

Author's Accepted Manuscript

Family Ownership, Country Governance, and Foreign Portfolio Investment

Andriy Bodnaruk, Massimo Massa, Vijay Yadav



www.elsevier.com

PII: S0927-5398(17)30004-X
DOI: <http://dx.doi.org/10.1016/j.jempfin.2017.01.002>
Reference: EMPFIN960

To appear in: *Journal of Empirical Finance*

Received date: 3 June 2015
Revised date: 6 January 2017
Accepted date: 9 January 2017

Cite this article as: Andriy Bodnaruk, Massimo Massa and Vijay Yadav, Family Ownership, Country Governance, and Foreign Portfolio Investment, *Journal of Empirical Finance*, <http://dx.doi.org/10.1016/j.jempfin.2017.01.002>

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 galley proof before it is published in its final citable 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.

Family Ownership, Country Governance, and Foreign Portfolio Investment

Andriy Bodnaruk^a, Massimo Massa^{b1}, Vijay Yadav^c

^aFinance Department, College of Business Administration, University of Illinois at Chicago, 2421 UH MC 168, Chicago, IL 60607, 1-312-996-2980

^bFinance Department, INSEAD, Boulevard de Constance, 77300 Fontainebleau, France,

^cFinance Department, ESSEC Business School, 5 Nepal Park, Singapore 139408

bodnaruk@uic.edu

massimo.massa@insead.edu

yadav@essec.fr

Abstract

We study how different dimensions of family ownership combine to make family firms around the world appealing to foreign investors. Family firms provide the benefits of political connections, but at the same time they are more prone to expropriate minority shareholders themselves. This cost-benefit trade-off depends on the quality of country governance: families are attractive investment opportunities in countries in which the value of political connections is high, but the majority shareholders have limited ability to expropriate, i.e., “useful” countries. Foreign investors – more sensitive both to the risk of expropriation by the government and to the risk of expropriation by majority shareholders – are particularly responsive to this trade-off. While on average foreign institutional investors are less likely to invest in family firms and such firms have lower value, these effects disappear when family ownership in a country is useful.

JEL Classification: F21, G15, G30, G32

¹ Tel: +33160724481, Fax: +33160724045

Download English Version:

<https://daneshyari.com/en/article/5100311>

Download Persian Version:

<https://daneshyari.com/article/5100311>

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