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The impact of institutional investors on equity markets and their liquidity

Dezelan, S.

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This dissertation consists of seven essays on institutional investors and equity market liquidity. Three of these essays provide a discussion of the relevant literature on the impact of institutional investors on equity markets, on liquidity and on the role of financial markets in general. One essay reviews the relevant theoretical models on the relationship between institutional investors and market liquidity. The last three essays are empirical. The author analyzes the impact of one particular type of institutional investor, mutual funds, on the liquidity of equity markets in two transition economies of Slovenia and Hungary. The key results that emerge from the empirical analysis are the following. First, the concentration of ownership in the hands of mutual funds and other large investors in Slovenia reduces the liquidity of shares traded on the Ljubljana Stock Exchange. Second, due to their low investment in equities, the Hungarian open-end funds do not show any significant impact on the liquidity of the domestic equity market. Privatization and the legal environment seem to be most responsible for the divergent impact of mutual funds in the two countries.

Silva Deželan graduated in Economics at the University of Ljubljana in 1993. She then joined the Faculty of Economics as a teaching assistant and obtained her M.A. degree in Finance in 1996. In January 1997, she joined the Finance Department at the University of Amsterdam, where she held a Ph.D. position until the end of 2000. Her research focused on the regulation of financial institutions and the role of institutional investors. She is currently employed at the Faculty of Economics in Ljubljana as an assistant lecturer in corporate finance and investments.



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