CHAPTER IV

Results

The main objective of this thesis is to investigate the effect of foreign ownership on shareholder value. This section begins the analysis by comparing the shareholder value of firms with and without a large foreign shareholder. The multivariate regression analysis is presented in the second part of this section.

4.1 Univariate analysis

4.1.1 The effect of a large foreign shareholder on shareholder value

Table 1 presents statistics of dependent variables from 4,529 samples (see data description in table 15). The results indicated that firms with and without a large foreign shareholder exhibit indifferent Tobin's q ratio. The mean ROA of firms with a large foreign shareholder at specific levels, 25%, 15% and 5% are higher than firms without a large foreign shareholder and statistically significant. The companies with a large foreign shareholder exhibit higher mean ROE at 15% ownership. However, mean ROE of firms with a large foreign shareholder at 25% and 5% ownership are not different from firms without a large foreign shareholder. With respect to RBA, the difference in mean value when the local firms are controlled by a large foreign shareholder at 25% and 15% ownership is statistically insignificant. However, firms with a large foreign shareholder at 5% ownership have mean RBA less than firms without a large foreign shareholder.

In summary, applying univariate tests, the evidence suggests that a large foreign shareholder pays attention to monitor a local company. Firms with a large

foreign shareholder have mean ROA higher than those of firms without a large foreign shareholder. However, the results are not support the argument of La Porta et al. (2000). Mean Tobin's q ratio and RBA of local firms are not different between firms with and without a large foreign shareholder. If a large foreign shareholder imports his good investor protection practices to a local company, firm value and stock liquidity should higher than a local company without a large foreign shareholder because investors are willing to invest in the good investor protection company. Therefore, the results are not consistent with the first hypothesis. Because the results cannot conclude that firms with a large foreign shareholder have mean shareholder value higher than firms without a large foreign shareholder.

Table 1 comparison of shareholder value

Firms are classified into two categories: firms with a large foreign shareholder and firms without a large foreign shareholder. A large foreign shareholder is a foreign shareholder who owns shares at least 25%, 15%, or 5%. Shareholder value is measured by Tobin's q ratio, ROA, ROE, and RBA. Significant levels refer to the difference of mean value between the two groups of firms.

Variables	Firms with a large foreign shareholder			Firms without a large foreign shareholder		
	25%	15%	5%	25%	15%	5%
	Mean			Mean		
Tobin's q (ln)	0.179	0.011	0.003	0.185	0.016	0.022
ROA	0.064 [b]	0.056 [c]	0.053 [b]	0.037	0.036	0.034
ROE [5]	0.207	0.192 [c]	0.087	0.080	0.071	0.101
RBA	0.101	0.116	0.094 [c]	0.106	0.104	0.112

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level

[5] This study ignores the samples that have negative equity value.

4.1.2 The effect of a large foreign shareholder classified by investor protection level by nationality

Table 2 shows the comparison of shareholder value where a large foreign shareholder in different companies from different countries is classified into 2 groups – high and low investor protection index.

Interestingly, firms with a large foreign shareholder who comes from low anti-director rights index (L-A foreign shareholder)[6] have higher mean Tobin's q ratio than the others with H-A foreign shareholder. Firms with L-C and L-AC foreign shareholder have higher mean ROE than the others (H-C, H-AC foreign shareholder). These results are opposed from the hypothesis expectation and do not support the argument of La Porta et al. (2000).

The implication of this phenomenon is that good investor protection practices are not transferred to a local company located in a bad investor protection country, namely Thailand. Furthermore, the results imply that a large foreign shareholder, especially from a country that provides good governance practices, expropriates wealth from a local company. Therefore, the results are not consistent with the second hypothesis.

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[6] This thesis replaces H-A, L-A, H-C, L-C, H-AC, and L-AC for high and low anti-director rights index, high and low creditor rights index, and high and low accounting standard, respectively. For example, a large foreign shareholder, who comes from high anti-director rights index, is defined as H-A foreign shareholder.

Table 2 comparison of shareholder value (classified by nationality of a large foreign shareholder)

Firms are classified into 2 groups[7]: firms with a large foreign shareholder who comes from the countries that provide high and low investor protection index – anti-director rights index, creditor rights index, and accounting standards. This study ignores the samples that have a large foreign shareholder who owns less than 25%. Shareholder value is measured by Tobin's q ratio, ROA, ROE, and RBA. Significant levels refer to the difference of mean value between the two groups of firms.

Variables	Anti director rights		Creditor rights		Accounting standards	
	High	Low	High	Low	High	Low
	Mean		Mean		Mean	
Tobin's q	-0.051[a]	0.142	0.024	-0.012	0.039	-0.023
ROA	0.059	0.084	0.049	0.072	0.062	0.068
ROE	0.118	0.175	0.021[a]	0.174	-0.115[a]	0.183
RBA	0.104	0.083	0.099	0.098	0.114	0.089

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level

4.2 Multivariate regression analysis

4.2.1 The effect of foreign ownership on shareholder value

4.2.1.1 The presence of a large foreign shareholder

The multivariate analysis of a large foreign shareholder effect on shareholder value is presented in table 3. The foreign ownership variables in table 3 show the presence of a large foreign shareholder at specific levels of ownership that has power to decide or block any policy – 25%, 15%, and 5%. This analysis controls for the

[7] Data from SET-SMART cannot classify the nationality of a large foreign shareholder, but only the top ten nationalities of foreign shareholders are available. However, this thesis tries to reduce this problem by ignoring the samples that have a large foreign shareholder less than 25% and deducting the nominee ownership from the total shares of the company.

effect of total assets, use of leverage, BE/ME, industries, time, and foreign institutional ownership. Moreover, an important factor from the financial crisis that should influent shareholder value is the release in foreign ownership restriction – foreign ownership limit – is controlled in this analysis. The involvement of a foreign shareholder in the board of directors is also to address the endogeneity problem.

The results from table 3 are consistent with the univariate analysis; the existence of a large foreign shareholder has no significant effect on Tobin's q ratio. However, the presence of multiple large foreign shareholders at 25% and 15% levels of ownership exhibits positive effect on firm value.

There is a positive relationship between the firm's ROA and the presence of foreign shareholders at 25%, although not strongly significant. However, the negative impact of a foreign shareholder at 15% and 5% on firm's performance is statistically significant. Moreover, when a firm is controlled by multiple foreign shareholders, firm's ROA will be reduced. This implies that the conflict of interest between foreign shareholders exists.[8] With respect to ROE, the presence of a large foreign shareholder has insignificant effect on firm's ROE.

The association of a large foreign shareholder and stock liquidity is presented in table 4. Firms with a large foreign shareholder at 25% and 15% ownership have a negative impact on stock liquidity. However, a firm with multiple large foreign shareholders at 5% ownership has positive impact on stock liquidity. The plausible explanation for this phenomenon is that the ownership concentration reduces the liquidity of stock. When the ownership has low concentration, the stock liquidity will increase (Bhide, 1993).

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[8] However, there is one observation that has two foreign blockhoders at 25%. The negative effect of this variable, multiple foreign blockholder, depends on only one observation.

In summary, the evidence suggests that a large foreign shareholder will pay attention to participate in management because there is positive effect of a large foreign shareholder on firm's ROA. Nevertheless, the transfer of good investor protection practices to a local company is not found in table 3 and 4. The presence of a large foreign shareholder is no effect on firm value and ROE. Moreover, the presence of a large foreign shareholder has negative impact on stock liquidity. This implies that investors are unwilling to invest in the company with a large foreign shareholder. Thus, the results are not consistent with the first hypothesis.

Other variables of interest other than foreign ownership are the involvement of a foreign shareholder in the board of directors, the release of foreign ownership limit, and foreign institutional shareholders.

Interestingly, the presence of a foreign shareholder on the board of directors shows a negative effect on shareholder value (see table 3 and 4). The result implies that a large foreign shareholder expropriates wealth from a local company by being involved in the board of directors, because the directors will have full power to control management, decides the strategic decisions, or any other special resolution.

As presented in table 3, the release of foreign ownership limit will have a positive effect on the firm's ROA. This result has proven consistent with the argument of Boardman et al. (1997), as described in chapter 2, where increase in foreign ownership will reduce the firm's agency costs and have a positive effect on firm's performance. Nevertheless, the effect of the release of foreign ownership limit on Tobin's q ratio does not exhibit strong significant, and thus remains relatively unclear. Therefore, the result tested from Tobin's q ratio does not support the argument of

Lam (1997), whom argued that the release of foreign ownership limit will increase firm value.

The relationship of foreign institutional ownership and firm's ROA have a positive relation, as it may imply that foreign institutional shareholder plays the monitoring role in a local company, as showed in table 3. The result support the argument of Gillan and Starks (2003), where they argue that the increase of investment by foreign institutional investors can enforce the governance changes by directly monitoring the firm's operations.

Table 3 The effect of large foreign shareholders

This table shows the results from multivariate regression (Pooled OLS). The dummy variables are employed for the presence of a large foreign shareholder as described in section 8. The presence of large foreign owner who own shares more than 5% and is involve in the board of director is presented in the dummy variable - Board. If foreign ownership limit changes within the year and thereafter, Limit variable will equal to 1, otherwise 0. Institute variable is the percentage of shares hold by foreign institutional investors. The dependent variables in this analysis are Tobin's q ratio, ROA, and ROE.

	Tobin's q			ROA			ROE		
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Intercept	0.049	0.046	0.053	-0.100 [a]	-0.101 [a]	-0.110 [a]	-0.830 [b]	-0.846 [b]	-0.869 [b]
Ownership variables									
FO (≥25%)	0.008			0.017 [c]			0.173		
FO>1	0.858 [b]			-1.832 [a]			-2.542		
FO (≥15%)		0.015			-0.027 [a]			0.191	
FO>1		0.111 [c]			-0.114 [a]			0.245	
FO (≥5%)			0.005			-0.013 [b]			-0.115
FO>1			-0.014			-0.013 [c]			-0.176
Board	-0.094 [b]	-0.099 [a]	-0.091 [b]	-0.017	-0.008	-0.005	0.000	-0.038	0.121
Control variables									
Limit	0.025 [c]	0.022	0.024	0.030 [a]	0.032 [b]	0.032 [b]	0.088	0.067	0.102
Institute	0.001 [c]	-0.029	0.019	-0.024	0.070 [a]	0.032 [b]	-0.032	-0.185	0.603
Total asset	0.014 [a]	0.014 [a]	0.014 [a]	0.008 [a]	0.008 [a]	0.008 [a]	0.008 [b]	0.049 [b]	0.052
Leverage	0.074 [a]	0.744 [a]	0.745 [a]	-0.035 [a]	-0.035 [a]	-0.035 [a]	-0.053	-0.049	-0.058
BE/ME				-0.002 [a]	-0.002 [a]	-0.002 [a]	-0.001	0.000	-0.002
I-1	-0.013 [c]	-0.011	-0.015	0.013 [a]	0.090 [a]	0.092 [a]	0.430 [a]	0.434 [a]	0.415 [a]
I-2	-0.218 [a]	-0.218 [a]	-0.219 [a]	0.066 [a]	0.068 [a]	0.066 [a]	0.354 [b]	0.366 [b]	0.344 [b]
I-3	-0.046	-0.043	-0.047	-0.003	-0.006	-0.005	-0.076	-0.061	-0.096
I-4	-0.084 [a]	-0.080 [a]	-0.085 [a]	-0.061 [a]	0.057 [a]	0.061 [a]	0.598 [a]	0.624 [a]	0.593 [a]

Table 3 (Continued)

	Tobin's q			ROA			ROE		
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
I-5	0.009[c]	0.012	0.010	-0.023[a]	0.019[b]	0.019[b]	0.156	0.165	0.143[a]
I-6	0.137[a]	0.140[a]	0.137[a]	-0.062[a]	0.059[a]	0.059[a]	0.272	0.292	0.247
I-7	0.076[a]	0.079[a]	0.075[a]	-0.048[a]	0.045[a]	0.048[a]	0.236[c]	0.252[c]	0.228[c]
I-8	0.117[a]	0.120[a]	0.115[a]	-0.063[a]	0.062[a]	0.063[a]	0.322[b]	0.323[b]	0.305[c]
1996*	-0.190[a]	-0.190[a]	-0.190[a]	-0.011	-0.012	-0.111	-0.042	-0.038	-0.038
1997	-0.311[a]	-0.311[a]	-0.311[a]	-0.043[a]	-0.043	-0.040[a]	-0.045	-0.038	-0.017
1998	-0.347[a]	-0.346[a]	-0.347[a]	-0.020[b]	-0.021	-0.017	-0.387	-0.284[b]	-0.360[b]
1999	-0.271[a]	-0.271[a]	-0.271[a]	-0.056[a]	-0.056	-0.052[a]	-0.306	-0.303[c]	-0.272
2000	-0.379[a]	-0.379[a]	0.380[a]	-0.037[a]	-0.036	-0.033[a]	-0.244	-0.242	-0.215
2001	-0.301[a]	-0.302[a]	-0.302[a]	-0.028[a]	-0.027	-0.025[b]	-0.082	-0.082	-0.058
2002	-0.190[a]	-0.188[a]	-0.188[a]	-0.027[a]	-0.032	-0.029[a]	-0.091	-0.094	-0.072
2003	0.124[a]	0.125[a]	0.124[a]	-0.012	-0.012	-0.010	-0.099	-0.093	-0.074
2004	-0.047	-0.047	-0.047	-0.009	-0.009	-0.007	-0.052	-0.046	-0.032
2005	-0.117[a]	-0.116[a]	-0.117[a]	-0.015	-0.016	-0.013	-0.044	-0.035	-0.029
Adjusted R^2	0.196	0.195	0.195	0.190	0.140	0.133	0.011	0.010	0.011
F-statistic	37.526	37.428	37.296	34.700	24.540	23.094	2.607	2.588	2.688
P-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total panel -observations	3,745	3,745	3,745	3,739	3,739	3,739	3,735	3,735	3,735

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level
* The data between year 1993 to 1994 is not enough to run the equations

Table 4 The effect of large foreign shareholders (Relative bid-ask spread)

This table shows the results from multivariate regression (Pooled OLS). The dummy variables are employed for the presence of a large foreign shareholder as described in section 8. The presence of large foreign owner who own shares more than 5% and is involve in the board of director is presented in the dummy variable - Board. If foreign ownership limit changes within the year and thereafter, Limit variable will equal to 1, otherwise 0. Institute variable is the percentage of shares hold by foreign institutional investors. The dependent variable is relative bid-ask spread (RBA).

	RBA		
Variables	(1)	(2)	(3)
Intercept	0.537[a]	0.532[a]	0.536[a]
Ownership variables			
FO (≥25%)	0.042[b]		
FO>1	-0.065		
FO (≥15%)		0.045[a]	
FO>1		-0.012	
FO (≥5%)			-0.007
FO>1			-0.040[a]
Board	0.055[a]	0.049[b]	0.075[a]
Control variables			
Price	-0.056[a]	-0.055[a]	-0.055
Volume	-0.025[a]	-0.025[a]	-0.025
Std	0.309[a]	0.309[a]	0.306[a]
Limit	0.028	0.024	-0.029
Institute	-0.082[b]	-0.105[a]	0.031[b]
I-1	-0.024[c]	-0.025[c]	-0.028[a]
I-2	-0.056[a]	-0.054[a]	-0.057[b]
I-3	-0.030[b]	-0.028[b]	-0.032[a]
I-4	-0.026[c]	-0.023[c]	-0.027[a]
I-5	-0.021	-0.020	-0.022[a]
I-6	0.032	0.034[c]	0.029[a]
I-7	-0.038[a]	-0.036[a]	-0.039[a]
I-8	0.010	0.007	0.005[a]

Table 4 (continued)

	RBA		
Variables	(1)	(2)	(3)
1996*	0.017	0.018	0.017[c]
1997	0.164[a]	0.165[a]	0.167[a]
1998	0.037[a]	0.038[b]	0.041[a]
1999	-0.041[b]	-0.041[a]	-0.037
2000	-0.060[a]	-0.059[a]	-0.057
2001	-0.060[a]	-0.060[a]	-0.057
2002	-0.054[a]	-0.053[a]	-0.050[c]
2003	-0.038[b]	-0.038[b]	-0.034[a]
2004	-0.054[a]	-0.053[a]	-0.050[b]
2005	-0.075[a]	-0.074[a]	-0.073[a]
Adjusted R^2	0.316	0.317	0.317
F-statistic	80.265	80.444	80.635
P-value	0.000	0.000	0.000
Total panel Observations	4,451	4,451	4,451

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level
* The data between year 1993 to 1994 is not enough to run the equations

4.2.1.2 The relation between foreign ownership and shareholder value

Table 5 shows that the impact of foreign ownership on shareholder value is a non-monotonic relationship. The study of Chhibber and Majumdar (1999) find the positive relationship between foreign ownership - where the degree of the positive effect increase as the level of ownership increase – with firm performance through a function by employing the samples based on the Indian market. The relation which is found in this study differs from the prior study because the quality of investor protection in the Indian and Thai market is different, as India is a relatively high investor protection country (see, La Porta et al., 1998). This thesis finds that the relationship between firm value and foreign ownership do not support the prior study. Firm value decrease to minimum point[9] (foreign ownership at 6.6%), then increase to maximum point (foreign ownership at 56.4%), and finally decline as ownership by foreigners rises. Furthermore, the relationship between foreign ownership and firm performance (ROA and ROE) is similar to the relationship between firm value and foreign ownership - the maximum points of ROA and ROE regression are 68% and 59.7% and minimum points are 5.2% and 8.9%, respectively. However, the association of stock liquidity and foreign ownership is insignificant at any level of ownership.

The foreign ownership has negative impact on shareholder value at a very high level of foreign ownership. The result differs from the entrenchment hypothesis. This implies that a foreign shareholder expropriates wealth from a local company when he holds a very large proportion of shares. In general, the insiders will not become entrench at a very high level of ownership because the benefit from expropriation

[9] The turning points of a cubic function are calculated by differentiating independent variables with respect to foreign ownership variables (assuming all other variables are constant). To determine the turning point is maximum or minimum by finding the second derivative of the function.

does not cover the cost of expropriation at such a high level of ownership - they bare the costs of expropriation which are higher than the benefits of expropriation. However, the result shows that a large foreign shareholder expropriates wealth from a local company at the 56.4% foreign ownership level. This phenomenon implies that the benefits from expropriation cover the loss from expropriation. The plausible example for expropriation is transfer pricing as discuss in Johnson et al. (2000). For example, a large foreign shareholder forces the managers to sell the products at a lower price than the market to the parent company, or to purchase materials from the parent company at a very high price. Therefore the wealth of the local company is transferred to the parent company. The results from the ROA regressions are consistent with the example that a large foreign shareholder expropriates wealth from the local company at the operating level, which is considered transfer pricing. ROA of the company also decrease when a large foreign shareholder holds a very large proportion of shares (68%). In this case, the role of the local company is merely a channel to distribute goods or a material supplier for the parent company.

In summary, a large foreign shareholder will expropriate wealth from a local company, if he holds shares at the very high level of ownership. This result is not consistent with the first hypothesis.

Table 5 The relationship of foreign ownership on shareholder value

This table shows the results from multivariate regression (Pooled OLS). Foreign ownership^{x} is defined as percentage of shares hold by largest by a large foreign shareholder power x – 1, 2, and 3. The presences of a large foreign shareholder who owns shares more than 5% and is involve in the board of directors is presented in dummy variable - Board. If foreign ownership limits change within the year and thereafter, Limit variable will equal to 1, otherwise 0. Institute variable is the percentage of share hold by foreign institutional investors. The dependent variables in this analysis are Tobin's q ratio, ROA, ROE, and RBA.

	Tobin's q	ROA	ROE	RBA
Variables	(1)	(2)	(3)	(4)
Intercept	0.046	-0.112 [a]	-0.890	0.533 [a]
Ownership variables				
Foreign ownership [1]	-0.138 [b]	-0.079	-1.303	0.155
Foreign ownership [2]	1.166	0.820 [a]	8.377 [b]	0.062
Foreign ownership [3]	-1.234 [a]	-0.747 [a]	-8.134 [b]	-0.095
Board	-0.096 [a]	-0.018	0.007	0.048 [b]
Control variables				
Limit	0.028	0.032 [b]	0.103	0.024
Institute	-0.059	-0.104 [a]	-0.247	-0.146 [b]
Total asset	0.014 [a]	0.008 [a]	0.054 [b]	
Leverage	0.074 [a]	-0.035 [a]	-0.057	
BE/ME		-0.002 [a]	0.000	
Price				-0.056 [a]
Volume				-0.025 [a]
Standard deviation				0.314 [a]
I-1	-0.013	0.093 [a]	0.430 [a]	-0.026 [c]
I-2	-0.217 [a]	0.068 [a]	0.368 [b]	-0.054 [a]
I-3	-0.044	-0.003	-0.068	-0.029 [b]
I-4	-0.086 [a]	0.060 [a]	0.591 [a]	-0.026 [c]
I-5	0.010	0.020 [b]	0.152	-0.020
I-6	0.136 [c]	0.060 [a]	0.259	0.033
I-7	0.075 [a]	0.048 [a]	0.235 [c]	-0.037 [a]
I-8	0.116 [a]	0.163 [a]	0.317 [b]	0.007

Table 5 (Continued)

	Tobin's q	ROA	ROE	RBA
Variables	(1)	(2)	(3)	(4)
1996*	-0.190[a]	-0.113	-0.042	0.017
1997	-0.311[a]	-0.043[a]	-0.045	0.164[a]
1998	-0.347[a]	-0.019	-0.385[b]	0.037[b]
1999	-0.270[a]	-0.055[a]	-0.299[c]	-0.041[a]
2000	-0.378[a]	-0.035[a]	-0.237	-0.060[a]
2001	-0.302[a]	-0.027[a]	-0.081	-0.060[a]
2002	-0.188[a]	-0.031[a]	-0.098	-0.053[a]
2003	-0.123[a]	-0.012	-0.101	-0.038[b]
2004	-0.048	-0.009	-0.056	-0.053[a]
2005	-0.117[a]	-0.014	-0.042	-0.075[a]
Adjusted R^2	0.195	0.135	0.011	0.316
F-statistic	35.968	22.659	2.616	77.189
P-value	0.000	0.000	0.000	0.000
Total panel Observations	3,748	3,472	3,738	4,451

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level
* The data between year 1993 to 1994 is not enough to run the equations

4.2.2 The effect of a large foreign shareholder classified by investor protection level

Table 6 shows the relationship between investor protection level of a large foreign shareholder's country and shareholder value. In the big picture, the results are consistent with the univariate analysis presented before. The presence of a large foreign shareholder, who comes from a good investor protection country should exhibits negative impact on shareholder value.

The influence of H-A foreign shareholder on firm value is a negative impact. This result does not support the prior argument (La Porta et al., 2000). The result somewhat indicates that there exists the agency problem in a local firm, where a large foreign shareholder - especially from a good governance country - expropriates wealth from a local company. The negative impact of the presence of H-A foreign shareholder on shareholder value has been pointed out at the first section of this thesis. There is no guarantee that a large foreign shareholder will not expropriate wealth from a local company, especially in a country with low level of investor protection. The results imply that foreign shareholders expropriate from Thai listed companies. The large foreign shareholder will maximize his wealth as much as possible in the local company located in a low protection country. This is done by holding a large proportion of shares to become the controlling shareholder, thus expropriating from the local company. Furthermore, the relationship between shareholder protection practice and stock liquidity is positive but not strongly significant.

All the above reasoning suggests that H-A foreign shareholder do not import his good governance practices to a local company.

The results in table 6 indicate that the level of creditor rights is related to shareholder value. The firm controlled by H-C foreign shareholder exhibit a negative impact on firm's ROA and firm's ROE. There is no relationship between stock liquidity and H-C foreign shareholder. According to La Porta et al. (2000), the transfer of creditor protection is impossible, because the corporate assets remain under the law of a country where they are located. However, this thesis finds significant negative impact of H-C foreign shareholder on Tobin's q ratio, ROE, and ROA.

The presence of H-AC foreign shareholder exhibiting negative impact on ROE but exhibiting positive impact on Tobin's q ratio imply that H-AC foreign shareholder expropriates wealth from the local company. However, the presence of H-AC foreign shareholder may send a signal to local investors, who expect the local firm to improve its accounting standards.

Nevertheless, regressions in table 6 employ the data based from the years 1997 to 2005 that may include the effect of the financial crisis. Therefore, the results above need to be tested for their robustness to confirm the effects. Table 7 presents the regression results by employing the data between the years 2000 to 2005. Table 7 exhibits subtle different results to table 6.

The results in table 7 show that the presence of H-AC foreign shareholder does not affect Tobin's q ratio. This implies that the H-AC foreign shareholder is not related to the signal to improve the firm's accounting standard as described above. The plausible explanation is that the results in table 6 may include other effects from the financial crisis. Moreover, the results indicate that stock liquidity, which is measured by RBA, is directly related to the accounting standard of the large foreign shareholder's country in the negative direction. The presence of H-AC foreign shareholder exhibits low stock liquidity. The results indicate that local investors are

unwilling to invest in the company that is held by H-AC foreign shareholder. From the hypothesis expectation, the local company with H-AC foreign shareholder should have low information asymmetry because they import good accounting standards to the local company. However, empirical evidence finds that a large foreign shareholder does not import his good accounting standards, on the contrary, his presence increase information asymmetry between outsiders and insiders.

The plausible explanation for this phenomenon is that a large foreign shareholder easily transfers assets and profits out of a local firm for his benefits in a low protection country by becoming the controlling shareholder. Johnson et al. (2000) define these actions of controlling shareholders as "tunneling". For example, in the case of H-A foreign shareholder, he can easily expropriate corporate opportunities of a local company by providing the projects with low return for a local company. These actions of the foreign controlling shareholder benefit the foreigner at the expense of the local minority shareholders. Therefore, the investors are unwilling to finance the company. The market value of the company should be lower than other companies.

Next, H-AC foreign shareholder cannot conceal some information in his home country because the high standard of regulations. Therefore, he invests in a local company that is located in a low protection country, where he can conceal some special items in the annual report. The second form of tunneling as described by Johnson et al. (2000) is "transfer pricing." This action is related to the accounting standard of a company. For example, H-AC foreign shareholder pressures the local company to sell the products to head office at home country at non-market price, or to purchase materials from the parent company at a price excessive to the market. The foreign shareholder need not disclose this information in the financial report because it is not required in the country's low accounting standards. Therefore, the foreigner

can conceal any information that he does not want to disclose. Transfer pricing reduces firm performance and increase information asymmetry between the company and outsiders. The presence of H-AC foreign shareholder exhibits negative impact on firm's ROE and stock liquidity.

The presence of H-C foreign shareholder exhibits negative effect on ROA and ROE. Creditor rights' protection practices seem to be transferable to the local company because the firms with good creditor protection should have lower performance when compared to other firms. The reason is that the managers of a good creditor protection company cannot invest in a high-return project with high risk of failure, otherwise they have to ignore good projects that require new debt issuing, as they have to protect their creditors. Hence, shareholder wealth is transferred to creditors. However, La Porta et al. (2000) argued that transferable creditor rights' protection practices are impossible as described above. The plausible explanation for the situation is that a local company is indirectly forced by the creditors of the foreign head office to seek sources of funding through head office. For example, the H-C foreign shareholder has to sustain the long term relationship between the parent company and his creditors at his home country because this is an approach to maintain his source of funding. Moreover, the local company can borrow money at a lower interest rate from creditors who they have a close relationship with the head company. Therefore, H-C foreign shareholder will force the managers to fund from creditors that he is familiar with. Consequently, the local company is forced to employ the good practices in order to protect creditors' rights, as required from home country. Firm performance of the local company with H-C foreign shareholder should be lower than firm without H-C foreign shareholder.

In summary, a large foreign shareholder dose not import his good investor protection practices to a local company as the argument of La Porta et al. (2000) and the study of Oxelheim and Randoy (2003). Furthermore, a large foreign shareholder, especially if from high investor protection country, expropriates wealth from a local company.

Table 6 The effect of large foreign shareholder classified by investor protection index

This table shows the results from multivariate regression (Pooled OLS). The presence of nationality that holds a large proportion of shares are defined as High and Low investor protection index. The presences of a large foreign shareholder who owns shares more than 5% and is involve in the board of directors is presented in dummy variable - Board. If foreign ownership limit changes within the year and thereafter, Limit variable will equal to 1, otherwise 0. Institute variable is the percentage of share hold by foreign institutional investors. Dependent variables are Tobin's q ratio, ROA, ROE, and RBA.

	Tobin's q	ROA	ROE	RBA
Variables	(1)	(2)	(3)	(4)
Intercept	0.871 [a]	-0.076	0.368	0.756 [a]
Ownership variables				
High-anti	-0.156 [a]	-0.002	0.032	-0.048 [c]
High-credit	-0.008	-0.049 [a]	-0.115 [b]	0.008
High-acc	0.103 [c]	0.008	-0.105 [c]	0.037
Unidentified-anti*	0.356	0.096	0.107	0.021
Unidentified-acc	-0.368	-0.154 [c]	-0.275	0.009
Board	0.084	-0.016	-0.005	0.280 [a]
Control variables				
Limit	0.216	-0.039	0.083	-0.082
Institute	-0.159	0.013	0.213	-0.129 [c]
Total asset	-0.058 [a]	0.010	-0.022	
Leverage	0.212 [a]	-0.039 [a]	-0.032	
BE/ME		-0.004	0.009	
Price				-0.045 [a]
Volume				-0.030 [a]
Standard deviation				1.042 [a]
I-1	0.186	0.017	0.014	-0.137
I-2	0.130	-0.010	-0.057	-0.109 [b]
I-3	0.323 [a]	-0.044	-0.167	0.004
I-4	0.209 [b]	0.011	0.038	-0.035
I-5	0.156	-0.059 [c]	-0.034	-0.025
I-6	0.168	-0.039	0.025	0.014
I-7	0.455 [a]	0.017	0.121	-0.101 c
I-8	0.287 [a]	0.022	0.102	-0.037

Table 6 (Continued)

	Tobin's q	ROA	ROE	RBA
Variables	(1)	(2)	(3)	(4)
1998	-0.008	0.006	0.041	-0.096 [b]
1999	0.105	-0.010	-0.133	-0.178 [a]
2000	-0.006	-0.033	-0.126	-0.208 [a]
2001	0.061	-0.021	0.026	-0.178 [a]
2002	0.213 [a]	-0.052 [b]	-0.017	-0.193 [a]
2003	0.440 [a]	-0.025	0.045	-0.151 [a]
2004	0.258 [a]	0.003	0.078	-0.173 [a]
2005	0.184 [b]	-0.007	0.062	-0.189 [a]
Adjusted R^2	0.306	0.078	0.089	0.389
F-statistic	8.314	2.359	2.562	11.001
P-value				
Total panel Observations	431	432	431	425

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level
* Unidentified shareholder rights protection group and creditor rights protection group are same

Table 7 The effect of large foreign shareholder classified by investor protection index (employ samples between 2000 to 2005)

This table shows the results from multivariate regression (Pooled OLS). The presence of nationality that holds a large proportion of shares are defined as High and Low investor protection index. The presences of a large foreign shareholder who owns shares more than 5% and is involve in the board of directors is presented in dummy variable - Board. If foreign ownership limit changes within the year and thereafter, Limit variable will equal to 1, otherwise 0. Institute variable is the percentage of share hold by foreign institutional investors. Dependent variables are Tobin's q ratio, ROA, ROE, and RBA.

	Tobin's q	ROA	ROE	RBA
Variables	(1)	(2)	(3)	(4)
Intercept	0.957[a]	-0.188	0.136	0.263[a]
Ownership variables				
High-anti	-0.146[b]	0.001	0.078	-0.014
High-credit	-0.015	-0.080[a]	-0.137[b]	-0.025
High-acc	0.070	0.010	-0.123[c]	0.053[a]
Unidentified **	-0.071	-0.051	-0.106	0.054[a]
Board	0.058	-0.029	0.012	0.129[a]
Control variables				
Limit	0.201	0.038	0.088	-0.078[b]
Institute	-0.061[c]	-0.036	-0.056	0.036
Total asset	-0.064[a]	0.018[b]	-0.005	
Leverage	0.188[a]	-0.042[a]	0.007	
BE/ME		-0.0003		
Price				-0.017[a]
Volume				-0.015[a]
Standard deviation				0.229
I-1	0.210	0.026	0.004	-0.059
I-2	-1.138	-0.028	-0.108	0.004
I-3	0.333[b]	-0.075	-0.169	0.042
I-4	0.259[b]	-0.003	-0.169	-0.002
I-5	0.191	-0.094[b]	-0.007	0.003
I-6	0.201	-0.066	-0.048	0.005
I-7	0.459[a]	-0.005	0.082	-0.028
I-8	0.242[b]	0.006	0.061	0.001

Table 7 (Continued)

	Tobin's q	ROA	ROE	RBA
Variables	(1)	(2)	(3)	(4)
2001	0.072	0.010	0.156[b]	0.005
2002	0.223[a]	-0.017	0.119[c]	-0.018
2003	0.450[a]	0.011	0.182[b]	0.003
2004	0.270[a]	0.035	0.208[a]	-0.001
2005	0.201[a]	0.021	0.189[a]	-0.011
Adjusted R^2	0.336	0.089	0.089	0.295
F-statistic	7.910	2.285	2.281	6.278
P-value	0.000	0.000	0.000	0.000
Total panel Observations	301	301	301	291

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level
** 3 groups of unidentified investor protection index countries are the same in the period between 1997 to 2005

4.2.3 The corporate governance event in Thailand

Tables 8 shows the effect of a large foreign shareholder in each period - pre, during, and post the promoted corporate governance event by authorities. This is done by comparing the effect of a large foreign shareholder on shareholder value before and after the promotion.

In table 8, the effect of a large foreign shareholder on firm value after the promoted corporate governance event is both positive and higher than before the event. Moreover, a large foreign shareholder has a higher negative effect before the event, regarding stock liquidity, compared to after the event. This implies that a large foreign shareholder plays a more active role on the firm's governance after the event. The other implication is that the degree of corporate governance in Thailand after the event may be reduced, when compared to the governance before the event.

With respect to firm performance, the effect of a large foreign shareholder on firm performance – ROA and ROE - before the event is higher than after the event. This may imply that a large foreign shareholder uses more attempts to improve the performance of a local company before the event when compared to after the event. However, all the above results cannot conclude that the effect of a large foreign shareholder on shareholder value differs between before and after the promoted corporate governance event. One way to test the difference of coefficients is to use the Wald test.

Based on the results of the Wald test, the effect of a large foreign shareholder before and after the promoted corporate governance event is not significantly different. This finding implies that the authorities' effort to improve the corporate governance practices is not successful. As discussed before, in a good corporate governance environment, the effects due from a large foreign shareholder on firm's

governance should be markedly reduced - as foreign intervention to improve governance should not be necessary with an improved environment.

In conclusion, the authorities' promotion on corporate governance practices in the Thai market had not been sufficient to improve the governance practices of local companies.

Table 8 The effect of a large foreign shareholder on shareholder value in each period - pre, during, and post improved corporate governance environment.

This table shows the results from multivariate regression (Pool OLS). The presence of a large foreign shareholder who holds shares higher than 25% is defined as FO. The interaction term between a large foreign shareholder and each period is defined as FO_D1 to FO_D3. The presences of a large foreign shareholder who owns shares more than 5% and is involve in the board of directors is presented in dummy variable - Board. If foreign ownership limit changes within the year and thereafter, Limit variable will equal to 1, otherwise 0. Institute variable is the percentage of share hold by foreign institutional investors. Dependent variables are Tobin's q ratio, ROA, ROE, and RBA.

	Tobin's q	ROA	ROE	RBA
Variables	(1)	(2)	(3)	(4)
Intercept	-0.181 [b]	-0.137 [a]	-1.000 [a]	0.594 [a]
Ownership variables				
FO*D1	0.041	0.043 [b]	0.130	0.044
FO*D2	-0.075 [c]	0.013	0.272	0.072 [a]
FO*D3	0.144 [a]	0.013	0.069	0.012
Board	-0.093 [b]	-0.015	0.012	0.056 [a]
Control variables				
Total asset	0.017 [a]	0.009 [a]	0.054 [b]	
Leverage	0.048 [a]	-0.037 [a]	-0.065	
Limit	0.128 [b]	0.040 [a]	0.167	-0.122
Institute	-0.086	-0.035 [c]	-0.088	-0.054
BE/ME		-0.002 [a]	-0.003	
Price				-0.050 [a]
Volume				-0.031
Standard deviation				0.362 [a]
I-1	-0.044	0.088 [a]	0.388 [a]	-0.054 [a]
I-2	-0.242 [a]	0.063 [a]	0.318 [b]	-0.087 [a]
I-3	-0.070 [b]	-0.009	-0.121	-0.040 [a]
I-4	-0.100 [a]	0.058 [a]	0.563 [a]	-0.052 [a]
I-5	0.009	0.017 [b]	0.123	-0.034 [a]
I-6	0.123 [a]	0.057 [a]	0.232	0.012 [a]
I-7	0.055 [c]	0.044 [a]	0.201	-0.065 [a]
I-8	0.128 [a]	0.062 [a]	0.299 [c]	-0.007 [a]

Table 8(Continued)

	Tobin's q	ROA	ROE	RBA
Variables	(1)	(2)	(3)	(4)
Adjusted R^2	0.080	0.118	0.009	0.254
F-statistic	21.446	30.697	3.090	90.128
P-value	0.000	0.000	0.000	0.000
Total panel Observations	3,749	3,743	3,739	4,451
Wald test				
-FO*D1: FO*D3				
F-statistic	1.894	2.050	0.032	1.105
Probability	0.168	0.152	0.856	0.293
-FO*D1: FO*D2				
F-statistic	2.493	2.114	2.114	0.915
Probability	0.114	0.145	0.670	0.338
-FO*D2: FO*D3				
F-statistic	30.955[a]	0.000	1.297	7.899[a]
Probability	0.000	0.997	0.254	0.005

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level

4.3 Robustness check

4.3.1 The effect of foreign ownership on firm performance

As discussed earlier, theoretical argument points out that the positive effect of foreign ownership arises from the transfer of high technology. However, this thesis argues that the impact of foreign ownership on shareholder value depends on the quality of a large foreign shareholder's corporate governance practices. Table 9 – 12 will test the effect of a large foreign shareholder by industry. Table 13 will compare the effect of large foreign investor's influence between the high technology and low technology industries.

In table 9, the presence of a large foreign investor has a positive effect on firm value, however seen only in companies in the financial sector. In table 10, the effect of a large foreign shareholder on firm's ROA is separated and no clear positive or negative relations are seen; the presence of a large foreign shareholder has a positive effect on a company in the property & construction industry, the services industry, and firm under rehabilitation. In contrary, a large foreign shareholder has a negative impact on a company in agriculture & food industry and technology industry. In table 11, the presence of a large foreign shareholder has no effect on firm's ROE. In table 12, the effect of a large foreign shareholder on stock liquidity is also separated; the presence of a large foreign shareholder has a positive effect on a company in the technology industry. The negative effect is observed on a company in the industrials sector and services industry. However, the results from table 9 to 12 are not enough to conclude that the effects of a large foreign shareholder on shareholder value differ between high technology and low technology industries.

To enhance the reliability of this thesis, table 13 shows the comparison of a large foreign shareholder's effect on a local company between high and low-technological companies, as defined by Kohers and Kohers (2000). High technology industries are healthcare services, communication, and technology industry.

In table 13, the results show that a high technology company with a large foreign shareholder exhibit Tobin's q ratio, ROA, ROE, and stock liquidity higher than a low technology company with a large foreign shareholder. However, the results cannot conclude that the effect of a large foreign shareholder is different between a high technology and a low technology company. The one way is to test the difference of coefficients - Wald test.

The results in table 13 show that the impact of a large foreign shareholder on Tobin's q ratio is different between a high and a low technology company, however, the effect of a large foreign shareholder on ROA, ROE, and stock liquidity of high and low technology company are statistically indifferent.

While the result of firm value may differ - implying that technological transfer did occurred - it is insufficient. After considering firm's performances and stock liquidity, the results have shown that there have been no differences between the effects of a large foreign shareholder on either the high-technological or low-technological industry. In a high-technological company, firm's revenue should depend on the firm's specific knowledge such as copy rights and patents. If a large foreign shareholder imports his specific knowledge to a local company, firm performance of a local company should increase along with its competitive advantages. As the transfer of technology should improve firm performance, the effect of a large foreign shareholder on a high-technological company should be higher than a low-technological company. Nevertheless, the results showed that there

is no difference from the effect of a large foreign shareholder between the high technological and low technological company.

Therefore, these results may imply that the effect of a large foreign shareholder on a local firm is not likely to arise from the transfer of high technology.

Table 9 The effect of a large foreign shareholder on Tobin's q ratio in each industry

This table shows the results from multivariate regression (Pooled OLS). The presence of a large foreign shareholder hold shares higher than 25% is defined as FO. The presences of a large foreign shareholder who holds shares more than 5% and is involve in the board of directors is presented in dummy variable - Board. If foreign ownership limit changes within the year and thereafter, Limit variable will equal to 1, otherwise 0. Institute variable is the percentage of share hold by foreign institutional investors.

	Tobin's Q Ratio								
Variables	(i_1)	(i_2)	(i_3)	(i_4)	(i_5)	(i_6)	(i_7)	(i_8)	(i_0)
Intercept	0.167	0.127	0.420 [b]	-1.073 [a]	0.120	-1.186 [b]	0.007	-1.118 [a]	0.972 [a]
Ownership variables									
FO	-0.106	-0.097	0.170 [b]	0.118	-0.098	0.014	0.086	-0.112	-0.032
Board	-0.225 [a]	-0.008	0.368	-0.125 [c]	-0.058		-0.060	0.330	0.202
Control variables									
Total asset	-0.006	0.002	-0.003	0.092 [a]	0.015	0.091 [a]	0.020	0.096 [a]	-0.054 [a]
Leverage	-0.015	0.238 [a]	0.072 [a]	0.126 [a]	0.064 [b]	-0.156 [b]	0.103 [a]	-0.248 [a]	0.034
Limit	-0.389 [b]	-0.248	0.008	-0.041	0.051	-0.219	0.722 [a]	-0.072	0.289
Institute	0.401 [b]	-0.076	-0.095	-0.003	0.119	-0.380	0.311	-0.030	-0.618 [a]
1996*	-0.135	-0.101	-0.266 [c]	-0.233 [a]	-0.278 [a]	-0.019	-0.099	-0.367 [a]	-0.189 [b]
1997	-0.128	-0.291 [a]	-0.370 [a]	-0.402 [a]	-0.469 [a]	-0.117	-0.351 [a]	-0.368 [a]	-0.224 [b]
1998	-0.171 [b]	-0.343 [a]	-0.318 [a]	-0.505 [a]	-0.505 [a]	-0.304	-0.366 [a]	-0.449 [a]	-0.244 [b]
1999	-0.183 [b]	-0.247 [a]	-0.340 [a]	-0.335 [a]	-0.403 [a]	-0.394 [c]	-0.274 [b]	-0.239	-0.200 [c]
2000	-0.269 [a]	-0.278 [a]	-0.494 [a]	-0.471 [a]	-0.477 [a]	-0.480 [b]	-0.388 [a]	-0.452 [a]	-0.316 [b]

Table 9 (Continued)

	Tobin's Q Ratio								
Variables	(i_1)	(i_2)	(i_3)	(i_4)	(i_5)	(i_6)	(i_7)	(i_8)	(i_0)
2001	-0.171 [b]	-0.178 [b]	-0.397 [a]	-0.393 [a]	-0.388 [a]	-0.349 [c]	-0.307 [a]	-0.552 [a]	-0.243 [b]
2002	-0.118	-0.058	-0.341 [a]	-0.208 [a]	-0.168 [c]	-0.355 [c]	-0.165	-0.502 [a]	-0.168
2003	0.033	0.127	-0.219 [c]	-0.100	0.222 [a]	0.089	0.203 [c]	-0.030	0.443 [a]
2004	-0.054	0.026	-0.247 [b]	-0.115	-0.070	-0.032	0.014	-0.325 [a]	0.103
2005	-0.021	0.032	-0.283 [b]	-0.215 [a]	-0.240 [a]	-0.073	-0.014	-0.394 [a]	-0.064
Adjusted R^2	0.091	0.281	0.086	0.393	0.254	0.210	0.171	0.249	0.254
F-statistic	3.645	9.843	4.285	18.854	13.350	3.299	9.290	7.446	7.440
P-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total panel -observations	422	362	553	442	580	130	643	311	303

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level
* The data between year 1993 to 1994 is not enough to run the equations

Table 10 The effect of a large foreign shareholder on ROA in each industry

This table shows the results from multivariate regression (Pooled OLS). The presence of a large foreign shareholder hold shares higher than 25% is defined as FO. The presences of a large foreign shareholder who holds shares more than 5% and is involve in the board of directors is presented in dummy variable - Board. If foreign ownership limit changes within the year and thereafter, Limit variable will equal to 1, otherwise 0. Institute variable is the percentage of share hold by foreign institutional investors.

	ROA								
Variables	(i_1)	(i_2)	(i_3)	(i_4)	(i_5)	(i_6)	(i_7)	(i_8)	(i_0)
Intercept	-0.085	0.061	0.161 [a]	-0.070	-0.264 [a]	-0.367 [a]	0.009	0.198 [a]	-0.359 [b]
Ownership variables									
FO	-0.061 [c]	-0.015	0.035	-0.005	0.055 [c]	-0.011	0.052 [b]	-0.035 [c]	0.149 [b]
Board	-0.002	0.065 [c]	0.042	-0.030 [a]	0.103 [c]		0.042	-0.271 [a]	-0.188 [a]
Control variables									
Total asset	0.011 [a]	0.001	-0.003	0.010 [a]	0.019 [a]	0.025 [a]	0.004	-0.004	0.025 [a]
Leverage	-0.050 [a]	-0.032 [a]	-0.022 [a]	-0.039	-0.044 [a]	-0.057 [a]	-0.029 [a]	-0.021 [c]	-0.052 [b]
Limit	-0.067 [c]	0.038	0.015	-0.011 [c]	0.034	-0.009	0.224 [a]	0.070	-0.065
Institute	0.103 [b]	-0.023	-0.067	0.042	-0.149 [b]	-0.051	-0.023	0.082 [b]	-0.203 [c]
BE/ME	-0.001 [b]	-0.018 [a]	0.000	-0.180 [a]	-0.004 [a]	-0.017 [b]	-0.0001	-0.036 [a]	0.000
1996*	-0.006	0.004	-0.005	0.007	-0.014	0.006	-0.002	-0.005	-0.034
1997	0.019	0.042	-0.160 [a]	-0.001	-0.030	0.022	-0.059 [a]	-0.020	-0.092 [c]
1998	0.016	0.074 [a]	-0.160 [a]	0.041 [a]	-0.032	0.108 [b]	-0.049 [c]	0.026	-0.015
1999	-0.004	0.004	-0.131 [a]	-0.025	-0.104 [a]	0.019	-0.077 [a]	-0.054 [c]	-0.072
2000	-0.032	0.034	-0.115 [a]	-0.007	-0.053 [c]	0.009	-0.053 [b]	-0.0001	-0.028

Table 10 (Continued)

	ROA								
Variables	(i_1)	(i_2)	(i_3)	(i_4)	(i_5)	(i_6)	(i_7)	(i_8)	(i_0)
2001	-0.030	0.025	-0.101 [b]	-0.012	-0.003	0.032	-0.041	-0.013	-0.071
2002	-0.043 [b]	0.005	-0.089 [b]	-0.009	-0.021	0.022	-0.023	-0.015	-0.170 [a]
2003	-0.047 [b]	-0.029	-0.076 [c]	-0.020	0.041	0.026	-0.026	-0.020	0.076
2004	-0.058 [a]	-0.011	-0.074 [c]	-0.012	0.025	0.046	-0.019	-0.025	0.041
2005	-0.057 [a]	-0.019	-0.088 [b]	-0.012	0.007	0.043	-0.032	-0.020	0.055
Adjusted R^2	0.212	0.155	0.114	0.204	0.154	0.209	0.102	0.151	0.131
F-statistic	7.697	4.921	5.160	7.659	7.221	3.136	5.311	4.243	3.691
P-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total panel -observations	422	362	547	442	580	130	643	311	303

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level
* The data between year 1993 to 1994 is not enough to run the equations

Table 11 The effect of a large foreign shareholder on ROE in each industry

This table shows the results from multivariate regression (Pooled OLS). The presence of a large foreign shareholder who holds shares higher than 25% is defined as FO. The presences of a large foreign shareholder who owns shares more than 5% and is involve in the board of directors is presented in dummy variable - Board. If foreign ownership limits change within the year and thereafter, Limit variable will equal to 1, otherwise 0. Institute variable is the percentage of share hold by foreign institutional investors.

	ROE								
Variables	(i_1)	(i_2)	(i_3)	(i_4)	(i_5)	(i_6)	(i_7)	(i_8)	(i_0)
Intercept	-0.340	0.388	1.206	-1.052	-1.428[a]	-1.544[a]	-1.591[c]	0.038	-2.303
Ownership variables									
FO	0.028	-0.038	0.449	0.234	0.254	-0.097	-0.005	-0.100	0.539
Board	0.041	0.178	-0.008	0.309	0.414		0.350	-1.277[a]	-0.032
Control variables									
Total asset	0.044[c]	-0.008	-0.036	0.120	0.094[b]	0.099[a]	0.110[c]	0.004	0.146
Leverage	0.018	0.010	-0.200	0.431	-0.137	-0.153[c]	-0.140	0.044	-0.299
Limit	-0.152	0.070	0.257	-0.434	0.054	-0.086	0.361	0.243	1.959
Institute	0.343	-0.047	-1.024	0.499	-0.197	0.118	0.218	0.096	-1.253
BE/ME	-0.002	-0.047[a]	0.037	-0.318[a]	0.006	0.001	0.008	-0.092[b]	0.056
1996*	0.028	0.011	0.173	0.158	-0.055	0.003	-0.026	-0.061	-0.248
1997	0.131	0.269[b]	-1.234	2.256[b]	-0.488[c]	-0.113	-0.104	-0.065	-0.761
1998	-0.004	0.156	-2.547[a]	1.325	-0.133	-0.018	-0.729[c]	0.224	-0.559
1999	-0.110	-0.018	-1.185	0.703	-0.642[b]	0.027	-0.225	-0.451[a]	-0.941
2000	-0.067	0.089	-1.019	0.377	-0.378	-0.027	-0.140	0.077	-1.471[b]

Table 11 (Continued)

	ROE								
Variables	(i_1)	(i_2)	(i_3)	(i_4)	(i_5)	(i_6)	(i_7)	(i_8)	(i_0)
2001	-0.090	0.045	-0.704	0.307	0.045	-0.048	-0.068	-0.028	-0.139
2002	-0.122	-0.020	-0.691	0.183	-0.027	-0.015	-0.035	-0.097	-0.260
2003	-0.161	-0.075	-0.641	0.084	-0.0005	0.021	-0.077	-0.170	-0.163
2004	-0.139	-0.040	-0.637	0.187	0.038	0.054	-0.105	-0.138	0.105
2005	-0.148	-0.052	-0.667	0.221	0.005	0.015	-0.157	-0.197	0.319
Adjusted R^2	0.020	0.033	0.051	0.017	0.021	0.000	-0.005	0.091	0.010
F-statistic	1.524	1.741	2.735	1.469	1.764	0.996	0.810	2.846	1.182
P-value	0.000	0.000	0.000	0.000	0.000	0.465	0.681	0.000	0.277
Total panel -observations	422	362	547	442	579	130	642	311	301

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level
* The data between year 1993 to 1994 is not enough to run the equations

Table 12 The effect of a large foreign shareholder on Relative bid-ask spread in each industry.

This table shows the results from multivariate regression (Pooled OLS). The presence of a large foreign shareholder hold shares higher than 25% is defined as FO. The presences of a large foreign shareholder who holds shares more than 5% and is involve in the board of directors is presented in dummy variable - Board. If foreign ownership limit changes within the year and thereafter, Limit variable will equal to 1, otherwise 0. Institute variable is the percentage of share hold by foreign institutional investors.

	RBA								
Variables	(i_1)	(i_2)	(i_3)	(i_4)	(i_5)	(i_6)	(i_7)	(i_8)	(i_0)
Intercept	0.379 [a]	0.475 [b]	0.263 [a]	0.443 [a]	0.491 [a]	0.058 [a]	0.430 [a]	0.493 [a]	0.845 [a]
Ownership variables									
FO	-0.044	0.023	-0.062	0.141 [a]	0.053	0.032	0.072 [c]	-0.083 [b]	0.103
Board	0.045	0.024	0.037	0.076 [c]	-0.001		-0.012	0.739 [a]	0.105
Control variables									
Price	-0.026 [b]	-0.053	-0.018 [a]	-0.045 [a]	-0.043 [a]	-0.041 [a]	-0.045 [a]	-0.038 [a]	-0.116 [a]
Volume	0.028 [a]	-0.024	-0.015 [a]	-0.023 [a]	-0.027 [a]	-0.040 [a]	-0.024 [a]	-0.029 [a]	-0.040 [a]
Standard deviation	1.743 [a]	0.332 [a]	0.169	0.426 [a]	-0.052	0.026	0.846 [a]	0.093	0.263 [c]
Limit	-0.022	0.049	0.023	-0.007	0.012	0.061	0.067	-0.091	-0.014
Institute	-0.016	-0.071	0.182 b	-0.296 [a]	-0.094	-0.041	-0.226 [a]	0.074	-0.154
1996*	0.038	0.036	0.021	0.001	0.011	0.004	0.019	0.011	-0.001
1997	0.337 [a]	0.161 [a]	0.054 [c]	0.285 [a]	0.153 [a]	0.202 [a]	0.098 [a]	0.098 [b]	0.202 [a]
1998	-0.022	0.020	0.062 [c]	0.079	0.083 [a]	0.090	0.019	0.098 [b]	-0.023
1999	-0.033	-0.064	-0.003	-0.043	0.008	0.009	-0.062 [c]	0.006	-0.107
2000	-0.086 [c]	-0.088	0.012	-0.066	-0.043	-0.005	-0.050	0.073 [c]	-0.188 [b]

Table 12 (Continued)

	RBA								
Variables	(i_1)	(i_2)	(i_3)	(i_4)	(i_5)	(i_6)	(i_7)	(i_8)	(i_0)
2001	-0.075	-0.081	-0.011	-0.062	-0.013	0.019	-0.036	0.027	-0.205 [b]
2002	-0.061	-0.044	0.006	-0.081 [c]	0.006	0.008	-0.052	-0.001	-0.164 [b]
2003	-0.084	-0.055	-0.027	-0.050	0.030	0.058	-0.007	0.049	-0.110
2004	-0.080	-0.061	-0.041	-0.041	0.012	0.075	-0.031	0.025	-0.141 [b]
2005	-0.039	-0.095	-0.024	-0.068	-0.031	0.062	-0.034	0.009	-0.216 [a]
Adjusted R^2	0.349	0.191	0.124	0.376	0.344	0.390	0.304	0.477	0.464
F-statistic	15.647	6.595	6.992	18.895	22.505	6.731	19.495	19.588	24.307
P-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total panel -observations	465	403	716	505	696	144	718	347	457

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level
* The data between year 1993 to 1994 is not enough to run the equations

Table 13 The effect of a large foreign shareholder on shareholder value in each industry - high and low technology.

This table shows the results from multivariate regression (Pooled OLS). The presence of a large foreign shareholder hold shares higher than 25% is defined as FO. The interaction term between a large foreign shareholder and high-tech and low-tech industries are defined as FO_H to FO_L, respectively. The presences of a large foreign shareholder who holds shares more than 5% and is involve in the board of directors is presented in dummy variable - Board. If foreign ownership limit changes within the year and thereafter, Limit variable will equal to 1, otherwise 0. Institute variable is the percentage of share hold by foreign institutional investors.

	Tobin's q	ROA	ROE	RBA
Variables	(1)	(2)	(3)	(4)
Intercept	-0.089	-0.016	-0.213	0.492 [a]
Ownership variables				
FO-H	0.025	0.026 [c]	-0.125	0.036
FO-L	-0.116 [a]	0.006	-0.262	0.037 [b]
Control variables				
Total asset	0.022 [a]	0.005 [a]	0.024	
Leverage	0.072 [a]	-0.041 [a]	-0.080 [c]	
Board	-0.093 [b]	-0.005	0.058	
Limit	0.004	0.032 [b]	0.111	
Institute	0.077	-0.007	0.527 [b]	
BE/ME		-0.002 [a]	-0.002	
Price				-0.056 [a]
Volume				-0.023 [a]
Standard deviation				0.328 [a]
1996*	-0.184 [a]	-0.011	-0.044	0.017
1997	-0.314 [a]	-0.045 [a]	-0.076	0.165 [a]
1998	-0.350 [a]	-0.021 [c]	-0.411 [b]	0.037 [b]
1999	-0.276 [a]	-0.058 [a]	-0.336 [c]	-0.043 [a]
2000	-0.385 [a]	-0.038 [a]	-0.270	-0.061 [a]
2001	-0.306 [a]	-0.029 [a]	-0.111	-0.063 [a]
2002	-0.191 [a]	-0.035 [a]	-0.136	-0.058 [a]
2003	0.126 [a]	-0.016	-0.136	-0.043 [a]

Table 13 (Continued)

	Tobin's q	ROA	ROE	RBA
Variables	(1)	(2)	(3)	(4)
2004	-0.042	-0.014	-0.098	-0.057 [a]
2005	-0.110 [a]	-0.022 [b]	-0.101	-0.078 [a]
Adjusted R^2	0.153	0.072	0.001	0.312
F-statistic	40.952	17.271	1.376	113.296
P-value	0.000	0.000	0.000	0.000
Total panel Observations	3,746	3,740	3,736	4,451
Wald test				
-FO-H: FO-L				
F-statistic	6.802 [a]	1.524	0.926	0.001
Probability	0.009	0.217	0.335	0.965

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level
* The data between year 1993 to 1994 is not enough to run the equations

4.3.2 The role of foreign financial institutional shareholders

Foreign financial institutional investors may have different impacts on firms' governance through different incentives to monitor the local company, especially in the non-financial sector. Their role in firms' governance is similar to a nominee shareholder. By investing in a local company in an industry that differs from their industry, a foreign financial institution does not attain growth in the company's financial operations and performance. Instead they simply invest to seek the excess value of a stock in the non-financial local company. This may implies that the financial institutional shareholder, who holds share in a non-financial company, has the role on firm's governance as a passive investor – who does not monitor or operate the company.

This section tests the equation (4) which redefines a large foreign shareholder as a large foreign investor with the exception of foreign financial institutional shareholder, who holds share in a non-financial company. If the foreign financial institutional shareholders play a role similar to a nominee shareholder, the result should be different from table 6 and 7 as the nominee will not monitor or control the firm. This implies that foreign financial institutional shareholder, who holds share in a non-financial company, should not have the effect on shareholder value. This argument should be considered: where the foreign financial institution acts as a nominee, wealth expropriation by a large foreign shareholder should become clearer. The financial institutional shareholder, who holds shares in a non-financial company, is a sample that no longer has any effect. Basically, where the financial institutional shareholder, who holds share in a non-financial company, is taken out of the analysis, the effect on shareholder value should be even clearer.

However, the results from tables 14 and 15 are consistent with results from table 6 and 7, respectively. A large foreign shareholder from a good investor protection country exhibits negative impact on shareholder value.

This may imply that foreign financial institutional shareholder, who holds shares in a non-financial company, is not act like a nominee shareholder, but may play the role on firm's governance.

Table 14 The effect of large foreign shareholders classified by investor protection index (test the role of financial institutional shareholders and emply samples between 1997 to 2005)

This table shows the results from multivariate regression (Pooled OLS). This table employs the sample from year 1997 to 2005. The presence of nationality that hold a large proportion of shares is defined as High and Low investor protection index. The presences of a large foreign shareholder who owns shares more than 5% and is involve in the board of directors is presented in dummy variable - Board. If foreign ownership limits change within the year and thereafter, Limit variable will equal to 1, otherwise 0. Institute variable is the percentage of share hold by foreign institutional investors. Dependent variables are Tobin's q ratio, ROA, ROE, and RBA.

	Tobin's q	ROA	ROE	RBA
Variables	(1)	(2)	(3)	(4)
Intercept	0.741 [b]	-0.122	-0.066	0.781 [a]
Ownership variables				
High-anti	-0.155 [a]	-0.009	-0.018	-0.042
High-credit	-0.021	-0.054 [b]	-0.077	-0.010
High-acc	0.110 [c]	0.023	0.006	0.051
Unidentified-anti *	0.311	0.093	0.071	0.032
Unidentified-acc	-0.343	-0.155 [c]	-0.274	-0.002
Board	0.160	0.037 [c]	0.048	0.246 [a]
Control variables				
Limit	0.258 [c]	0.051	0.092	-0.105
Institute	-0.092	-0.024	-0.256 [c]	-0.142 [c]
Total asset	-0.051 [b]	0.015 [c]	0.025	
Leverage	0.205 [a]	-0.039 [a]	0.001	
BE/ME		-0.004	-0.001	
Price				-0.050 [a]
Volume				-0.032 [a]
Standard deviation				1.075 [a]
I-1	0.255	0.024	0.100	-0.098
I-2	-0.148	-0.014	-0.033	-0.108 [b]
I-3	0.294 [a]	-0.047	-0.117	0.019
I-4	0.211 [b]	0.015	0.034	-0.032
I-5	0.144	-0.066 [c]	-0.064 [c]	-0.024
I-6	0.143	-0.050	-0.41	0.020
I-7	0.415 [a]	0.000	0.006	-0.078
I-8	0.249 [b]	0.017	0.068	-0.029

Table 14 (Continued)

	Tobin's q	ROA	ROE	RBA
Variables	(1)	(2)	(3)	(4)
1998	0.003	0.007	0.053	-0.092 [b]
1999	0.110	-0.007	-0.083	-0.173 [a]
2000	0.0005	-0.030	-0.076	-0.215 [a]
2001	0.076	-0.023	0.011	-0.167 [a]
2002	0.232 [a]	-0.059 [b]	-0.037 [b]	-0.184 [a]
2003	0.455 [a]	-0.025	0.037	-0.147 [a]
2004	0.270 [a]	0.002	0.071	-0.169 [a]
2005	0.195 [b]	-0.013	0.044	-0.178 [a]
Adjusted R^2	0.303	0.076	0.054	0.383
F-statistic	7.628	2.226	1.843	9.974
P-value	0.000	0.000	0.000	0.000
Total panel observations	397	398	397	391

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level
* Unidentified shareholder rights protection group and creditor rights protection group are same

Table 15 The effect of large foreign shareholders classified by investor protection index (test the role of financial institutional shareholders and employ samples between 2000 to 2005)

This table shows the results from multivariate regression (Pooled OLS). This table employs the sample from year 2000 to 2005. The presence of nationality that hold a large proportion of shares is defined as High and Low investor protection index. The presences of a large foreign shareholder who owns shares more than 5% and is involve in the board of directors is presented in dummy variable - Board. If foreign ownership limits change within the year and thereafter, Limit variable will equal to 1, otherwise 0. Institute variable is the percentage of share hold by foreign institutional investors. Dependent variables are Tobin's q ratio, ROA, ROE, and RBA.

	Tobin's q	ROA	ROE	RBA
Variables	(1)	(2)	(3)	(4)
Intercept	0.959[b]	-0.230	-0.206	0.219[a]
Ownership variables				
High-anti	-0.143[b]	-0.010	0.033	-0.001
High-credit	-0.027	-0.083[a]	-0.111[c]	-0.019
High-acc	0.070	0.024	-0.037	0.037[b]
Unidentified **	-0.077	-0.054	-0.140[c]	0.052[a]
Board	0.187	0.030	0.040	-0.050
Control variables				
Limit	0.244[c]	0.057	0.109	-0.098[a]
Institute	-0.111	-0.082	-0.441[a]	0.007
Total asset	-0.068[a]	0.023[b]	0.037	
Leverage	0.177[a]	-0.045[a]	0.031	
BE/ME		0.000	0.005	
Price				-0.016[a]
Volume				-0.014[a]
Standard deviation				0.116
I-1	0.352	0.032	0.082	-0.045
I-2	-0.164[b]	-0.039	-0.105	0.024
I-3	0.319[b]	-0.083	-0.162	-0.043[c]
I-4	0.274	0.000	-0.021	-0.014
I-5	0.182	-0.105[b]	-0.042	0.006
I-6	0.187	-0.079	-0.099	0.003
I-7	0.450[a]	0.033	-0.046	-0.014
I-8	0.204[c]	0.001	0.016	-0.006[c]

Table 15 (Continued)

	Tobin's q	ROA	ROE	RBA
Variables	(1)	(2)	(3)	(4)
2001	0.077	0.005	0.092	0.019
2002	0.229[a]	-0.028	0.044	0.001
2003	0.455[a]	0.007	0.118[c]	0.015
2004	0.270[a]	0.030	0.145[b]	0.012
2005	0.204[a]	0.010	0.112[c]	0.005
Adjusted R^2	0.343	0.090	0.102	0.304
F-statistic	7.510	2.182	2.364	6.018
P-value	0.000	0.000	0.000	0.000
Total panel observations	275	275	275	265

a Indicates significance at the 99% confidence level
b Indicates significance at the 95% confidence level
c Indicates significance at the 90% confidence level
** 3 groups of unidentified investor protection index countries are the same in the period between 1997 to 2005