

OWNERSHIP STRUCTURE AND EQUITY ISSUANCE IN THE BRAZILIAN MARKET

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Introdução

The study analyzes the effect of ownership structure on equity issuance in Brazil under the agency and capital structure theoretical approaches. Results indicate that indeed agency conflicts matter for equity issuance in Brazil, given that ownership structure is a relevant determinant of equity issuance, considering three of its attributes: ownership concentration, shareholding control configuration, and main shareholder identity. Additional evidence of the Brazilian firm pecking order behavior was also found.

Problema de Pesquisa e Objetivo

Equity issuance is important firm funding source that needs adequate attention, mainly on the appraisal of its determinants. The purpose of this work is the search for equity issuance determinants with focus on agency conflicts. Thus, the paper aims to appraise the importance of ownership concentration, shareholding control configuration, and main shareholder identity on equity issuance of the Brazilian.

Fundamentação Teórica

Capital structure research has signaled that agency conflicts play a role on the firm funding process, i.e., on firm decisions about the optimal capital structure to finance firm investment. This has led to the link between Agency and Capital Structure Theories. The choice for equity financing is linked to agency conflicts given its connection with firm control configuration, and with firm valuation and opportunistic management behavior under the market timing theoretical approach. These theoretical approaches support the proposal that ownership structure is relevant for equity issuance.

Metodologia

The sample is an unbalanced panel data comprising 2,643 firm-year observations from 262 non-financial listed firms, from 16 sectors. CVM required listed firms to disclose ownership structure information from 2010 on. Models have share issuance (dummy) as dependent variable and three aspects of firm ownership as main independent variables: ownership concentration, shareholding control configuration (dominant/shared/dispersed); and the identity of the main shareholder (non-financial firm/family/government/institutional investor). Models are estimated using logistic regression for panel data.

Análise dos Resultados

Results confirm that ownership concentration negatively influences equity issuance in Brazil probably due to the fear of losing control of large blockholders and the fear of expropriation risk by investors. Shared control negatively affects share issuance while dispersed control shows a positive effect, i.e., there is reduced interest of investor on high concentrated ownership firms. Additionally, family members as the main shareholder constrains equity issuance, in line with the proposal about the relevance given to the preservation of “socioemotional wealth” in family firms.

Conclusão

Results show that ownership concentration, shareholding control configuration, and the identity of the main shareholder matter for equity issuance, meaning that agency conflicts are relevant in the Brazilian capital market. Higher firm ownership concentration, shared control (shareholders agreement) and family members as the main voting shareholder constrain equity issue. Conversely, dispersed control favors equity issuance. This set of findings signal the conjunction of large shareholders fearing the loss of firm control, and, external investors afraid of expropriation.

Contribuição / Impacto

The study contributes to the capital structure literature by providing evidence that agency conflicts matter for equity issuance, an important choice for firm funding. Evidence comes from an important emerging market, characterized by high firm ownership concentration. The relevance of agency conflicts on equity issuance in Brazil highlights the need for improved corporate governance systems as a way to ease firm access to equity funding. Firm ownership structure is not easily changed but corporate governance practices that improve market trustworthiness on the firm may be constantly planned.

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