

Ownership Structure, Related-Party Transactions, and Firm Valuation

The book examines the effect of ownership structure and disclosure of related-party transactions (RPTs) on firm valuation of group-affiliated firms in India. Value-relevance models examine the effect of ownership rights on market value of equity (MVE) and valuation effect of related-party (RP) trading, asset transfer, investment, and loan transactions.

It contributes to the extant literature by recording distinct valuation of RPTs involving group-member firms from similar transactions involving subsidiary/ holding firms and providing evidence on the role of pyramid structures in understanding the valuation of RPTs. The findings provide evidence that RPTs between group-member firms are valued differently from RPTs involving subsidiary and holding firms. The tunneling incentives of controlling shareholders, measured by indirect ownership rights, influence the valuation of RPTs related to group-member firms, whereas the nature of transactions affects the valuation of RPTs between subsidiary and holding firms.

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Evidence from Indian Business Groups

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