

An Empirical Analysis in Relation between Insiders, Institutional Investor Shareholding and Firm Value

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ABSTRACT

Diffuse ownership places significant power in the hands of managers, thereby giving rise to agency problem. Corporate governance thus, focuses on mitigating the conflict of interest between managers and shareholders. While ownership structure is considered to be one of the core internal mechanisms of corporate governance, a notable feature of this line of researches is its failure to reach a consensus regarding the nature of the relationship between shareholding and firm value. To extend prior studies, this paper seeks to examine the relation by applying a dynamic perspective to explore the persistence of the relationship by industries and over time. Our empirical results suggest that a potential non-linear relation exists between shareholding and firm value. We also find that the split specification of ownership structure matters.

Key words: Governance mechanism, Insiders and Institutional investor
shareholding, Firm value

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