

Does Foreign Institutional Ownership Contribute a More Efficient and Value-Added Cash Policy? Evidence from Taiwan

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Abstract: This study uses non-financial listed firms in Taiwan as sample to estimate the effect of foreign institutional ownership on corporate cash holdings and firm values as well. The empirical results exhibit a negative effect of foreign institutional ownership on corporate cash holdings, and this negative effect is greater than that of domestic institutional ownership. In addition, the positive contribution of cash holdings to firm values only come from foreign institutional ownership, no such effect from domestic institutional ownership. Our results demonstrate that foreign institutional ownership really contributes a more efficient and value-added cash policy in Taiwan.

Keywords: Foreign Institutional Ownership, Domestic Institutional Ownership, Cash Holdings, Firm Value

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