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## **OWNERSHIP STRUCTURE, POLITICAL UNCERTAINTY AND BANK STOCK PRICES INFORMATIVENESS**

### **Abstract:**

This paper examines the relation between ownership structure and bank stock price informativeness across 59 countries over the period 2002–2014. We also evaluate how political uncertainty affects the impact of bank ownership on informative stock prices. Using a regression's R-squared value of individual stock returns on market and industry indexes to gauge bank informative stock prices, we find evidence that more state-owned banks located in developing countries tend to have higher synchronous, i.e., lower informative, stock prices than their domestic private-owned and foreign-owned banks. The paper finds no strong correlation between ownership and stock price informativeness for banks located in developed countries. With respect to the impact of politics, we find that in developing countries political uncertainty dampens bank informative stock prices during election years, whereas in developed countries elections do not affect the stock price informativeness. Next, in order to test whether the differential in informative stock prices between state-owned banks and non-state banks is driven by political uncertainty, the paper checks whether this differential widens during election years; it finds strong support for this conjecture. The impact of elections on the relation between bank ownership and stock price informativeness also varies with different legal origins and political systems. These findings suggest that the political channel plays an important role in determining the expropriation behavior of government controlling shareholders, especially in developing countries.

### **Keywords:**

Ownership structure; political uncertainty; stock prices informativeness

**JEL Classification:** G14, G15