

Effect of Large Controlling Shareholder on Information Asymmetry and Stock Liquidity: Evidence from Thai Listed Companies

ABSTRACT

This paper examines the effect of ultimate controlling shareholder on bid-ask spread of stock of non-financial Thai listed companies. Consistent with free-float hypothesis and asymmetric information hypothesis, the overall result shows a statistically significant positive effect of the ultimate controlling shareholder on the bid-ask spread, particularly, the presence of a family or individual controlled (due to asymmetric information costs and the potential of private benefits generating by ultimate shareholder). Moreover, the paper further examines the effect of pyramidal and cross-shareholding structure on bid-ask size. The study evident that ultimately controlled firms that have such structures have higher bid-ask size than ultimately controlled firms with simple structure.