

Article

Differential Value of Cash Holdings According to Ownership–Control Disparity

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Abstract: This study verifies investor perceptions of cash holdings in companies with ownership–control disparities in the Korean stock market. The value of the cash held by a company varies with the level of information asymmetry. A high level of information asymmetry suggests a strong possibility of the controlling shareholder using the company’s cash to obtain private utility and harming other shareholders’ interests. Hence, investors evaluate the value of the company’s cash negatively. Greater disparity between ownership and control indicates a higher level of information asymmetry and the likelihood of agency problems, resulting in capital market investors evaluating the cash held negatively. This study uses Faulkender and Wang’s model to examine the value of the cash held by applying it to large corporations belonging to large corporate groups and their affiliates from 2011 to 2019. The level of disparity between the ownership and control of the controlling shareholder showed a significant negative relationship with the value of the cash held by the company. This suggests that in the capital market, investors evaluate the companies with a high disparity of ownership and control as having a higher possibility of agency problems and operating cash less efficiently. Therefore, these companies are unlikely to be properly valued.

Keywords: ownership–control disparity; chaebol; governance; cash holdings’ value



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1. Introduction

The ownership–control disparity is the gap between the ownership rights and control rights of controlling shareholders to influence the company. In Asian countries, including Korea, controlling shareholders exercise greater control through affiliates than direct ownership via family ownership, pyramid-style governance structures, and cross-shareholdings between affiliates [1–3]. This creates a disparity between ownership and control. Large Korean corporations (chaebols) have strong incentives to transfer wealth from affiliates with small stakes to those with larger stakes because a controlling shareholder can control several companies using a small ownership share [4]. As the gap between ownership and control grows, the level of information asymmetry and agency problems increases, and controlling shareholders have a greater incentive to infringe on the rights of minority shareholders and pursue private benefits.

The foreign exchange crisis of 1997 occurred in chaebols owing to inefficient management by their controlling shareholders. At the time, despite the lack of the internal and external supervision of the company, the heads of conglomerates attempted to manage the situation with excessive leverage, large investments, and new affiliates. Consequently, many companies went bankrupt because of large debts and low profitability. In Korean companies, owners and managers could directly or indirectly control multiple companies with a small share of ownership, encouraging them to transfer wealth from affiliates with small stakes to those with larger stakes [4]. Before the International Monetary Fund’s foreign exchange crisis in Korea, individual companies belonging to large business groups frequently engaged in insider trading, mutual payment guarantees, and capital investments.

Therefore, to induce fair market competition and regulate monopolies, the Fair Trade Commission (FTC) has been disclosing information on ownership and control disparity for companies belonging to large business groups since 2001.

For survival and continued growth, companies must hold cash for essential activities such as sales and investment and to prepare for unexpected risks [5,6]. However, cash is less subject to external control than other assets and is easier for managers or controlling shareholders to use at their discretion. Companies with excessive cash tend to use the cash for the personal benefit of managers or controlling shareholders and to make investments that damage corporate value [7–10]. The cash held by a company can positively or negatively impact corporate value, so it must maintain an appropriate level of cash from a capital structure perspective.

The actual value of a company's cash reserves can differ from that of investors' evaluation. In the stock market, investors value cash holdings based on a company's usage instead of their actual price value [11–13]. The value of cash reserves varies depending on the level of agency cost and information asymmetry. When information asymmetry is high, there is a high possibility that managers will use the cash held by the company to obtain private utility, thereby undermining the interests of shareholders, and thus investors will negatively evaluate the value of the cash held by the company [14,15]. Additionally, the value of cash holdings is determined by operating cash flow risk, market risk, investment opportunities, product market competition, corporate diversification, and investor sentiment [16,17].

This study begins with the following research questions: What do investors in the capital market think about the cash held by companies with a large disparity in ownership and control? Will investors judge a company's cash holdings negatively because they are concerned that controlling shareholders will use it for opportunistic purposes due to agency problems resulting from the disparity of ownership and control? Thus, this study focuses on Korea's capital market and investigates how investors value the cash reserves of the affiliates of large business groups according to the degree of ownership and control disparity. Studies have reported that the cash held by companies depends on the ownership–control disparity [18,19]. However, few studies have examined how capital market investors value their cash holdings. Seo et al. [19] explained that chaebols hold little cash because an internal capital market exists within the same business group. Korea has achieved rapid economic development centered on chaebols and has been disclosing both ownership and control information. However, very few studies targeting Korean companies have examined the value of cash reserved by investors in the stock market focusing on the degree of ownership and control disparity. Therefore, this study seeks to verify investors' evaluation of cash holdings according to the ownership–control disparity in Korea.

This study is structured as follows: Section 2 reviews previous research and establishes hypotheses, and Section 3 presents data and methods. Section 4 presents the results of the empirical analysis, and Section 5 describes the conclusions of this study.

2. Theoretical Background and Hypothesis

Stock ownership in chaebols is concentrated with controlling shareholders, who are owner-managers with enormous sway over the entire company. With a large ownership–control disparity, the controlling shareholder gains greater decision-making power while only bearing risks proportional to their ownership stake. Therefore, the greater the disparity, the more influence the controlling shareholder has on other shareholders, including minority shareholders, and the more likely they are to pursue personal interests [1,10,20]. When controlling shareholders have strong control rights, internal management control measures like audit committees and boards of directors become challenging [21,22]. In addition, the powerful influence of the controlling shareholder forces the consensus of interests between managers and shareholders, entrenchment, and managerial negligence [7].

If the ownership–control disparity is large, the controlling shareholders may disregard minority shareholders’ rights for their own benefit or use a specific company’s profits through transactions with related companies to increase their ownership rights. These rights can be transferred to another company with a higher stake. This becomes more probable when complex forms of ownership and governance exist, such as family ownership, pyramid-type ownership and governance, and the mutual cross-sharing of stocks between affiliates [21,22]. When legal protection for minority shareholders is weak, managers and controlling shareholders have strong opportunistic incentives, which ultimately lowers corporate value [2].

An increase in the ownership–control gap not only reduces corporate value but also affects the reliability of accounting information. When disparity exists, controlling shareholders obtain more benefits from decisions based on their voting rights and only bear risks proportional to their ownership rights. This increases the possibility of agency problems owing to increased opportunistic behavior by controlling shareholders. Therefore, in these cases, external minority shareholders are aware of the possible profit adjustment by controlling shareholders and consider profit information to be less reliable [3].

Faulkender and Wang [23] suggested that investors in capital markets value cash reserves differently according to the purpose and expectations of its use. They explained that in cases where a company has limitations in raising capital from the external capital market, the tendency to pay cash dividends is stronger, which indicates that the company size is smaller, the credit rating of the bonds is lower, and the value of the cash held is higher. According to Song [24], during the 2008 financial crisis, both the bond market and the stock market contracted, and companies had difficulty raising cash from external capital markets. During this period, investors increased their cash holdings. The value was considered relatively high owing to liquidity and fund stability.

As cash is not subject to much control or interference from external stakeholders and is easy to use discretionally, agency problems may arise between managers or controlling shareholders and other shareholders. Furthermore, the value of cash holdings depends on the level of agency costs and information asymmetry. In particular, when the level of agency costs or information asymmetry is high, there is a high possibility that managers or controlling shareholders will use the company’s cash to obtain private utility, damaging the interests of other shareholders, and thus investors will negatively evaluate the value of the company’s cash holdings. Harford et al. [14] explained that when agency costs are high, managers tend to use cash even in investments that may damage the value of the firm. Dittmar and Mahrt-Smith [11] demonstrated that investors negatively evaluate the value of the cash held by companies with high agency costs and positively evaluate the value of the cash held by companies with good governance structures. In addition, uncertainty in the stock market exacerbates agency problems because investors have less confidence in managers and are concerned that they will take greater risks and misuse cash holdings. Investors evaluate firm value and cash holdings negatively in uncertain situations [25]. However, riskier firms may hold more cash to avoid underinvestment, and investors may place a greater value on the cash holdings of such firms [16].

Recent studies have reported that CEO characteristics and behaviors affect the value of the cash held. Investors positively evaluate the value of the cash held when CEOs are overconfident. Overconfident CEOs overestimate the company’s future cash flow but perceive the company as undervalued by the market [26]; they further perceive that the cost of capital that rational creditors and investors require to provide external funds to the company is incorrect [27] and that external capital is relatively expensive to raise, so they avoid external financing and rely more on internal funds. For these reasons, investors positively evaluate the value of the cash held by such companies [28]. Chang et al. [29] explained that the companies that actively engage in corporate social responsibility are the companies that are committed to stakeholders, and the value of the cash held by such companies is evaluated positively in the capital market. Furthermore, Ho et al. [30] explained that investors evaluate the value of the cash held by high-risk companies more

positively and that CSR activities have an additional significant effect on the positive relationship between corporate risk and cash holding value.

The evaluation of a company's cash holding varies with agency problems. When agency costs are high, external stakeholders weakly monitor controlling shareholders' actions. This is likely to damage minority stakeholders' interests because the company's cash is used to control majority shareholders' personal benefits. Ultimately, capital market participants negatively evaluate these companies' cash holdings [11,14]. Specifically, Korean companies' corporate values are likely to decline because of agency problems, such as resource movement and exploitation owing to controlling shareholders [31,32]. Thus, the greater the ownership–control disparity, the more likely that agency problems occur in a company and its company cash is used for the controlling shareholders' personal benefits, thereby damaging its value. Consequently, capital market investors are expected to negatively value such companies' cash holdings.

Hypothesis 1. *Investors place a negative value on the cash reserves by companies when there is a higher ownership–control disparity than when there is a lower disparity.*

3. Materials and Methods

3.1. Data

The data on the ownership and control rights of controlling shareholders were manually collected from the FTC's 'Large Business Group Information Disclosure System' published during 2011–2019. Since Korea adopted International Financial Reporting standards in 2011, there may be changes in the time series nature of accounting information, so the period since 2011 is covered. Non-financial companies that were open in December did not have the required financial data, such as audit opinions on financial statements, capital erosion data, or data on the size-adjusted rates of return, and hence were excluded. The final study sample comprised 1060 firm-year observations. KIS-VALUE was used for the financial data, and the Fn Guide was used for the stock price data.

3.2. Ownership–Control Disparity

In order to derive the ownership–control disparity, it is necessary to identify the controlling shareholders of the company and also determine the difference in the ownership and control that the controlling shareholder has over the affiliate. The ownership–control disparity data used in this study include the ownership right and control right data of controlling shareholders, provided by the FTC's Large Business Group Information Disclosure System. The disparity in ownership and control (DISP) provided by the FTC is as follows: The FTC divides control rights (CONTROL) into five categories: controlling shareholders, relatives of the controlling shareholder, managers, non-profit firms, and affiliated firms. Among these, only two are classified as ownership (OWN)—controlling shareholder and their relatives. Ultimately, DISP is defined as the gap between CONTROL and OWN.

The principle of one control per share is applied, so shareholders have ownership and control rights proportionate to the number of shares they own. However, the principle of one control per share is not observed for controlling shareholders, who may exercise control above their actual equity shares. If the disparity of ownership and control is high, the controlling shareholder can exercise control beyond the principle of one control per share. Controlling shareholders benefit from their decision making in proportion to their control rights while bearing the risk in proportion to their ownership.

Korean companies have a pyramid-shaped governance structure and indirectly control the controlling shareholder through borrowers between affiliates; therefore, controlling shareholders' ownership rights are relatively low while the control rights are relatively high. If the DISP is large, controlling shareholders tend to pursue their interests by infringing on minority shareholders' rights.

$$\begin{aligned}
 \text{OWN} &= \frac{\text{controlling shareholder's share} + \text{controlling shareholder's relative's share}}{\text{Number of common stock shares} - \text{treasury stock}} \\
 \text{CONTROL} &= \frac{\text{controlling shareholder's share} + \text{controlling shareholder's relative's share} + \text{manager's share} + \text{affiliated firm's share} + \text{non-profit firm's share}}{\text{Number of common stock shares} - \text{treasury stock}} \\
 \text{DISP} &= \text{CONTROL} - \text{OWN}
 \end{aligned}$$

In contrast, even if DISP increases significantly, its effect may increase tangibly; therefore, a variable using the natural logarithm value ($\ln \text{DISP}$) is also used. Here, to prevent a negative log value owing to a DISP value less than 1, 1 is added to the DISP value and then the log value is applied [33].

3.3. Regression Model

The following Equation (1), developed by Faulkender and Wang [23], is used to test the hypothesis:

$$\begin{aligned}
 \text{SAR} = & \beta_0 + \beta_1 \Delta \text{CASH} + \beta_2 \Delta \text{CASH} \times \text{DISP}(\ln \text{DISP}) + \beta_3 \text{DISP}(\ln \text{DISP}) + \beta_4 \Delta \text{E} \\
 & + \beta_5 \Delta \text{NA} + \beta_6 \Delta \text{RD} + \beta_7 \Delta \text{INT} + \beta_8 \Delta \text{DIV} + \beta_9 \text{CASH}_{t-1} \\
 & + \beta_{10} \text{LEV} + \text{Industry/Year Fixed Effect} \\
 & + \varepsilon
 \end{aligned} \tag{1}$$

The dependent variable is the SAR. Annually, a portfolio is constructed based on the market value of the sample companies using the median of the portfolio returns as the expected rate of return to measure the abnormal rate of return. SAR is the difference between a company's stock return and the expected return. The annual stock returns from April of the current year to March of the next year are used. DISP denotes the gap between a controlling shareholder's ownership right and the control right provided by the FTC. $\ln \text{DISP}$, a variable with logarithmic values, is also used. The variable of interest is $\Delta \text{CASH} \times \text{DISP}$, which examines whether higher levels of DISP impact the value of cash holdings. If a higher level of ownership–control disparity leads to investors' negative evaluation of the cash held, β_2 will be significantly negative. The control variables are profitability, investment activity, and financial activity, which were reported in previous studies as having a significant impact on the value of cash reserves [11,34–36]. The change in earnings (ΔE) is used as a company's profitability variable, and the change in total assets excluding cash (ΔNA) and the change in research and development expenditures (ΔRD) are used as the investment activity variables. The change in interest expense (ΔINT), change in dividends (ΔDIV), previous year's cash balance (CASH), and leverage ratio (LEV) are also included as the control variables for the financial activity variables. Finally, dummy variables for each year and industry are included. Appendix A provides detailed variable explanations.

4. Results

Table 1 presents the variables' descriptive statistics. The SAR mean (median) is -0.013 (-0.037). The DISP mean (median) is 0.288 (0.308). The control rights of controlling shareholders are, on average, 29% greater than those of ownership. The median (mean) of ΔE is -0.003 (-0.001), and the median (mean) of ΔNA is 0.039 (0.026). The medians (means) of ΔRD and ΔINT are 0.000 (0.000), showing almost no change. The median (mean) of ΔDIV is 0.001 (0.000), and the median (mean) of LEV is 0.444 (0.464).

Table 1. Descriptive statistics.

Variables	Mean	Q1	Median	Q3	Std. Dev.
SAR	−0.013	−0.212	−0.037	0.144	0.319
DISP	0.288	0.063	0.308	0.429	0.227
lnDISP	0.239	0.061	0.269	0.357	0.168
△CASH	−0.001	−0.013	−0.001	0.013	0.038
△E	−0.003	−0.025	−0.001	0.018	0.071
△NA	0.039	−0.022	0.027	0.082	0.135
△RD	0.000	0.000	0.000	0.000	0.003
△INT	0.000	−0.001	0.000	0.001	0.004
△DIV	0.001	0.000	0.000	0.001	0.004
CASH	0.047	0.012	0.033	0.065	0.047
LEV	0.444	0.278	0.464	0.582	0.202

The variables are presented in Appendix A.

Table 2 shows the correlation between the variables. The correlation between △CASH and SAR is significantly positive, indicating that as the cash held by a company increases, its corporate value also increases. △E, △NA, and △DIV show a significant positive correlation with SAR, and LEV and △INT show a significant negative correlation with SAR.

Table 2. Correlation between variables.

	SAR	DISP	△CASH	△E	△NA	△RD	△INT	△DIV	CASH	LEV
SAR	1.000									
DISP	−0.028	1.000								
△CASH	0.100 ***	0.038	1.000							
△E	0.146 ***	−0.063 **	0.087 ***	1.000						
△NA	0.088 ***	0.043	−0.104 ***	0.063 **	1.000					
△RD	0.037	−0.041	0.015	0.045	0.154 ***	1.000				
△INT	−0.089 ***	0.089 ***	0.030	−0.102 ***	0.238 ***	0.024	1.000			
△DIV	0.076 **	0.016	−0.014	0.026	0.158 ***	0.119 ***	−0.023	1.000		
CASH	0.024	0.040	−0.201 ***	0.009	0.122 ***	0.074 **	−0.023	0.067 **	1.000	
LEV	−0.077 **	0.139 ***	0.015	−0.034	−0.072 **	−0.043	0.147 ***	−0.139 ***	−0.065 **	1.000

The variables are shown in Appendix A. *** and ** demonstrate significance at the 1% and 5% levels, respectively, in a two-sided test.

Table 3 presents the result of verifying investors' evaluations of the cash held by companies depending on the gap between the ownership rights and control rights of the controlling shareholder. β_1 refers to investors' perception of the increase in cash holdings. The analysis results for Model (1) show that β_1 has a significant positive value at the 1% level. This is the same as the results of prior studies, indicating that investors in the capital market perceive the increase in a company's cash reserves positively [34,37].

Models (2) and (3) are the results of testing this study's Hypothesis 1. In Model (2), β_2 is −0.283, and the t value is −2.29, which is significant at the 5% level. These results imply that the higher the level of ownership–control disparity, the more likely that investors evaluate the cash held by a company as significantly negative, supporting the hypothesis, meaning that the higher the level of ownership and control disparity, the more negatively investors evaluate the value of the cash held by a company. Studies [2,21,22] show that when the disparity between ownership and control is large, the opportunistic incentives of managers and controlling shareholders become stronger, and corporate value is ultimately decreased due to agency problems. The results of this study extend the results of previous studies, showing that in the capital market, investors recognize the agency problem and decline in corporate value due to ownership and control disparity and negatively evaluate the value of the cash held by such companies. △E and △NA show significant positive coefficient values, indicating that investors respond positively to increases in profits and assets other than cash.

Table 3. Ownership–control disparity and value of cash holdings.

Variables	Dependent Variable: SAR		
	Model (1)	Model (2)	Model (3)
Intercept	−0.019 (−0.81)	−0.027 (−1.08)	−0.038 (−1.27)
△CASH	0.780 (3.47) ***	0.873 (2.08) **	0.885 (2.02) **
△CASH × DISP		−0.283 (−2.29) ***	
DISP		−0.007 (−0.21)	
△CASH × lnDISP			−0.368 (−2.29) **
lnDISP			−0.019 (−0.43)
△CASH × CHAEBOL			
CHAEBOL			
△E	0.455 (3.82) ***	0.439 (3.70) ***	0.448 (3.75) ***
△NA	0.296 (2.94) ***	0.285 (2.79) ***	0.303 (2.95) ***
△RD	1.390 (0.48)	1.523 (0.18)	0.281 (0.03)
△INT	−1.118 (−2.59) ***	−1.995 (−2.31) **	−1.967 (−2.23) **
△DID	1.552 (1.50)	1.539 (1.46)	1.516 (1.40)
CASH _{t−1}	0.119 (0.56)	0.147 (0.69)	0.090 (0.41)
LEV	−0.053 (−1.43)	−0.045 (−1.22)	−0.075 (−1.86) *
ID	Included	Included	Included
YR	Included	Included	Included
Adj.R ²	0.09	0.09	0.06
F-value	4.11 ***	3.78 ***	3.38 ***
N	1060	1060	1060

The variables are shown in Appendix A. ***, **, and * demonstrate significance at the 1%, 5%, and 10% levels, respectively, in a two-sided test.

Even when Model (3) is verified using lnDISP instead of DISP [33], β_2 is -0.368 and the t value is -2.29 , which is significant at the 5% level and similar to the results of Model (2). This result points to the fact that investors perceive the increase in the cash reserves of companies with high ownership and control disparity negatively because they evaluate its reliability as low. In other words, capital market investors judge that companies with high ownership and control disparity have high agency costs and that the cash held by them can be used to pursue the personal gains of controlling shareholders. Thus, investors are negatively estimating the value of the cash reserves of these companies, judging that there is a high possibility that the value of these companies will be damaged. In addition, the results suggest that companies with a high disparity of ownership and control need to reduce the level of information asymmetry or solve the agency problem for the value of their cash to be properly evaluated by the investors in the capital market.

Additionally, the sample was divided into two groups depending on the median of ownership and control disparity, and the cash value held by each was measured. If the ownership–control gap was higher than or equal to the median, it was classified as a group with a high ownership–control disparity; otherwise, it was classified as a group with a low ownership–control disparity. In Table 4, the coefficient of Δ CASH is not significant in the group with high ownership and control disparity. However, in the group with low ownership–control disparity, the coefficient of Δ CASH is 1.047, and the t value is 2.88, which is significant at the 1% level. In the stock market, investors do not significantly consider the increase in cash reserves by companies with high ownership and control disparity. However, investors evaluate the value of the increase in cash reserves by companies with a low disparity of ownership and control more positively than the actual amount of increased cash. In other words, if the ownership and control disparity is high and the level of information asymmetry is high, investors are not confident that the cash they hold will be used efficiently to improve corporate value, so they do not give significant consideration even if the cash holdings increase. On the other hand, when the ownership and control disparity is low, investors evaluate the cash held positively because

they believe that the information asymmetry and agency problems are not significant and the cash held will be used for useful investments that increase the value of the company.

Table 4. Ownership–control disparity and the value of cash holdings: high disparity vs. low disparity.

Variables	Dependent Variable: SAR	
	High Disparity	Low Disparity
Intercept	−0.023 (−0.48)	−0.049 (−1.54)
△CASH	0.208 (0.16)	1.047 (2.88) ***
△E	1.040 (4.34) ***	0.225 (1.68) *
△NA	0.116 (0.83)	0.451 (3.12) ***
△RD	−1.110 (−0.84)	1.101 (0.91) *
△INT	0.435 (0.07)	−1.200 (−3.31) ***
△DID	0.714 (0.13)	0.797 (1.54)
CASH _{t−1}	0.043 (0.14)	0.197 (0.61)
LEV	−0.087 (−0.41)	−0.019 (−0.34)
ID	Included	Included
YR	Included	Included
Adj.R ²	0.10	0.17
F-value	2.07 ***	2.23 ***
N	550	510

The variables are shown in Appendix A. *** and * demonstrate significance at the 1% and 10% levels, respectively, in a two-sided test.

An additional analysis verified robustness. First, to ensure the robustness of the research results, the hypothesis was tested using the market-adjusted rate of return instead of SAR as the dependent variable. The value-weighted index and equally weighted index are used as market-adjusted returns [38–40]. When the dependent variable is the value-weighted index, β_1 is 0.733 (t value is 2.30) and β_2 is −0.799 (t value is −2.18). When the dependent variable is an equally weighted index, β_1 is 0.948 (t value is 1.68) and β_2 is −1.216 (t value is −1.82). The results are the same as in Table 3, showing that the hypothesis of this study is supported even if the value-weighted index or equally weighted index is used instead of SAR as the stock return variable used as the dependent variable. In other words, investors perceive the increase in cash holdings positively, but when the ownership and control disparity is high, they perceive the increase in cash holdings negatively.

Second, because sound governance positively impacts a company’s cash value [41,42], the hypothesis was retested after introducing foreign ownership and outside-director ratios to the control variables, yielding the same results. β_1 is 1.031, and the t value is 1.78, showing a significant positive value at the 10% level. β_2 is −1.227, and the t value is −1.98, showing a significant negative value at the 5% level. Finally, because investors evaluate cash holdings more positively with higher-quality accounting information [34,35], the hypothesis was retested by controlling for discretionary accruals. In this study, as a discretionary accrual variable, following Kothari et al. [43], we used the absolute value of performance-responsive discretionary accruals. β_1 is 0.562, and the t value is 3.79, showing a significant positive value at the 1% level. β_2 is −1.978, and the t value is −3.49, showing a significant negative value at the 1% level. These results show that even when controlling for discretionary accruals, this study’s hypothesis was still supported, showing that the higher the disparity between the ownership and control of a company, the more negatively investors perceive cash holdings.

5. Conclusions

This study examined the effect of the ownership–control gap on the value of cash holdings. The results show that this disparity negatively accounts for the evaluation of a company’s cash because of information asymmetry and agency problems resulting from ownership–control disparity. The pursuit of private interests by controlling shareholders

has a negative impact on the reliability of the cash held by the company. In other words, in the capital market, investors judge that companies with high ownership and control disparity have high agency costs and that the cash held by companies can be used to pursue the private interests of controlling shareholders, so there is a high possibility that the company's value will ultimately be damaged, which means that the value of the cash held by these companies is evaluated negatively. Studies have verified the differences in the amount or size of the cash held by companies based on the degree of ownership–control disparity and on whether they are a conglomerate. However, this study examines the differences in capital market investors' evaluation of the cash held by companies according to the degree of ownership–control disparity. In addition, previous studies mainly focused on accounting transparency or the governance structure and examined their impact on the value of cash reserves. However, this study shows that in the capital market, investors consider agency costs and information asymmetry according to ownership structure by assigning low reliability and value to the cash held by companies with large ownership and control gaps. In other words, the results of this study confirm that investors in the capital market consider the impact of agency problems and information asymmetry due to ownership and control disparity on the value of the cash held by companies. This suggests that a company's ownership structure can be an important factor for companies seeking to receive more positive recognition for the cash they hold. The study model [23] has limitations in directly determining cash holdings' value. If a model that directly measures such value is developed, more relevant follow-up research can be conducted in this field.

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Conflicts of Interest: The authors declare no conflicts of interest.

Appendix A. Variable Definitions

Variable	Definition
SAR	Size-adjusted abnormal return over the 1-year-period ending three months after the fiscal year-end
Δ CASH	Change in cash holdings
DISP	Ownership–control disparity
lnDISP	Ln of Ownership–control disparity
Δ E	Change in earnings
Δ NA	Change in noncash assets
Δ RD	Change in research and development expenditures
Δ INT	Change in interest expense
Δ DIV	Change in dividends
CASH _{t−1}	Cash balance at the end of the previous year
LEV	Leverage ratio

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