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CONTENTS

THE RELATIONSHIP OF OWNERSHIP STRUCTURE AND FIRM RISK-TAKING: A LITERATURE REVIEW

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ABSTRACT

This article reviews theoretical framework, synthesizes existing empirical evidence on the impact of various ownership structures on the firm risk-taking behavior. Drawing upon agency theory, prospect theory, stewardship theory and entrenchment effect; the paper analyzes how different ownership types-including state, institutional, foreign, and concentrated ownership-influence a firm's willingness and capacity to undertake risky investments, strategic decisions. The authors noted that despite substantial scholarly attention to this issue, no fundamental consensus has emerged-neither in the reported findings, nor in the research designs employed, nor in the identification and measurement of core variables. Our findings aim to provide a comprehensive understanding of the mechanisms through which ownership structures affect risk-taking, offering insights for corporate governance practices, regulatory frameworks, and future research directions.

Keywords: Ownership structure, firm risk-taking, literature review.
JEL codes[1]: G30, G32, G41

1. INTRODUCTION

Firm risk-taking is a fundamental strategic decision that plays a pivotal role in driving innovation, fostering growth, and securing long-term competitive advantage. The concept "firm risk-taking" appears in various fields: corporate finance & investment decisions (Modigliani & Miller, 1958; Jensen & Meckling, 1976), strategic management (Miller & Leiblein, 1996), corporate governance (March & Shapira, 1987). By venturing into uncertain but potentially rewarding opportunities-such as entering new markets, investing in research and development, or adopting emerging technologies-firms can position themselves ahead of competitors and respond dynamically to changing environments. However, the level of risk assumed must be carefully calibrated. Excessive risk-taking can expose firms to financial distress, reputational damage, or operational failure, while overly conservative strategies may result in missed opportunities, stagnation, and declining relevance. Therefore, effective risk management is essential to ensure that risk-taking remains aligned with the firm's strategic objectives and capacity to absorb potential losses.

Corporate governance, particularly ownership structure, plays a crucial role in shaping a firm's risk appetite by influencing the incentives and control mechanisms that guide managerial decision-making (Demsetz, 1983). Different