

Pablo de Andrés Alonso (Spain), Valentín Azofra Palenzuela (Spain), Fernando Tejerina Gaité (Spain)

The bank: controller or predator in the governance of nonfinancial firms?

Abstract

This paper deals with one of the most interesting topics related to corporate governance: the role of the banks in the governance of nonfinancial firms and its consequences on the value creation process. We explore the impact of bank participation in shareholding, board of directors, and financing on the governance of nonfinancial listed Spanish firms. We show that governance behavior depends on the bank's position of power within the firm, and that when banks participate in a firm where a nonbank controlling shareholder holds different control and cash flow rights, banks act as an efficient control mechanism. But if the controller is the bank and has the capacity to expropriate, then it becomes a predator. This opportunistic behavior is lessened when the bank's position as shareholder is combined with its interests as a creditor.

Keywords: corporate governance, board of directors, commercial banks, control and cash flow rights.

JEL Classification: G21, G32.

Introduction

Since the mid 1990s, the impact of legal systems on corporate governance has been highlighted in numerous studies (La Porta et al., 1998; La Porta et al., 2000; Kim et al., 2007, amongst others). Thus, La Porta et al. (1998) classify fifty countries depending on their legal origin. They conclude that common-law countries have the relatively strongest, and the French-civil-law countries the weakest, protections of investors, independent of per capita income. Table 1 shows these findings. Environments in which investors' rights have little protection, such as in the context of our work, are characterized by a high level of ownership concentration. Control and ownership of firms are not usually separated, which indirectly hinders the development of financial markets. In such situations, firms tend to resort to banks for financing, thus, facilitating relations between the two types of organization. Indeed, banks often have a strong presence in nonfinancial firms, not only as creditors, but also as reference shareholders. Bank managers may even sit on firms' boards of directors. But so far, studies that explore the impact of such a presence on the creation of value for nonfinancial firms have proved inconclusive.

Table 1. Investors protection by legal-origin

	Shareholders rights	Creditor rights
English-origin	4	3.11
French-origin	2.33	1.58
German-origin	2.33	2.33
Scandinavian-origin	3	2

Note: English-origin countries include UK, US, Australia, Canada, Ireland, New Zealand, among others; French-origin include France, Netherlands, Spain, Portugal, Italy, Chile, Brazil, Argentina, Mexico, among others; German-origin include Germany, Austria, Japan, among others; and Scandinavian-origin include Denmark, Finland, Norway and Sweden. Source: La Porta et al. (1998).

Recent evidence shows that in most countries, firms tend to include one controlling shareholder (ultimate owner), that is to say, a shareholder whose direct and indirect voting rights in the firm exceed 10 percent (Barca and Becht, 2001; Claessens et al., 2000; La Porta et al., 1999; Thomsen et al., 2006; Bozec and Laurin, 2008). Sometimes, through the use of mechanisms such as pyramidal structures, the majority shareholder may also hold more control rights than cash-flow rights.

Taking account of the active presence of banks as well as the possibility that the main shareholder's voting rights and cash-flow rights are separate, in our paper we explore in depth the impact of bank presence on the creation of value in nonfinancial firms. However, unlike other studies, we examine not only bank presence in ownership, but also its presence on the board and, thus, its possible position as a creditor of the nonfinancial firm. We also consider whether the effects of such a presence may be influenced by the bank's controlling position within the nonfinancial firm and/or by the controlling shareholder's ability to expropriate. This ability depends on the extent to which rights separation exists. Our findings underscore the importance of such factors in the contrasting behavior we observe in banks.

For our study we use a panel of approximately 140 Spanish listed firms covering the period of 1999-2002. There are many reasons why we focus on a single country. First, as pointed out by Cronqvist and Nilsson (2003), such an approach provides an in-depth analysis of firms that face the same regulatory control or legislation, but that have nevertheless adopted widely differing ownership and governance structures. Second, Spain is a country that has, on the one hand, an important bank presence, both in terms of ownership as well as on the boards of nonfinancial firms; and on the other hand, evidences a

concentrated ownership structure coupled with the existence of pyramidal structures (La Porta et al., 1999). This type of corporate set-up facilitates a separation between voting and cash-flow rights. Thus, the main difficulty facing Spanish firms in terms of governance is between majority and minority shareholders. The evidence that emerges complements findings from other countries with a similar legal background, and on which other studies have focused greater attention, such as France or Germany. Third, using firms from a single country enables us to approach the issue in greater depth, since we can use several extensive sources of information. This fact has given us a unique database of information on the types of bank presence and firm ownership structures.

The present study contributes to the literature analyzing how the presence of banks impacts returns and the creation of value in nonfinancial firms. Germany and Japan, which are characterized by the close link between banks and firms, are perhaps the two countries that have attracted the most attention of researchers, although conclusive evidence is yet to appear. This fact is reflected, for instance, in studies by Edwards and Nibler (2000) and Emmons and Schmid (1998) for Germany, or Weinstein and Yafeh (1998) and Morck et al. (2000) for Japan. For Spain, which has attracted less attention from researchers than some other countries, no conclusive evidence has emerged from the few papers that do explore the implications of bank participation on various measures of return and market for nonfinancial participated firms (e.g., Zoido, 1998; Ochoa, 1998; Bergés and Sánchez, 1991; Díaz and García Olalla, 2002), although for a broader context (continental Europe) Pedersen and Thomsen (2003) do find a positive relation between firm value and percentage of ownership in the hands of financial institutions. Studies are sparser on the subject of banks' presence on the board, and have, thus, far failed to yield any definitive findings (Byrd and Mizruchi, 2005; Kroszner and Strahan, 2001; Edwards and Nibler, 2000; Booth and Deli, 1999; Kaplan and Minton, 1994).

Only on rare occasions has the corporate governance literature approached the issue of interaction among the various kinds of bank presence. Our research not only explores this interaction, but also examines to what extent the ownership and governance structure of the firm in which the bank participates, might impact the consequences of such involvement. Failing to take into consideration such factors may account for the apparent contradiction in studies conducted within a single country.

Our study also links to other papers that examine the effects on the firm's value of separating voting and

cash-flow rights. Grossman and Hart (1988) and Harris and Raviv (1988) find that separating types of rights may reduce company value and so it is not optimal from a social viewpoint. Shleifer and Vishny (1997) hold that when ownership goes beyond a certain threshold, large shareholders gain total control over the firm and may be more tempted to take advantage from such control. Bebchuk et al. (2000) also point out that separating control and cash-flow rights in a firm may lead to higher agency costs than when both types of rights enjoy an equal share.

Our research highlights the disciplinary and beneficial dimension of bank presence in firms in which they participate, when the control over the firm is in the hands of a shareholder who holds a higher percentage of control rights than cash-flow rights. However, when a bank is the main shareholder and can expropriate, then its presence proves negative for the nonfinancial firm. Nevertheless, this predatory behavior is lessened when the bank has interests as both shareholder and creditor.

The paper is organized as follows. Section 1 frames and justifies the hypotheses to be tested. In Section 2 we present our empirical analysis and our findings in Section 3. The last section concludes.

1. Hypotheses

Although many studies examine the influence of bank presence on firm value or other variables, most of them use samples drawn from one or more countries, and do so without delving deeply into the specific issues of the firms that make up the sample. Yet, it seems reasonable to assume that a bank's impact is determined by certain features of the firm in which it is involved. Links between a nonfinancial firm and a credit institution may, on the one hand, depend on the bank's specific position of power, and, on the other hand, may depend on the ownership and governance structure of the nonfinancial firm. When we consider the bank's position of power, we feel that it is essential to differentiate between firms in which the bank is the controlling shareholder and those in which the bank's ownership, although it remains significant, does not confer control. We also believe it is important to distinguish between firms in which banks sit on the board or are creditors, and those in which this is not the case.

The ownership structure of nonfinancial firms may have a significant impact on controlling shareholder incentives through differences between controlling and cash-flow rights. Indeed, when there are such differences, the controlling shareholder is more likely to expropriate wealth from the firm, mainly to

the detriment of the other shareholders and creditors. Thus, the bank's role can vary, depending on whether it is present in a firm with a greater or smaller capacity for expropriation by the controlling shareholder.

Depending on the factors listed, participating firms may be divided into four groups (Table 2).

Table 2. Characteristics of the participated firms

		Control-cash flow rights separation	
		Separation	No separation
Controlling shareholder	Bank	BS	BNS
	No bank	NBS	NBNS

Note: Nonfinancial firms are classified into four groups. *BS* refers to firms controlled by a bank with rights separation; *BNS* refers to firms controlled by a bank with no difference in rights; *NBS* stands for firms under non-bank control with rights separation; and *NBNS* refers to firms under non-bank control without a difference in rights.

First, if a firm has a non-bank controlling shareholder whose control and cash-flow rights are separated (NBS), then the chance of extracting private benefits is greater, as is the other shareholders' motivation to exert control. To undertake the task of active supervision, the bank may prove more suitable than other shareholders since its knowledge of the firm, acquired through their relationship, gives it a longer-term perspective. Moreover, the bank is not under much pressure to obtain short-term returns, compared to, e.g., other institutional investors, and because it may also be one of the firms creditors. Further, the bank's presence on the board (as an independent director) may help it to exercise control over the controlling shareholder who has the ability to expropriate (Peasnell et al., 2005). Thus, we construct Hypothesis 1:

H1: Bank participation in ownership and/or on a firm's board has a positive impact on firm value in the presence of a non-bank controlling shareholder who has separation of control and cash-flow rights.

Yet, when it is the bank itself that controls the firm and does so by exercising control rights that are greater than its cash-flow rights (BS), its presence in the firm could lead it to act in its own private interests, which may differ from, or even be contrary to, the interests of the other shareholders. The risk of expropriation of minority shareholders increases. Therefore, we posit Hypothesis 2:

H2: Bank presence in ownership and/or on the firm's board has a negative impact on firm value

when a bank is the controlling shareholder and it holds separation of control and cash-flow rights.

When there is no difference between the controlling shareholder's control rights and cash-flow rights (BNS and NBNS) in the nonfinancial firm, the risk of expropriation and, thus, the need for control is less. In such cases we do not expect any significant influence to arise from a greater or reduced bank presence on firm value. Hypothesis 3 holds whether the main shareholder is a bank, or any other institution or individual.

H3: In general, we expect no significant impact to emerge from bank presence in a non-financial firm's ownership and/or on its board on the value of such firms in which there is no rights separation.

When, in addition to its presence in ownership or on the board, the bank also assumes the role of lender for the nonfinancial firm, the relationship between the two takes on a new dimension. Rajan (1992) points out that bank debt confers on the bank certain bargaining power enabling it to obtain additional returns once the project is underway. Nevertheless, acting as both creditor and shareholder reduces the urge to behave opportunistically (Mahrt-Smith, 2006). Moreover, such a relationship enables the firm to overcome problems of underinvestment and asset substitution inherent in the link between shareholders and debtholders (Jensen and Meckling, 1976; Myers, 1977; Jensen, 1986; Prowse, 1990). Further, when the lending institution sits on the board, in addition to counseling the firm on the debt market, it is also helping to curb information asymmetries between the two parts.

Thus, when the bank is both lender and sitting on the board and/or in the ownership of the nonfinancial firm, the previously described relations will be affected. Therefore, in Hypothesis 4 we suggest that when the bank is the main shareholder and faced with differences in rights (BS), its position as a creditor will mitigate the extent of any expropriation it might undertake, since it will strive to obtain a minimum return to ensure its rights as a creditor. Thus, we propose Hypothesis 4:

H4: When the bank controls a nonfinancial firm and the bank holds rights separation, its position as a creditor has a positive impact on the value of the firm, or at least lessens its desire to expropriate.

Hypothesis 5 posits that when the controlling shareholder is not a bank and has more control than cash-flow rights (NBS), then banks involved in such firms will increase their desire to exercise control if, as well as being a shareholder or director, they are creditors in the nonfinancial firm:

H5: When a bank's participation is linked to its position as a lender, this linkage will positively impact the value of the firm that has a non-bank controlling and rights separation shareholder.

When there is no rights separation in the firm, regardless of the type of shareholder, a position as owner or director and lender leads to no particular motivation to exert control. Thus, in Hypothesis 6 we posit no significant relation:

H6: We expect no significant relation of bank participation as a shareholder and/or director and creditor on the value of the nonfinancial firm that has no rights separation.

2. Data, variables and econometric method

2.1. Sample selection. Given the wide range of information required to conduct the research, we limit our sample to listed firms. To construct the sample we use nonfinancial sector firms listed on the Madrid stock market at the end of 1999. We then remove firms that had not traded for at least three years during the sample period (1999-2002), and also any firms for which we could not gather the minimum amount of information needed for our research. The final sample for 1999 comprises 141 listed firms. We extend the sample to 2002 to include firms that joined the market during those three subsequent years, and which met the previous requirements. We note that mergers or takeovers reduce the number of firms included in the sample, as do the firms being excluded from trading over a certain period. Table 3 shows the sample of firms by year and sector.

Table 3. Distribution of the sample by sector

Sectors	1999	2000	2001	2002
Consumer goods	31	31	31	28
Investment and intermediate goods	37	37	37	36
Energy	10	10	10	9
Construction	8	8	8	8
Communication and information	2	3	3	3
Market services	41	41	41	40
New market	12	12	12	12
TOTAL	141	142	142	136

Note: This table reports the distribution of the sample by sector. The sample includes the nonfinancial firms listed on the Madrid

stock market at the end of each year that had traded for at least three years during the sample period.

2.2. Variables. We use the term VALUE to the variable that represents the value of the firm. The denominator of the variable is the book value of the firm's assets. The numerator is the book value of assets minus the book value of common equity plus the market value of common equity. Cronqvist and Nilsson (2003) note that VALUE measures the contribution of intangible assets to the firm's market value. The variable VALUE might also reflect the expected capitalized value of possible controlling shareholder discretion, since their decisions might directly impact the firm's intangible assets. This impact would then be reflected in agency costs.

We use several forms of bank presence and control variables as explanatory variables for the various models. We sort the variables that represent bank presence in the nonfinancial firm according to the kind of involvement they refer to: ownership, on the board, as creditor, or any combination thereof (Table 4).

We note that the Spanish banking system is characterized by three kinds of entities: investment banks, saving banks, and commercial banks. Since investment banks engage in strategic blockholdings in firms without actually becoming involved in their governance (they do not appear as board members or lenders), we focus our research on the presence of commercial and saving banks.

Our control variables are the size of the firm, which we measure by the naperian logarithm of total firm assets (LASSETS); and a proxy of growth opportunities (La Porta et al., 2002), growth in sales (SALESG), which we calculate as the variation of the firm's turnover during the last year. We also include the controlling shareholder rights differences as a control variable. To detect a possible nonlinear relation in the rights, we create two variables, RIGHTS1, which takes the value of one when control rights are greater than ownership rights and zero, otherwise; and RIGHTS2, which takes the value of one when the difference between control and cash-flow rights is above the average of said difference between firms with rights separation, and zero, otherwise. Finally, we add sector and annual dummy variables.

Table 4. Definition of the variables reflecting bank presence

Variable	Description
a) Variables reflecting bank presence in ownership	
BOw	Takes the value of one if corporate ownership contains at least one commercial bank with a participation (in terms of voting rights) equal to or above 5%, and zero otherwise.
HighBOw	Takes the value of one if the percentage of bank ownership in the firm is above the average of those firms with bank ownership, and zero otherwise.

Table 4 (cont.). Definition of the variables reflecting bank presence

Variable	Description
%BOW	The percentage of shares owned by banks.
b) Variables reflecting bank presence on the board	
BDi	Takes the value of one when there is one banker (bank director) or more on the board, and zero otherwise.
BTot	Percentage of bankers on the board (total): Number of bankers on the board out of total board members.
BOut	Percentage of bankers on the board out of total number of outsider board members (outsiders).
#BDi	# of bank directors
HighBDi	Takes the value of one when the number of bankers on the board in the firm is above the average for firms with bankers on the board, and zero otherwise.
c) Variables reflecting bank presence in ownership and on the board	
NOW_Di	Takes the value of one when there are only independent bank directors (bank directors whose bank is not involved in the capital of the firm on whose board they sit), and zero otherwise.
Ow_Di	Takes the value of one when there are only non-independent bank directors (bank directors whose bank is also involved in the capital of the firm on whose board they sit), and zero otherwise.
Ow_NDi	Takes the value of one when at least one commercial bank has a stake in the firm's ownership but no banker sits on the firm's board, and zero otherwise.
d) Variables reflecting bank presence in ownership and as a creditor	
Ow_Cd	Takes the value of one when at least one commercial bank has a stake in the firm's ownership and when at least one is at the same time a creditor of the firm, and zero otherwise.
Ow_NCd	Would take the value of one if at least one commercial bank has a stake in the firm's ownership, but none is at the same time a creditor of the firm, and zero otherwise.
e) Variables reflecting bank presence on the board and as a creditor	
Di_Cd	Expresses presence of at least one bank director in the firm who is at the same time a creditor, in which case it takes the value of one, and zero otherwise.
Di_NCd	Has a value of one if there is at least one director, but none is at the same time a creditor, and zero otherwise.
f) Variables reflecting bank presence in ownership, on the board and as a creditor	
Ow_Di_NCd	Takes the value of one when in the firm there is at least one bank director whose bank is a shareholder but not a creditor, and zero otherwise.
Ow_Di_Cd	Would take the value of one if in the firm there are bank directors whose bank is a shareholder, and at least one of them is also a creditor of the firm, and zero otherwise.

2.3. Sources of information. As there are no specific databases that reflect the number of bankers on the board in nonfinancial firms or the difference in the controlling shareholder's control and cash-flow rights, we had to merge different data sources to obtain the necessary information.

Following the most widely used concept in the literature, we refer to bank directors as board members of non-financial firms who are in turn bank managers. To create the bank director database, we first set up a database of bank managers, which we constructed from the information in various database directories (*Dicodi*, *Duns 50000*, and *Who Is Who in Spanish Business*). We supplemented this information with the information available on the websites of the lending institutions themselves. We then created a database of board members of nonfinancial firms in our sample, based on the information provided by the Spanish Securities Exchange Commission (CNMV), at 31 December for each year of the period considered. Finally we cross-matched the two databases to determine those bank managers who also sit on nonfinancial firms' boards.

To calculate the percentages of voting and cash-flow rights of the ultimate owner, we use the method

proposed by La Porta et al. (1999)¹. Our goal is to ascertain chains of control whose definition of ownership is based on the concept of voting rights. To do so, we establish the minimum percentage of ownership that allows us to define a shareholder as having control. In our case, we use 10%, which is the most frequently used percentage in other studies (La Porta et al., 1999; Claessens et al., 2000; Faccio and Lang, 2002; La Porta et al., 2002).

To determine the chain of control, we use the information on corporate shareholders provided by the CNMV, and again completed the information with that provided by the INFORMA D&B database and the firms themselves. When ownership of a firm is in the hands of another, we assess ownership of that other, searching for a controlling shareholder. We follow a backward procedure to identify the controlling shareholder until we reach the ultimate owner. Throughout the control chain we calculate the controlling shareholder's voting rights as well as cash-flow rights.

¹ Method subsequently applied by Faccio and Lang (2002), Claessens et al. (2000), Maury and Pajuste (2005), Barontini and Caprio (2006), Villalonga and Amit (2006) or Santana and Aguiar (2006), amongst others.

We note that CNMV provided the economic-financial data.

2.4. Research methods. We ask to what extent the participated nonfinancial firms' ownership and governance structure might impact the consequences of such participation. To answer this question, we split our sample in line with the twin classification proposed previously. In other words, depending on whether the bank occupies a controlling position in the nonfinancial firm, and second, whether the main shareholder holds more control than cash-flow rights. In terms of the two variables mentioned, we split the sample into four blocks, as shown in Table 2. To verify our hypotheses, we conduct successive regressions for each sample segment in which the dependent variable is the value of the firm, alternatively using the various kinds of participation mentioned as explanatory variables.

Cross-section analyses have certain drawbacks (Stock and Watson, 2003), so we choose the panel data procedure, which combines cross-section data with time series, as our empirical method. Our panel is a micropanel, since the number of observations (around 140) is notably higher than periods (four years). It is also unbalanced panel data, although this issue does not affect the consistency of the estimates (Arellano and Bover, 1990).

We use the following regression model for our data panel:

$$q_{it} = \beta_0 + PB_{it}\beta_1 + C_{it}\beta_2 + S_{it}\beta_3 + A_{it}\beta_4 + \varepsilon_{it}, \quad (1)$$

$$i = 1, \dots, N, t = 1, \dots, T,$$

where i is each individual, t is the time dimension, q_{it} is the performance of the firm, β_0 is the intercept, and PB_{it} is a vector $1 \times K$ of variables expressing one form of bank presence (ownership, board, creditor or any combination thereof). Since we apply successive estimations alternating the representative variable of bank participation in the firm, the dimension of the vector will normally be 1×1 . C_{it} is a 1×4 dimension vector with the control variables, S_{it} is a 1×6 dimension vector with industry dummy variables, A_{it} is a 1×3 dimension vector with the time dummy variables, and ε_{it} is the random effect for each observation and year.

Model (1) is a random-effect model, since ε_{it} includes the individual unobservable effects. Equation (2) shows that we can split this random-effect term into two effects, where η_i stands for the individual unobservable effect and v_{it} stands for the random effect:

$$\varepsilon_{it} = \eta_i + v_{it}. \quad (2)$$

Thus, model (1) would become model (3):

$$q_{it} = \beta_0 + PB_{it}\beta_1 + C_{it}\beta_2 + S_{it}\beta_3 + A_{it}\beta_4 + \eta_i + v_{it}. \quad (3)$$

A crucial issue in panel data analysis is model specification. Given that there will be the same relation between the independent variables and the random component, it is very important to know the kind of relation between the fixed-effects term η_i and the other independent variables. If there is no correlation, then the best method to use is minimum generalized squares, which provides the linear unbiased estimator with minimal variance. In the opposite case, this estimator becomes inconsistent and individual effects must be removed. Among the possibilities, we choose the within-group method, since it allows us to keep as many available periods as possible. Thus, we provide the Hausman (1978) test to verify the null hypothesis of lack of correlation between the independent variables and the fixed-effects term. Due to the high dispersion of some variables and to avoid our results being biased by outlier observations we implement Hadi's (1994) procedure for the detection of extreme values.

We are concerned with the possible reverse causality between a firm's value and bank shareholdings. It means that a positive relation between firms' performance and bank shareholdings could indicate that banks choose to buy the shares of the best-performing firms rather than enhancing the performance of firms they own. In this case, the presence of banks (bank shareholdings, bank directorships, or bank lenders) should change according to the value of the firm. Nevertheless, firms are not likely to change their ownership structure, board of directors, or the relation with bank creditors conditional upon over or undervaluation. La Porta et al. (1999) point out that ownership structure is stable over time. The reverse causality can only bias the results if banks quickly and systematically modify their involvement in most of the nonfinancial firms according to the valuation of the firm. However, as Claessens et al. (2002) note, this behavior is unusual for banks.

3. Results

3.1. Characteristics of the sample and bank presence. Table 5 characterizes our sample of nonfinancial firms. In this table we use a descriptive analysis of the most representative variables, both in economic-financial terms and for bank presence.

Table 5. Characteristics of the sample

	Mean	Std. dev.	Max	Min
VALUE	1.36	1.31	22.63	0.06
LASSETS	5.54	0.81	7.96	3.59
SALESG	0.20	0.61	5.95	-1.00

Table 5 (cont.). Characteristics of the sample

	Mean	Std. dev.	Max	Min
%BOW	0.09	0.16	0.93	0.00
BTot	0.08	0.13	0.71	0.00

Note: This table presents summary statistics of relevant variables. All reported figures are calculated over the complete set of firms year from 1999 to 2002. VALUE represents the value of the firm. The denominator of this variable is the book value of the firm's assets. The numerator is the book value of assets minus the book value of common equity plus the market value of common equity. LASSETS stands for the naperian logarithm of total firm assets. SALESG equals the growth in sales, which we calculate as the variation of the firm's turnover during the last year. %BOW stands for the percentage of shares owned by banks. BTot represents the percentage of bankers on the board of the nonfinancial firms.

We then further develop the descriptive analysis by exploring in depth the importance of the presence of banks in listed Spanish firms. Table 6 shows how the percentage of firms with at least one bank in the ownership jumped significantly between 1999 and 2002. In 2002, 48.5% of firms had a commercial bank among their shareholders. In 2002, the percentage of firms in our sample that had at least one banker on the board remained virtually unchanged at 37.5%, so that year, over half of the firms had banks among their owners and/or on their board. We sort bankers on the board into non-independent and independent¹. Table 6 shows how in 2002 nearly a third of the firms in the sample had a non-independent banker on the board, but the figure for independent bankers on the board reached 13.9%. It decreased from the 17.7% in 1999, partly due to the increase of bank presence in the ownership of non financial firms, which increase the percentage of non-independent bankers on the board of those firms.

Table 6. Firms with bank presence

	1999		2002	
	No. of firms	%	No. of firms	%
Bank as shareholder (and creditor) (and not creditor)	54 38 16	38.3	66 43 23	48.5
Bank as director (and creditor) (and not creditor)	54 (33) (21)	38.3	51 (27) (24)	37.5
Bank as shareholder and/or director	63	44.68	73	53.67
Non-independent banker on the board	40	28.3	41	30.1
Independent banker on the board	25	17.7	19	13.9
TOTAL FIRMS	141		136	

¹ As an extension to the terms we use when referring to board members in general, in our study we consider independent bank directors to be those whose bank does not participate in the capital of the firm on whose board they sit. If, by contrast, the bank to whom the board member belongs also participates in ownership of the firm, the bank director is referred to as non-independent.

Note: This table reports the importance of the presence of banks in listed Spanish nonfinancial firms. Non-independent bankers refer to bank directors whose bank is also involved in the ownership of the firm on whose board they sit. Independent bankers refer to bank directors whose bank is not involved in the ownership of the firm on whose board they sit.

Although bank presence in ownership has already been well documented for Spain (Galve and Salas, 1996; Zoido, 1998; Crespi and Garcia, 2001, among others), the percentage of firms with bankers on the board is a new area of study. We find it interesting to compare this percentage with other countries. For example, in Germany, 75% of firms had a banker on the board for a sample in 1974 (Edwards and Fischer, 1994); in Japan the figure was 52.9% (Hoshi and Kashyap, 2001) for a sample in 1992; and, finally in the U.S., 31.6% (Hallock, 1997), also for 1992. Exercising due caution and given the disparity in the reference period, we see that Spain fits between the U.S. and Japan, although Spain is closer to the latter.

3.2. Influence of bank presence on firm value. We now examine whether a bank's presence has any impact on the value of the firm. To do this, we conduct a series of estimations in which the value of the firm is the dependent variable. We use a measure of bank presence as the explanatory variable in each estimation, together with the previously mentioned control variables. To verify the robustness of the models, we perform a further series of estimations that include variables expressing bank presence in ownership, on the board, and as a creditor.

Below, we present our findings for each kind of bank participation for each of the subdivisions in the sample.

3.2.1. Influence of bank participation on ownership.

We first assess how bank participation in the capital impacts the value of the firm. Table 7 shows the significance of the impact of bank ownership on firm value, particularly when there is separation of ownership from control. Specifically, when the main shareholder is a bank that holds more of the firm's control rights than cash-flow rights (BS sample), the presence of banks has a negative impact on firm value. However, this presence does not necessarily need to be linked to the controlling entity.

When the controlling shareholder is not a bank, but its control rights outweigh its cash-flow rights (NBS sample), the relation between bank presence and value becomes positive (10% significance level) when bank participation is above the average. (We calculate this average from firms that have a commercial bank presence.) This result may be due to the firm's need to build up a minimum ownership share, giving it sufficient incentives to monitor the main shareholder.

Table 7. Bank ownership and value

	BS	BNS	NBS	NBNS
BOw	-0.500** (0.259)	-0.010 (0.228)	0.091 (0.082)	-0.022 (0.073)
R-sq	0.369	0.517	0.214	0.132
Hausman	0.57	7.52	10.32	12.09*
F / Wald	17.27*	11.65	41.34***	3.67***
N	52	44	173	222
%BOw	0.169 (0.293)	-0.337 (0.397)	0.679 (0.656)	0.164 (0.762)
R-sq	0.263	0.553	0.201	0.132
Hausman	3.11	7.60	11.45	15.38***
F / Wald	12.29	13.28	41.01***	3.66***
N	52	44	173	222
HighBOw	-0.062 (0.100)	0.117 (0.199)	0.258* (0.169)	0.264 (0.324)
R-sq	0.239	0.235	0.199	0.136
Hausman	1.44	11.47*	10.63	12.77**
F / Wald	12.47	0.98	42.60***	3.78***
N	52	44	173	222

Note: The table shows three estimations of bank presence in firm ownership for each of the four groups of firms. BS, BNS, NBS, and NBNS, respectively, refer to firms controlled by a bank with rights separation, firms controlled by a bank with no difference in rights, firms under non-bank control with rights separation, and firms under non-bank control without a difference in rights. Each estimation presents the estimated coefficient and standard deviation (in parentheses) of the variable that represents bank presence in ownership. The dependent variable is always the value of the firm (VALUE). We include both the control variables and the sector and temporal effects in the estimations but do not report them in the table. BOw is a dummy variable that measures bank presence in capital, %BOw is the share of control rights in the hands of banks, and HighBOw is a dummy indicating above average bank presence. The Hausman test is a test for the correlation between the independent variables and the fixed-effects term. We use the F and the Wald tests to test the joint significance of all the explanatory variables. ***, **, and * denote statistical significance at the 1, 5, and 10% levels, respectively.

3.2.2. Influence of bank presence on the board. Table 8 shows the results of the various regressions that we use to analyze how the different measures of bank presence in the board affect the value of the firm for each segment of the sample. Once again, bank presence, this time on the board, becomes significant when the main shareholder holds rights separation. What proves more interesting is that the sense of the relation depends on the nature of the firm's main shareholder.

Thus, when the bank controls the firm and its control rights are greater than its cash-flow rights (BS), its presence on the board has a negative impact on the firm's value. Yet, when a non-bank shareholder has control over the firm with rights separation (NBS), the bank's behavior benefits minority shareholders. And when the main shareholder has no rights separation (BNS, NBNS), the bank's impact on the firm's value has very little significance.

Table 8. Bankers on the board and value

	BS	BNS	NBS	NBNS
BDi	-0.336* (0.183)	0.175 (0.161)	0.251*** (0.083)	-0.005 (0.098)
R-sq	0.351	0.492	0.257	0.133
Hausman	1.08	9.47	9.44	13.78**
F / Wald	16.98	13.03	50.83***	3.63***
N	52	44	172	220
BTot	-0.422 (0.281)	1.580* (0.798)	1.214*** (0.439)	0.210 (0.593)
R-sq	0.216	0.354	0.270	0.126
Hausman	4.96	10.74*	9.28	11.85*
F / Wald	14.47	1.74	49.13***	3.40***
N	52	44	172	219
BOut	-0.511*** (0.192)	0.223 (0.495)	0.269 (0.645)	-0.286 (0.342)
R-sq	0.366	0.458	0.227	0.198
Hausman	0.58	6.64	17.70**	6.00
F / Wald	24.91***	8.55	3.79***	33.92***
N	37	38	155	197
#BDi	-0.050** (0.023)	0.125* (0.065)	0.116*** (0.039)	0.086 (0.063)
R-sq	0.257	0.346	0.255	0.144
Hausman	2.50	10.63*	8.06	15.82***
F / Wald	17.52*	1.68	51.72***	3.99***
N	52	44	170	220
HighBDi	-0.225*** (0.090)	-0.025 (0.156)	0.407*** (0.137)	0.265* (0.153)
R-sq	0.256	0.543	0.186	0.149
Hausman	3.76	5.43	9.81	15.86***
F / Wald	19.35*	18.26*	50.38***	4.22***
N	52	44	173	222

Note: The table shows five estimations of bank presence on the board for each of the four groups of firms. BS, BNS, NBS, and NBNS, respectively, refer to firms controlled by a bank with rights separation, firms controlled by a bank with no difference in rights, firms under non-bank control with rights separation, and firms under non-bank control without a difference in rights. Each estimation shows the estimated coefficient and standard deviation (in parentheses) of the variable that represents bank presence on the board. The dependent variable is always the firm's value (VALUE). We include both the control variables and the sector and temporal effects in the estimations but do not report them in the table. BDi is a dummy variable that measures bank presence on the board; BTot represents the percentage of bankers on the board out of the total; BOut is the percentage of bankers on the board out of the number of outside members; #BDi stands for the number of bankers on the board; and HighBDi takes the value of one when the number of bankers on the board is above the average of firms with bankers on the board. The Hausman test is a test for the correlation between the independent variables and the fixed-effects term. We use the F and the Wald tests to test the joint significance of all the explanatory variables. ***, **, and * denote statistical significance at the 1, 5, and 10% levels, respectively.

3.2.3. Influence of bank presence on ownership and on the board. We use combined measures of bank presence in ownership and on the board to provide a basis for some of the previous relations. Table 9 shows the outcome of these regressions for each segment of the sample.

Table 9. Impact of bank presence on ownership and on the board

	BS	BNS	NBS	NBNS
NOw_Di	0.022 (0.359)	0.571 (0.519)	0.386*** (0.130)	0.102 (0.108)
R-sq	0.252	0.534	0.218	0.138
Hausman	1.04	6.32	7.41	12.31*
F / Wald	11.96	13.30	51.49***	3.80***
N	52	44	170	220
Ow_Di	-0.175** (0.093)	0.115 (0.154)	0.183* (0.101)	-0.001 (0.112)
R-sq	0.377	0.489	0.231	0.131
Hausman	6.00	10.54	10.48	14.11**
F / Wald	17.91*	11.81	43.43***	3.57***
N	52	44	172	219
Ow_NDi	0.102 (0.212)	-0.097 (0.217)	-0.063 (0.133)	0.028 (0.067)
R-sq	0.256	0.511	0.210	0.133
Hausman	1.13	3.11	32.28***	19.10***
F / Wald	12.35	15.61	3.88***	3.68***
N	52	44	173	222

Note: The table shows three estimations of bank presence in ownership and/or on the board for each of the four groups of firms. BS, BNS, NBS, and NBNS, respectively, refer to firms controlled by a bank with rights separation, firms controlled by a bank with no difference in rights, firms under non-bank control with rights separation, and firms under non-bank control without a difference in rights. Each estimation shows the estimated coefficient and the standard deviation (in parentheses) of the variable that represents bank presence in ownership and on the board. The dependent variable is always the value of the firm (VALUE). We include both the control variables and the sector and temporal effects in the estimations but do not report them in the table. NOw_Di takes the value of one when there are only independent bank directors in the firm; Ow_Di takes the value of one when the firm has only board members whose entity also has a share in ownership; and Ow_NDi takes the value of one when at least one commercial bank has a share of ownership in the firm, but no representative sits on the board. The Hausman test is a test for correlation between the independent variables and the fixed-effects term. We use the F and the Wald tests to test the joint significance of all the explanatory variables. ***, **, and * denote statistical significance at the 1, 5, and 10% levels, respectively.

When a bank controls the firm with rights separation (BS) and also sits on the board, it has a negative impact on firm value. If it is the controlling body, which seems to be the case when the bank is both a shareholder and board member, then the bank's presence on the board only strengthens its dominant position in the firm, thus increasing the chance that it might take decisions harming the position of the other investors. If, by contrast, it is a different bank from the bank with the controlling interest, then the previous relation seems to show that certain alliances can be established between banks that are aimed at their own benefit.

In firms that are controlled by a non-bank shareholder with rights separation (NBS), both the joint presence of a bank in ownership and on the board, and the involvement of independent bank directors, are clearly linked to enhanced firm value.

The three analyses (Tables 7, 8 and 9) show how the impact of bank presence on the value of the firm is clearly conditioned by the ownership and governance structures of the firms in which the bank participates. In general, we find evidence that supports hypotheses H1, H3, and to a lesser extent H2, which reflect the different roles played by bank presence in ownership and on the board, depending on the nature of the main shareholder and to what extent the controlling shareholder's voting and cash-flow rights are separated.

3.2.4. Influence of bank presence in ownership and as creditor. Table 10 presents the estimations that combine measures of bank involvement as shareholder and as creditor. The most significant evidence emerges when the main shareholder is not a bank. In such circumstances and when there is rights separation, the presence of the same bank as shareholder and creditor has a positive effect on the value of the firm at a 10% significance level. When there is a controlling shareholder with the capacity to expropriate, a bank's position as both creditor and shareholder increases its motivation to discipline the controlling shareholder.

Table 10. Influence of the bank as owner and creditor

	BS	BNS	NBS	NBNS
Ow_Cd	-0.095 (0.158)	0.059 (0.203)	0.223* (0.128)	-0.047 (0.105)
R-sq	0.228	0.521	0.217	0.133
Hausman	2.62	8.22	10.02	15.77**
F / Wald	12.36	11.78	43.59***	3.69***
N	52	44	173	222
Ow_NCd	-0.045 (0.137)	-0.093 (0.238)	0.002 (0.113)	0.059 (0.103)
R-sq	0.276	0.513	0.208	0.134
Hausman	3.97	6.66	16.31**	12.86**
F / Wald	12.09	11.89	3.84***	3.71***
N	52	44	173	222

Note: The table shows two estimations of bank presence in ownership and as creditor for each of the four groups of firms. BS, BNS, NBS, and NBNS, respectively, refer to firms controlled by a bank with rights separation, firms controlled by a bank with no difference in rights, firms under non-bank control with rights separation, and firms under non-bank control without a difference in rights. Each estimation shows the estimated coefficient and the standard deviation (in parentheses) of the variable that represents bank presence in ownership and as a creditor. The dependent variable is always the value of the firm (VALUE). We include both the control variables and the sector and temporal effects in the estimations but do not report them in the table. Ow_Cd takes the value of one if at least one commercial bank, which is also a creditor, is involved in ownership of the firm. Ow_NCd would take the value of one if there was at least one bank involved in ownership, but if no bank was at the same time a creditor of the firm. The Hausman test tests for the correlation between the independent variables and the fixed-effects term. We use the F and the Wald tests to test the joint significance of all the explanatory variables. ***, **, and * denote statistical significance at the 1, 5, and 10% levels, respectively.

3.2.5. Impact of bank presence on the board and as creditor. In Table 11 we assess bank presence on the board and as a creditor. We find significant relations only when a non-bank shareholder controls the firm with more control than cash-flow rights (NBS). In these cases, the presence of bankers on the board is related positively to the value of the firm, both when a bank is a creditor and when it is not. Again, these findings support the idea that banks which sit on the board exert a certain degree of control in the presence of main shareholders who have rights separation, in other words who have the capacity to expropriate.

Table 11. Impact of bank presence on the board and as creditor

	BS	BNS	NBS	NBNS
Di_Cd	0.029 (0.165)	0.074 (0.141)	0.364** (0.189)	0.079 (0.090)
R-sq	0.258	0.512	0.228	0.136
Hausman	1.04	5.94	7.96	14.04**
F / Wald	12.03	12.98	45.67***	3.80***
N	52	44	171	222
Di_NCd	-0.224 (0.148)	0.083 (0.198)	0.219*** (0.088)	-0.069 (0.094)
R-sq	0.357	0.517	0.232	0.135
Hausman	0.59	8.91	8.18	15.11**
F / Wald	15.12	12.17	48.43***	3.75***
N	52	44	171	222

Note: The table shows two estimations of bank presence on the board and as creditor for each of the four groups of firms. BS, BNS, NBS, and NBNS, respectively, refer to firms controlled by a bank with rights separation, firms controlled by a bank with no difference in rights, firms under non-bank control with rights separation, and firms under non-bank control without a difference in rights. Each estimation shows the estimated coefficient and the standard deviation (in parentheses) of the variable that represents bank presence on the board and as creditor. The dependent variable is always the value of the firm (VALUE). We include both the control variables and the sector and temporal effects in the estimations but do not report them in the table. Di_Cd takes the value of one if there is at least one banker on the firm's board who is at the same time a creditor of the firm. Di_NCd takes the value of one if there is at least one banker on the firm's board, but none of the bankers are creditors. The Hausman test is a test for the correlation between the independent variables and the fixed-effects term. We use the F and the Wald tests to test the joint significance of all the explanatory variables. ***, **, and * denote statistical significance at the 1, 5, and 10% levels, respectively.

3.2.6. Impact of bank presence on ownership, on the board and as creditor. Here, we include the variables that examine the three kinds of bank participation (Table 12). The findings in this table confirm those in the previous tables. Thus, when the main shareholder is a bank with rights separation (BS), the table shows that bank presence in ownership and on the board but not as a creditor at the same time, has a negative impact on the value of the firm. However, when a bank is also present as a creditor, its opportunist behavior is curbed.

What we see, over and over again, is that when the main shareholder is not a bank but holds more control than ownership rights (NBS), a bank's presence in ownership, on the board, and in its position as a creditor (Ow_Di_Cd) has a positive impact on the value of the firm. Holding an interest as both a creditor and as an owner/director only strengthens the bank's incentive to exercise control.

Table 12. Variables of presence in ownership, on the board and as a creditor

	BS	BNS	NBS	NBNS
Ow_Di_NCd	-0.193* (0.119)	0.083 (0.198)	0.106 (0.158)	-0.052 (0.140)
R-sq	0.353	0.517	0.211	0.132
Hausman	0.64	8.91	15.87**	13.13**
F / Wald	15.60	12.17	3.92***	3.68***
N	52	44	173	222
Ow_Di_Cd	-0.022 (0.127)	0.141 (0.148)	0.377** (0.169)	0.037 (0.124)
R-sq	0.260	0.480	0.238	0.132
Hausman	9.90	9.02	10.83	17.34***
F / Wald	12.35	12.23	45.93***	3.67***
N	52	44	173	222

Note: The table shows two estimations of bank presence in ownership, on the board and as creditor for each of the four groups of firms. BS, BNS, NBS, and NBNS, respectively, refer to firms controlled by a bank with rights separation, firms controlled by a bank with no difference in rights, firms under non-bank control with rights separation, and firms under non-bank control without a difference in rights. Each estimation shows the estimated coefficient and the standard deviation (in parentheses) of the variable that represents bank presence in ownership, on the board, and as creditor. The dependent variable is always the value of the firm (VALUE). We include both the control variables and the sector and temporal effects in the estimations but do not report them in the table. Ow_Di_NCd denotes the presence of bankers on the board who are at the same time shareholders, but not creditors. Ow_Di_Cd takes the value of one if there is at least one banker on the board who is at the same time a shareholder and a creditor of the firm. The Hausman test is a test for the correlation between the independent variables and the fixed-effects term. We use the F and the Wald tests to test the joint significance of all the explanatory variables. ***, **, and * denote statistical significance at the 1, 5, and 10% levels, respectively.

The findings in Tables 10, 11, and 12 reflect how, in the sample of firms controlled by a bank shareholder with separation of control and cash flow rights (BS sample), the bank's position as a creditor reduces the negative impact of its presence in the ownership and on the board. However, this relation does not become positive, as predicted by hypothesis H4. For firms that are not controlled by a bank, but whose controlling shareholder holds rights separation (NBS sample), we see how a bank that is both a creditor and also involved in ownership and/or on the board of the nonfinancial firm, has a positive impact on the value of the firm (hypothesis H5). Further, for those firms in which the controlling shareholder has no rights separation (BNS and

NBNS samples), from a statistical viewpoint, a bank's position as a creditor of a nonfinancial firm adds nothing to its presence in ownership and/or on the board (hypothesis *H6*).

3.3. General estimations. To verify the robustness of the previous findings, we perform a series of estimations in which we jointly include measures of

the various kinds of bank presence in nonfinancial firms, rather than considering each one separately. The findings in Table 13 confirm the previous outcomes, in the sense that it is bank presence on the board that has the greatest impact on the creation of value, particularly when controlling shareholders enjoy control rights that outweigh their cash-flow rights.

Table 13. General estimations

	(BS)	(BNS)	(NBS)		(NBNS)	
	(1) (random)	(2) (random)	(3) (random)	(4) (within)	(5) (within)	(6) (within)
BOw			-0.040 (0.092)		-0.017 (0.077)	
BDi			0.271 *** (0.095)		-0.005 (0.099)	
%BOw	0.366 (0.302)	-0.602 (0.438)		-1.264 (1.249)		-0.187 (0.824)
#BDi	-0.059 *** (0.024)	0.065 (0.053)		0.132 ** (0.057)		0.091 (0.068)
RIGHTS2	0.098 (0.108)		-0.046 (0.079)	0.045 (0.101)		
LASSETS	0.115 (0.101)	0.017 (0.166)	0.036 (0.081)	-0.283 (0.266)	-0.458 ** (0.209)	-0.465 ** (0.208)
SALESG	0.037 (0.132)	0.069 (0.250)	0.068 (0.081)	0.135 * (0.091)	0.131 * (0.084)	0.148 * (0.084)
R-sq	0.31	0.50	0.28	0.25	0.13	0.14
F				4.31 ***	3.10 ***	3.40***
Wald	19.33 *	15.77	50.73 ***			
Hausman	2.43	15.50	10.41	76.68 ***	14.80 **	16.52**
N	52	44	172	170	220	220

Note: The table shows six estimations of bank presence in nonfinancial firms. BS, BNS, NBS, and NBNS, respectively, refer to firms controlled by a bank with rights separation, firms controlled by a bank with no difference in rights, firms under non-bank control with rights separation, and firms under non-bank control without a difference in rights. Each estimation shows the estimated coefficient and the standard deviation (in parentheses) of the independent variables. The dependent variable is always the value of the firm (VALUE). We include the sector and temporal effects in the estimations but do not report them in the table. BOw is a dummy variable that measures bank presence in capital; BDi is a dummy variable that measures bank presence on the board; %BOw is the share of control rights in the hands of banks; #BDi stands for the number of bankers on the board; RIGHTS2 takes the value of one when the difference between control and cash-flow rights is above the average of said difference between firms with rights separation, and zero otherwise; LASSETS stands for the naperian logarithm of total firm assets; and SALESG is the variation of the firm's turnover during the last year. The Hausman test is a test for the correlation between the independent variables and the fixed-effects term. We use the F and the Wald tests to test the joint significance of all the explanatory variables. ***, **, and * denote statistical significance at the 1, 5, and 10% levels, respectively.

Conclusion

The findings of our research show that the banks play a more or less active role in the governance of nonfinancial firms depending on the ownership and control structure of the firms. When the lending institution holds a position of control and its cash-flow rights are not as strong as its control rights, it has a considerable capacity to profit from the situation to the detriment of the firm's value, particularly in settings that offer poor investor protection. In such contexts, banks display a predatory behavior that harms minority shareholders. In contrast, when another shareholder can take advantage of a position of power due to rights separation, the presence of banks proves beneficial to the firm's value. Therefore, in such cases, banks perform a supervisory function, acting as an efficient governance

mechanism that is no doubt favored by their close ties to the firm.

We find that the main relations, or at least the most common, between banks and nonfinancial firms are similar to those of a credit market. Such a relation opens up further possibilities when, in addition to its position as a creditor, the bank is also involved in ownership and sits on the board. When this situation occurs, other studies warn of the potential conflicts of interest that may arise, but also underscore the bank's dual position of shareholder and creditor as a solution to the traditional agency problem between such parties.

One conclusion that becomes apparent from our findings is that a bank's condition as a creditor lessens its desire to expropriate when it is the main shareholder and holds more control than cash-flow

rights. On the other hand, such a position acts as a spur for bank control when the bank is faced with another controlling shareholder who has the capacity to expropriate.

Our findings also show that the presence of independent bankers on the board enhances the value of the firm when a non-bank shareholder with rights separation holds control. The beneficial influence that external board members exert in such circumstances, and which has been cited in other studies, is again confirmed, thus, dispelling doubts regarding their effectiveness.

In sum, our research confirms that in a financial system like the one that is prevalent in Spain, which is traditionally bank-oriented and has concentrated ownership structures, banks not only participate actively in funding business, but also take a role in the governance of nonfinancial firms through their presence in the capital and by sitting on the board. Notwithstanding, the impact of such a presence depends on the bank's position of power in the non-financial firm and on the governance structure of the firm itself. Such factors depend on whether the bank acts as a supervisor or, by contrast, as a predator.

References

1. Arellano, M. and O. Bover (1990), 'La econometría de datos de panel', *Investigaciones Económicas*, Vol. 14, No. 1, pp. 3-45.
2. Barca, F. and M. Becht (2001), *The control of corporate Europe* (New York: Oxford University Press).
3. Barontini, R. and L. Caprio (2006), 'The effect of ownership structure and family control on firm value and performance. Evidence from Continental Europe', *European Financial Management*, Vol. 12, No. 5, pp. 689-723.
4. Bebchuck, L.A., R. Kraakman and G. Triantis (2000), 'Stock pyramids, cross ownership, and dual class equity: The creation and agency costs of separating control from cash flow rights', in R. Morck (eds.), *Concentrated corporate ownership* (Chicago: University of Chicago Press).
5. Bergés, A. and E. Sánchez del Villar (1991), 'Las participaciones bursátiles de la banca en España', *Papeles de Economía Española. Suplementos sobre el sistema financiero*, No. 34, pp. 72-86.
6. Booth, J.R. and D.N. Deli (1999), 'On executives of financial institutions as outside directors', *Journal of Corporate Finance*, Vol. 5, pp. 227-250.
7. Bozec, Y. and C. Laurin (2008), 'Large shareholder entrenchment and performance: Empirical evidence from Canada', *Journal of Business Finance & Accounting*, Vol. 35, Nos. 1&2, pp. 25-49.
8. Byrd, D.T. and M.S. Mizruchi (2005), 'Bankers on the board and the debt ratio of firms', *Journal of Corporate Finance*, Vol. 11, pp. 129-173.
9. Claessens, S., S. Djankov and L. Lang (2000), 'The separation of ownership and control in East Asian corporations', *Journal of Financial Economics*, Vol. 58, pp. 81-112.
10. Claessens, S., S. Djankov, J. Fan and L. Lang (2002), 'Disentangling the incentive and entrenchment effects of large shareholdings', *Journal of Finance*, Vol. 57, No. 6, pp. 2741-2771.
11. Crespi, R. and M.A. García (2001), 'Ownership and control of Spanish listed firms', in F. Barca and M. Becht (eds.), *The control of corporate Europe* (New York: Oxford University Press).
12. Cronqvist, H. and M. Nilson (2003), 'Agency costs of controlling minority shareholders', *Journal of Financial and Quantitative Analysis*, Vol. 38, No. 4, pp. 695-719.
13. Díaz, B. and M. García Olalla (2002), 'An Empirical Analysis of Monitoring Behaviour and Private Benefits of Investors in the Spanish Market', *Journal of Management and Governance*, Vol. 6, No. 1, pp. 29-55.
14. Edwards, J. and K. Fischer (1994), *Banks, Finance and Investment in Germany* (Cambridge: Cambridge University Press).
15. Edwards, J. and M. Nibler (2000), 'Corporate governance in Germany: the role of banks and ownership concentration', *Economic Policy*, Vol. 15, No. 31, pp. 239-267.
16. Emmons, W. and F. Schmid (1998), 'Universal banking, control rights and corporate finance in Germany', *Review of the Federal Reserve Bank of St. Louis*, No. 80, pp.19-42.
17. Faccio, M. and L. Lang (2002), 'The ultimate ownership of Western European corporations', *Journal of Financial Economics*, Vol. 65, pp. 365-396.
18. Galve, C. and V. Salas (1996), 'Ownership structure and firm performance: some empirical evidence from Spain', *Managerial and Decision Economics*, Vol. 17, pp. 575-586.
19. Grossman, S. and O. Hart (1988), 'One share-one vote and the Market for Corporate Control', *Journal of Financial Economics*, Vol. 20, pp. 175-202.
20. Hadi, A.S. (1994), 'A modification of a method for the detection of outliers in multivariate samples', *Journal of Royal Statistical Society*, Vol. 56, pp. 393-396.
21. Hallock, K.F. (1997), 'Reciprocally interlocking boards of directors and executive compensation', *Journal of Financial and Quantitative Analysis*, Vol. 32, pp. 331-334.
22. Harris, M. and A. Raviv (1988), 'Corporate governance: Voting rights and majority rules', *Journal of Financial Economics*, Vol. 20, pp. 203-235.
23. Hausman, J.A. (1978), 'Specification tests in Econometrics', *Econometrica*, Vol. 46, pp. 1251-1272.
24. Hoshi, T. and A. Kashyap (2001), *Corporate financing and governance in Japan: The road to the future* (Cambridge: MIT Press).

25. Jensen, M.C. (1986), 'Agency cost of free cash flow, corporate finance and takeovers', *American Economic Review*, Vol. 76, pp. 323-339.
26. Jensen, M.C. and W.J. Meckling (1976), 'Theory of the firm: Managerial behavior, agency cost and the ownership structure', *Journal of Financial Economics*, Vol. 3, pp. 305-360.
27. Kaplan, S. and B.A. Minton (1994), 'Appointments of outsiders to Japanese boards, determinants and implications for managers', *Journal of Financial Economics*, Vol. 36, pp. 224-258.
28. Kim, K., P. Kitsabunnarat-Chatjuthamard and J.R. Nofsinger (2007), 'Large shareholders, board independence, and minority shareholder rights: Evidence from Europe', *Journal of Corporate Finance*, Vol. 13, pp. 859-880.
29. Kroszner, R. and P. Strahan (2001), 'Bankers on Boards: Monitoring, conflicts of interest and lender liability', *Journal of Financial Economics*, Vol. 62, No. 3, pp. 415-452.
30. La Porta, R., F. Lopez de Silanes, A. Shleifer and R. Vishny (1998), 'Law and Finance', *Journal of Political Economy*, Vol. 106, No. 6, pp. 1113-1115.
31. La Porta, R., F. Lopez de Silanes and A. Shleifer (1999), 'Corporate ownership around the world', *Journal of Finance*, Vol. 54, No. 2, pp. 471-517.
32. La Porta, R., F. Lopez de Silanes, A. Shleifer and R. Vishny (2000), 'Investor protection and corporate governance', *Journal of Financial Economics*, Vol. 58, Nos. 1&2, pp. 3-27.
33. La Porta, R., F. Lopez de Silanes, A. Shleifer and R. Vishny (2002), 'Investor protection and corporate valuation', *Journal of Finance*, Vol. 57, No. 3, pp. 1147-1170.
34. Mahrt-Smith, J. (2006), 'Should banks own equity stakes in their borrowers? A contractual solution to hold-up problems', *Journal of Banking & Finance*, Vol. 30, No. 10, pp. 2911-2929.
35. Maury, B. and A. Pajuste (2005), 'Multiple large shareholders and firm value', *Journal of Banking & Finance*, Vol. 29, pp. 1813-1834.
36. Morck, R., M. Nakamura and A. Shivdasani (2000), 'Banks, ownership structure and firm value in Japan', *Journal of Business*, Vol. 73, No. 4, pp. 539-568.
37. Myers, S.C. (1977), 'Determinants of corporate borrowing', *Journal of Financial Economics*, Vol. 5, pp. 147-175.
38. Ochoa, J.L. (1998), 'Efectos de la participación bancaria en la propiedad de las empresas no financieras sobre la trayectoria de estas últimas', *Estudios Empresariales*, No. 97, pp. 4-7.
39. Peasnell, K.V., R.F. Pope and S. Young (2005), 'Board monitoring and earnings management: Do outside directors influence abnormal accruals?', *Journal of Business Finance & Accounting*, Vol. 32, Nos. 7&8, pp. 1311-1346.
40. Pedersen, T. and S. Thomsen (2003), 'Ownership structure and value of the largest European firms: The importance of owner identity', *Journal of Management and Governance*, Vol. 7, pp. 27-55.
41. Prowse, S. (1990), 'Institutional investment patterns and corporate financial behaviour in the United States and Japan', *Journal of Financial Economics*, Vol. 27, pp. 43-66.
42. Rajan, R. (1992), 'Insiders and outsiders: the choice between relationship and arms-length debt', *Journal of Finance*, Vol. 47, pp. 1367-1400.
43. Santana, D. and I. Aguiar (2006), 'El último propietario de las empresas cotizadas españolas. 1996-2002', *Cuadernos de Economía y Dirección de la Empresa*, No. 26, pp. 47-72.
44. Shleifer, A. and R. Vishny (1997), 'A Survey of Corporate Governance', *Journal of Finance*, Vol. 52, No. 2, pp. 737-783.
45. Stock, J. and M. Watson (2003), *Introduction to Econometrics* (Boston: Addison Wesley).
46. Thomsen, S., T. Pedersen and H. Kurt Kvist (2006), 'Blockholder ownership: Effects on firm value in market and control based governance systems', *Journal of Corporate Finance*, Vol. 12, pp. 246-269.
47. Villalonga, B. and R. Amit (2006), 'How do family ownership, control and management affect firm value?', *Journal of Financial Economics*, Vol. 80, pp. 385-417.
48. Weinstein, D. and Y. Yafeh (1998), 'On the costs of a bank-centered financial system: Evidence from the changing main bank relations in Japan', *Journal of Finance*, Vol. 53, pp. 635-672.
49. Zoido, E. (1998), 'Un estudio de las participaciones accionariales de los bancos en las empresas españolas', *Investigaciones Económicas*, Vol. 22, No. 3, pp. 427-468.