

"A man is
great by
deeds, not by
birth"

-Chanakya

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Insider Ownership and Private Placement - Evidence from India

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Insider Ownership and Private Placement - Evidence from India

Abstract:

In the context of an emerging market economy, India, we examine the effect of insider ownership on the choice of private placement. Our findings indicate that the probability of private placements increases with promoter ownership in firms with less than 27% and more than 52% of promoter ownership. Private placements improve monitoring and add value to the firm at the lower levels, while at the higher levels, the interests of the owner-manager and the incoming block-holder seem to be more aligned. At the intermediate level (27-52 percent), we observe a negative relationship between promoter ownership and the probability of private placements, as the incumbent owner is averse to allowing control dilution.

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