

Accepted Manuscript

Foreign Institutional Investors and Corporate Governance in Emerging Markets: Evidence of a Split-Share Structure Reform in China

Wei Huang, Tao Zhu

PII: S0929-1199(14)00129-1  
DOI: doi: [10.1016/j.jcorpfin.2014.10.013](https://doi.org/10.1016/j.jcorpfin.2014.10.013)  
Reference: CORFIN 854

To appear in: *Journal of Corporate Finance*



Please cite this article as: Huang, Wei, Zhu, Tao, Foreign Institutional Investors and Corporate Governance in Emerging Markets: Evidence of a Split-Share Structure Reform in China, *Journal of Corporate Finance* (2014), doi: [10.1016/j.jcorpfin.2014.10.013](https://doi.org/10.1016/j.jcorpfin.2014.10.013)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

## Foreign Institutional Investors and Corporate Governance in Emerging Markets: Evidence of a Split-Share Structure Reform in China

Wei Huang<sup>a</sup>, Tao Zhu<sup>b,\*</sup>

- a. Shidler College of Business, University of Hawaii at Manoa, 2404 Maile Way, Honolulu, HI 96822, USA and Center for Economics, Finance and Management Studies (CEFMS), Hunan University, China 410006
- b. Accounting Department, Management School, Jinan University, Huangpu Road West, Guang Zhou, China 510632

### Abstract

Using data on China's split-share structure reform that floats non-tradable shares, we find that Qualified Foreign Institutional Investors (QFIIs) have greater influence over the controlling state shareholders than local mutual funds. QFIIs are less prone to political pressure and are more likely to participate in arm's-length negotiation and monitoring in state-controlled companies. The presence of QFII ownership shortens the duration of the reform and increases the compensation to minority tradable shareholders. Unlike local mutual funds, the positive relationship between state ownership and the compensation to tradable shareholders *increases* with the presence of QFII ownership. Furthermore, QFIIs increase the likelihood of revision in reform proposals among state-controlled companies. Domestic mutual funds seem to make earnest negotiations in non-state-controlled companies in the absence of political pressure. Evidence suggests that involving foreign institutional investors in corporate governance practices can significantly reduce expropriation by controlling shareholders in emerging markets.

JEL classifications: G15, G34

Keywords: Qualified Foreign Institutional Investors (QFIIs), Split-Share Structure Reform Chinese Equity Markets, Corporate Governance

---

\*Corresponding authors: T. Zhu, Tel.: 86 - (20) 85220178; W. Huang: Tel.:1- (808) 9567679. E-mail addresses: zhutao@jnu.edu.cn (T. Zhu), weih@hawaii.edu (W. Huang)

Download English Version:

<https://daneshyari.com/en/article/5093431>

Download Persian Version:

<https://daneshyari.com/article/5093431>

[Daneshyari.com](https://daneshyari.com)