



## Analysis of Shareholding in Companies: Case of Mali

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## Abstract

In this article we analyze in the Malian context the link between the structure of the shareholding and the sustainability of companies based on data from the census of industrial enterprises of the Ministry of Trade and Industry, 2015. The results show that Mali's economic opening option in the 1980s, strengthened in the 1990s following the implementation of the Structural Adjustment Programs, resulting in the state's withdrawal from the management of enterprises, have enabled the emergence of private enterprises in almost all sectors of economic activity. However, shareholding in industrial enterprises has suffered from poor governance. It also shows that the number of women entrepreneurs is close to that of men. Between 2010 and 2014, the majority of shareholders are in the agri-food sector. The majority of the investment is in the metal and metallurgical sector.

**Keywords:** Shareholding; Investment; Sustainability; Companies; Mali.

## 1. Introduction

The major Malian companies after the country's independence in 1960 were state-owned companies and enterprises. These companies, at least 98 percent of whose capital belonged to the State, predominated in all sectors of economic activity in Mali and were managed in accordance with the State's political and socio-economic objectives. The socialist government used them to conduct its redistribution policy, its employment policy, etc. The regime change that occurred in 1968, after the overthrow of power, changed almost nothing in the management policy of these companies.

Following the implementation of structural adjustment policies, there has been economic openness and the promotion of the private sector. This opening has led to the creation of many companies in Mali. Similarly, foreign investment is increasingly being encouraged. Admittedly, since the adoption of liberal policies in 1982 following the Structural Adjustment Programs, but especially since 1991, the private sector has experienced a real boom in all areas of activity. However, many of the public companies inherited from the First Republic disappeared after their privatization (SOMIEX, Air Mali, Cimenterie de Diamou, HUICOMA, etc.). Similarly, many companies created by private sector actors have only had a precarious life, as they have gone bankrupt (Jemeni, Société Sada DIALLO, Société Ndiaye et Frère (SNF), etc.). There would then be a problem with the performance of private companies in Mali.

However, according to [Demsetz \(1967\)](#), private property guarantees economic efficiency. Indeed, economic agents are assured of being able to fully benefit from the fruits of their work. In addition, since they bear the full costs of their activities, they are encouraged to use resources efficiently.

There must therefore be a Malian specificity in relation to the structure of private property that hinders the sustainability of the company, hence the question: what is the structure of ownership rights of Malian companies?

Depending on whether individual or collective ownership, decision-making and financing capacities generally differ. Co-ownership, which in principle results from shareholding, allows the company to have large and autonomous financing capacities. Share ownership is therefore in principle a factor in improving the performance of companies and thus promoting their growth.

The general objective of this study is to show the existence of a link between the ownership structure and the sustainability of the company in Mali. The specific aim is to examine the ownership structure in Mali.

To study the link between shareholding and corporate sustainability in Mali, we used economic theory of property rights and its links to corporate profitability and growth. We also analyzed empirical evidence on the

relationship between share ownership, profitability and corporate sustainability. Finally, we used data from various administrative documents, studies and surveys on Malian industrial companies from 1960-2015.

Following the introduction, the second section provides an overview of Malian companies from 1960 to 2015. In this section we discuss the typology and sustainability of companies. The third section is related to the analysis of shareholding and corporate sustainability. In the first part, we discuss the concepts and types of shareholding, and in the second part, the shareholding-growth and sustainability of companies. The fourth section is devoted to the conclusion.

## 2. Overview of Malian Companies from 1960 to 2015

The financial difficulties and over-indebtedness that Mali has faced since the 1980s have caused the country to be subject to Structural Adjustment Programs (S.A.P.). The conditions required by S.A.P. must lead to an economic and investment policy that promotes the accumulation of capital and the increase of public savings. The main objective of the S.A.P. was thus to establish a new management model, which would mainly seek to limit the role of the State in the production and regulation of private activity. The aim is to correct the behavior of the "any State" adopted by a number of developing countries in the aftermath of independence in favor of privatization. This has led to the privatization of public companies and the promotion of the private sector.

### 2.1. Typology of Malian Companies

In 1982, Mali drew up a program for the liberalization of the economy and the promotion of the private sector. This option was reaffirmed by Article 13 of the Constitution of January 1992, which guarantees freedom of enterprise to all citizens (natural and legal persons). Several types of private companies have emerged.

#### 2.1.1. Malian Companies by Legal Status

Depending on the legal status, there are different types of companies in Mali.

**Table-1.** Distribution of industrial companies by legal status in 2015

Legal Status	Number of Industrial Companies	In %
Public limited company (SA)	151	19,7
Single-person public limited company (SAU)	50	6,5
Limited Liability Company (LLC)	245	32,0
Single Personal Limited Liability Company (SUARL)	15	2,0
Economic Interest Grouping (EIG)	5	0,7
Cooperative	19	2,5
Individual/family business	266	34,8
Others	12	1,6
N/A <sup>1</sup>	2	0,3
Total	765	100,0

**Source:** Authors based on data from the Ministry of Trade and Industry

The analysis in [Table 1](#) shows that individual companies are the most numerous. There are 266 of them, or 34.80 percent of the 765 active companies. Next come Limited Liability Companies (LLCs) (32.00 percent) followed by Public Limited Companies (SAs) (19.7 percent). These three legal systems represent 86.50 percent of industrial companies. Thus, in Mali, shareholder entrepreneurship is a little developed, i.e. 58 percent of all companies.

#### 2.1.2. Malian Companies According to Ownership Regime

There are three main types of ownership: private, public and mixed.

**Table-2.** Distribution of companies by ownership status

Property regime	Number of Industrial Companies	In %
Private	728	95,16
Public	16	2,09
Mixed	19	2,48
ND	2	0,26
Total	765	100,00

**Source:** Authors based on data from the Ministry of Trade and Industry

According to the ownership regime, the majority of industrial companies are privately owned, i.e. 95.16 percent compared to 2.09 percent for mixed ownership and 2.48 percent for the public regime.

<sup>1</sup> ND: Not Determined / concerns companies that have not replied to the section

## 2.2. Sustainability of Malian Companies

Some Malian companies exist long before independence, even if the majority are young.

### 2.2.1. Malian Companies by Date of Creation

Every year, new companies are created in Mali. However, there were many new business start-ups, especially after the option of economic openness in the 1980s, especially in the 1990s. Thus, more than half of Mali's industrial companies were created before 2010.

**Table-3.** Distribution of companies by year of creation

Year of creation	Number of industrial companies	In %
Before 2010	462	60
2010	47	6
2011	63	8
2012	36	5
2013	49	6
2014	71	9
ND	37	5
Total	765	100

**Source:** Authors based on data from the Ministry of Trade and Industry

The table shows that there are 765 industrial companies in Mali. Of these, 60 percent were created before 2010; 6 percent in 2010; 8 percent in 2011; 5 percent in 2012; 6 percent in 2013 and 9 percent in 2014.

### 2.2.2. Malian Companies by Age

Malian companies are young, if not very young. Indeed, the very first Malian companies disappeared one after the other for various reasons, including poor governance.

**Table-4.** Distribution of companies by age in 2015

Age group	Number of industrial companies	In %
Less than 5 years old	266	35
5 to 14 years old	317	41
15 to 24 years old	97	13
25 to 34 years old	29	4
35 and over	19	2
ND	37	5
Total	765	100

**Source:** Authors based on data from the Ministry of Trade and Industry

In general, companies are young. Indeed, more than 76.20 percent of companies are less than 15 years old. Companies 25 years of age and older represent less than 7 percent.

### 2.2.3. Shareholders by Gender and Sector of Activity from 2010 to 2014

In Mali, entrepreneurs operate in five main areas according to the table below. In total there are 2471 shareholders, 49 percent of whom are foreigners and 51 percent Malians. The table also shows that, of all shareholders, 49.05 percent are women with a national female participation rate of 608 (24.61 percent).

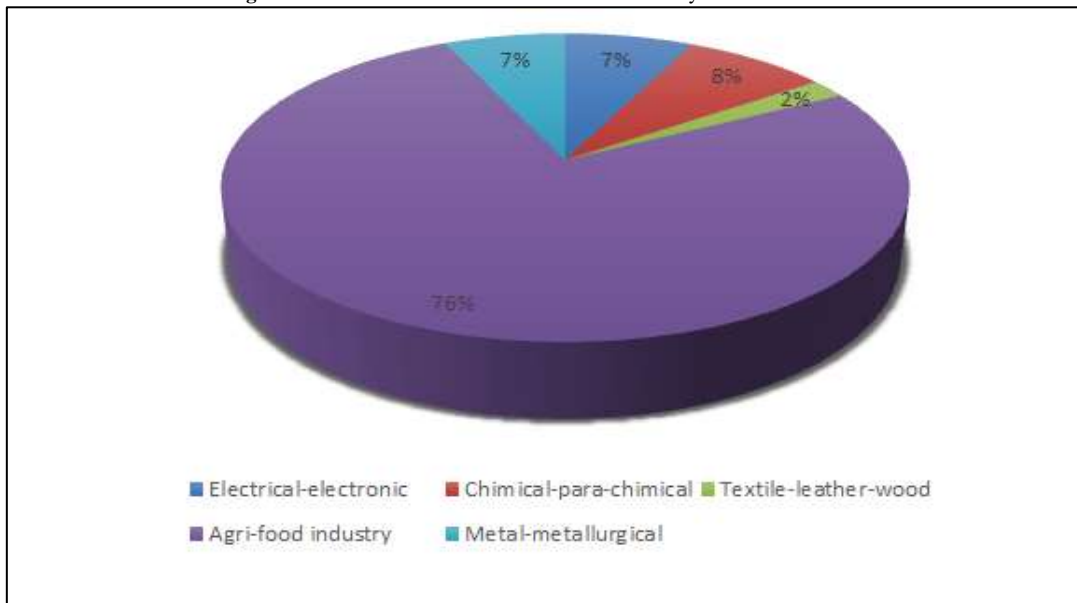
**Table-5.** Number of shareholders by gender, by sector of activity and nationality from 2010 to 2014

Sector \ Nationality	Maliens			Foreigners			TOTAL
	M	F	Total	M	F	Total	
Electrical-electronic	52	49	101	48	48	96	177
Chemical-Para-chemical	58	48	106	47	46	93	199
Textile-leather-wood	14	12	26	12	12	24	50
Agri-food industry	502	459	961	458	458	916	1877
Metal-metallurgical	46	40	86	42	40	82	168
TOTAL	672	608	1280	607	604	1211	2471

**Source:** Authors based on data from the Ministry of Trade and Industry

The analysis of [figure 1](#) shows that the majority of shareholders are in the agri-food sector (76 percent). The shares of the other sectors are low. Those who enter the textile-leather-wood sector are only about 2 percent.

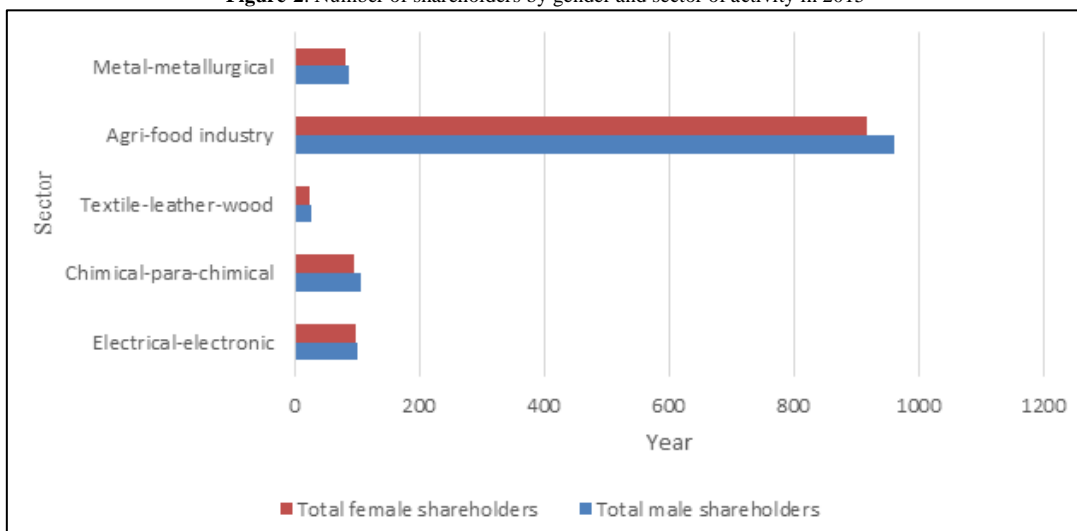
Figure-1. Evolution of shareholders in Mali's economy from 2010 to 2014



Source: Authors based on data from the Ministry of Trade and Industry

In figure 2, we see that in each of the sectors of activity, there is not much difference between the number of female and male shareholders. In other words, it shows that in Mali women undertake as much as men.

Figure-2. Number of shareholders by gender and sector of activity in 2015



Source: Authors based on data from the Ministry of Trade and Industry

### 3. Shareholding and Corporate Sustainability

Companies in developed countries and increasingly in developing countries are characterized by their membership in several natural and/or legal persons. This situation of co-ownership of companies based on the consolidation of capital from various sources seems to explain the growth and sustainability of many companies, particularly in developed countries. This part of our study focuses on establishing the link between share ownership and company performance.

#### 3.1. Shareholding Concepts and Types

In the literature, private ownership can be structured in different ways through share ownership. Liberal economic theories argue that private ownership allows an optimal allocation of financial resources to the productive sector. Here, we determine the different types of share ownership after elucidating the concept.

##### 3.1.1. Shareholding Concepts

Shareholding is a financial term that refers to all the shareholders of a commercial enterprise, i.e. owners of financial securities called shares, which entitle their holders to a certain number of prerogatives.

Shareholding consists in owning shares in a commercial company. It allows natural and/or legal persons who own the share to become shareholders or co-owners of the said company. The shareholder is a capital investor in a company. His investment makes him an owner of a security, the share, which gives him ownership rights in the company. He is co-owner of the company with other shareholders. As such, it receives dividends.

The creation of shares can be done at the time of the creation of the company. However, it is often done during a capital increase, when the historical owners of the company are looking for new funds to develop the company. According to [Williamson \(1988\)](#), who analyses corporate financing (debt and equity) and governance structure from the perspective of minimizing transaction costs, the company prefers debt financing to reduce transaction costs and to have less influence on governance in the short term. However, because of the risk of bankruptcy, when the cost of debt financing becomes prohibitive, the company raises funds on the equity markets.

### 3.1.2. Types of Shareholdings

There are several categories of share ownership depending on the status of the shareholders. Shares held by a family constitute family shareholding, those held by the State represent state or public shareholding, shares held by employees constitute employee shareholding and finally, those held by financial institutions constitute financial shareholding. Share ownership can be foreign, private, institutional, family, family, and wage.

When employees hold a significant number of shares in their company, this is called employee share ownership. Shareholders receive profits from the company, hold voting rights and in some cases appoint directors.

Institutional investors are financial institutions that manage, in a collective form, the savings of their principals (individuals, non-financial companies) by investing in financial markets ([OCDE, 1999b](#); [Plihon, 1999](#)). According to the [OCDE \(2000\)](#), they include four types of institutions: pension funds, mutual funds or investment companies, insurance companies and other forms of institutional investors such as foundations or private investment partnerships. Institutional investors aim to maximize shareholder value and organize an external control system to encourage company executives to meet shareholder objectives ([Plihon et al., 2002](#)).

Industrial shareholders may be associated with a minority or majority shareholding (in the case of a subsidiary of an industrial group). This type of participation is found in Japan with the Keiretsu, Sweden and France with industrial groups. This type of shareholding can have disadvantages, such as the risk of loss of flexibility and governance difficulties.

State shareholding is tending to decline worldwide, but in some countries, the State remains a shareholder of several large listed groups (Renault, EADS, Orange, etc., in France). These firms are supposed to be more subject to political costs. In these companies, governance and regulatory bodies put pressure on them to limit price increases, promote employment and sustainable development, which can be detrimental to company performance in the short term. Also, the selection of managers is more a matter of political choices than a desire to optimize the company's performance ([Boycko et al., 1996](#)).

The shareholding structure is fundamental. The ownership structure can be dispersed (dispersion of ownership, characteristic of the capital structure of Anglo-Saxon companies), concentrated (shareholder concentration, dominant in companies in continental European and Asian countries and in some American companies) or "minority controlled".

In practice, inter-company equity investments dominate the world and contribute to shareholder concentration and the existence of complex shareholding structures. Dominant shareholders exercise their power over an enterprise by adding their share of directly held capital to the share of capital held through the other enterprises they control. Dominant shareholders participate in the management of companies or exercise power over management. This shareholding structure is referred to as the "minority control structure" as opposed to the dispersed and concentrated shareholder structure ([Bebchuk et al., 1999](#)).

[Berle and Means \(1932\)](#), found that when listed public limited companies developed, the ownership structure in large companies tended to disperse. In this structure, the decision-making power of the (main) shareholders decreases and is entrusted to the managers (agent) who do not hold shares. This situation of separation of ownership (shareholder) and management (manager) is at the root of the agency problem.

[Jensen and Meckling \(1976\)](#), highlighted in the agency theory they developed, the divergence of interests that may exist within companies between shareholders and managers. Shareholders delegate the management of the company to management and expect financial performance. However, they only have access to part of the information held by managers (information asymmetry). This asymmetry of information allows managers to direct the management of the company according to their own interests, which may be different from those of their shareholders ([Boubel and Pansard, 2004](#)). To ensure the effort made by executives and control the relevance of their decisions, shareholders will put in place governance mechanisms to motivate and discipline executives, and therefore improve the firm's performance in the interest of shareholders.

Share ownership can be concentrated or dispersed in the hands of one or more shareholders, directly or indirectly depending on whether the shares are held by core shareholders or investment funds, pension funds, etc.

When share ownership is dispersed or diffuse, shares are often listed and traded on an organized and institutionalized market around the exchange. Large groups of companies often have a "hierarchical" shareholding structure, with a parent company (holding company) that holds the majority, or even almost all, of the shares of subsidiaries and sub-subsidiaries.

## 3.2. Shareholding-Growth and Sustainability of the Company

The empirical study of the links between the nature of share ownership and company performance shows how financial shareholders, individual shareholders (especially family shareholders), state and employee share ownership influence performance, as long as they hold a sufficient share of the capital. After this analysis, we will see if these trends are verified in the Malian case.

### 3.2.1. Links between Share Structure and Company Growth

The fundamental role of the shareholder is to encourage the company to pursue a long-term profitable growth objective, ensuring de facto progress for those who support it. New (institutional) shareholders can demand levels of profitability from the company manager that meet the requirements of their clients (pension funds that must provide retreats), dictate their strategy, refuse investments that are considered risky or insufficiently profitable.

The general meeting of shareholders decides on the use of profits and the amount of dividends distributed. It is involved in the management through the board of directors it appoints. The latter sets the company's orientations and chooses the general manager. Shareholders are free to sell their shares and choose the acquirer. However, for a larger number of employees, the role of shareholders is to demand ever greater profitability with no regard for staff and employment.

The shareholding structure of a company is likely to influence the implementation of governance mechanisms within it. Indeed, a shareholder's involvement in the control of executives will not be the same depending on the share of capital held by that shareholder, as well as on his investment horizon and objectives. A shareholder with a significant shareholding will have a greater incentive to invest in corporate governance.

The nature of the shareholders can also influence the company's performance. Indeed, shareholders constitute a heterogeneous population. An investor's investment objectives and time horizon may therefore vary depending on whether he or she is a manager, family, financial, industrial or state shareholder. Many studies have examined the relationship between the nature of shareholding and company performance.

In theory, the shareholding of managers and employees makes it possible to align the interests of these actors with those of shareholders. The shareholder manager or employee will thus be motivated to maximize the company's value, and limit value-destroying decisions (alignment theory). But, when the share he holds increases, the manager can exert influence on the governance of the company on the one hand and, on the other hand, can adopt a rooting strategy by anaesthetizing governance mechanisms such as the board of directors, the executive labor market or the takeover market (Morck *et al.*, 1988). This rooting strategy reflects the desire to retain power and control over the company.

The development of the global financial market is beneficial for shareholders. It allows companies to expand their sources of financing. The borrowing rate is lower than that of banks for which intermediation fees are charged. Companies are becoming more independent of bankers. They are also less subject to credit "rationing".

All these behaviors of both have one and only one goal, the performance of the company. Since the shareholder is constantly seeking to satisfy his or her personal interests, the shareholder works towards achieving better results.

### 3.2.2. Shareholding and Sustainability of Malian Companies

Shareholding is not very developed in Mali. Malian companies are mainly commercial. There are few industrial companies, their number decreases with size. The weakness of private funding sources (personal contributions, investment banking) is a well-known reason for the situation. Thus, business start-ups in general, and in the form of limited companies in particular, are low.

The census of industrial companies in 2015 made it possible to count:

- 765 active industrial companies;
- 21 industrial companies are at a standstill;
- 71 industrial companies are closed.

Of these 765 active companies, 704 belong to the "Manufacturing activity" section, 11 to the "Mining activity" section, 3 to the electricity and gas production and distribution section, and 3 to the water production and distribution, sanitation section. In the "Manufacturing activity" section, the "Manufacture of food products, in particular bakeries" branch alone has 519 industrial companies.

Analysis of the size of companies reveals that more than 65.6 percent of companies employ fewer than 50 people and only about 4.1 percent of companies employ 200 people.

Table-6. Companies by date of creation and number of shareholders

Number of shareholders/Year created	<1960	1960-1980	1980-1990	1990-2000	2000-2010	2010-2015	Total
0	14	3	3	9	21	66	116
1	2	4	14	41	138	176	375
2	1	1	3	6	32	33	76
3	0	2	1	5	22	16	46
4	0	2	1	5	14	7	29
5	0	2	2	7	5	2	18
6	1	0	1	1	2	2	7
7	1	0	0	3	5	1	10
8	0	1	0	1	2	1	5
9	0	1	0	1	0	1	3
10-100	0	0	0	3	4	4	11
>100	0	0	0	3	6	1	7
Total	19	16	25	82	251	310	703

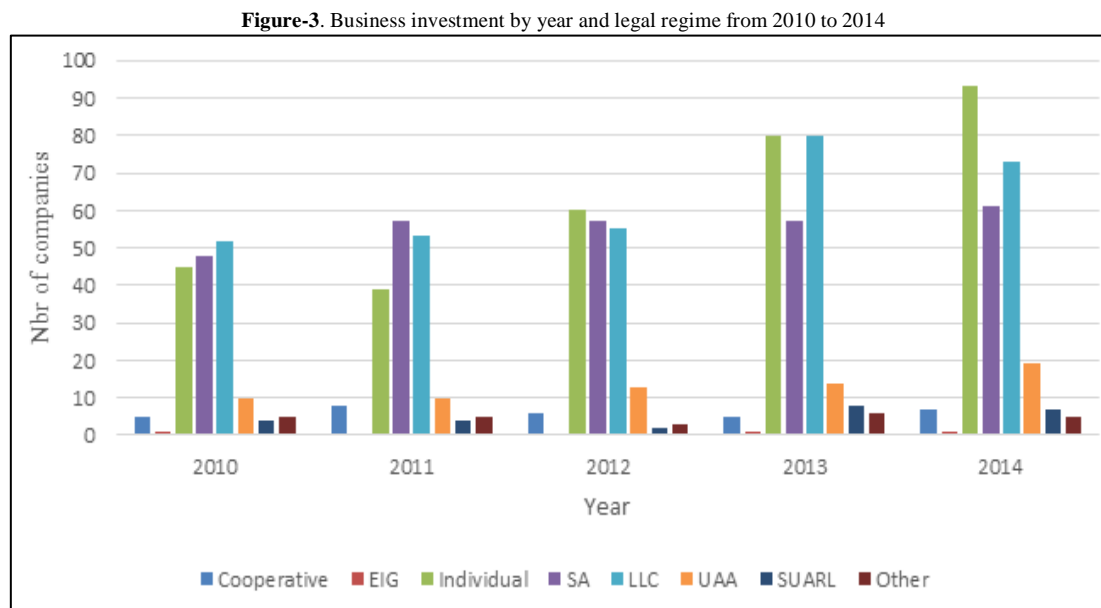
Source: Authors based on data from the Ministry of Trade and Industry

The companies created in association by the shareholders in Mali before 1960 and which still exist are three (3): one with two (2) shareholders, one with six (6) and the third with seven (7) shareholders. From 1960 to 1980, there were nine (9); eight (8) between 1980 and 1990; thirty-two (32) between 1990 and 2000; ninety-two (92) between 2000 and 2010; and sixty-eight (68) between 2010 and 2015. In total, there are two hundred and twelve (212) with a number of shareholders ranging from two (2) to three thousand one hundred and thirty-five (3135) out of 703 companies, less than a third of the total. The largest number have no more than four (4) shareholders.

Shareholding is therefore not developed in Mali. The high mortality rate of Malian companies is probably due to the absence of share ownership, which certainly has a positive impact on corporate governance and management. Indeed, in 2014, there were 929 industrial companies in Mali. In 2015, only one year, 829 companies were counted. In addition, 21 of these 829 companies are at a standstill and 71 are closed.

### 3.2.3. Business Investment According to the Legal Regime

Figure 3 shows that sole proprietorships, public limited companies (SAs) and limited liability companies (SARLs) are the ones that invest in Mali's economy, thus supporting growth.



Source: Authors based on data from the Ministry of Trade and Industry

## 4. Conclusion

The results of the empirical analyses show the relationships between shareholding structure and performance. The profitability-seeking behaviors of the various types of shareholders, except sometimes state shareholders, have a positive impact on profitability and the strengthening of the company's production and resilience capacities.

In Mali, several companies created in 1960 disappeared afterwards. These large companies that were public or private (family) were often not subject to the rigorous management and governance generally imposed by the shareholders of a capital company. That explains their disappearance. The results also show that, from 2010 to 2014, 76 percent of shareholders moved in the agri-food sector and that during the same period, there was a growth in companies that had invested in the economy.

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