

“Cash and Ownership on Business Efficiency: Evidence from Greek panel data before and during Eurozone crisis”

Arvanitis¹ Stavros, E., Theodoros V. Stamatopoulos², Dimitris Terzakis³, and Maria Chatzimarkaki⁴

Abstract:

Purpose – This paper investigates how the market value of firms is related with cash holdings and ownership concentration, using an unbalanced dataset of non-financial listed companies in Greece, before (2000-2009) and during the Eurozone crisis (2010-2015).

Design/Methodology/Approach – Using panel data econometrics, it is identified non-linear empirical models in order to estimate the impact of firms' cash and ownership concentration upon either the return on equity (*ROE*) or the Tobin's *Q* ratio (*Q*), after controlling for the impact of leverage and size growth in levels or interacting with crisis period's dummy variable.

Findings - It is confirmed the existence of an optimum level of cash and ownership concentration at which firms' *ROE* have been maximized (concave function), especially in the crisis period 2010-'15 but also in the total one 2000-'15. However, a convex function of the *Q* on the top 5 major shareholders ownership has also been detected significant for all three periods of the sample. The findings support the tradeoff theory and the new kind of agency cost literature on strong expropriation effects. It is also found statistically significant the interaction terms with leverage or firm size's growth associated with a crisis dummy variable, confirming that the special economic and political context of the “Eurozone crisis” has seriously influenced business adjustment of listed corporations, in the narrow Athens Stock Exchange (ASE).

Policy implications – The provided evidence of optimum cash and ownership levels could be benefit for both investors and managers, as well as, for policy makers especially in the perspective of effectively integrate European capital markets.

Value/Contribution – This article contributes to the literature by testing if cash holdings and ownership concentration cause market value of listed firms in the ASE, even during the Eurozone crisis, a question which is believed that is the first time to have been investigated.

Keywords – Greece, Corporate finance, Cash management, Corporate ownership concentration, Agency theory, Tradeoff theory.

Paper Type – Research paper.

¹ Associate Professor **Stavros E. Arvanitis**, [Crete Institute of Technology](#) (Technological Educational Institute -T.E.I. of Crete), S.M.E., [Dept. of Accounting and Finance](#), [MSc Accounting and Auditing](#). P.O. Box 1939, GR71004 Heraklion, Crete, Hellas (Greece). Tel. +30-2810-379674. E-mail. starvan@staff.teicrete.gr.

² **Corresponding author:** Professor **Theodoros V. Stamatopoulos**, [Crete Institute of Technology](#) (T.E.I. of Crete), School of Management and Economics (S.M.E.), [Dept. of Accounting and Finance](#), [MSc Accounting and Auditing](#). P.O. Box 1939, GR71004 Heraklion, Crete, tel. +30-2810-379646, fax. +30-2810-379625. E-mail. stamth@staff.teicrete.gr.

³ Professor **Dimitris Terzakis**, [Crete Institute of Technology](#), [Dept. of Business Administration](#), [MSc Accounting and Auditing](#). P.O. Box 1939, GR71004 Heraklion, Crete, Hellas (Greece). E-mail. dterzaki@staff.teicrete.gr.

⁴ [MSc Accounting and Auditing](#) student **Maria Chatzimarkaki**, [Crete Institute of Technology](#), [Dept. of Accounting and Finance](#), P.O. Box 1939, GR71004 Heraklion, Crete, Hellas (Greece). Tel. +30-2810-379674. E-mail. maria_xatzim@hotmail.com.