

BANKS AS A FIRM'S BLOCKHOLDERS. A STUDY FOR SPAIN

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Abstract

This paper analyzes the effects of banks as main blockholders on a firm's returns and on the concentration of ownership in the hands of the controlling blockholders. Compared to previous studies, we approach this problem by taking into consideration the type of blockholders building up coalitions with banks in order to control a firm. This allows us to reconcile different results, reported in relevant literature, on the impact of banks' ownership of a firm on its returns. In short, we argue that the effect is negative only when banks are the main blockholders or when they build up coalitions with other banks. However, this does not apply when they become blockholders with the second largest stake. We prove empirically our theoretical contentions making use of a sample of Spanish firms for the period 1996-2000.

Keywords: *Corporate governance, main blockholders, financial institutions.*

JEL classification: G21, G32.

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