



Institutional Investors and Blockholder Tunneling in China: The Impact of Firm Characteristics and Institutional Investor Centrality

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ABSTRACT

Using data from Chinese public companies listed in both Shanghai Stock Exchange and Shenzhen Stock Exchange from 2007-2016, this paper tests whether institutional investors can mitigate blockholders' tunneling through related party transactions. The results show that independent institutional investors deter blockholders from tunneling in related party transactions. Furthermore, the network centrality of institutional investors is negatively related to blockholders' benefit expropriation. Finally, institutional investors are more effective monitors in state-owned companies than in non-state-owned companies. However, there is no significant difference in their mitigating effect between centrally and locally managed state-owned companies.

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