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THE EFFECT OF BLOCK TRADE ON FIRM VALUE: IS IT PERMANENT OR NOT PERMANENT? (A STUDY ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2011-2018)

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ABSTRACT

Block trade is a stock trade in large number and is important related to one important issue in corporate finance, namely the transfer of corporate control. The result of 267 companies listed in the Indonesia Stock Exchange over the period 2011-2018 shows that the effect of trade blocks on firm values not permanent in the short term, medium term, and long term period. Block trade does not function as an effective corporate control tool because of the transient behavior of investors involved in block trading rather than dedicated investor. The effect block trade on firm performance produces mixed results that tend to be significant on ownership concentration and stock liquidity but not significant on firm size, dividend policy, profitability, and operation efficiency. The same finding is also on firm value. Many block holders have a short time as a shareholder in the company, after which they sell their shares back.

Keywords: Block Trade, Firm Value, Firm Size, Ownership Concentration, Dividend, Profitability, Operational Efficiency

JEL Classification: G32, G34, G39

1. INTRODUCTION

Block trade is a trade of stock in large number. Block trade is important because it related to one important issue in corporate finance, namely the transfer of corporate control (Grossman and Hart, 1980; Shleifer and Vishny, 1986). Block trade will affect ownership structure and have an impact on voting right and claim on cash flow right. Voting right will affect all strategic decisions taken by management. On the other hand, cash flow right is related to dividend, capital gain, and other forms of cash flow to shareholders. Block trade (partial corporate control) can serve as one method to reduce agency cost in the company (Bethel, Liebeskind, and Opler, 1998). Block trade can strengthen the effect of market dicipline on the management if the interest of management is not aligned (entrenchment) with the owner of the company. This can happen because block trade gives the new owner a significant voting right at the general meeting of shareholders. Therefore, the owner can control the management behavior that is detrimental or inconsistent. With voting right, the owner can change the management if needed.

Block trade is related to stock price movements (Gemmill, 1996). In the context of block trade contain private information, based on asymmetric information theory; it can cause changes in stock price. Block trade buyer, who is the ultimate shareholder, will give signal to the market

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and influence stock market price movement in the capital market. The direction of changes in stock price depends on who and the capacity of the owner of block trade. The impact of block trade on stock price is divided into permanent and not permanent effect. Gemmill (1996) cited several studies, which have different effects. He cited several research in the USA that have permanent effect such as Scholes (1972), Kraus and Stoll (1972), Mikkelson and Partch (1985), Holthausen, Leftwich, and Mayers (1987, 1990), Choe, Mclnish, and Wood (1992a, 1992b), Keim and Madhavan (1991), Chan and Lakonishok (1993, 1995), and research in Australia (Ball and Finn, 1989). On the opposite, Franks and Schaefer (1990) found that permanent effect is not proven and researches support it.

Firm value is calculated based on the market price. Similar to research that links block trade and stock price with their mixed findings, the impact of block trade on firm value also provides mixed findings. Burkart et al. (2000) stated that even if block trade, on average, increases firm value, this does not prove that firm value could be maximized by block trade. This study will examine the effect of voting right and cash flow right of block trade to firm value in the long run. This study will control the impact of company's internal intervening variables such as: age, firm size, ownership concentration, stock liquidity, dividend policy, profitability, and operational efficiency in the long run. It is expected that these controlled variables can explain the effect of block trade on firm value in the long run. However, researches show that the effect of these variables are mixed and mostly are not significant in the period of test.

Intervening variables represent the impact of block trade on financial performance and company characteristics. Block trade with control right function will influence strategic and operational decision in the company. It will also affect firm characteristics in the future. Logically, it means that block trade affects age, firm size, ownership concentration, stock liquidity, dividend policy, profitability, and operating efficiency. The larger the firm size, the higher the firm value because large companies financing those profitable future investment projects. The more profitable investment opportunities funded by the firm, the higher the firm value (Short and Keasey, 1999). The larger the firm size, ceteris paribus, the greater the company's capital resources, and the greater the market value (Demsetz and Lehn, 1985).

The more concentrated stock ownership, the higher the firm value because the more stock ownership is concentrated, the stronger the pressure and shareholders on the management to maximize firm value (alignment of interests) (Hertzel and Smith, 1993; Servaes, 1996; Wruck, 1989). The lower the stock liquidity, the lower the market value thereby the lower the firm value (Bebchuk, 1999; Eleswarapu and Krishnamurti, 2004; Tadesse, 2000). Dividend policy does not affect firm value (Miller and Modigliani, 1961) and contradict to agency theory that dividend payment can create firm value (Easterbrook, 1984). The higher the company's ability to generate profits (profitability), the higher the firm value. Operational efficiency has a positive relationship because the firm with high operating efficiency will provide a positive response to stock price or firm value in the capital market.

This study focuses on the impact of block trade on firm performance (corporate decision) and firm value. Firm performance is important to study because it represents the impact of management's daily decisions after the block trade. This research involves a long-term (7 years)

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analysis of the impact of block trade. It is expected this study able to provide a longitudinal picture of the impact of block trade from 267 companies going public in Indonesia.

2. THEORETICAL REVIEW

2.1. Block Trade and Firm Value

Block trade is a trade of stock in a relatively large number. Agarwalla, et al. (2010) used criteria for measuring block trading in terms of both trading value and trading volume. One transaction is said to be a block trade if the number of stock traded involves at least 10,000 shares or 0.1% of shares sold compared to outstanding shares (Kumar, Sarin and Shastri, 1992). The larger size of block trade size is a minimum of 5% of shares traded in one block compared to outstanding shares (Hwang, 2004). The 5% is a blockholder concept meaning shareholders who own at least 5% shares can be said to be a blockholder. Firm value can be seen from two sides, namely: market value and book value. Market value is closely related to stock closing price while book value is par or nominal value or share value accepted by accounting. In measuring firm value, most companies use market to book ratio and Tobins Q (Ogden el at., 2003; Mc Connel and Servaes, 1990; Morck et al., 2000).

2.2. Impact Block Trade on Firm Value: Permanent or Not Permanent Effect

Block trade will affect firm value through stock price movement. This is logical because many theories and empirical evidences show that there is private information in block trade so that it can affect stock price movement above or below the current equilibrium price. Konijnet al. (2009) found that block ownership negatively affect firm value or Tobins Q. The impact of block trade on stock price is divided into permanent and not permanent effect. Gemmill (1996) cited several studies with different effects: permanent effectin USA (Scholes, 1972; Kraus and Stoll, 1972; Mikkelson and Partch, 1985; Holthausen, Leftwich, and Mayers, 1987, 1990; Choe, Mclnish, and Wood, 1992a, 1992b; Keim and Madhavan, 1991; Chan and Lakonishok, 1993, 1995) and in Australia (Ball and Finn, 1989); while research of Franks and Schaefer (1990) found that permanent effect is not proven.

2.3. Block Trade and Firm Performance

The larger the transaction of block trade, the larger the firm size in the future. Block trade of foreign institutional investors will have impact on increasing capital and is able to attract other investors. This study sees the positive side that is the higher the block trade, the larger firm size. Block trade can have positive and negative impact on ownership concentration. If buyer of block tradeis more concerned on using control right for the efficiency and professionalism of the company's management, it will likely to have negative impact on ownership concentration. However, if block trade focuses more on cash flow right, it tends to have positive impact on ownership concentration.

This study sees the positive side that the larger the block trade, the higher the ownership concentration. Block trade can have positive and negative impact on stock liquidity. Stock liquidity depends on the behavior of stock concentration. This study uses the negative side that

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is the higher the block trade, the lower the stock liquidity. It based on the relationship between block trade and positive ownership structure. The higher the block trade, the higher the dividend policy. This relationship is based on the idea that block trade (block holders) tend to want to get dividend to mitigate agency costs. In this condition, block holder will reduce retained earnings by dividing dividend thus it is unlikely that manager will allocate it to investment projects with a negative NPV. The bird in the hand theory implies the doctrine that shareholders want cash dividend more than capital gain from stock repurchase or reinvestment. The impact of of it is in the future. Block holders will tend to use their power to force the management to make decision that optimizes profitability. On this condition, the higher the block trade, the higher the profitability of the company. Block holders also try to improve the efficiency of the company's operations. Firm's operational efficiency will affect production cost that it can optimize profit to achieve. Therefore, the higher the block trade, the higher the operating efficiency.

2.4. Factors Influencing Firm Value

The relationship between firm size and firm value is positive which supported by Short and Keasey(1999) and Demsetz and Lehn (1985). The larger the firm, the more efficient the use of economies of scale and the more capable to obtain external funding sources. This argument will cause the relationship to be positive. Dividend decision is crucial for shareholders because dividend is one important component to shareholder returns in addition to capital gain. The basis relationship between dividend decision and shareholder value begins with dividend irrelevance theory of Miller and Modigliani (1961). However, based on agency theory, dividend payment can create firm value (Easterbrook, 1984).

Empirical findings also found that dividend decision creates firm value: companies with small cash flow, wealth or shareholder value will be maximized if the firm implements a low payout policies (Rozeff, 1982); high free cash flow companies tend pay more dividend to reduce agency cost (Holder, et al., 1998; Mollah, et al., 2002; Berk, 2006); the market tends to favor a stable dividend policy (Lintner, 1956). Dividend policy is closely related to firm performance (Amidu, 2007; Charles et al., 2014; Murekefu and Ouma, 2012; Uwuigbe, et al., 2012). The signaling theory stated that dividend decision affects shareholder value through prices shares (Bhattacharya, 1979; John and Williams, 1985; Miller and Rock, 1985). The theory and empirical evidence show that the decision to increase dividend payment will provide good signal to the market that it have positive reaction from investors to stock price (Walter, 1956; Gordon, 1959, 1962, 1963; Linter, 1962; Friend and Puckett, 1964; Asquith and Mullins, 1983; Baskin, 1989). Dividend from stable companies will carry information that it has high and profitable growth prospect (Lintner, 1956; Ahmad and Javid, 2009). Dividend decision (cash dividend or common stock repurchase) is also a form of means to control conflict or agency cost (Easterbrook, 1984; Jensen, 1986; Crutchely-Hansen, 1989; Brave et al., 2005; Rozeff, 1982; Gugler and Yurtoglu, 2003; Easterbrooke, 1984).The higher the stock liquidity, the higher the firm value or there is a positive relationship (Bebchuk, 1999; Eleswarapu and Krislinamurti, 2004; Tadesse, 2000; Cox and Roden, 2002). However, there is study that found a negative relationship (Baker and Stein, 2002). This study sees positive relationship between

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stock liquidity and firm value is positive. The relationship of shared ownership and firm value is still mixed. Some studies found positive relationship such as Hertzel and Smith (1993), Servaes (1996), and Wruck (1989), while, negative relationship found by Pinteris(2002), Lemmon and Lins (2003), Baek et al. (2004), and Goergen (1997). In this study, the relationship of shared ownership and firm value is negative.

3. RESEARCH METHOD

This study is a confirmatory or correlational research design. The population is go public companies listed on the Indonesia Stock Exchange period 2010 to 2018. The sample is block trade transactions period 2010 to 2018 of 267 companies listed in the Indonesia Stock Exchange. Sampling technique is purposive sampling method with requirements: sampled companies have minimum block trade (buy or sell) transactions of at least 2 years from the observation period 2011-2018, and the number and value of block trade transaction is accessible to researchers. The data is ratio data that has absolute zero. Source of data is secondary data obtained from Indonesia Stock Exchange, Capital Market Directory 2011-2018.

The variables in this study are block trade (X) as the difference between block buy (-) block sell for a minimum share trading of 5% of outstanding shares (exogenous variables).Firm size (Y1) is total assets with unit measurement: numeric (endogenous intervening variable). Ownership concentration (Y2) is total of 5% shares or block holders with unit measurement: % (endogenous intervening variable). Stock liquidity (Y3) is the number of shares traded divided by the number of outstanding shares with unit measurement: % (endogenous intervening variable). Dividend policy (Y4) is dividend payout ratio (DPR) with unit measurement: decimal (endogenous intervening variable). Profitability (Y5) is return on investment (ROI) as net profit after interest and tax (earning after tax) divided by total asset with unit measurement: decimal (endogenous intervening variable). Operating efficiency (Y6) is asset turnover, i.e. sales / total assets unit measurement: numeric (endogenous intervening variable). Firm value (Y7) is Tobins Q (market value + total debt) / total assets. The technique analysis is path analysis with Amos software.

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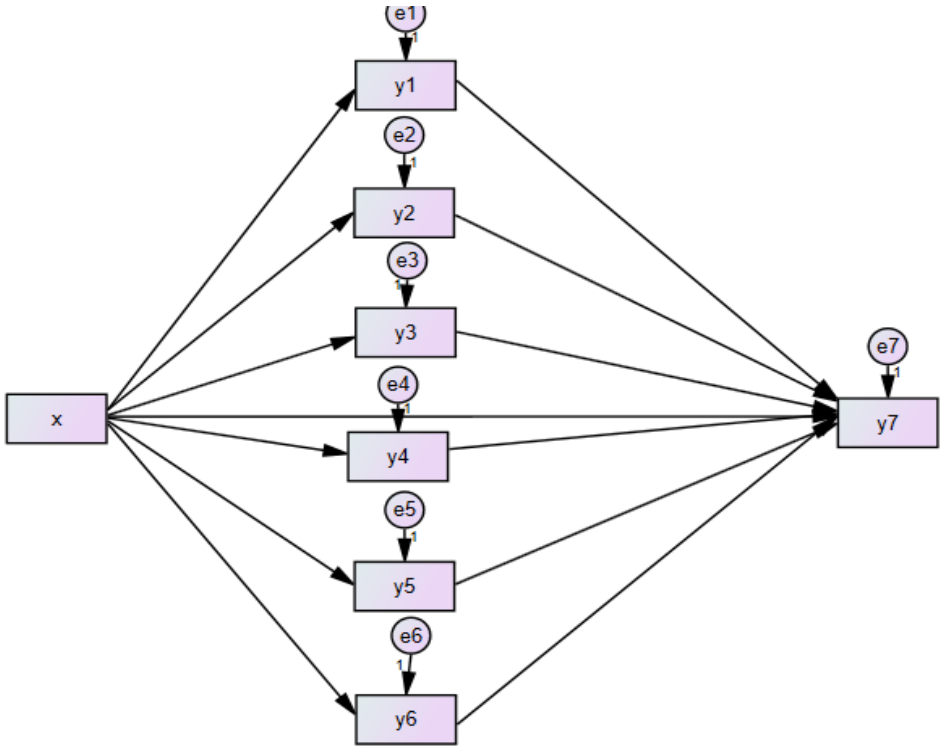
Figure 1: Research Model



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Where (basic equations):Year_0 : $(y1_{n0}, y2_{n0}, y3_{n0}, y4_{n0}, y5_{n0}, y6_{n0}, y7_{n0}) = f(X_{n0})$ and $(y7_{n0}) = f(y1_{n0}, y2_{n0}, y3_{n0}, y4_{n0}, y5_{n0}, y6_{n0}, X_{n0})$. Year_+1 : $(y1_{n+1}, y2_{n+1}, y3_{n+1}, y4_{n+1}, y5_{n+1}, y6_{n+1}, y7_{n+1}) = f(X_{n0})$ and $y7_{n+1} = f(y1_{n+1}, y2_{n+1}, y3_{n+1}, y4_{n+1}, y5_{n+1}, y6_{n+1}, y7_{n+1}, X_{n0})$. Year_+2 : $(y1_{n+2}, y2_{n+2}, y3_{n+2}, y4_{n+2}, y5_{n+2}, y6_{n+2}, y7_{n+2}) = f(X_{n0})$ and $y7_{n+2} = f(y1_{n+2}, y2_{n+2}, y3_{n+2}, y4_{n+2}, y5_{n+2}, y6_{n+2}, y7_{n+2}, X_{n0})$. Year_+3 : $(y1_{n+3}, y2_{n+3}, y3_{n+3}, y4_{n+3}, y5_{n+3}, y6_{n+3}, y7_{n+3}) = f(X_{n0})$ and $y7_{n+3} = f(y1_{n+3}, y2_{n+3}, y3_{n+3}, y4_{n+3}, y5_{n+3}, y6_{n+3}, y7_{n+3}, X_{n0})$. Year_+4 : $(y1_{n+4}, y2_{n+4}, y3_{n+4}, y4_{n+4}, y5_{n+4}, y6_{n+4}, y7_{n+4}) = f(X_{n0})$ and $y7_{n+4} = f(y1_{n+4}, y2_{n+4}, y3_{n+4}, y4_{n+4}, y5_{n+4}, y6_{n+4}, y7_{n+4}, X_{n0})$. Year_+5 : $(y1_{n+5}, y2_{n+5}, y3_{n+5}, y4_{n+5}, y5_{n+5}, y6_{n+5}, y7_{n+5}) = f(X_{n0})$ and $y7_{n+5} = f(y1_{n+5}, y2_{n+5}, y3_{n+5}, y4_{n+5}, y5_{n+5}, y6_{n+5}, y7_{n+5}, X_{n0})$. Year_+6 : $(y1_{n+6}, y2_{n+6}, y3_{n+6}, y4_{n+6}, y5_{n+6}, y6_{n+6}, y7_{n+6}) = f(X_{n0})$ and $y7_{n+6} = f(y1_{n+6}, y2_{n+6}, y3_{n+6}, y4_{n+6}, y5_{n+6}, y6_{n+6}, y7_{n+6}, X_{n0})$. Year_+7 : $(y1_{n+7}, y2_{n+7}, y3_{n+7}, y4_{n+7}, y5_{n+7}, y6_{n+7}, y7_{n+7}) = f(X_{n0})$ and $y7_{n+7} = f(y1_{n+7}, y2_{n+7}, y3_{n+7}, y4_{n+7}, y5_{n+7}, y6_{n+7}, y7_{n+7}, X_{n0})$.n = year.

4. RESULT

4.1. Description of Research Variables

The result shows that the average value of block trade is -0.0204 indicating that sampled company has sell transaction value (block sell) greater than buy transaction value (block buy). The average ln rate (natural log average value) of firm size is 14.62. It shows that the average total asset of sampled companies is trillions of Rupiah. The average value of ownership

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concentration is 67.75%. It shows that sampled companies have a high ownership concentration. The law in Indonesia allows an investor (personal or institutional) to own shares above 90% that the consequence of high ownership concentration is the number of block shareholders is relatively small, namely on average of 2-5 blockholders. The average value of stock liquidity is 0.1819 meaning stock transaction toward outstanding shares is relatively high. Usually, block trade will trigger stock transaction of shareholders in small number (public shares) both in the year of block trade (Y0) and in the year after block trade (Y + n). However, type of transaction on public share is not always following type of blockholder transaction.

The average value of dividend policy (DPR) is 8.5648E6. It shows that sampled companies pay very little dividend from net income. It is caused by several factors, namely: first, earning after tax is relatively small. Second, the patterns of company's dividend payment are rare, small, and even none at all. Third, the company has business expansion plan with positive NPV in the future. Fourth, investors prefer capital gains to dividend. This research shows that the cause of no 1 and 2 are dominantly cause companies to have small DPR. The average of profitability (ROI) is 0.0094. It indicates small EAT to total asset. Asset continues to grow (with debt financing or leverage) but relatively small profit. Operating efficiency (asset turnover) is the efficiency of the use of company assets in generating sales. The average value of operating efficiency is 0.7105 indicating a relatively high level of operating efficiency. The average of firm value (Tobins Q) is 605.74 indicates that sampled companies have high Q Tobins. Although this average value is strongly influenced by some companies with extreme values (standard deviation value is very high at 11595.65). The average companies have average positive double-digit Tobins Q value after ignoring companies with extreme Tobins Q value.

4.2. Coefficient of Regression

The analysis shows that firm size (Y1) on firm value (Y7) and profitability (Y5) on firm value (Y7) have positive coefficient values during test period. Block trade (X) on firm value (Y7) has a consistent negative coefficient. It shows that block trade has a detrimental impact (destroy) on firm value. One logical argument is that institutional investors or block shareholders are transient rather than permanent/dedicated. This transient nature causes institutional investors or block shareholders to be less interested in the company's performance in the future. Meanwhile, the other relationships have different coefficients (mix).

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Table 1: Coefficient of Regression

Direct effect	Year_0	Year_+1	Year_+2	Year_+3	Year_+4	Year_+5	Year_+6	Year_+7
x→y1	0.001	0.031	0.050	0.051	0.011	0.012	0.006	-0.033
x→y2	0.525	-0.001	-0.007	-0.009	-0.014	-0.021	-0.024	-0.036
x→y3	-0.001	0.354	0.320	0.297	0.248	0.226	0.079	0.239
x→y4	61925.97	0.000	-0.001	0.000	0.000	0.000	0.000	0.002
x→y5	0.001	22439.24	-1981.2	-166950.25	-77669.02	-185780.49	-107916.71	-94505.11
x→y6	0.001	0.001	0.000	-0.001	-0.002	-0.001	-0.001	0.001
x→y7	-6.756	-0.003	-0.002	-0.002	-0.002	-0.003	-0.001	-0.003
y1→y7	506.221	0.003	0.002	0.002	0.001	0.001	0.000	0.000
y2→y7	12.602	-0.078	-0.074	-0.078	-0.088	-0.104	-0.109	-0.110
y3→y7	-3.610	0.007	0.007	0.007	0.006	0.006	0.007	0.007
y4→y7	0.000	-0.008	-0.008	-0.008	-0.543	-0.577	-0.495	-0.959
y5→y7	1193.584	0.000	0.000	0.000	0.000	0.000	0.000	0.000
y6→y7	167.822	0.567	-0.583	-0.386	-0.409	-0.123	0.193	0.167

Notes: This table reports the direct effect between exogenous variable (x) and endogenous intervening variable (y) from year 0 to year +7. Here were 13 relationships tested consisting of 7 relationships between exogenous and endogenous intervening variables, and 6 relationships between endogenous intervening variables.

4.3. Structural Model

Structural model is used to answer two main hypotheses, namely the relationship between variables and to see whether the effect of block trade is permanent or not. To test the impact of block trade is conducted by looking at the effect of block trade on firm value (Tobins Q).

Table 2: Probability Level

Direct effect	Year_0	Year_+1	Year_+2	Year_+3	Year_+4	Year_+5	Year_+6	Year_+7
x→y1	0.795	0.453	0.277	0.318	0.852	0.850	0.939	0.764
x→y2	***	0.881	0.173	*	**	***	***	***
x→y3	0.903	***	***	***	***	***	0.359	*
x→y4	0.504	0.972	0.905	0.948	0.382	0.583	0.688	***
x→y5	0.553	0.833	0.987	0.265	0.502	0.132	0.377	***
x→y6	0.801	0.413	0.764	0.364	0.213	0.339	0.220	0.272
x→y7	0.793	*	0.323	0.537	0.559	0.421	0.743	0.678
y1→y7	***	**	**	0.154	0.388	0.658	0.923	0.979
y2→y7	0.349	***	***	***	***	***	***	***
y3→y7	0.964	***	***	***	***	***	***	**
y4→y7	0.683	0.177	0.260	0.466	***	**	*	0.178
y5→y7	0.022	*	*	*	***	**	0.228	0.394
y6→y7	0.265	***	***	***	***	0.416	0.332	0.735

Note: This table shows 3 levels of probability namely at the level of 1%, 5% and 10%.

The result shows that the effect of block trade (X) on firm size (Y1) is not significant in the short term, medium term, and long term. The effect of block trade (X) on ownership concentration (Y2) produces mixed results, that is significant in period Y0, not significant in

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period Yn + 1 to Yn + 3, but significant in period Yn + 4 to Yn + 7. Block trade (X) affects ownership concentration (Y2) only in the short term and long term. The effect of block trade (X) on stock liquidity (Y3)only affects the period of the year block trade occurs until Yn + 5, and is not significant (medium term effect)after that. The effect of block trade (X) on dividend policy (Y4) is only significant in the long term period (Yn + 7). The effect of block trade (X) on profitability/ROI (Y5) is only significant in the long term period (Yn + 7). The effect of block trade (X) on operating efficiency (asset turnover) (Y6), is not significant in the short term, medium term and long term. The effect of firm size (Y1) on firm value (Y7) is only significant in the short term and medium term. The effect of ownership concentration (Y2) on firm value (Y7) is not significant in the short term, but is significant in medium term and long term. The effect of stock liquidity (Y3) on firm value (Y7) is not significant in the short term, but is significant in the medium term and long term. The effect of dividend policy (Y4) on firm value (Y7) has a long-term mix effect, is significant in period Yn + 4 and Yn + 5, but is not significant in period Yn + 6 and Yn + 7. The effect of profitability/ROI (Y5) on firm value (Y7) also has a long term mix effect, is significant in period Yn + 4 and Yn + 5, but is not significant in period Yn + 6 and Yn + 7. The effect of operating efficiency/asset turnover (Y6) on firm value (Y7) only has an impact in the medium term while no effect in the long term.

The effect of block trade (X) on firm value (Y7) is not significant in the short term, medium term, and long term. It means that block trade has no impact on firm value. For indirect effect, it cannot be interpreted because the direct effect of block trade (X) on firm value (Y7) is not significant however relatively consistent indirect effect can be analyzed through ownership concentration (Y2) and stock liquidity (Y3).

Table 3: Fit Model Test

Measure	Year_0	Year_+1	Year_+2	Year_+3	Year_+4	Year_+5	Year_+6	Year_+7
GFI	0.972	0.978	0.979	0.981	0.966	0.965	0.965	0.951
CMIN/DF	161295.833	115040.056	98848.098	80879.833	58063.924	42476.34	28343.159	12533.559

Note: This table shows the test results of the validity level of the model used.

Fit model test produces mixed results which are fit in the GFI indicator but not in CMIN / DF indicator therefore, the model is not valid to be used for estimation or forecasting purposes.

5. DISCUSSION

5.1. Block Trade dan Firm Value

The results of the study indicate that block trade has no effect on firm value (Tobins Q) in the short term, medium term, and long term. This finding also indicates that the permanent effect of block trade (in the context of its influence on firm value) is not proven. The result of this study support Franks and Schaefer (1990) that found permanent effect is not proven. In this study, the concept of block trade as a partial corporate control that will have an impact on the reduction of agency cost in the company is not proven. The opinion of Gemmill (1996), which link block trade with significant stock price movement is not proven. Block trade does not have

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private information content (asymmetric information theory) is not proven to cause changes in stock prices. Empirical data shows that the majority of institutional investors involved in block trade are investment companies or mutual funds, both domestic and foreign are transient institutional investors (Borochin and Yang, 2017).

5.2. Block Trade dan Firm Performance

Theoretically, block trade will affect the composition of the voting right and then affect the managerial decision patterns in the company, in this context, corporate finance decision. The result shows that block trade influences dominantly on ownership concentration and stock liquidity variables, and it does not affect firm size, dividend, profitability, and operating efficiency.

6. CONCLUSION

It can be concluded that (1) the effect of block trade on firm value is not permanent (not significant) for the short term, medium term, and long term. Block trade does not function as an effective corporate control tool. This is due to the transient behavior of investors involved in block trading rather than dedicated investors. (2) The effect of block trade on firm performance produces mixed results. It tends to be significant on ownership concentration and stock liquidity but not on firm size, dividend policy, profitability, and operation efficiency. (3) Many block holders do not last long in the company (transient in nature).

7. RECOMMENDATION

This study does not separate between block buy and block sale therefore further research is needed to examine the impact of each of these block trade characteristics on firm performance and firm value. For further research, a separation between transient (investment or mutual fund companies) and dedicated is required. If it is only to see the impact of block trade on stock prices then it is recommended to use the event study model.

Author Contribution

All author contributed equally to the paper

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