For many years, there have been extensive discussions around the world about the role that institutional investors (financial institutions that invest funds raised from other entities in the capital market) should play as shareholders in the processes of corporate governance. The accumulation of funds in pension and investment funds or insurance companies makes the share of institutional investors in the shareholding of public companies steadily increasing. According to the latest OECD data, the portfolio of institutional investors includes shares of companies worth over USD 30 trillion, which corresponds to 41% of the value of all shares in global public trading. This means that institutional investors who are trustees of huge funds belonging to other entities and at the same time the largest shareholders of public companies. It is therefore not surprising that the issues we consider in the project are of interest not only to academics and institutional investors themselves, but also to public companies managers and shareholders as well as market supervisors and regulators.

Institutional investors are generally expected to adopt an active attitude of concerned shareholders, who have the ability to effectively monitor company management and act on behalf of other shareholders. The type of tasks set for institutional investors in the corporate governance process, as well as the way they are implemented, however, depend on a number of factors. The scale and forms of institutional investors' involvement in monitoring companies are usually determined by such factors as the regulatory environment, ownership structure and control of public companies, and the degree of development of the capital market. The individual features of different groups of institutional investors, including their business goals, investment horizon and strategy, as well as business relations with monitored entities are also important for fulfilling the monitoring function.

Recent years have been characterized by a real flourishing of research on the role of institutional investors in monitoring public companies, including their impact on companies’ capital structure, dividend policy or investments. Some researchers even suggest that since the participation of institutional investors in the ownership structure improves corporate performance regardless of the environment in which they operate, the presence of institutional investors in shareholding may be perceived as a "universal" corporate governance mechanism.

Despite the huge supply of studies on the role of institutional investors in corporate governance in developed markets, we still know little about their role in Central and Eastern Europe. For this reason, we are trying to fill this knowledge gap in the proposed research project. Our research will focus on the relationship between monitoring by institutional investors and the financial decisions of companies.

In order to solve the research problem formulated in this way, we intend to conduct analyzes in three overlapping areas. First, we will try to identify the factors determining the allocation decisions of institutional investors in the Central and Eastern Europe region. Secondly, we will check whether, and if so, how the heterogeneity of institutional investors due to their degree of independence, investment horizon or investment strategy influences financial decisions taken in companies. Finally, we will verify to what extent, in order to influence companies' decisions, institutional investors use traditional channels such as direct intervention (voice) or the threat of selling their stake (exit), and to what extent they use other monitoring channels that are specific to Central and Eastern Europe due to interrelations between institutional investors and banks.