption within firms.

In non-offshore (i.e., typical emerging economy) contexts, regulatory reforms are reactive and involve broader political participation, albeit within the constraints of institutional voids. Here, our earlier theorization implies polities are outwardly oriented due to resource scarcity, motivating the attraction of foreign capital and institutional alignment with global investment norms (Acemoglu & Johnson, 2005). Under these conditions, governmental elites adopt heuristics emphasizing external resource mobilization, leading to greater firm-level adoption of Anglo-American corporate governance. By contrast, commercial elites in such contexts rely more on dense domestic networks and relational contracting for resource access (Khanna & Palepu, 2000). Their inward orientation favours opacity and informal coordination, which, despite limited recognition of the benefits of transparency, ultimately constrains their influence on governance adoption. Hence, we hypothesize:

Hypothesis 2. *Offshore financial centre (OFC) jurisdictions negatively (positively) moderate the main positive association between increased governmental (commercial) social elite representation on firms' boards of directors and their firm's adoption of Anglo-American corporate governance.*

To summarize our theoretical arguments, we propose a contingency model with a main effect and two contingency (moderating) effects, as outlined in Figure 1.

Figure 1

Methods

Sample

The sample is formed from the national securities exchanges across the Caribbean region which attract firms from the domestic economy to list their ordinary shares, or equity. The Caribbean constitutes an ideal laboratory within which to study the attributes of OFCs since the region uniquely divided between offshore and non-offshore emerging economies with no developed economies present. The securities exchanges forming the basis of our sample are those of Bermuda, The Bahamas, Cayman Islands, Haiti, Jamaica, the Eastern Caribbean securities exchange which being a distinct regional market is itself comprised of St Kitts & Nevis, Dominica, St Vincent & the Grenadines, St Lucia and Grenada, then Barbados, Trinidad & Tobago, Guyana and Surinam. The nascent exchanges in Dominican Republic and Curaçao, Netherlands Antilles are omitted owing to the lack of any equity listings in the former while the latter is exclusively focussed on foreign overseas listings.

The dataset is formed from two consecutive screening stages. The first step involved a compilation of a comprehensive list of firms who have listed ordinary shares. These are single class voting rights, namely one share – one vote. Thus, entities which only had primary listings of dual or multiple class shares, preference shares, convertible instruments were omitted. Lists of listed firms were compiled for each Caribbean stock exchange from year 2000 or inception, whichever date is earliest. These lists also considered new listings, suspensions and de-listings that occurred during the

period of 2000-2017 inclusive, to account for potential survivorship bias in final dataset. Such listing data was obtained from the national stock exchanges (see Appendix Table 1). This resulted in 183 listed firms.

The second step involved the procurement of individual listed firms' annual reports and financial statements for each year from 2000 to 2017 inclusive. Firm's annual reports were obtained from the websites of national securities exchanges in the case of The Bahamas, Bermuda, Jamaica, Trinidad & Tobago and Surinam. Next, firm annual reports were obtained direct from the national securities exchanges themselves in the case of Barbados and the Eastern Caribbean regional securities exchange, located in Basseterre, St Kitts & Nevis. Annual reports were obtained from the national regulator (GASCI) in the case of Guyana, while they were sourced from individual firms and their websites in the case of Haiti and 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 original data collection and augment any missing values (annual reports). This led to an unbalanced panel sample of 183 headquartered and listed firm's annual reports. All firm-specific balance sheet and governance variables were then sourced direct from collected annual reports. All data was converted to US\$ end-of-period equivalent values to facilitate comparison in a multi-country sample. This led to a final sample cross section of 183 listed firms with a time series of up to 17 years for each firm and an unbalanced panel of 1,776 firm-year observations.

Measures

Dependent variable

The dependent variable is a 32-element index capturing the degree to which individual firms have adopted Anglo-American corporate governance with this represented by the "shareholder rights" subindex of the OECD's (2015) "principles of good governance"ⁱ. This entails the collection of the 32 elements outlined in Appendix Table 2 directly from each individual firm's annual report and should be noted as a very labour-intensive manual process.

The new index affords an improvement on the good governance “G-index” of Gompers, Ishii & Metrick (2003) which is constrained in comprising 24 elements of whom only 22 were firm level as opposed to state level dimensions of governance. This was an advancement on the governance-related indices constructed by La Porta, Lopez-de-Silanes, Schliefer & Vishny (1998, 2000, 2002) which solely captured national state level elements relating to corporate governance and therefore lacked the fine-grained firm-level approach. Notably, the G-index has been superseded by the E-index of Bebchuck, Cohen & Ferrell (2009) which is comprised of 6 elements following on from evidence that only these elements were responsible for influencing firm performance and risk-adjusted returns. However, a shortcoming of this smaller E-index is that the specific governance dimensions captured are typically only available in the large, developed US equity market thereby undermining its applicability in smaller emerging economies.

Explanatory variable

Our study has two explanatory variables. The two are the ratio of governmental elites (see e.g., Zhu & Yoshikawa, 2016; Hillman, 2005) and then the ratio of commercial elites (see e.g., Westphal & Khanna, 2003; Hearn, Strange & Piesse, 2017) to the total number of non-executive directors serving on board of directors. Government elites are defined as those directors with backgrounds in senior governmental roles, with these being ministerial, including president or prime minister and the national executive, as well as ambassadorial roles overseas. Commercial elites include serving in chambers of commerce, national commercial attaché, senior regulatory agencies and governmental industry committees. This corresponds to our main effect outlined in *Hypothesis 1*. Identification of directors with social elite backgrounds entails in-depth study of director biographical sections of annual reports and listings filings. Notably, where biographical descriptions were not available or the information was at best minimal, as in the case of in the Bahamas, Bermuda and Cayman, recourse to local sources was essential with these outlined in Appendix Table 1.

Moderating variables

Our main moderating variable is a binary effect taking the value of one if the listing jurisdiction is an offshore financial centre, or OFC, and zero otherwise. This corresponds to *Hypothesis 2*. This draws on the US state department's 2017ⁱⁱ list of recognized offshore jurisdictions in the Latin American and Caribbean region. An especially useful characteristic of the Caribbean region is in its dichotomous divide between constituent territories either being offshore jurisdictions or being emerging economies with no developed economies present. Therefore, our binary OFC moderator facilitates distinction between offshore and emerging economy jurisdictions. This corresponds to *Hypothesis 2*.

Controls

We adopt five categories of control variables. The first of these are *institutional controls*. This comprises the natural logarithmically transformed GDP per capita, denominated in US\$, which is indicative of the wealth of indigenous economies.

The second is *board controls* which comprises five variables. The first is the natural logarithm of board size, defined as total number of both non-executive and executive directors, and controls for differences in communication and decision making effectiveness where larger boards are argued to be less effective in achieving consensus and formulating strategy (Boyd, 1994) while at 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 ratio of independent non-executive directors (Bebchuk & Hamdani, 2017) which is defined as the proportion of independent non-executive directors to the total number of directors serving on board. This captures the degree to which the board is utilized as a monitoring and surveillance mechanism (Wang, Xie & Zhu, 2015; Miletkov, Poulsen & Wintoki, 2017) rather than co-opting stakeholder constituencies and resource contingencies through strategic hiring of directors. The third is ethnic diversity index, which is a modified Herfindahl index of ethno-cultural diversity amongst directors and accommodates three categories of social heritage, namely European, African and Asian with this latter category comprising Arabian as well as East and South Asian. The modified

Herfindahl board diversity index is formed from the sum of each of these three proportions (s) squared, namely in Eq. 1 below:

$$\text{Herfindahl board diversity index}_{i,t-1} = \sum_1^N s_{i,t-1}^2 \quad (1)$$

where s is the proportion of one of the three ethno-cultural backgrounds on firm's board of directors, and i and t indicate the firm and year respectively. High values of a modified Herfindahl index reflect homogeneity while the opposite is true for lower index values. This accounts for social networks which transcend the firm, and which provide relational contracting access to resources with the social trust emanating from within them being the result of shared socio-cultural values and norms. Shared cultural heritage (Garg, Lin & Yang, 2023; Mendiratta & Tasheva, 2024) therefore facilitates the formation of networks and fostering of socialised trust. Our fourth variable is the ratio of female directors, capturing gender diversity, and is defined as proportion of female directors to total board size. Theory suggests that increased female participation on boards induces improved informational variety and processing (Mendiratta & Tasheva, 2024) with female directors argued to yield improved and broader stakeholder engagement (Marano, Sauerwald & Van Essen, 2022) while enhancing the monitoring and discretionary internal surveillance aspects of boards of directors (Adams & Ferreira, 2009; Wiersema & Mors, 2024). However, a burgeoning literature reports issues such as social categorization, stereotype formation, and biases collectively undermining the potential benefits from diversity amongst boards of directors (see, e.g., Nielsen & Huse, 2010; Tuggle, Sirmon, Borgholthaus, Bierman & Erin Bass, 2022; Weck, Veltrop, Oehmichen & Rink, 2021; Westphal & Milton, 2000; Wiersema & Mors, 2024). Our fifth variable is ratio of chartered public accountant, or CPA, non-executive directors which is defined as proportion of non-executive directors who are CPAs to total number of non-executive directors serving on board. This captures the financial literacy of non-executive directors (Güner, Malmendier & Tate, 2008) who are tasked with monitoring and oversight of executive decision-making.

The third category of control variables are those of *firm controls* which comprises three variables. The first of these uses the natural logarithm of firm's pre-tax revenues (or sales) as proxy for size assumed to control for the complexity of a given firm's operations and thus mirroring complexity of the task environment (Sanders & Carpenter 1998) which would be anticipated to mirror an increased need for additional skills and talents to be hired to board of directors resulting in increased quality of its corporate governance. As the second firm control, we adopt the accounting return on assets (ROA)ⁱⁱⁱ as a measure of firm performance in line with Finkelstein & Boyd (1998). As our third, we control for firm age where older firms are 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).

Our fourth category of control variables are two *capital controls*. These are the ratio of equity to total assets and then the ratio of liabilities to total assets. The former controls for the proportion of capital infusions derived from "risky financing" or equity which involves the exertion of voting control to influence firm's internal managerial discourse and strategic orientation. The latter captures the governance implications arising from the necessity of firms' internal management to irrevocably service a steady stream of restitution payments on debt, namely interest service repayments. This has been attributed to exerting a disciplinary influence on senior management of firms. Both are sourced from balance sheet sections of annual reports and are denominated in US\$m.

Lastly, we consider *ownership controls* based on five categories of owner. These are state (Shleifer, 1998; Hoskisson, Eden, Lau & Wright, 2000), business group (BG) (Khanna & Palepu, 2000; Almeida & Wolfenzon, 2006), foreign multinational enterprise (MNE) (Woodcock, Beamish & Makino, 1994; Peng, Wang & Jiang, 2008), director (e.g., Baysinger, Kosnik & Turk, 1991; Kroll, Walters & Le, 2007) and private equity (Bruton, Filatotchev, Chahine & Wright, 2010). State and Foreign MNE owners are identified through their reporting within a shareholders' section, or in the annexures of the financial statements. BG ownership is sourced from perusal of the ownership section of each annual report augmented by referral to the non-exhaustive list of additional sources outlined

in Appendix Table 1 given the informal nature of BGs and potential confusion arising from multiple overlapping control from BGs and wider external constituencies such as dominant families within islands. 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 ownership is sourced following detailed study of shareholders' section, or in the annexures of the financial statements augmented by an identification of each owner utilizing a non-exhaustive list of sources documented in Appendix Table 1. Importantly, following Bruton et al. (2010) private equity includes informal business angel investors as well as their formalized private equity counterparts.

Finally, we include two groups of fixed effect controls. These are all binary in taking the value one if a condition is satisfied and zero otherwise. The first of these is time (year) effects which control for differences in business cycle across years and periods of recession and economic downturn. The second are industry^{iv} effects which control for potential shocks within industries impacting on firms.

Analysis

To test our hypotheses, we employed multivariate panel OLS regressions specified in Eq. (2) for Hypothesis 1, while Eq. (3) specifies the general interactive model which includes moderation effects. The estimators draw on both cross-sectional (firms) and time-series dimensions and we address potential autocorrelation and heteroskedastic issues regarding the time-series component in the errors by adopting industry^v, and time (year) binary effects. Our models address potential autocorrelation and heteroskedastic issues regarding the time-series component in the errors by adopting the three groups of country, industry and time (year) fixed effects controls.

$$\begin{aligned}
& \text{Anglo – American governance index}_{i,t} \\
&= \alpha + \beta_1 \text{Ratio government elite nonexecutives}_{i,t-1} \\
&+ \beta_2 \text{Ratio commercial elite nonexecutives}_{i,t-1} \\
&+ \beta_3 \text{Moderator}_{i,t-1} + \beta_4 \text{Institutional controls}_{i,t-1} \\
&+ \beta_5 \text{Board controls}_{i,t-1} + \beta_6 \text{Firm controls}_{i,t-1} \\
&+ \beta_7 \text{Capital controls}_{i,t-1} + \beta_8 \text{Ownership controls}_{i,t-1} \\
&+ \sum_{t=2003}^{2017} \gamma_t \text{Year}_t + \sum_{j=1}^{20} \delta_j \text{Industry}_j
\end{aligned} \tag{2}$$

$$\begin{aligned}
& \text{Anglo – American governance index}_{i,t} \\
&= \alpha + \beta_1 (\text{Ratio government elite nonexecutives}_{i,t-1} \\
&* \text{Moderator}_{i,t-1}) \\
&+ \beta_2 (\text{Ratio commercial elite nonexecutives}_{i,t-1} \\
&* \text{Moderator}_{i,t-1}) \\
&+ \beta_3 \text{Ratio government elite nonexecutives}_{i,t-1} \\
&+ \beta_4 \text{Ratio commercial elite nonexecutives}_{i,t-1} \\
&+ \beta_5 \text{Moderator}_{i,t-1} + \beta_6 \text{Institutional controls}_{i,t-1} \\
&+ \beta_7 \text{Board controls}_{i,t-1} + \beta_8 \text{Firm controls}_{i,t-1} \\
&+ \beta_9 \text{Capital controls}_{i,t-1} + \beta_{10} \text{Ownership controls}_{i,t-1} \\
&+ \sum_{t=2003}^{2017} \gamma_t \text{Year}_t + \sum_{j=1}^{20} \delta_j \text{Industry}_j
\end{aligned} \tag{3}$$

where i, j, c , and t denote company, industry, country, and year, respectively, moderator corresponds to the binary OFC interactive variable. All explanatory and control variables lagged by 1 year to deal with potential reverse causality. Then, we apply robust standard errors based on Huber/White/sandwich estimator. Error distributions are assumed independently distributed while it is not necessary for errors to follow a normal distribution, nor that they are required to be identically distributed from one observation to the next. Thus, the robustness in errors is robust to heteroskedasticity of the errors.

Empirical Results

Descriptive statistics and correlation

The evidence from bivariate correlation analysis is revealed in Table 1. Pearson correlations are generally negligible although statistically significant. However, there is a dense cluster of exceptions

where correlations are extremely high and equally highly statistically significant. These are between the institutional interactive variables. So, OFC is highly correlated with Ln (GDP per capita) (0.713, $p \leq 0.050$), institutional quality (0.905, $p \leq 0.050$) and financial secrecy index (0.688, $p \leq 0.050$). National financial secrecy index is highly correlated with Ln (GDP per capita) (0.728, $p \leq 0.050$) and institutional quality (0.707, $p \leq 0.050$). Lastly, institutional quality is highly correlated with Ln (GDP per capita) (0.789, $p \leq 0.050$). These high correlations necessitate the recursive as opposed to joint inclusion of institutional variables and the meticulous testing of each model's variable inflation factors (VIFs). The negligible correlations mitigate concerns over potential collinearity; this is further mitigated by VIFs being less than 5 for all variables.

Table 1

Hypothesis testing

Table 2 presents the empirical evidence on the causal influence of control variables, followed by the main effects, on firms' adoption of Anglo-American corporate governance practices. Model 1 provides the regression results from the control variables alone in rationalizing transparency of firms. Model 2 presents the main effects in terms of the association between the ratios of government and then commercial elites as non-executive directors with firms' adoption of Anglo-American corporate governance.

The evidence from model 2 reveals that the ratio of government elites (+0.123, $p \leq 0.001$) and then commercial elites (+0.077, $p \leq 0.001$) non-executive directors is positively and statistically significant in rationalizing firms' adoption of Anglo-American corporate governance. In terms of economic significance derived from marginal effects and the evidence from model 2 implies that a one percent change in the ratio of government elite non-executive directors leads to a 12.3% increase in firm-level Anglo-American corporate governance adoption. Contrastingly a one percent change in ratio of commercial elite non-executive directors leads to a 7.7% increase in Anglo-American corporate governance adoption. This evidence is supportive of *Hypothesis 1*.

The evidence from the moderation of our main effects by binary condition of OFC location (or not) are outlined in model 3. Notably, there is consistency amongst main effects with the ratio of government elite (+0.217, $p \leq 0.000$) and then commercial elite (+0.014, $p \leq 0.650$) non-executive directors being positively associated with Anglo-American corporate governance adoption although only the former and is highly statistically significant. Moderation by OFC jurisdictional location then negatively moderates the ratio of government elite non-executive directors (-0.149, $p \leq 0.025$) and positively moderates the ratio of commercial elite non-executive directors' (+0.135, $p \leq 0.005$) association with Anglo-American corporate governance adoption. In terms of economic impact and these results imply a one percent change in ratio of government elite non-executive directors leads to a reduced net increase of 6.8% in Anglo-American corporate governance adoption in an OFC (as opposed to an emerging economy non-OFC). In terms of a one percent increase in commercial elite non-executive directors and this leads to a substantial 14.9% increase in Anglo-American adoption in an OFC (as opposed to an emerging economy non-OFC). These findings statistically support the maintenance of *Hypothesis 2*.

In terms of control variables, Anglo-American corporate governance adoption is associated with less likelihood of their being in offshore jurisdictions (OFCs) as opposed to emerging economies ($p \leq 0.000$) which is also reflected in their being poorer societies, in terms of GDP per capita ($p \leq 0.000$). Anglo-American adoption is higher in firms with larger boards of directors ($p \leq 0.050$), which also have increased ethno-cultural homogeneity (less diversity) amongst their directors ($p \leq 0.050$), and lower proportions of female directors ($p \leq 0.000$) while higher proportions of directors are CPAs (professional accountants) ($p \leq 0.000$). Moreover, Anglo-American adoption is higher in firms which are larger in gross revenue size and consequential complexity of managerial task environments ($p \leq 0.000$) yet have lower performance ($p \leq 0.050$). Transparency is prevalent in firms with higher debt or liabilities to total assets ($p \leq 0.001$) as well as in being positively influenced by higher levels of ownership by state ($p \leq 0.050$), foreign MNEs ($p \leq 0.000$), firm's own directors ($p \leq 0.050$) and private equity ($p \leq 0.000$).

In terms of diagnostic statistics, the F-statistics of all models are very large in absolute size with high statistical significance ($p \leq 0.000$) indicating unanimous explanatory power associated with all variables in each model. The root mean square error (MSE) decreases albeit marginally from model 1 with controls only to the main effect model 2. This is mirrored by an increase in adjusted R^2 or explanatory power in model 2 with the main effects of an additional 0.8% over the controls only in model 1. This statistical evidence further substantiates our proposed main effects outlined in *Hypothesis 1*.

Table 2

As an extension of our main analysis, we undertook a visualization of the interaction effects associated with our moderation variable, namely OFC jurisdiction (model 3). Figures 2 and 3 plot the predicted values of firm's Anglo-American corporate governance adoption at each combination of OFC (equal to 1 if firm located in an OFC and 0 otherwise) and the ratio of government elite non-executives (Figure 2) and commercial elite non-executive directors (Figure 3). Both profiles are upward sloping for firms that are not located in OFCs while the slope of those which are in OFCs is only marginally upwardly sloping in case of ratio of government elite non-executive directors via-a-vis that of the steep gradient attributable to ratio of commercial elite non-executive directors. This visual evidence provides further support for *Hypothesis 2*.

Figures 2 to 3

Robustness

As a robustness test, we include national financial secrecy and then institutional quality as moderating variables. The first, namely financial secrecy is a recently established index capturing financial secrecy of a jurisdiction introduced by the Tax Justice Network^{vi}. The financial secrecy index is a result of a national jurisdictional secrecy index weighted by the size of the national exports of financial services to the global total of exported financial services and cross border financial flows as reported by International Monetary Fund (IMF). A detailed description of the index construction is

provided in Appendix Table 3. The importance of financial weighting is that while many jurisdictions exhibit significant secrecy embedded within their formal institutional frameworks, they vary considerably in their relative importance and usage within the global financial community. In practice, the financial secrecy index provides a means of capturing the biggest and most prolific offshore jurisdictions.

The second is national institutional quality in the form of an equal weighted average of the six Worldwide Governance indicators (see Kaufman, Kraay & Mastruzzi, 2009). The six WGI indicators have universal coverage worldwide which includes all Caribbean territories following a recent expansion to include all territories and backdate these to provide a historical time series dimension. Consequently, these six indicators provide an essential insight into institutional quality given the typical secrecy and often extremely small size of offshore jurisdictions worldwide which undermine data collection efforts that would otherwise be anticipated to lead to their inclusion in a much wider range of institutional indices. Given the extremely high correlation and VIFs for these variables which is indicative of their collinearity, joint inclusion in models is avoided in favour of their being added recursively. Moreover, inclusion of all moderating variables is accompanied by checking VIFs, where these are under value of 5 in all models.

The evidence relating to moderation by national financial secrecy index is reported in model 4, Table 3 and supports that of our main moderation with the binary OFC variable. The main effect relating to ratio of government elite non-executive directors ($+0.217, p \leq 0.000$) and commercial elite non-executive directors ($+0.054, p \leq 0.044$) is positive and highly statistically significant. This main effect for ratio of government elite non-executive directors is negatively moderated ($-1.372, p \leq 0.000$) by national financial secrecy while this positively moderates the association between ratio of commercial elite non-executive directors ($+0.313, p \leq 0.059$) and Anglo-American corporate governance adoption. In terms of the economic impact arising from marginal effects and these findings from model 4 imply that in the context of investee firm located in high (as opposed to low) financial secrecy jurisdiction a one percent change in ratio of government elite non-executive directors leads to a net decrease of 115.5% in Anglo-American corporate governance adoption.

Contrastingly, a one percent change in ratio of commercial elite non-executive directors leads to a 36.7% net increase in Anglo-American corporate governance adoption.

Next, we consider moderation by national institutional quality in model 5, Table 3. Consistent with preceding models, there is a positive and highly statistically significant main effect between the ratio of government elite non-executive directors (+0.191, $p \leq 0.000$) and then commercial elite non-executive directors (+0.029, $p \leq 0.099$) with Anglo-American corporate governance adoption. In line with the direction and statistical significance of preceding moderating effects, moderation by national institutional quality of ratio of government elite non-executive directors leads to a large, negative and highly statistically significant association (-0.155, $p \leq 0.012$) with Anglo-American corporate governance adoption. Correspondingly, moderation by national institutional quality of the ratio of commercial elite non-executive directors leads to a positive and statistically significant association (+0.109, $p \leq 0.007$) with Anglo-American corporate governance adoption. In terms of the economic impact arising from marginal effects and these findings from model 5 imply that in the context of investee firm located in high (as opposed to low) institutional quality jurisdiction a one percent change in ratio of government elite non-executive directors leads to a net increase of 3.6% in Anglo-American corporate governance adoption. In terms of a one percent increase in commercial elite non-executive directors leads to a net increase of 13.8% in Anglo-American corporate governance adoption. These findings provide further statistical support the maintenance of *Hypothesis 2*.

In terms of controls and their individual associations with the dependent variable are as reported above for the underlying main effect models 1 and 2. More broadly in terms of diagnostic statistics, F-statistics are consistently large and highly statistically significant ($p \leq 0.000$) across all three interactive models 3 to 6. This is indicative of the joint statistical significance and relevance of all variables contained within the models in causally rationalizing the dependent variable. Finally, the adjusted R^2 's of all three models reflect an incremental increase in explanatory power from models 1 and 2 containing controls only and the main effects. This is indicative of at least a marginal increase in explanatory power, alongside strong joint statistical significance of all variables together with statistical significance of individual main effect and moderating coefficients.

Table 3

As an additional extension, we undertook a visualization of the interactive effects associated with each of the two moderating variables in our robustness exercise, namely national financial secrecy and institutional quality. Three-dimensional probability surfaces were produced from predicted values of Anglo-American corporate governance adoption across a range of both the ratios of governmental, or commercial, elite directors and then either national financial secrecy or institutional quality. The probability surfaces for the ratio of governmental elite directors in relation to national financial secrecy and then institutional quality are displayed between Figure 4 and 6 respectively. These reveal very similar profiles reflecting the synonymous and seemingly paradoxical association between national financial secrecy and institutional quality. This striking similarity is also apparent in the probability surface profiles for the ratio of commercial elite directors moderated by national financial secrecy and then institutional quality in Figure 5 and 7 respectively. While this visual evidence further supports the maintenance of *Hypothesis 2*, it underscores the near synonymous nature of national financial secrecy and institutional quality which is unique to the institutional context of OFCs.

Figures 4 to 7

Supplementary robustness and extensions

To address concerns over potential endogeneity and reverse causality, we undertook an additional series of tests. These involved the application of a two-step regression procedure from Heflin & Shaw (2000). In the initial regression, the ratio of government and then separately commercial elite non-executive directors is regressed on to firm Anglo-American corporate governance adoption index, as an explanatory variable plus all controls with the residuals saved. The second regression then regresses the Anglo-American corporate governance adoption index this time as dependent variable, against the ratio of government and then commercial elite non-executive directors plus the residuals from initial regression alongside all controls. The evidence from latter step reveals the coefficient of

association of inserted initial step residuals wholly lacks statistical significance thereby providing statistical support for a lack of endogeneity. For brevity these results have not been displayed but are available from authors upon request.

We also undertook an additional empirical extension to our analysis. This involved a disaggregation of the national institutional quality into its constituent six WGI dimensions and then subsequently moderating the main associations between the ratio of government and commercial elite non-executive directors and Anglo-American corporate governance adoption by each dimension in turn. The results reveal that (1) political stability & absence from violence, and (2) corruption control are both statistically significant for moderating the ratio of government elite, and separately the ratio of commercial elite non-executive directors' influence on Anglo-American adoption. Additionally, the dimensions of (3) democratic voice & accountability, (4) government effectiveness, (5) rule of law, are statistically significant in their moderation of ratio of government elite non-executive directors' influence on Anglo-American adoption. Contrastingly, only (6) regulatory quality is statistically significant in moderating the ratio of commercial elite non-executive directors' influence on Anglo-American adoption. This reflects the importance of these specific moderating effects in shaping the overall moderation attributable to generic institutional quality.

Discussion

Our empirical findings reveal that, within an emerging economy context, firms that appoint both governmental and commercial social elite non-executive directors are more likely to adopt Anglo-American corporate governance. However, a firm listed in an offshore jurisdiction weakens the positive effect of governmental elites on the adoption of Anglo-American corporate governance but strengthens the effect of commercial elites. This moderating pattern holds consistently across varying levels of national financial secrecy and institutional quality.

Theoretical contributions

Theoretically, our study advances understanding of how non-executive directors facilitate cross-border *institutional contagion* in offshore and emerging market firms. Whereas Oxelheim & Randøy (2005) examined the transfer of Anglo-American corporate governance practices — specifically CEO incentives — through internationalized boards in Scandinavian firms, we identify a parallel process driven by commercial and governmental business elites within emerging and offshore firms. This extends the institutional contagion mechanism to new political and institutional contexts characterized by small-scale economies and hybrid governance architectures.

Our distinction between governmental and commercial elites as analytically separate categories of directors further develops Shropshire's (2010) multilevel model of interlocking directorships. We show that elite background and professional experience encode distinct cognitive heuristics that shape receptivity to governance diffusion. In so doing, we respond to the limitations of conventional institutional theory, which often portrays isomorphic diffusion as a field-level, deterministic process that underestimates micro-level heterogeneity among individual actors (Scott, 2014). By incorporating cognitive variance rooted in elite socialization, we demonstrate that institutional contagion operates through *actor-level mechanisms* rather than purely structural conformity.

Our findings also extend the boundary conditions of RDT by demonstrating that the diffusion of corporate governance norms depends on the type of director and the institutional realm from which they originate. Governmental elites supply political legitimacy and regulatory access, while commercial elites contribute transnational credibility and market-oriented resources. These findings complement Hillman et al.'s (2009) political action strand of RDT — described as the most overlooked in the theory — by revealing how directors' institutional origins condition the form of political and resource intermediation they provide.

Furthermore, we highlight the mutual embeddedness of firms and national polities within these economies. The frequency and intimacy of interactions between firms and elites in emerging

— and especially offshore — contexts create a level of interdependency that far exceeds the scope originally envisaged by Pfeffer & Salancik (1978: 190), who noted that “organizations may use political means to alter the condition of the external economic environment.” In our setting, firms and elites co-evolve. Firms rely on elites for legitimacy and resource access, while elites depend on firms as vehicles for international credibility and capital inflows. This reciprocal relationship reinforces path-dependent institutional evolution, linking firm-level governance behavior to the broader political economy.

Taken together, our findings support the integrate institutional perspectives and RDT perspectives into a coherent framework that helps to explain how elite agency mediates the cross-border diffusion of corporate governance norms. Our study advances multilevel theorization of corporate governance by demonstrating how structural contexts, organizational arrangements, and individual actors jointly drive institutional change within hybrid political economies. In this way, offshore financial centres emerge as core institutional nodes in the global investment system rather than peripheral anomalies. The institutionalized opacity of OFCs serves as a strategic advantage, allowing MNEs to exploit differences in regulations and governance systems across countries, all while preserving an appearance of legitimacy. Ultimately, offshore jurisdictions illustrate how institutional voids can be transformed into globally tradable governance resources, thereby extending international business debates on institutional duality, governance diffusion, and the dynamics of institutional advantage in global capitalism.

Managerial and practitioner implications

In terms of managerial and practitioner implications, our findings reveal that the political economy contingencies in offshore jurisdictional contexts are quite different from those in broader emerging economies. Of critical importance is the orientation of governmental and separately the commercial realms within the national polity. In the context of emerging economies, both are cognisant of constraints to the access of resources in relation to the extent of reach of indigenous social networks which are essential in the “bridging” of formal institutional voids. Conversely in offshore

jurisdictions, the nature of the institutional reform process is essential in shaping cognitions of governmental and commercial elites. The emphasis on 'regulatory light' frameworks - and particularly on opacity as a cornerstone of offshore regulation — stems from governmental legislatures adopting a proactive, “by design” approach to legal reform that is lacking in universal suffrage. Governmental elites therefore are associated with negligible transparency while the opposite is true for commercial elites. This reflects the striking paradox of offshore economies balancing high-quality contracting protections while simultaneously accommodating their greatest infringements. Government legislatures focus on cultivating opacity, whereas commercial directors emphasize the importance of the jurisdiction maintaining an immaculate reputation.

Limitations and further research

There are several limitations associated with our research. The first is that it comprises a relatively small sample of what are very small, isolated island economies across the predominantly English-speaking Caribbean (see Minto-Coy, Lashley & Storey, 2018) which is dominated by the region’s largest economy of Jamaica and its domiciled firms. Second, by focusing on listed firms, the study is restricted to the formal economy - an important limitation in the context of emerging offshore economies, where informal economies are often substantial (see Schneider, 2005) and operate beyond the reach of state regulatory institutions, such as national taxation authorities. The third is that a major impediment to further research is the severe lack of publicly available data and limited avenues to collect these data in a region dominated by conservatism, informality, and secrecy, attributes that form the bedrock of offshore jurisdictions. This culture of legally mandated secrecy is exemplified by The Guardian (2018) quotation “...According to a 1985 law, anyone on Nevis disclosing financial information without a court order is liable to a prison term of up to a year, as well as a fine of \$10,000. (This is another area where Nevis is resisting the trend towards openness. Cayman previously had a similar law against breaching confidentiality but decriminalised the offence in 2016.)”

Finally, in terms of further research, additional avenues of enquiry may build on the influence of other categories of social elites, for example including military (see e.g., Pavićević & Keil, 2024),

within a broader sample of offshore economies worldwide. A major drawback to such a widening of our study is the lack of data availability ubiquitous to offshore jurisdictions but is also prevalent across conservative network-based economies in general. One potential way around this obstacle would be to administer a survey or questionnaire which has been successfully undertaken within offshore jurisdictions by Allred et al. (2017). Another would be the application of qualitative methodologies through the undertaking of a “finer grained” analysis to complement the quantitative methods applied here (see Birkinshaw, Brannen & Tung, 2011). This approach could focus on the broader cognitive motivations associated with each category of social elite director in influencing their firms (non) adoption of Anglo-American corporate governance. Such an avenue could also provide greater insights into the moderating influence of contingencies related to the worldwide offshore institutional environment and culture.

Conclusion

Emerging and offshore economies play an increasingly important role in the global economy, but the corporate governance of firms based in these economies are much less understood. We argue that an extension and combination of institutional theory and RDT, can help to build a theoretical understanding of emerging market choice of corporate governance. Specifically, this motivated us to explore how the demographic shape of political economies within emerging and offshore economies influences firms’ adoption of Anglo-American corporate governance. Firms can strategically co-opt these contingencies through the recruitment of governmental and commercial social elites drawn from national polities. Our findings suggest that policymakers and members of corporate boards should be aware that in offshore jurisdictions the evolution of institutional frameworks is through the mutual co-influence of firms and polity while elite directors’ cognitions reflect the cultural parameters of the polity realm from which they emanate. These findings are of importance given the burgeoning size of offshore finance and an ever-increasing number of territories seeking to adopt offshore legislative competence as a part of their development policy. In conclusion, we reposition offshore financial centres as active institutional intermediaries in the architecture of international business,

demonstrating how their institutionalized opacity and elite corporate governance networks underpin both the diffusion and legitimacy of global investment practices.

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Table 1. Sample variable and correlations.

Table outlining Pearson correlations between all variables. Anglo-American index comprises 36 binary elements that constitute the shareholder rights sub-index which is part of the OECD (2015) “principles of good governance” index. A detailed outline is provided in Appendix Table 2. Ratio of government and commercial elite directors are the proportions of non-executive directors who have senior-level backgrounds from government and commercial professional fields respectively to total size of board of directors. OFC is binary indicating whether firm’s domicile is an offshore finance centre or not as per US state department (2017) list. Financial secrecy index is a measure of the secrecy of national institutional frameworks weighted by the proportionate size of territory’s financial sector in relation to world – see <https://fsi.taxjustice.net/secrecy-indicators/>. A detailed outline is provided in Appendix Table 3. Institutional quality is the equally weighted average of the six Worldwide governance indicators after each has been rebased on a 0-1 scale and obtained from <https://www.worldbank.org/en/publication/worldwide-governance-indicators>. Ln (GDP per capita) is natural logarithm of GDP in constant 2000 prices, in US\$, divided by population. Variable definitions are continued overleaf. Bold indicates p value ≤ 0.01

		Mean	Std. Dev.	1	2	3	4	5	6	7	8	9
1	Anglo American index	0.400	0.224	1.000								
2	Ratio government elite directors	0.119	0.136	0.004	1.000							
3	Ratio commercial elite directors	0.261	0.216	0.184	0.081	1.000						
4	OFC	0.344	0.475	-0.415	0.198	-0.196	1.000					
5	Financial secrecy index	0.074	0.133	-0.415	0.073	-0.082	0.688	1.000				
6	Institutional quality, Normalized	0.444	0.571	-0.354	0.192	-0.129	0.905	0.707	1.000			
7	Ln (GDP per capita)	9.300	0.951	-0.469	0.053	-0.112	0.713	0.728	0.789	1.000		
8	Ln (Board size)	2.147	0.302	0.130	0.113	0.117	0.042	-0.013	0.074	0.078	1.000	
9	Ratio independent directors	0.193	0.164	0.090	0.131	-0.020	0.013	-0.014	0.033	-0.052	0.193	1.000
10	Ethnic diversity index	0.622	0.190	-0.223	-0.152	-0.039	0.238	0.311	0.202	0.286	-0.101	-0.110
11	Ratio female directors	0.136	0.135	0.027	0.036	-0.022	-0.057	-0.056	-0.034	-0.088	0.077	0.227
12	Ratio CPA non-executive directors	0.141	0.181	0.186	0.078	0.142	-0.011	-0.084	0.018	-0.137	0.046	-0.136
13	Ln (gross revenues)	17.262	1.921	0.155	0.066	0.032	0.079	0.048	0.124	0.183	0.514	0.055
14	ROA	-0.001	0.051	0.040	0.013	0.027	-0.031	-0.042	-0.037	-0.058	0.069	0.021
15	Ln (firm age)	3.442	0.989	0.101	-0.068	0.089	-0.131	-0.118	-0.131	-0.055	0.235	-0.099
16	Equity/total assets	-2.634	1.882	-0.016	0.013	-0.047	-0.001	-0.047	0.017	-0.030	-0.089	-0.142
17	Liabilities/ total assets	-0.886	1.057	0.077	-0.005	0.040	-0.054	-0.051	-0.090	-0.116	0.211	0.064
18	State ownership	0.065	0.163	0.014	-0.046	-0.137	-0.016	-0.140	-0.055	-0.011	0.063	-0.032
19	BG ownership	0.331	0.333	0.026	0.007	0.213	-0.078	-0.054	-0.095	-0.043	0.145	-0.049
20	Foreign MNE ownership	0.098	0.236	0.081	0.049	-0.146	0.117	0.035	0.116	0.029	-0.089	0.016
21	Director ownership	0.021	0.075	-0.010	-0.053	-0.037	0.081	0.064	0.104	0.056	-0.068	-0.135
22	Private equity ownership	0.037	0.080	0.194	-0.024	0.093	-0.232	-0.190	-0.155	-0.217	-0.042	0.151

Table 1 continued.

Continuation of variable definitions: Ln (board size) is natural logarithm of total board size, while ratio independent directors is proportion of independent non-executive directors divided by total number of directors. Ethnic diversity index is modified Herfindahl index capturing diversity amongst firm directors after these have been classified by background in terms of Asian (and Arabic), European and African heritage. Ratio female directors is proportion of directors that are female. Ratio CPA non-executive is proportion of non-executive directors who are qualified CPA (accountants). Ln (gross revenues) is natural logarithm of gross pre-tax revenues in US\$m. ROA is net income divided by total assets while Ln (firm age) is natural logarithm of firm's age in years. Equity/total assets is ratio of total outstanding equity value divided by total assets while total liabilities/ total assets is ratio of total liabilities divided by total assets. All values are in US\$m. State, BG, foreign MNE, director and private equity ownership are proportions of ownership (issued and outstanding equity) held by the state, business groups, foreign multinational enterprises, directors, and private equity. Note: Bold indicates p value ≤ 0.01

	10	11	12	13	14	15	16	17	18	19	20	21
1 Anglo American index												
2 Ratio government elite directors												
3 Ratio commercial elite directors												
4 OFC												
5 Financial secrecy index												
6 Institutional quality, Normalized												
7 Ln (GDP per capita)												
8 Ln (Board size)												
9 Ratio independent directors												
10 Ethnic diversity index												
11 Ratio female directors	1.000											
12 Ratio CPA non-executive directors	-0.034	1.000										
13 Ln (gross revenues)	-0.027	0.042	1.000									
14 ROA	-0.099	0.043	0.088	1.000								
15 Ln (firm age)	-0.056	0.028	0.020	0.035	1.000							
16 Equity/total assets	-0.082	-0.074	0.103	0.371	0.065	1.000						
17 Liabilities/ total assets	-0.005	-0.135	-0.051	-0.202	-0.125	-0.038	1.000					
18 State ownership	-0.052	0.098	0.101	0.211	-0.111	0.061	-0.224	1.000				
19 BG ownership	0.016	-0.018	-0.040	-0.002	0.010	-0.008	-0.006	0.023	1.000			
20 Foreign MNE ownership	-0.089	-0.024	0.006	0.071	0.024	0.135	0.015	0.010	-0.258	1.000		
21 Director ownership	-0.121	0.155	-0.010	0.200	0.024	-0.077	-0.068	0.083	-0.084	-0.381	1.000	
22 Private equity ownership	-0.102	-0.082	0.101	-0.065	0.009	0.008	-0.037	-0.160	-0.080	-0.175	-0.067	1.000

Table 2. OLS regressions

Table reporting OLS regression coefficients from Anglo American shareholder value corporate governance adoption index as dependent variable regressed on range of independent variables plus control variables whose detailed definitions are provided in Table 1. Robust standard errors in square brackets, *p* values in round brackets. Industry, time (year) fixed effects in all models

	Dependent variable: Anglo American shareholder value adoption index		
	Model 1	Model 2	Model 3
Intercept	0.643 [0.073] (0.000)	0.619 [0.073] (0.000)	0.661 [0.076] (0.000)
Explanatory variables			
H1: Ratio government elite directors	-- --	+0.123 [0.035] (0.001)	+0.217 [0.044] (0.000)
H2: x OFC	---	---	-0.149 [0.066] (0.025)
H2': x Financial secrecy index	---	---	---
H2'': x Institutional quality	---	---	---
H1: Ratio commercial elite directors	-- --	+0.077 [0.023] (0.001)	+0.014 [0.030] (0.650)
H2: x OFC	---	---	+0.135 [0.047] (0.005)
H2': x Financial secrecy index	---	---	---
H2'': x Institutional quality	---	---	---
OFC	-0.065 [0.016] (0.000)	-0.066 [0.017] (0.000)	-0.086 [0.021] (0.000)
Financial secrecy index	---	---	---
Institutional quality	---	---	---
Institutional control			
Ln (GDP per capita)	-0.074 [0.007] (0.000)	-0.075 [0.007] (0.000)	-0.076 [0.007] (0.000)
Board controls			
Ln (board size)	0.043 [0.021] (0.036)	0.040 [0.020] (0.051)	0.041 [0.020] (0.046)
Ratio independent directors	0.013 [0.034] (0.702)	0.005 [0.034] (0.880)	0.018 [0.034] (0.590)
Ethnic diversity index	-0.080 [0.026] (0.002)	-0.056 [0.027] (0.036)	-0.048 [0.026] (0.062)
Ratio female directors	-0.159 [0.037] (0.000)	-0.150 [0.037] (0.000)	-0.155 [0.037] (0.000)
Ratio CPA non-executive directors	0.153 [0.026] (0.000)	0.138 [0.025] (0.000)	0.146 [0.026] (0.000)
Firm controls			
Ln (gross revenues)	0.020 [0.004] (0.000)	0.020 [0.004] (0.000)	0.019 [0.004] (0.000)
ROA	-0.035 [0.019] (0.071)	-0.041 [0.020] (0.046)	-0.036 [0.021] (0.085)
Ln (firm age)	-0.008 [0.005] (0.131)	-0.008 [0.005] (0.107)	-0.010 [0.005] (0.051)
Capital controls			
Equity/total assets	0.001 [0.001] (0.082)	0.001 [0.001] (0.234)	0.000 [0.001] (0.472)
Liabilities/total assets	0.001 [0.000] (0.001)	0.001 [0.000] (0.000)	0.000 [0.000] (0.000)
Ownership controls			
State ownership	0.048 [0.033] (0.148)	0.066 [0.034] (0.050)	0.080 [0.034] (0.019)
BG ownership	0.007 [0.020] (0.724)	0.006 [0.019] (0.743)	0.016 [0.019] (0.402)
Foreign MNE ownership	0.105 [0.027] (0.000)	0.109 [0.026] (0.000)	0.115 [0.026] (0.000)
Director ownership	0.001 [0.001] (0.066)	0.001 [0.001] (0.020)	0.001 [0.001] (0.018)
Private equity ownership	0.003 [0.001] (0.000)	0.003 [0.001] (0.000)	0.003 [0.001] (0.000)
No. obs.	1,776	1,776	1,776
F-statistic (prob.)	179.100 [0.000]	148.040 [0.000]	147.990 [0.000]
Root MSE	0.176	0.175	0.175
Adjusted R ²	0.395	0.403	0.408

Table 3. OLS regressions robustness

Table reporting OLS regression coefficients from Anglo American shareholder value corporate governance adoption index as dependent variable regressed on range of independent variables plus control variables whose detailed definitions are provided in Table 1. Robust standard errors in square brackets, *p* values in round brackets. Industry, time (year) fixed effects in all models

	Dependent variable: Anglo American governance adoption index	
	Model 4	Model 5
Intercept	0.649 [0.076] (0.000)	0.704 [0.085] (0.000)
Explanatory variables		
H1: Ratio government elite directors	+0.217 [0.037] (0.000)	+0.191 [0.045] (0.000)
H2: x OFC	-- --	-- --
H2': x Financial secrecy index	-1.372 [0.324] (0.000)	-- --
H2'': x Institutional quality	-- --	-0.155 [0.061] (0.012)
H1: Ratio commercial elite directors	+0.054 [0.027] (0.044)	+0.029 [0.028] (0.099)
H2: x OFC	-- --	-- --
H2': x Financial secrecy index	+0.313 [0.166] (0.059)	-- --
H2'': x Institutional quality	-- --	+0.109 [0.041] (0.007)
OFC	-- --	-- --
Financial secrecy index	-0.132 [0.083] (0.112)	-- --
Institutional quality	-- --	-0.018 [0.020] (0.370)
Institutional control		
Ln (GDP per capita)	-0.082 [0.007] (0.000)	-0.101 [0.008] (0.000)
Board controls		
Ln (board size)	0.026 [0.021] (0.227)	0.048 [0.021] (0.024)
Ratio independent directors	0.003 [0.033] (0.938)	-0.002 [0.033] (0.958)
Ethnic diversity index	-0.053 [0.026] (0.042)	-0.061 [0.026] (0.017)
Ratio female directors	-0.147 [0.038] (0.000)	-0.143 [0.039] (0.000)
Ratio CPA non-executive directors	0.114 [0.027] (0.000)	0.138 [0.026] (0.000)
Firm controls		
Ln (gross revenues)	0.022 [0.004] (0.000)	0.024 [0.004] (0.000)
ROA	-0.038 [0.022] (0.082)	-0.264 [0.584] (0.652)
Ln (firm age)	-0.011 [0.005] (0.029)	-0.009 [0.006] (0.104)
Capital controls		
Equity/total assets	0.001 [0.001] (0.386)	0.007 [0.003] (0.017)
Liabilities/total assets	0.001 [0.000] (0.000)	-0.031 [0.006] (0.000)
Ownership controls		
State ownership	0.062 [0.035] (0.071)	0.074 [0.035] (0.032)
BG ownership	0.008 [0.019] (0.684)	0.008 [0.018] (0.670)
Foreign MNE ownership	0.093 [0.027] (0.000)	0.114 [0.027] (0.000)
Director ownership	0.001 [0.001] (0.043)	0.068 [0.057] (0.228)
Private equity ownership	0.003 [0.001] (0.000)	0.004 [0.001] (0.000)
No. obs.	1,776	1,776
F-statistic (prob.)	110.440 [0.000]	52.020 [0.000]
Root MSE	0.175	0.174
Adjusted R ²	0.409	0.417

Figure 1. Theoretical associations

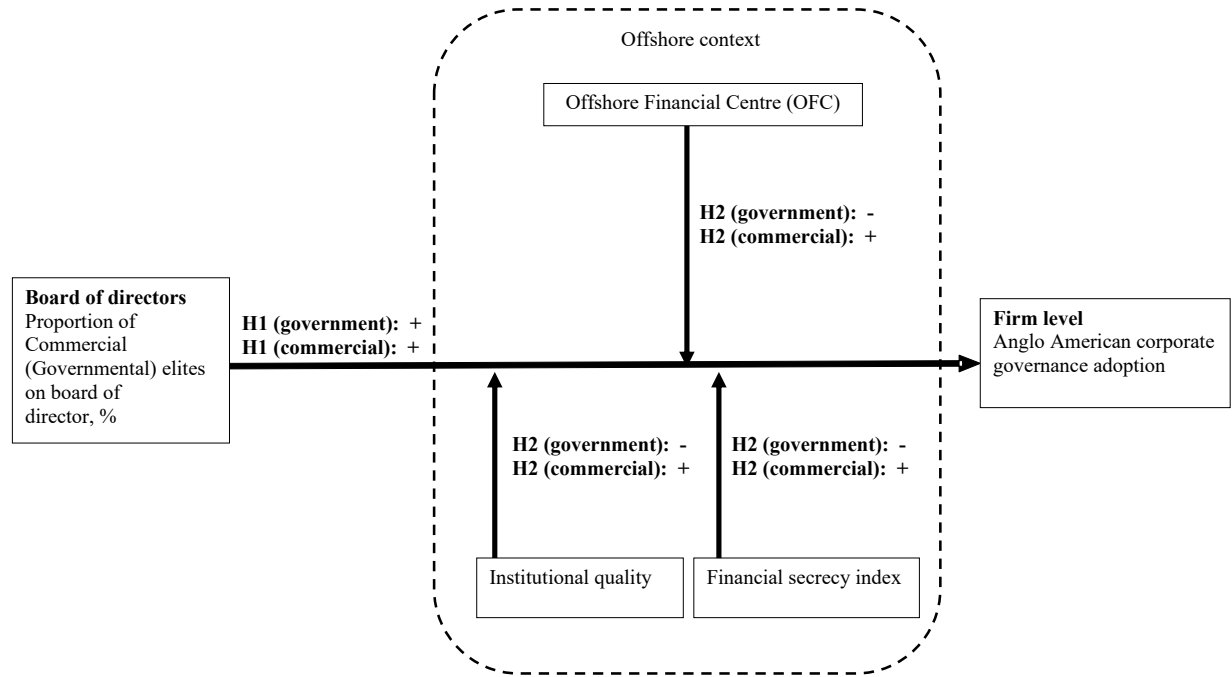


Figure 2. Government elite moderation by OFC

Note: Error bars are based on standard error at $p \leq 0.05$ confidence margin

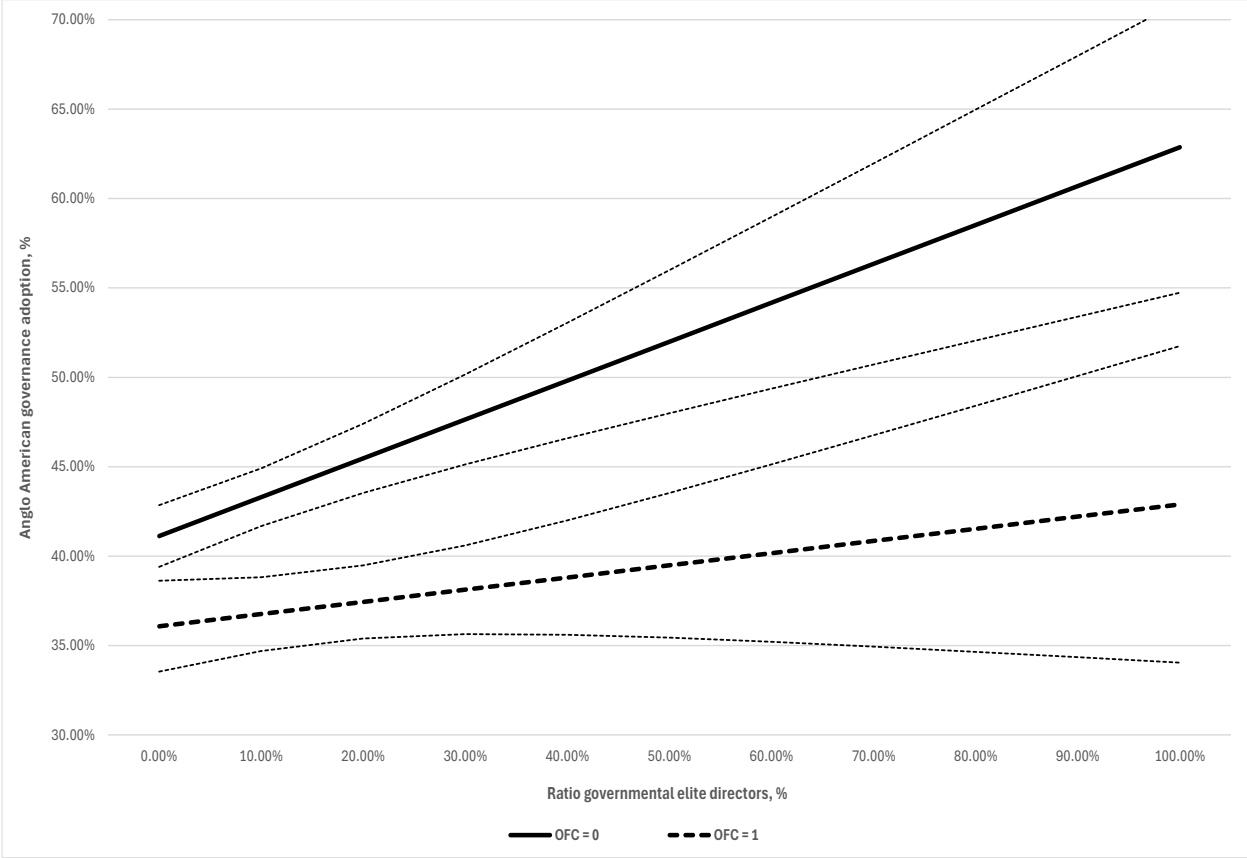


Figure 3. Commercial elite moderation by OFC

Note: Error bars are based on standard error at $p \leq 0.05$ confidence margin

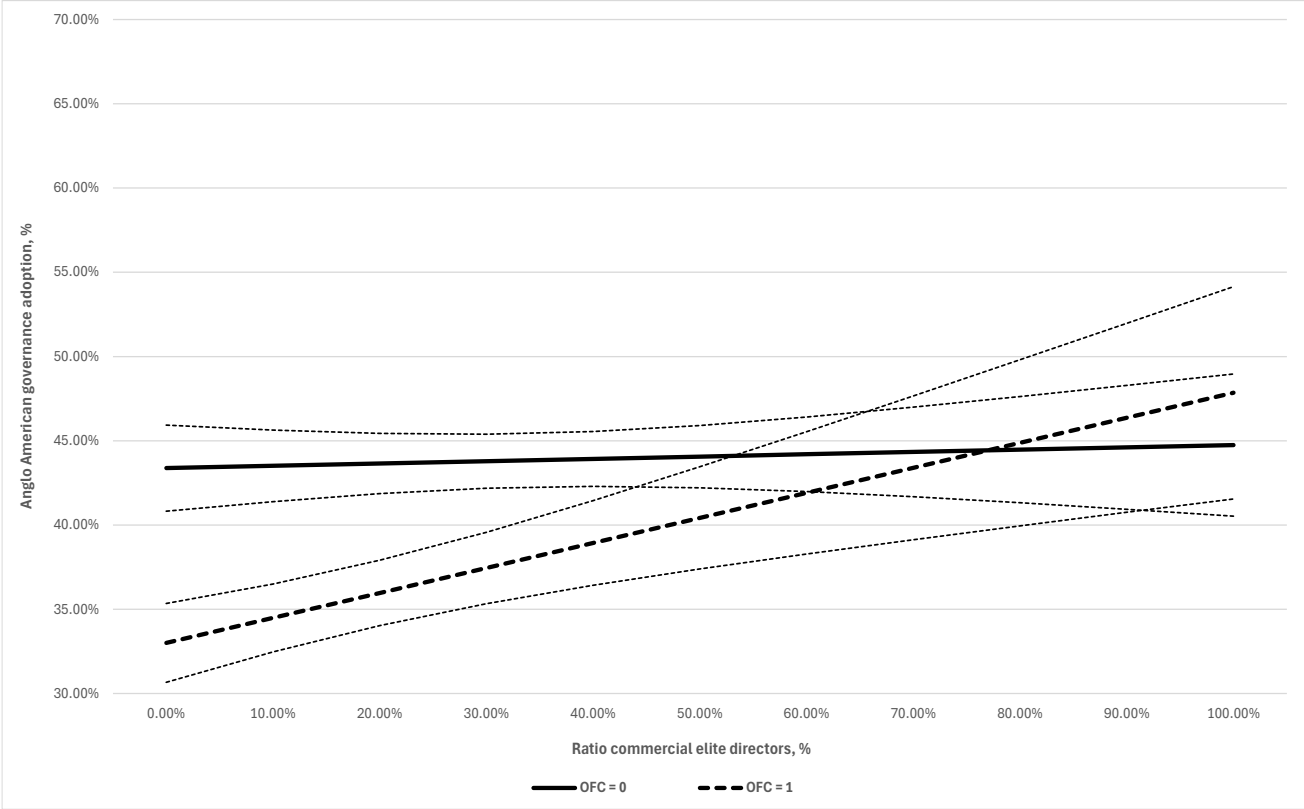


Figure 4. Government elite moderation by national financial secrecy index

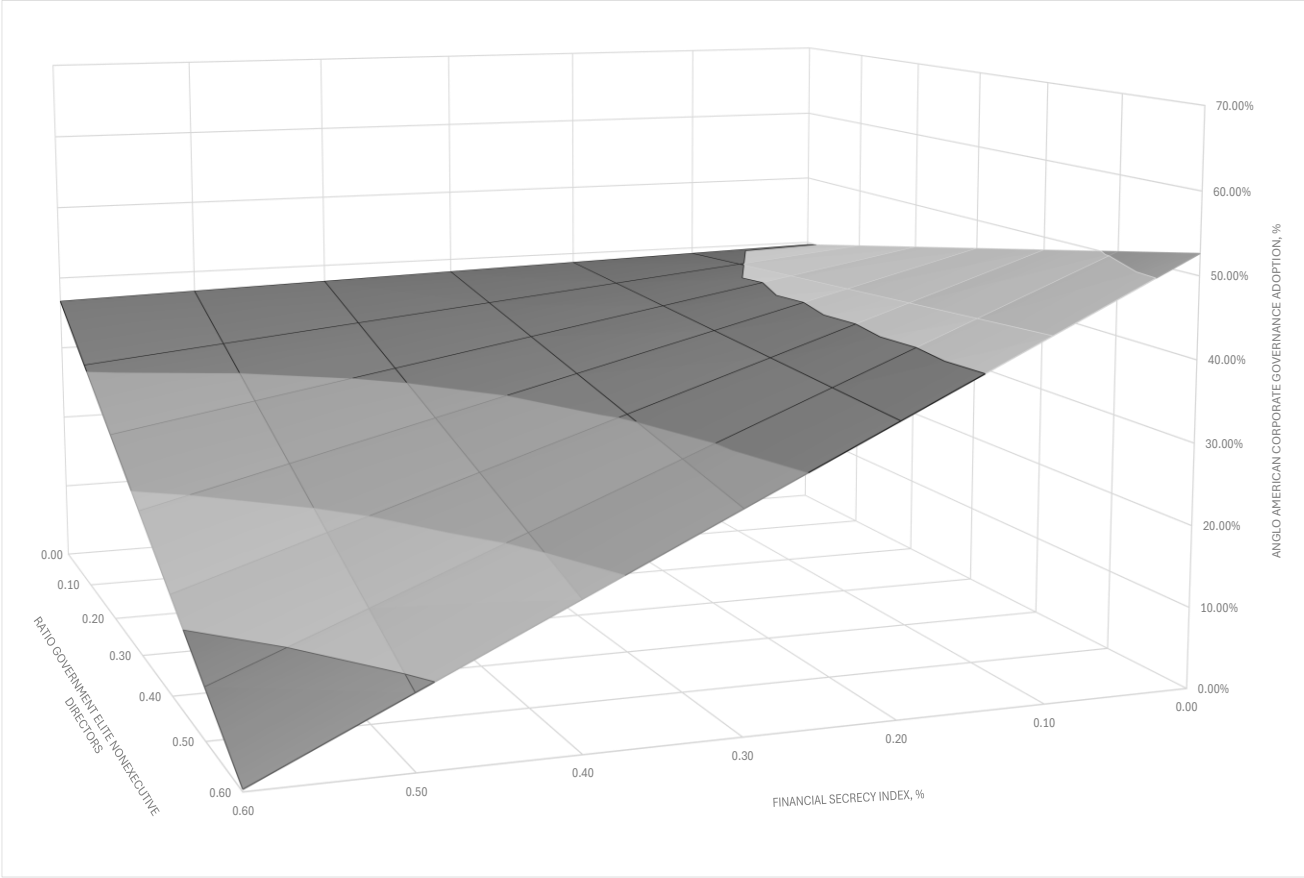


Figure 5. Commercial elite moderation by national financial secrecy index

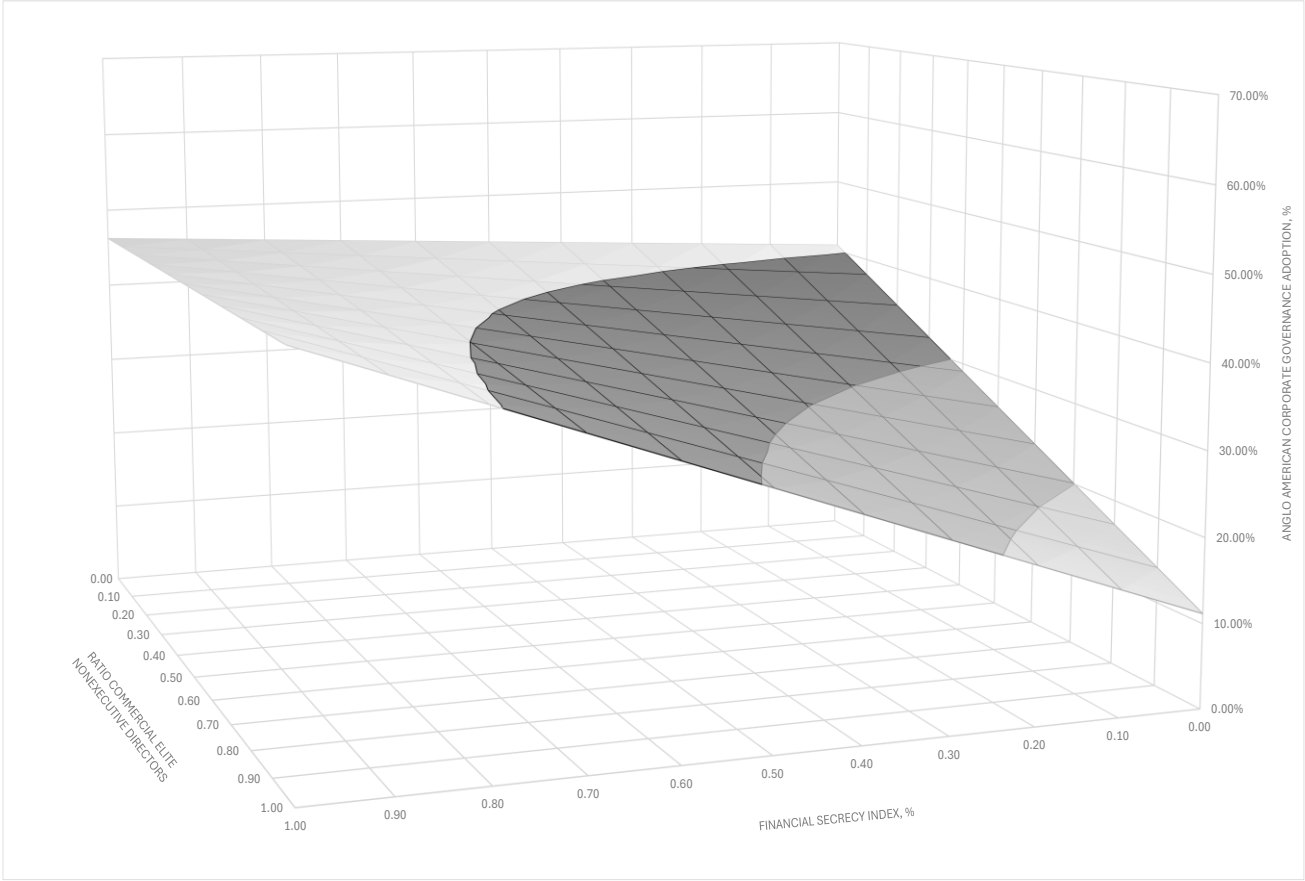


Figure 6. Government elite moderation by institutional quality

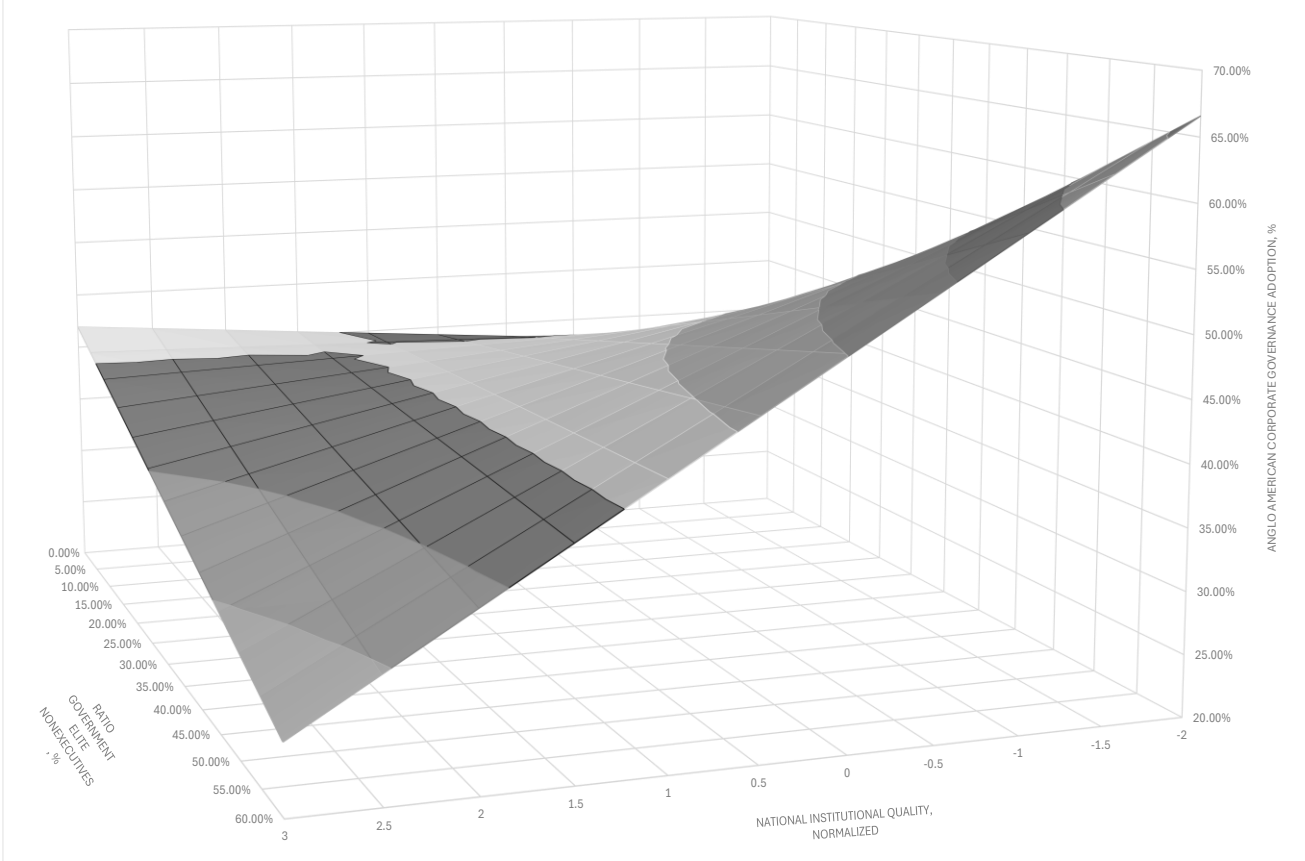
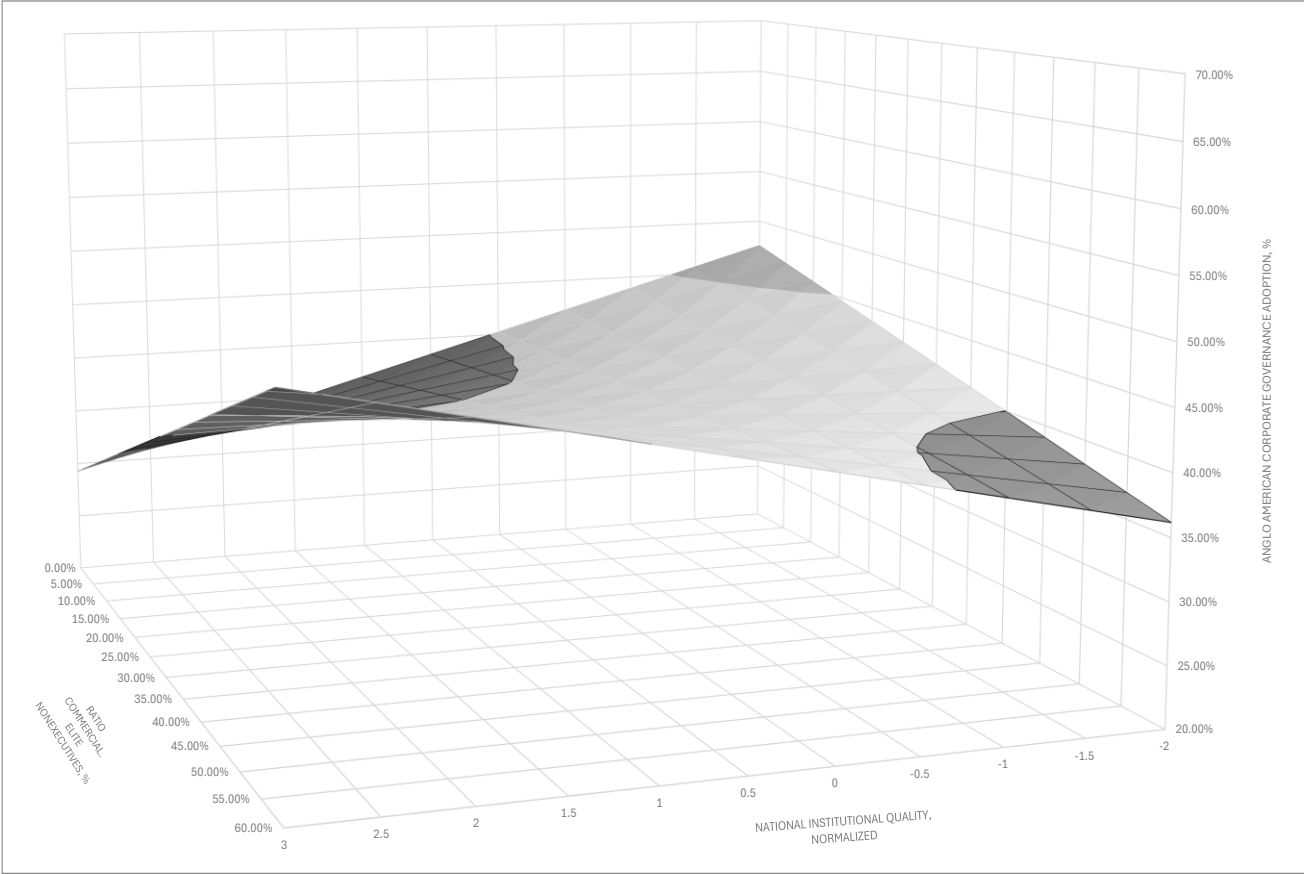


Figure 7. Commercial elite moderation by institutional quality



Appendix Table 1. Data sources

Table documenting a non-exhaustive representation of data and information sources from across Caribbean region

Market	Information source
Caribbean	Databases: Bloomberg LLP; Thomson Perfect Information portal & Datastream
Bermuda	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 Listed firm: Ozics Holdings Ltd (Auvo Kaikkonen, CEO); Cohort Ltd (Tracey Packwood); Bermuda Commercial Bank Ltd (Charlene Gilbert)
Barbados	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) Central Bank of Barbados: Financial Division
Bahamas	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 (Joanne Lowe)
Cayman Islands	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 National Securities: Erol Babayigit (Vice President)
Jamaica	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 Bank of Jamaica: Financial services division interviews
Eastern Caribbean	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) Nevis, Charlestown-based interviews (11/2011): Financial district in Charlestown, Nevis; St Lucia-based interviews (11/2011): Financial district, Castries, St Lucia
Guyana	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 Securities Council)
Trinidad & Tobago	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, Listed firm: National Enterprises Limited (Keisha Armstrong, Head of Secretariat) Tobago: Scarborough and Canaan-based interviews in financial district (06/2016 - 07/2016)

Appendix Table 2. Anglo American corporate governance index

Table defines each of the 36 elements that form the shareholder rights sub-index which is part of the Organisation for Economic Co-operation and Development or OECD (2015) “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 within OFC jurisdictions and those in non-OFC jurisdictions; Bold indicates $p \leq 0.05$

Anglo American elements	OFC	Non - OFC	p-value
1 Does the company offer other ownership rights beyond voting? [%]	23.206	14.570	0.000
(i) Preference shares [%]	11.124	11.258	0.000
(ii) Convertible Bond/Shares & Options [%]	0.957	1.876	0.465
(iii) Multiple share classes [%]	16.148	4.525	0.054
2 Is the decision on the remuneration of board members or executives approved by the shareholders annually? [%]	47.847	90.839	0.000
3 How is the remuneration of the board presented? [%]	70.096	94.812	0.000
(i) Are individual directors base cash salaries disclosed? [%]	1.914	16.796	0.000
(ii) Are individual directors' bonuses disclosed? [%]	0.000	2.336	0.000
(iii) Are individual directors' long-term incentives (options, pension etc) disclosed? [%]	1.914	6.674	0.000
(iv) Are benefits paid to directors? [%]	12.440	3.003	0.000
(v) Are benefits enumerated/ evaluated? [%]	10.885	3.003	0.000
(vi) Is salary aggregated into one lump sum paid? [%]	77.392	82.340	0.005
(vii) Is director fees aggregated into lump sum emolument? [%]	77.632	81.015	0.041
4 Quality of Notice to call a Shareholders Meeting in the past one year. [%]	39.878	91.943	0.000
(i) Appointment of directors, providing their names and background [%]	44.617	93.046	0.000
(ii) Appointment of auditors, providing their names and fees. [%]	37.799	93.046	0.000
(iii) Dividend policy, providing the amount and explanation. [%]	31.579	87.307	0.000
5 Did the Chairman of the Board attend at least one AGM in the past two years? [%]	30.861	95.353	0.000
6 Board effective monitoring [%]			
(i) Did the CEO/Managing Director attend at least one AGM in the past two years? [%]	29.067	95.167	0.000
(ii) Is a name list of board attendance available? [%]	16.268	41.722	0.000
(iii) How many directors did not attend 100% meetings [#]	2.680	2.952	0.184
(iv) How many directors did not attend 70% of meetings? [#]	1.480	0.901	0.000
7 Do AGM minutes record that there was an opportunity for shareholders to ask questions/raise issues in the past one year? [%]	5.622	17.108	0.000
8 Does the company have anti-takeover defences? [%]	78.947	95.916	0.000
(i) Cross shareholding [%]	75.239	83.885	0.000
(ii) Pyramid holding [%]	77.033	83.113	0.001
(iii) Board members hold more than 25% of share outstanding [%]	8.852	29.470	0.000
9 Company dual listed? [%]	5.263	12.804	0.000
(i) Company dual listed on OECD stock exchange [%]	1.914	0.773	0.019
(ii) Controlling parent listed on OECD stock exchange [%]	14.234	0.000	0.000
10 What is the size of the board? [#]	9.038	8.887	0.106
Anglo American index - aggregate [%]	29.857	51.019	0.000

Appendix Table 3. Financial secrecy index

Table defines the secrecy index and its construction alongside it's derivative, the financial secrecy index

Panel A. Secrecy score [SS]

There are 20 secrecy indicators divided between 4 categories of secrecy. These are outlined below while detailed measurement definitions of each indicator are provided at: <https://fsi.taxjustice.net/secrecy-indicators/>

Dimension A: Ownership Registration	Secrecy Indicator 1: Banking Secrecy Secrecy Indicator 2: Trusts and Foundations Register Secrecy Indicator 3: Recorded Company Ownership Secrecy Indicator 4: Other Wealth Ownership Secrecy Indicator 5: Limited Partnership Transparency
Dimension B: Legal Entity Transparency	Secrecy Indicator 6: Transparency of Company Ownership Secrecy Indicator 7: Public Company Accounts Secrecy Indicator 8: Country by Country Reporting Secrecy Indicator 9: Corporate Tax Disclosure Secrecy Indicator 10: Legal Entity Identifier
Dimension C: Integrity of tax and financial regulation	Secrecy Indicator 11: Tax Administration Capacity Secrecy Indicator 12: Consistent Personal Income Tax Secrecy Indicator 13: Avoids Promoting Tax Evasion Secrecy Indicator 14: Tax Court Secrecy Secrecy Indicator 15: Harmful Structures Secrecy Indicator 16: Public Statistics
Dimension D: International standards and cooperation	Secrecy Indicator 17: Anti-Money Laundering Secrecy Indicator 18: Automatic Information Exchange Secrecy Indicator 19: Exchange of Information on Request Secrecy Indicator 20: International Legal Cooperation

Panel B. Global scale weight [GSW]

How Global Scale Weight is measured A jurisdiction's Global Scale Weight is a measure of how much in financial services the jurisdiction provides to residents of other countries, like opening a bank account or setting up a company. This is presented as a percentage of all financial services globally provided by all jurisdictions to non-residents.

Panel C. Financial secrecy index [FSI]

The Financial Secrecy Index measures each jurisdiction's Global Scale Weight by using data on exports of financial services provided by the International Monetary Fund's Balance of Payments Statistics. Where this data is missing, estimates are extrapolated from related stock measures of cross-border financial assets. This is detailed in the index's full methodology: <https://fsi.taxjustice.net/fsi2022/methodology.pdf>

$$FSI = \frac{SS^3 * \sqrt[3]{GSW}}{100} \quad (1)$$

Where FSI is financial secrecy index, SS is secrecy score and GSW is global scale weight. All as defined above in panels A and B

ⁱ See: <http://www.oecd.org/corporate/principles-corporate-governance/>

ⁱⁱ See: <https://2009-2017.state.gov/j/inl/rls/nrcrpt/2003/vol2/html/29918.htm>

ⁱⁱⁱ ROA is conventionally defined as $ROA = (\text{Net Income} + \text{Interest} * (1 - \text{Tax Rate})) / \text{Total Assets}$ (see Khanna & Palepu, 2000). However, due to significant variation in the data arising from varying reporting standards across Africa, with frequent omission of reported interest income and corporate taxation rates from listings prospectuses, we used a modified version of this, namely $ROA = \text{Net Income} / \text{Total Assets}$. 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.

^{iv}Binary 1/0 dummy accounting for country or jurisdiction of primary listing and binary 1/0 dummy for 24 industry categories as defined in Global Industry Classification (GICS) codes developed by MSCI (see <https://www.msci.com/gics>). Four of these contain no firms from our sample, resulting in 20 industry categories being used in our study.

^vBinary 1/0 dummy accounting for country or jurisdiction of primary listing and binary 1/0 dummy for 24 industry categories as defined in Global Industry Classification (GICS) codes developed by MSCI (see <https://www.msci.com/gics>). Four of these contain no firms from our sample, resulting in 20 industry categories being used in our study.

^{vi} See: <https://fsi.taxjustice.net/secrecy-indicators/>