# Multiple large shareholders of Thai firms: do they matter?

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**Abstract**

The purpose of this paper is to investigate the presence of multiple large shareholders of Thai listed firms and whether the multiple large shareholders affect firm value. This paper uses time series ownership data to identify various attributes of multiple large shareholders. In this panel data analysis, the fixed effects estimator is used. Multiple large shareholders are commonly found in Thai listed firms. However, the results show that the presence and identity of the second largest shareholder do not affect firm value. The combination of the first and second largest shareholders is positively related to firm value only when it is formed between family and family. The ability to contest the largest shareholder, measured by both relative power and distribution of power, is not associated with firm value. The role of the largest shareholder in corporate governance seems to be more pronounced than that of other large shareholders. The higher ownership of the largest shareholder strongly increases firm value. In the setting of concentrated ownership, large shareholders may play an important role in corporate governance. However, other large shareholders may not play an active monitoring role if the largest shareholder is highly influential, and it may not be straightforward for different types of large shareholder to cooperate to improve corporate governance.

**Keywords:** Multiple large shareholders, firm value, corporate governance, Thailand.

# 1. Introduction

Previous literature documents that the ownership structure of firms around the world is relatively concentrated (Claessens, Djankov, & Lang, 2000; Faccio & Lang, 2002; La Porta, Lopez de Silanes, & Shleifer, 1999). Agency problems that may occur in this setting are between major shareholders and minority shareholders. However, Laeven and Levine (2008) explain that the ownership structure is rather complex and involves multiple large shareholders.

Multiple large shareholders are commonly found and the effects of multiple large shareholders on firm value are documented in previous work (Attig, El Ghoul, & Guedhami, 2009; Cheng, Lin, & Wei, 2013; Laeven & Levine, 2008; Maury & Pajuste, 2005). Prior research highlights the important role of multiple large shareholders in corporate governance in reducing the possibility of the expropriation of minority shareholders and emphasizes their monitoring role in reducing information asymmetry and hindering the risk-taking of the largest shareholders (Attig, Guedhami, & Mishra, 2008; Boubaker, Nguyen, & Rouatbi, 2016; Boubaker & Sami, 2011).

However, multiple large shareholders could form a coalition through their voting rights to extract benefits (Bennedsen & Wolfenzon, 2000). Pindado, Requejo, and de la Torre (2012) find that the largest and second largest shareholders could collude to allow them to extract private benefits at the expense of minority shareholders. Maury and Pajuste (2005) also suggest that firm value increases only when multiple large shareholders with an equal ownership distribution exist. When the largest shareholder could not be contested or large shareholders could collude, there would be a possibility for large shareholders to extract private benefits, which adversely affect firm value.

This paper investigates the existence of multiple large shareholders of Thai listed firms and the relationship of the largest shareholder and other large shareholders in strengthening corporate governance. It examines whether the presence, identity, composition and ability to contest the largest shareholder of other large shareholders affect firm value. Using cross sectional and time series data of non-financial firms listed on the Stock Exchange of Thailand, the results show that the presence of multiple large shareholders is common from 2000 to 2008. Almost 50% of Thai listed firms have multiple large shareholders.

The findings show that the ownership incentive of the largest shareholder is a major determinant of firm value, while that of the second largest shareholder is not relevant in Thai listed firms. Also, the identity of the second largest shareholder does not matter in determining firm value. The relationship between the largest shareholder and other large shareholders, indicated by large shareholder combinations and control contestability, does not affect firm value, except for firms that are owned by two families. This research, however, shows that the ownership of the largest shareholder is substantial in providing incentives and in helping to align his interest with other shareholders, thus improving firm value.

This study provides a better understanding about the role of multiple large shareholders and extends previous literature in various ways. First of all, this paper identifies various characteristics of multiple large shareholders, i.e. the second largest shareholders' identity, the levels of their ownership concentration, different combinations of large shareholders and the control contestability of the largest shareholder. The findings of this paper complement prior work that focuses on ownership and control among multiple large shareholders (Laeven & Levine, 2008), the identity of the second largest shareholder (Attig et al., 2009), the

contestability of control (Jara-Bertin, LÃ³pez-Iturriaga, & LÃ³pez-de-Foronda, 2008) or large shareholder combinations (Sacristán-Navarro, Gómez-Ansón, & Cabeza-García, 2011).

Second, this single-country study covers a long sample period and uses time series ownership data from 2000 to 2008, which allows the use of fixed effects estimators. Thus, the panel data and methodology of this paper complement prior literature that has limitations of ownership data in cross-country analyses, e.g. East Asian (Attig et al., 2009) and Europe (Laeven & Levine, 2008).

Third, to the best of my knowledge, this paper is the first to examine the role of multiple large shareholders in Thailand. In order to promote good corporate governance of Thai listed firms, this paper provides additional evidence to relevant authorities in order to devise appropriate governance guidelines and directions, and to facilitate the monitoring role of other large shareholders.

The paper is structured as follows. The next section presents the literature review, followed by the data and methodology in Section 3. Section 4 describes the results of the empirical analyses. The last section concludes the study.

## 2. Literature review

The ownership structure is highly concentrated in the majority of Thai firms (Wiwattanakantang, 1999, 2001). Khanthavit, Polsiri, and Wiwattanakantang (2003) also note that the ownership structure of firms in Thailand before and after the East Asian financial crisis does not change much. They find that about 80% of firms have a controlling shareholder with at least a 25% shareholding. The impact of ownership concentration on firm performance is significant (Kim, Kitsabunnarat, & Nofsinger, 2004; Wiwattanakantang, 2001). Moreover, the participation of controlling shareholders in the management team is commonly found in Thailand (Wiwattanakantang, 2001).

Agency problems in the setting of concentrated ownership structure arise from conflicts of interest between major shareholders and minority shareholders (Shleifer & Vishny, 1997). The separation of ownership and control allows the major shareholders to exploit their own interests at the expense of minority shareholders (Johnson, Boone, Breach, & Friedman, 2000). However, Laeven and Levine (2008) document that agency problems could occur between major shareholders and other large shareholders, depending on the dispersion of ownership.

Previous literature suggests that multiple large shareholders represent internal governance mechanisms and their monitoring role is effective (Boubaker et al., 2016; Boubaker & Sami, 2011). The value of firms with multiple large shareholders is higher than those with a single large shareholder, indicating the monitoring of benefits of multiple large shareholders (Attig et al., 2009). They also find that the presence and voting rights of the second largest shareholder lead to higher firm value. However, Cheng et al. (2013) provide evidence showing that a higher ownership percentage of other large shareholders leads to lower firm value. Multiple large shareholders may collude to extract private benefits, which reduces firm value. Therefore, it is possible that the presence and ownership incentives of the second largest shareholder may be associated with firm value.

Prior research also documents the significance of the identity of large shareholders. Wiwattanakantang (2001) finds that firms that have family or foreign investors as the largest shareholder have better performance than other firms, while Claessens et al. (2000) document that family-owned firms and state-owned firms are greatly influential in East Asia. McConnell and Servaes (1990) also suggest that institutional shareholders are active monitors and enhance firm value. Moreover, Attig et al. (2009) show a positive impact of a family or the state as the second largest shareholder on firm value. Thus, the identity of large shareholders is expected to be important to explain the relationship between multiple large shareholders and firm value.

In addition, the combination of multiple large shareholders could increase monitoring efficiency and is associated with firm value (Maury & Pajuste, 2005; Pindado, Requejo, & de la Torre, 2011). These authors find that financial-institution shareholders have incentives to monitor the largest family shareholder. However, large-shareholder collusion between two families could take place, which reduces firm value (Jara-Bertin et al., 2008; Maury & Pajuste, 2005). Pindado et al. (2011) and Pindado et al. (2012) also provide similar evidence that the largest family shareholder and the second largest family shareholder collude through dividend policies and investment policies to exploit their interests and to expropriate minority shareholders. Although the combinations of large shareholders could be differently formed, Sacristán-Navarro et al. (2011) find no evidence to support the impact of large shareholder combinations on firm performance. It is, therefore, expected that the combination of large shareholders may have an impact on firm value.

A higher level of control contestability by other large shareholders, which is measured by the relative power of other large shareholders to the largest shareholder, provides greater ability and incentives for other large shareholders to monitor the largest shareholder (Attig et al., 2009). In addition, the contest to control the largest shareholder could be indicated by the differences in voting rights of large shareholders. A higher control concentration by the largest shareholder results in lower control contestability. Prior studies document that a more even distribution of ownership between large shareholders enhances monitoring and is positively related to firm value (Attig et al., 2009; Maury & Pajuste, 2005). Therefore, it is expected that the control contestability of the largest shareholder is related to firm value.

## 3. Data and methodology

The sample firms in this study are non-financial firms listed on the Stock Exchange of Thailand. The sample period is from 2000 to 2008, representing a long term period of a normal economic state.[1] Widely-held firms or firms that do not have a large shareholder are excluded. The definition of a large shareholder of firms is one with a shareholding of at least 10%, which has been commonly used as a cut-off point of ownership in prior literature (Claessens et al., 2000; La Porta et al., 1999).

In each sample year, lists of shareholdings are collected and the ultimate shareholdings are calculated by combining direct shareholding, pyramidal shareholding and cross-shareholding. For each cross-section data, the ownership percentage of the largest and second largest shareholders is computed according to the data of ownership in that year. The types of ultimate shareholder are categorized as follows. *Family* is defined as members of a family and a group of

[1] This paper does not extend the sample period after 2008 because of the effect of the US financial crisis on the Thai economy and stock market in 2009 and the revision of Thai accounting standards starting from 2009 (Federation of Accounting Professions, 2013). The financial variables of sample firms after 2009 are not comparable to those in the normal period of 2000-2008.

related families, including their relatives. *A group of unrelated families* is defined as members of a group of families that are not related or that jointly own a private company. *The government* is defined as the Thai government. *Domestic financial institution* is defined as a financial institution that is owned by domestic investors. *Foreign investor* is defined as a foreign individual, family or corporation. *Foreign financial institution* is defined as a financial institution that is owned by foreign investors.

The final observations of this cross sectional and time series data set, after defining large shareholders and collecting financial data, include 2,692 firm-year observations.[2] In this study, all financial data are winsorized at 5% and 95%. The sources of information include the SETSMART database, the Ministry of Commerce database, company files (so called Form 56-1), lists of family business groups, lists of affiliated firms, and several books about wealthy families in Thailand.

To analyze the impact of multiple large shareholders on firm value for this panel data, all specifications are controlled for firm specific effects using the within-estimator approach, so called fixed effects regressions. The dependent variable is the Tobin's Q ratio, which is a proxy of firm value and is measured by the ratio of market value of total assets to the book value of total assets. The interest alignment effect of the largest shareholder is examined by including the ownership percentage of the largest shareholder (*1st LS Own%*).

Various attributes of multiple large shareholders are investigated as follows. *2nd LS dummy* is a dummy variable that is equal to 1 if a firm has at least two large shareholders, and zero otherwise. *2nd LS Own%* is the ownership percentage of the second largest shareholder. *2nd LS Identity* is defined as a dummy variable that is equal to 1 if the second largest shareholder is one of the six types of ultimate shareholder, i.e. family, a group of unrelated families, the government, a domestic financial institution, a foreign investor or a foreign financial institution, and zero otherwise. *1st and 2nd combination* reflects the different types of combination between the largest and second largest shareholders and is defined as a dummy variable that is equal to 1 if the combination is between family and family, family and a group of unrelated families, family and the government, family and domestic financial institution, family and foreign investor, or family and foreign financial institution, and zero otherwise.

In addition, this paper investigates the control contestability of multiple large shareholders by including the *Contest ratio,* which is the sum of the ownership percentage of the second and third largest shareholders divided by the ownership percentage of the largest shareholder, and the *Herfindahl index,* which is the sum of the squares of the differences between the ownership percentage of the largest and second largest shareholders, and the second largest and third largest shareholders. Other variables of firm characteristics include firm size (measured by the natural logarithm of total sales), leverage (defined as the ratio of total long term debt to total equity) and firm age (measured by the number of years since establishment).

## 4. Empirical analyses

Panel A in Table 4.1 shows that multiple large shareholders are prevalent in Thailand. Firms that have a single large shareholder account for 54% of total observations, while about 46% of total observations represent those that have multiple large shareholders. About one-third of Thai firms

[2] Observations are dropped if the firm data are in the rehabilitation year (297 observations) or if financial/ownership data are missing (99 observations).

have two large shareholders. Almost 10% of total observations have three large shareholders and the proportion of firms that have more than four large shareholders is less than 2% of the total observations.

The identity of the largest and second largest shareholders is shown in Panel B of Table 4.1. Family large shareholders are dominant in Thai firms. The largest shareholder is a family in almost two-third of Thai firms. About 18% are owned by a foreign investor as the largest shareholder. Moreover, family is prevalent as the second largest shareholder of Thai firms (21.17% of total observations), followed by foreign investor (13.30% of total observations).

Focusing on the largest family shareholder, Panel C of Table 4.1 shows different combinations of large shareholders. The combination between family and family large shareholders is most common, accounting for almost 20%, while that of family and foreign investor represents about 11%. However, most Thai family firms do not share the control with other large shareholders. The proportion of firms with a single family large shareholder is 61.36%.

**Table 4.1: The structure of multiple large shareholders**

Panel A: This table shows the number and proportion of observations that are classified by the number of large shareholders.

| No. of large shareholders | 1 | 2 | 3 | 4 | 5 | Total |
|---|---|---|---|---|---|---|
| No. of observations | 1,458 | 940 | 253 | 33 | 8 | 2,692 |
| % of total observations | 54.16 | 34.92 | 9.40 | 1.23 | 0.30 | 100 |

Panel B: This table shows the number and proportion of observations, classified by types of shareholders

| Types of shareholders | The largest shareholder | | The second largest shareholder | |
|---|---|---|---|---|
| | No. of observations | % of total observations | No. of observations | % of total observations |
| Family | 1,729 | 64.23 | 570 | 21.17 |
| A group of unrelated families | 247 | 9.18 | 69 | 2.56 |
| The government | 118 | 4.38 | 30 | 1.11 |
| Domestic financial institution | 46 | 1.71 | 67 | 2.49 |
| Foreign investor | 483 | 17.94 | 358 | 13.30 |
| Foreign financial institution | 69 | 2.56 | 140 | 5.20 |
| Total | 2,692 | 100 | 1,234 | 100 |

Panel C: This table shows the number and proportion of observations, classified by different combinations of the largest and second largest shareholders

| Combinations of large shareholders | No. of observations | % of total observations |
|---|---|---|
| Family & Family | 330 | 19.09 |
| Family & A group of unrelated families | 26 | 1.5 |
| Family & The government | 8 | 0.46 |
| Family & Domestic financial institution | 31 | 1.79 |
| Family & Foreign investor | 187 | 10.82 |
| Family & Foreign financial institution | 86 | 4.97 |
| A single family large shareholder | 1,061 | 61.36 |

| | | |
|---|---|---|
| Total | 1,729 | 100 |

Table 4.2 presents the mean values of firm characteristics and compares such characteristics between firms with only one large shareholder and firms with at least two large shareholders. The results show that there is a significant difference in firm age between firms with and without multiple large shareholders. The average ownership percentage of the largest shareholder is 50.49% in firms with a single large shareholder, which is significantly higher than that of 37.44% in firms with multiple large shareholders. Surprisingly, there is no difference in total assets, sales, Tobin's Q ratio and the leverage ratio between firms with a single large shareholder and firms with multiple large shareholders.

**Table 4.2: Descriptive statistics**

This table shows the mean values of firm characteristics of all firms, firms with only one large shareholder and firms with at least two large shareholders. The unit of variables for other ratios is million baht. The student t-statistics are used to examine the difference in mean values between firms with only one large shareholder and firms with at least two large shareholders. The last column reports the p-values of the two-tailed t-tests.

| | All firms | Only one large shareholder | At least 2 large shareholders | p-value |
|---|---|---|---|---|
| Total assets | 7,549.95 | 7,772.37 | 7,287.15 | 0.287 |
| Sales | 5,614.81 | 5,770.33 | 5,431.05 | 0.303 |
| Tobin's Q ratio | 1.12 | 1.11 | 1.14 | 0.172 |
| Leverage ratio | 0.77 | 0.78 | 0.75 | 0.217 |
| Firm age (years) | 26.11 | 25.39 | 26.97 | 0.005 |
| 1st LS Own% | 44.51% | 50.49% | 37.44% | 0.000 |
| No. of observations | 2,692 | 1,458 | 1,234 | |

**Table 4.3: Pairwise correlation**

This table reports pairwise correlation coefficients between variables. The figures in parentheses report the p-value of each correlation coefficient. The asterisk (***, **) indicates significance at levels of 1% and 5%.

| | Tobin's Q | | Firm size | | Leverage | | Firm age | | 1st LS Own% | | 2nd LS Own% |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tobin's Q | 1 | | | | | | | | | | |
| Firm size | 0.1948 | *** | 1 | | | | | | | | |
| | (0.000) | | | | | | | | | | |
| Leverage | 0.0582 | *** | 0.2044 | *** | 1 | | | | | | |
| | (0.003) | | (0.000) | | | | | | | | |
| Firm age | -0.1663 | *** | -0.0487 | ** | -0.1158 | *** | 1 | | | | |
| | (0.000) | | (0.011) | | (0.000) | | | | | | |
| 1st LS Own% | -0.0291 | | 0.0049 | | -0.0757 | *** | 0.0651 | *** | 1 | | |
| | (0.132) | | (0.800) | | (0.000) | | (0.001) | | | | |
| 2nd LS Own% | 0.0695 | *** | 0.0277 | | -0.0169 | | 0.0524 | *** | -0.3019 | *** | 1 |
| | (0.000) | | (0.151) | | (0.380) | | (0.007) | | (0.000) | | |

Table 4.3 shows the pairwise correlation coefficients between variables in the main specification. There are significant correlations between Tobin's Q ratio (as the dependent variable) and other

independent variables, except the ownership of the largest shareholder. None of the correlation coefficients exceeds 0.3, thus multicollinearity is not a problem in this specification. The variance inflation factor values of all independent variables are also less than 1.12.

The effect of the presence of the second largest shareholder on firm value is shown in models (1) and (2) in Table 4.4. The results show that the existence and ownership incentives of the second largest shareholder (measured by 2nd LS dummy and 2nd LS Own%, respectively) are not related to firm value. However, the higher ownership percentage of the largest shareholder significantly increases firm value and there is a positive relationship between firm size and firm value.

**Table 4.4: The effect of the presence of the second largest shareholder on firm value**

This table shows the results of the fixed effects (FE) regressions. The dependent variable is the Tobin's Q ratio. Firm size is the natural logarithm of total sales. Leverage is the ratio of total long term debt to total equity. Firm age is the number of years since establishment. 1st LS Own% is the ownership percentage of the largest shareholder. 2nd LS dummy is a dummy variable indicating that a firm has at least two large shareholders. 2nd LS Own% is the ownership percentage of the second largest shareholder. Total observations are 2,692 observations. The statistical significance at levels of 1% (***) is reported. The figures in parentheses report p-value for two-tailed tests.

| Dependent variable: Tobin's Q ratio | (1) | | (2) | |
|---|---|---|---|---|
| Firm size | 0.0776 | *** | 0.0775 | *** |
| | (0.000) | | (0.000) | |
| Leverage | -0.0200 | | -0.0200 | |
| | (0.101) | | (0.101) | |
| Firm age | -0.1808 | | -0.1714 | |
| | (0.144) | | (0.166) | |
| 1st LS Own% | 0.3128 | *** | 0.3315 | *** |
| | (0.000) | | (0.000) | |
| 2nd LS dummy | -0.0044 | | | |
| | (0.835) | | | |
| 2nd LS Own% | | | 0.0728 | |
| | | | (0.514) | |
| $R^2$ within | 0.2603 | | 0.2605 | |
| $R^2$ between | 0.0605 | | 0.061 | |
| $R^2$ overall | 0.1461 | | 0.1475 | |

The results in Table 4.5 show the effect of the identity of the second largest shareholder on firm value. The identity of the second largest shareholder (2nd LS Identity) is not associated with firm value in all models (1) - (6). However, the ownership incentives of the largest shareholder and firm size remain major determinants of firm value. In all models, except model (2), there is a marginal effect between the leverage ratio and firm value.

Table 4.6 shows the effect of different combinations of large shareholders on firm value. As shown in model (1), the firm value of family & family large shareholders' combination is significantly higher than other firms, while other combinations of large shareholders in models (2) to (6) do not affect firm value. The ownership percentage of the largest shareholder and firm size are also positively related to firm value as previously shown in Tables 4.4 and 4.5. The relationship between leverage ratio and firm value is marginally negative in all models, except models (3) and (5).

**Table 4.5: The effect of the identity of the second largest shareholder on firm value**

This table shows the results of the fixed effects (FE) regressions. Total observations are 2,692 observations. The dependent variable is the Tobin's Q ratio. 1st LS Own% and 2nd LS Own% are the ownership percentage of the largest and second largest shareholders, respectively. 2nd LS Identity is the identity of the second largest shareholder, defined as a dummy variable following six different types of ultimate shareholder as described in the heading of each column. The statistical significance at levels of 1% (***) and 10% (*) is reported. The figures in parentheses report p-value for two-tailed tests.

| Dependent variable: Tobin's Q ratio | (1) Family | | (2) A group of unrelated families | | (3) The government | | (4) Domestic financial institution | | (5) Foreign investor | | (6) Foreign financial institution | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Firm size | 0.0777 | ** | 0.0774 | ** | 0.0775 | *** | 0.0772 | ** | 0.0781 | ** | 0.0777 | ** |
| | (0.000) | | (0.000) | | (0.000) | | (0.000) | | (0.000) | | (0.000) | |
| Leverage | -0.0206 | * | -0.0200 | | -0.0201 | * | -0.0202 | * | -0.0202 | * | -0.0206 | * |
| | (0.091) | | (0.101) | | (0.099) | | (0.097) | | (0.098) | | (0.091) | |
| Firm age | -0.1693 | | -0.1700 | | -0.1669 | | -0.1729 | | -0.1740 | | -0.1648 | |
| | (0.172) | | (0.170) | | (0.179) | | (0.163) | | (0.160) | | (0.184) | |
| 1st LS Own% | 0.3253 | ** | 0.3337 | ** | 0.3329 | *** | 0.3369 | ** | 0.3290 | ** | 0.3278 | ** |
| | (0.000) | | (0.000) | | (0.000) | | (0.000) | | (0.000) | | (0.000) | |
| 2nd LS Own% | 0.0180 | | 0.0671 | | 0.0792 | | 0.1007 | | 0.0986 | | 0.1105 | |
| | (0.883) | | (0.550) | | (0.480) | | (0.376) | | (0.407) | | (0.334) | |
| 2nd LS Identity | 0.0286 | | 0.0259 | | -0.0566 | | -0.0641 | | -0.0217 | | -0.0549 | |
| | (0.276) | | (0.646) | | (0.581) | | (0.223) | | (0.530) | | (0.141) | |
| $R^2$ within | 0.2608 | | 0.2605 | | 0.2606 | | 0.2609 | | 0.2606 | | 0.2612 | |
| $R^2$ between | 0.0598 | | 0.061 | | 0.0606 | | 0.0609 | | 0.0619 | | 0.0595 | |
| $R^2$ overall | 0.1469 | | 0.1477 | | 0.1474 | | 0.1477 | | 0.1487 | | 0.1458 | |

**Table 4.6: The effect of the combination of the largest and second largest shareholders on firm value**

This table shows the results of the fixed effects (FE) regressions. Total observations are 2,692 observations. The dependent variable is the Tobin's Q ratio. 1st LS Own% and 2nd LS Own% are the ownership percentage of the largest and second largest shareholders, respectively. 1st and 2nd combination is defined as a dummy variable, following six different combinations between the largest and second largest shareholders as described in the heading of each column. The statistical significance at levels of 1% (***) and 10% (*) is reported. The figures in parentheses report p-value for two-tailed tests.

| Dependent variable: Tobin's Q ratio | (1) Family & Family | | (2) Family & A group of unrelated families | | (3) Family & The government | | (4) Family & Domestic financial institution | | (5) Family & Foreign investor | | (6) Family & Foreign financial institution | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Firm size | 0.0793 | *** | 0.0762 | *** | 0.0775 | *** | 0.0775 | *** | 0.0775 | *** | 0.0782 | *** |
| | (0.000) | | (0.000) | | (0.000) | | (0.000) | | (0.000) | | (0.000) | |
| Leverage | -0.0206 | * | -0.0205 | * | -0.0200 | | -0.0201 | * | -0.0200 | | -0.0202 | * |
| | (0.091) | | (0.093) | | (0.101) | | (0.099) | | (0.101) | | (0.098) | |
| Firm age | -0.1632 | | -0.1701 | | -0.1718 | | -0.1703 | | -0.1715 | | -0.1688 | |
| | (0.187) | | (0.170) | | (0.166) | | (0.169) | | (0.166) | | (0.173) | |
| 1st LS Own% | 0.3177 | *** | 0.3373 | *** | 0.3312 | *** | 0.3344 | *** | 0.3315 | *** | 0.3278 | *** |
| | (0.000) | | (0.000) | | (0.000) | | (0.000) | | (0.000) | | (0.000) | |
| 2nd LS Own% | -0.0301 | | 0.0655 | | 0.0725 | | 0.0796 | | 0.0744 | | 0.0838 | |
| | (0.799) | | (0.558) | | (0.516) | | (0.480) | | (0.513) | | (0.454) | |
| 1st and 2nd combination | 0.0829 | *** | 0.0745 | | 0.0185 | | -0.0261 | | -0.0031 | | -0.0475 | |
| | (0.008) | | (0.370) | | (0.921) | | (0.693) | | (0.943) | | (0.300) | |
| $R^2$ within | 0.2627 | | 0.2607 | | 0.2605 | | 0.2605 | | 0.2605 | | 0.2608 | |
| $R^2$ between | 0.0586 | | 0.0600 | | 0.0610 | | 0.0608 | | 0.0609 | | 0.0604 | |
| $R^2$ overall | 0.1460 | | 0.1465 | | 0.1476 | | 0.1474 | | 0.1475 | | 0.1467 | |

**Table 4.7: The effect of the contestability to the largest shareholder on firm value**
This table shows the results of the fixed effects (FE) regressions. Total observations are 2,692 observations. The dependent variable is the Tobin's Q ratio. 1st LS Own% is the ownership percentage of the largest shareholder. Contest ratio is the sum of the ownership percentage of the second and third largest shareholders divided by the ownership percentage of the largest shareholder. Herfindahl index is the sum of squares of the differences between the ownership percentage of the largest and second largest shareholders, and the second largest and third largest shareholders. The statistical significance at levels of 1% (***) is reported. The figures in parentheses report p-value for two-tailed tests.

| Dependent variable: Tobin's Q ratio | (1) | | (2) | |
|---|---|---|---|---|
| Firm size | 0.0775 | *** | 0.0770 | *** |
| | (0.000) | | (0.000) | |
| Leverage | -0.0200 | | -0.0200 | |
| | (0.101) | | (0.101) | |
| Firm age | -0.1781 | | -0.1718 | |
| | (0.150) | | (0.164) | |
| 1st LS Own% | 0.3180 | *** | 0.3076 | *** |
| | (0.000) | | (0.000) | |
| Contest ratio | 0.0011 | | | |
| | (0.967) | | | |
| Herfindahl index | | | 0.1538 | |
| | | | (0.202) | |
| $R^2$ within | 0.2603 | | 0.2608 | |
| $R^2$ between | 0.0605 | | 0.0601 | |
| $R^2$ overall | 0.1464 | | 0.1466 | |

In Table 4.7, the results show that the impact of control contestability to the largest shareholder on firm value is not significant. Both the contest ratio, which is a proxy of the relative power of second and third largest shareholders to the largest shareholder, in model (1) and the Herfindahl index, which indicates the distribution of power between the top three large shareholders, in model (2) do not affect firm value. However, the positive relationship between the ownership of the largest shareholder and firm value remains the same, and firm size is still a factor determining firm value.

## 5. Conclusion

This study provides additional evidence of the role of multiple large shareholders, using time series data of ownership and a single country analysis. It employs different attributes of multiple large shareholders, i.e. the presence, shareholding and identity of the second largest shareholder, and the combination of large shareholders and control contestability, to investigate their effects on firm value. The findings show that although multiple large shareholders are prevalent in Thailand, their role in corporate governance is not significant. The presence, ownership incentives and identity of the second largest shareholder and the control contestability of the largest shareholder do not affect firm value.

The findings of this paper are inconsistent with the results of the cross-country study in East Asia of Attig et al. (2009) who find that multiple large shareholders play a role in corporate governance. The unbalanced distribution of sample firms in each sample country and the one-year data of ownership in their paper may explain the inconsistency. However, the results of this paper are consistent with Sacristán-Navarro et al. (2011) who find that it is difficult for multiple large shareholders to cooperate to be beneficial to firm value. It is possible that a free rider problem may decrease the monitoring efficiency and efforts between multiple large shareholders (Pagano & Röell, 1998; Winton, 1993). Gomes and Novaes (2005) also explain that sharing control between large shareholders may not be efficient because of potential bargaining problems. Nevertheless, such disagreements between multiple large shareholders could protect minority shareholders from private benefit extraction.

Interestingly, the results show that the largest shareholder is greatly influential among other large shareholders. The interest of the largest shareholder is better aligned with that of other shareholders when his voting rights increase. The higher ownership percentage of the largest shareholder significantly improves firm value. It is possible that the largest shareholder shows substantial commitment to firms so that other large shareholders have no interest in playing an active monitoring role.

In addition, this paper shows that the most common large shareholder combination of two families is beneficial. Shared control between two large family shareholders yields better corporate governance, resulting in higher firm value. The results, however, are not consistent with prior work that shows that collusion between families adversely affects firm value (Jara-Bertin et al., 2008; Maury & Pajuste, 2005). The findings of this paper indicate that two family owners work well together to maximize firm value because they may have similar concerns in increasing and maintaining family wealth and reputation in the long term (Lumpkin & Brigham, 2011; Miller & Le Breton-Miller, 2006).

The results of this paper imply that multiple large shareholders do not act as effective governance mechanisms for Thai firms. Policy makers should pay attention to how to strengthen the monitoring role of multiple large shareholders as a great number of listed firms have at least two large shareholders. Further investigation is needed to show which situations could allow other large shareholders to exercise their power in monitoring the largest shareholder, e.g. representation on the board of directors and participation in shareholder meetings. Additional theoretical and empirical research on the role of multiple large shareholders is required to develop effective corporate governance practices.

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