Research

DOES OWNERSHIP STRUCTURE AFFECT FIRM'S PERFORMANCE? EMPIRICAL EVIDENCE FROM PAKISTAN

Farman Ullah Khan[1] and Muhammad Nouman[2]

Abstract

In Pakistan, the ownership of majority of the firms is characterized by the concentration of different groups such as family members, associated firms, institutional investors and insiders. The present study aims to investigate whether different ownership structure including family ownership, associated ownership, institutional ownership, concentrated ownership, managerial ownership, block holding, and foreign ownership contribute to the financial performance of non-financial firms listed at the Pakistan Stock Exchange (PSX). Findings suggest that a firm's performance increases significantly in the presence of associated ownership, concentrated ownership, institutional ownership and block holding. This indicates that these ownership structures add value and help in reducing agency problems. On the other hand, family and managerial ownership have a negative relationship with firm performance. These findings are consistent with the hypothesis of minority shareholder expropriation which states that when family ownership and managers' involvement is higher in a firm, they exploit the funds of minor shareholders. Similarly, foreign ownership also does not add value.

Keywords: Ownership Structure, Firm Performance, Board of Directors, Tobin's Q, Pakistan.

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1,2- Institute of Business and Management Science (IBMS), The University of Agriculture Peshawar, Pakistan

Introduction

Recently, firm performance has gained critical attention due to the dynamic business environment (Abdullah, Shah, Gohar, & Iqbal, 2011). There are many factors that lead the firm's performance positively. The performance of firms mostly depends upon the strategic decisions carefully designed and taken by the business owner of the organization. Due to the tough competition in the market, a firm gives equal importance to the list of vital factors including the management roles, corporate governance, ownership structure and the board of directors etc. The ownership structure is one of important factor that affects the firm's performance (Alipour, 2013).

Corporate ownership structures encourage firms to create value in industry in terms of advanced innovations, technology and skilled workforce development and to devise control system (Villalonga & Amit, 2006). Researchers have given more attention to the managers and shareholders' interests in the firm ownership structure. These researchers examined the relationship between firm's performance and ownership structure keeping in mind the conflict of interests among the principals and agents (owners and managers) of the firm which were first proposed by Adam Smith and then further studied by Berle and Means (1932), and Jensen and Meckling (1976). This proposed concept known as agency theory, depends upon the diverse interest, the asymmetry information and conflict among the principal and agent in an organization. Jensen and Meckling (1983) highlighted that agency problems can be reduced if managers posses significant stake of shares, and as a result work for the interest of shareholders in the organization. On the other hand, Fama and Jensen (1983), Demsetz (1983), Shliefer and Vishney (1997), and Schulze, Lubatkin, Dino, and Buchholtz (2001) reported that when managers and investors own higher portion of shares then conflict of interest arises because they exploit the funds of minor shareholders.

Family control of public corporations is considered with mixed feelings by public opinion as suggested by Abdullah et al (2011). They stated that family firm is respected because many large size firms have prospered under control of family for long period of time. Family owned firms can better perform than the non-family firms for two main reasons. First, family owned firms make better investment decisions as compared to non family owned firms because families have more firm specific knowledge (Stein, 1989). Second, family ownership is in a better position to mitigate the agency problem, as family ownership aligns the incentives of the shareholders and managers in a better way (Fama and Jensen, 1983). On the other hand, different researchers have also highlighted the reasons for negative impact of high concentration of ownership on a firm's performance. First, that owners having large stake of investment may have different priorities. This is seen as a potential for conflicts of interest with outside shareholders and thus can destroy value of firms. Family mangers are clearly oriented to maintain control on companies they found or acquire, and often apply control-enhancing devices that have proven to be related with lower value-creation (Claessens, Djankov, Fan, & Lang, 2002; Lins, 2003; Gompers, Ishii, & Metrick, 2004). Second, family firms adopt more conservative approach and relinquish profitable investment opportunities (Morck, Strangeland, & Yeung, 2000). Third, family owned firms are also criticized for hiring unqualified family members on key positions, (Kellermanns and Eddleston, 2004; Martínez et al., 2007).

Similarly, other types of ownership structures including associated ownership, institutional ownership, managerial ownership and block holders also deal effectively with agency problems in a firm, (Jensen & Meckling, 1976). Tarziján (1999) highlighted that each type of group ownership may reduce different transaction costs related to labor and materials etc. that give mechanism for avoiding different sorts of market failures. However, such owners are also not free of cost because of internal conflicts among shareholders. La Porta, Lopez-de-Silanes, Shleifer, and Robert (2000) determined that investors having

dominancy and holding key roles in management exploit minor shareholders in a firm. They described different ways of expropriation including committing earning management, selling assets at unreasonable prices to concerned parties, and assigning key position to unqualified group members in an organization etc. La Porta et al. (2000) further explained that such kind of expropriations bring inefficiency in an organization's management and financial system.

In Pakistan, majority of the business are owned by the concentration of one or other groups such as managers, directors, institutional investors and block holders etc, therefore this area needs attention (Javid & Iqbal; 2008, Din & Javid, 2012). In Pakistan a limited number of studies have focused on the impact of different ownership structures on firm performance. Few of these studies have considered a single type of ownership structure for example Abbas, Naqvi and Mirza (2013) considered concentrated ownership, khan and khan (2011) and Din and Javid (2012) considered family ownership, Shah, Butt, and Saeed (2011) considered director ownership, while managerial ownership was considered by Haris and Javid (2014) and Khan, Ullah, and Shah (2012). On the other hand, few studies have considered more than one ownership structures (See for example Abdullah et al., 2011; Javid & Iqbal; 2008). The present study adds to the extant literature by examining the effect of several ownership structures including family ownership, associated ownership, concentrated ownership, institutional ownership, managerial ownership, block holding, and foreign ownership on the performance of non-financial Pakistani firms over the time span 2004 to 2013.

The rest of the paper proceeds as follow: Section 2 provides review of the extant literature. Section 3 demonstrates methodology of the study. Empirical results are discussed in section 4. Section 5 provides conclusion of the study. Section 6 highlights limitations of the study and future directions.

Literature Review

Ownership structure and its impact on firm performance has remained a source of great interest for the financial scientists. Research on ownership was initially started from the agency theory of Adam Smith (1776) that provide base to the firm's financial health through avoiding conflict among principle and agent. Barley and Means (1932) further studied the agency theory and their relationship with ownership and shareholder's interest. They argued that high interest in corporation is correlated with high ownership and there is positive relationship between high ownership and firm performance. Similarly Jensen and Meckling (1976) came up with the agency theory and explored that high managerial ownership can reduce agency costs through aligning manger and shareholder's interest. Later on, Fama and Jensen (1983), Shelifer and Vishney (1986), and Morck, Shleifer, and Vishny (1988) studied the principle-agent problem and their relationship with ownership structure. They suggest that the principle-agent conflicts may be resolved by handling the management activities efficiently on the part of larger ownership.

In extension to the literature, different authors highlighted mixed feelings about family ownership (see for example, Burkart, Panunzi, & Shleifer, 2003; Maury, 2005; Anderson & Reeb, 2003; Shahab & Javid, 2011). Due to family ownership the conflicts of interest between the owners and managers are alleviated (Berle & means, 1932) and agency costs are reduced (Jensen & Meckling, 1976). Family evolvement in businesses also encourages long term perspective (Anderson & Reeb, 2003). Finally, family management leads in to competitive advantage (Burkart et al., 2003).

Contrarily, different research papers highlight the negative linkages between family ownership and their impact on firm performance. For example, Gomez-Mejia, Tosi, and Hinkin (1987); and Donckels and Froehlich (1991) came up with negative results. They found that family owned firms adopt much conservative approach,

less innovative, less active and less development oriented strategies in comparison to non family firms. Lansberg, Perrow, and Rogolsky (1988) investigated that these firms mostly practiced nepotism and thus family firms hire unprofessional managers.

In addition, agency problem of second type arises in family firms because family managers exploit the funds of small shareholders for private benefits, (Villalonga & Amit, 2006). The studies of Bennedsen, Nielsen, Pérez-González, and Wolfenzon (2006), Sciascia and Mazzola (2008), and Khan and Khan (2011) also support the previous studies and preferred non family firms. Their results suggest that family ownership negatively influenced the firm's performance because of lack of general professional competencies of family owners and due to conflicts of family managers on non-financial goals.

The above literature shows that previous researchers came up with mixed results. Therefore, our expectation regarding the direction of relationship between family ownership and firm's performance is ambiguous.

Based on the above discussion and empirical evidence, the following hypothesis can be examined:

Hypothesis 1: There is a significant relationship between family ownership and firm performance.

Agency theory presents that a firm's value is generated if the group of owners have significant fraction of investment in an organization as suggested by Barley and Means (1932). The interest of managers and shareholders will be aligned due to the presence of group owners in a firm which control the unfavorable activities of internal management (Shleifer & Vishny, 1986). Group owned firms can also compete in competitive environment and these firms help one another through shared heterogeneous resources like advanced

technology, finance and experience etc. as suggested by Wang (2006), Vilalonga (2006), and ThesmarSrear (2007).

Previous researchers came up with both significant positive and negative impact of associated ownership on firm performance. Therefore, the following hypothesis can be formed on the basis of previous discussions:

Hypothesis 2: There is a significant relationship between associated ownership and firm performance.

Conflicts that arise as a result of principal-agent relations can best be solved by ownership structure (Shleifer and Vishny (1997). On other hand it is also argued that shareholders having more shares in ownership can dishonor the rights of those having less number of shares by giving precedence to their own shares and their individual interest over other's interest (Aren, Özkan, and Dinç, 2014). In their study on ownership structure and control La Porta et al (1999) reported that only those firms that are family concentrated or publically owned can safeguard the interest of stockholders of a firm. In their study they also concluded that firms having control and rights of institutional investors were very rare. Another study by La Porta et al. (1998) in the context of Turkish firms where shareholders were not safe also revealed the same result. Ownership concentration was found on a peak in turkey and firms were mostly family owned that time (Demirag and Serter, 2003). Hill and Snell (1988) explained in their study that ownership concentration under the group of ownership structure can affect the performance of a firm which can in turn lead to shareholders wealth maximization. They also demonstrated that a direct positive association exists between concentrated ownership and firm performance. Based on the empirical evidence the following hypothesis can be formed:

Hypothesis 3: There is a significant relationship between concentrated ownership and firm performance.

Institutional investors are financial institutions available in financial markets to take shares in organizational ownership. Institutional investors can generate a profound volume of stocks return in securities exchange markets (Shah, et al. 2015). For that reason, institutional investors are significant players in best operating financial markets. Shliefer and Vishny (1986) in their study suggested active monitoring proposition regarding institutional investors according to which institutional investors have the authority to implement such strategies on managers so that they should take decisions that are in the best favor of these institutions. Because of their large share in organization these institutions have the rights to keep an eye on manager's actions and they can alter managerial decisions in order to avoid disruption in terms of organizational possessions. Lev (1988) stated that single investors don't have as much monitoring power as institutional investors have because institutional investors have contact with every type of financial information regarding organization. Based on these evidences the following hypothesis is formed:

Hypothesis 4: There is a significant relationship between institutional ownership and firm performance.

In terms of Block holding in ownership Delgado-Garcia et al. (2010) manifested that shareholders having majority shares of a firm's ownership are having more power and control and because of spiteful management this control is professed depressingly by other shareholders. Friend and Lang (1988) identified that for the purpose of protecting their own funds outside block holders manipulate managers. Usually the financial institutions come as block holders and compel managers to take actions and make decisions that are in favor of their own interest (Shah, et al. 2015). Keeping this discussion in view following hypothesis can be tested:

Hypothesis 5: There is a significant relationship between block holding and firm's performance.

Similarly, managerial ownership acts as control device which can be used to direct the internal control system of a firm, and hence can be used as a proxy to monitor all the actions and decisions which may in turn help in reducing and solving the agency problems (Shah, et al. 2015). Cho (1998) in his study regarding firm value and managerial ownership explained that managerial share ownership is closely interconnected with firm value because decision making is the function of managers and they can take decisions either in favor of their own interest or in favor of shareholder's, which can automatically effect the performance of firm. Therefore, the following hypothesis can be formed:

Hypothesis 6: There is a significant relationship between managerial ownership and firm's performance.

Similarly, foreign ownership in a firm generates high productivity because of their investment in productive sectors thus they use active monitoring tools for their investment targets as suggested by Griffith (1999) and Oulton (2000)**.** Foreign share holders use technical skills before applying each step in a project investment (Chhibber & Majumdar, 1999). The following hypothesis may be tested in this regards:

Hypothesis 7: There is a significant relationship between foreign ownership and firm's performance.

Methodology

Sample and Data

The population for the current study consists of all non-financial companies listed at Pakistan Stock Exchange (PSX). The present study has used only non-financial sectors because the capital structure and ownership structure of financial sector is quite different

from non-financial sector (Fama et al, 1992). Purposive sampling technique has been used for selecting sample. Those firms are included the sample who's annual reports and share prices data for the study period (2004 to 2014) is available and accessible. Therefore, firms with incomplete data or having negative equity were excluded from the sample. Our final sample consists of 177 non-financial firms having 1,770 observations.

Data for the selected firms for ten years (2004-2013) have been collected from secondary sources including Balance Sheet Analysis (BSA) issued by State Bank of Pakistan, annual reports of the selected companies, and PSX website and business recorder.

Variables of the study

Dependent variables:
Firm's performance is dependent variable, which refers to the profitability of the firms. The proxy used for profitability is Return on Assets and Tobin's Q.

Tobin's Q is a ratio introduced by James Tobin in 1969, hypothesizing that market value of the firm's stock should be equal to their total value of assets. Tobin's Q is best proxy for measuring market based performance of the firm (Beehr, Drexler, & Faulkner, 1997; Martinez et al., 2007; Andres, 2008; Khan & khan, 2011; Abdullah et al. 2011). Tobin's Q has been calculated as follows:

$$Tobin's\ Q = \frac{Total\ Market\ Value\ of\ firm}{Total\ Assets}$$

Where,

Total Market Value of Firm $= Market\ value\ of\ Equity\ +\ Debt$

Market value of equity=
$$No.\ of\ Shares\ outstanding\ x\ Share\ market\ price$$

Return on Assets (ROA) is a ratio that measures the firm earnings derived from firm's investment in assets. This ratio indicates

how efficiently company financial manager utilize each dollar invested in firm total assets.

The present study uses ROA as a dependent variable to measure accounting performance as used by previous studies of McConaughy et al. (1999); Favero et al (2006); Allouche, Amann, Jaussaud, and Kurashina (2008); Andres (2008); and Shahab and Javid (2011). ROA has been measured as follows:

$$\text{Return on Assets} = \frac{Net\,Profit}{Total\,Assets}$$

Independent variables

The present study uses different ownership variables including: associated ownership, family ownership, institutional ownership, managerial ownership, ownership concentration, block holders and foreign ownership as independent variables for ownership pattern.

Associated ownership is the percentage investment of group companies in a firm as used by Wang (2006); Srear and Theshmar (2007); and Abdullah et al (2011). Family ownership has been used as dummy variable. We have assigned code 1 for those firms in which board of directors belong from same family otherwise 0 code is assigned as applied by previous studies (See for example Maury 2005; Bennedsen et al 2006; Khan & Khan, 2011). The percentage of shares held by institutions in a firm is considered as institutional ownership as used by Shah, et al., (2015). The number of shares owned by managers, directors and their family members is used as proxy for managerial ownership. Ownership concentration is measured as investment of top five share holders in a firm as used by Demsetz and Lehn (1985) and Demsetz and Villalonga (2001). Those individuals who maintain larger portion of investment and have 10% voting rights in a firm as termed as large shareholders or block holders (Abbas, Naqvi & Mirza, 2013). Therefore, the block holder ownership has been measured by shares held by the large shareholders having at least

10% voting rights. In this study foreign ownership has been measured by considering the investment of foreign individuals or foreign companies in host companies. Dummy variable is used for foreign ownership were 1 represent the presence of foreign ownership and vice versa.

Firm size, leverage and growth are used as control variables to control the effect of other factors as applied and suggested by previous studies (See for example Gunduz & Tatoglu, 2003; Anderson & Reeb, 2003; Han & Naughton, 2001; Barontini & Caprio, 2005; Abdullah et al, 2011). Firm size is calculated by taking natural log of total asset. The percentage annual increase in assets is used as a proxy for growth. Leverage is measured by the ratio of total debt to total assets.

Analytical tools

We have organized our data in the form of balanced panel. Therefore, the panel data models have been used for the analysis of data. The model of the study in its simplest form (Pooled regression) can be represented as follows:

$$Performance_{it} = \alpha + \beta_1 X_{it} + \varepsilon_{it} \qquad Eq\ 1$$
Where,

The measure of performance of a firm i at time t. Since performance of the firm has been measured using two proxies including Tobin's Q and Return on assets (ROA). Therefore, this model has been estimated separately for Tobin's Q and ROA.

α = Intercept of the model

β = The change co-efficient for X_{it} variables

X_{it} = the different independent variables for performance of a firm i at time t. These variables include seven ownership structure variables including associated ownership, family ownership,

institutional ownership, managerial ownership, ownership concentration, block holders and foreign ownership and three control variables including size, growth, and leverage.

i = the number of the firms i.e. i = 1, 2, 3, 4….N

t = The time period i.e. t = 1, 2, 3, 4…T

We have used panel regression approaches including the Pooled OLS, random effects and fixed effects model to estimate equation 1. The panel diagnostic test including Chow test, Breusch-Pagan test, and Hausman test have been used to select the most appropriate approach for the analysis purpose among the Pooled OLS, random effects and fixed effects models.

Results and Discussions

We have used two proxies for measuring the firm performance. Therefore separate regression models have been applied for each proxy of firm performance including Tobin's Q and ROA. Table 4.1 reports results of Chow test, Breusch-Pagan test, and Hausman test for the models used for Return on Assets (ROA) and Tobin's Q. The Chow and Breusch-Pagan tests suggest that Pooled regression model is the most appropriate model for ROA. Thus, we have employed Pooled OLS model for ROA. The results of Bruesh-Pagan and Hauman tests suggest that Random Effects model is the most appropriate model for Tobin's Q. Therefore, we have employed Random Effects model for Tobin's Q.

Table: 4.2

Model selection for ROA (eq 1), and Tobin's Q (eq 2

Tests	Null Hypothesis (H_0)	ROA		Tobin's Q	
		p-value	Recommended Model	p-value	Recommended Model
Chow	Pooled OLS is more consistent than the Fixed Effects model.	0.3521	Pooled OLS	0.0000	Fixed Effects model
Breaush Pagan	Pooled OLS is more consistent than the Random Effects model.	0.7211	Pooled OLS	0.0000	Random Effects model
Hausman	Random Effects model is more consistent than the Fixed Effects model.	0.7851	Random Effects model	0.7471	Random Effects model

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Table 4.2 and 4.3 report the results of Pooled OLS model and Random Effect model which have been used for ROA and Tobin's Q respectively. In both tables, the negative coefficients of family ownership indicate that family ownership influence firm's performance negatively. These results are consistent with the previous studies of Shlifer and Vishney (1997), Filatochev, Lien, and Piesse (2005), Pe´rez-Gonza´lez (2006), and Chang, Chrisman, Chua, and Kellermanns (2008). Shlifer and Vishney (1997) formulate a hypothesis about negative relationship of family ownership with firm's performance. They suggested that family ownership sustain large portion of shares in a firm that may prove injurious for firm performance because family owners exploit the funds of minor shareholders. Family owned firms apply control enhancing devices and forgo profitable investment that may destroy value for the firms (Claessens et al., 2002; Lins, 2003; Gompers et al., 2004).

On the other hand, the positive coefficient of associated ownership shows that associated ownership has positive influence on firm's value (ROA and tobin's Q). These results are in line with agency theory. Shleifer and Vishny (1986) argued that firm's value increases in case of associated ownership in a firm because group investors control the unfavorable activities of top management. In the presence of group ownership, firm value increases because of long term investments by group owners (James 1999). The positive relationship of group ownership with firm performance may be because of good reputation of group owners as highlighted by Villalonga (2006), Wang (2006), and Srear (2007).

Similarly, the positive and significant impact of institutional ownership indicates that institutional investors performs well and have greater effect on firm financial decisions because of having significant ownership portion of institutional investors in a firm as suggested by Shliefer and Vishny (1986); Gul, et al. (2012); and Tornyeva, K. and Wereko, T. (2012).

On the other hand, results indicate significant negative relationship between managerial ownership and firm performance in both models. Pervez-Gonzalez (1999) highlighted that family managers significantly hurt the firm performance as they do nepotism while selecting family member on key management positions. Li and sun (2014) came up with different findings and suggested that an increase in managerial ownership can cause an increase in firm performance in a non linear form.

Table 4.2 and 4.3 report positive and significant coefficient of ownership concentration. The empirical evidence shows that ownership concentration is used an important tool to eliminate agency problems among dominant and minor shareholders, (Shleifer and Wolfenson, 2002). Because of its significant positive effect it is clear that ownership concentration increases the firm value (Alimehmeti and Paletta, 2012). Similarly block holding and firm performance have significant positive relationship as consistent with the previous studies of Jensen and Meckling (1976) and Shah, et al. (2015). Jensen and Meckling (1976) highlighted that block holders deal efficiently with agency problem that directly leads a firm to perform effectively in the market.

On the other hand, foreign ownership has insignificant relationship with both Tobin's Q and ROA. This result is contradictory with the previous studies conducted by Griffith (1999) and Oulton (2000); Tornyeva, K. and Wereko, T. (2012); and Javid & Iqbal (2008) as they suggested that foreign investors enhance the firm performance.

Table 4.2:

Results of Pooled OLS model (Dependent variable ROA)

Variables	Coefficient	Robust Std. Error	t-ratio	p-value
Constant	0.00972	0.0199	0.4861	0.6270
Family ownership	-0.0183	0.0068	-2.6662	0.0078
Associated ownership	0.0080	0.0038	2.0955	0.0364
Institutional ownership	1.4089	0.2575	5.4703	0.0000
Managerial ownership	-0.8445	0.1519	-5.5562	0.0000
Ownership concentration	0.0767	0.0237	3.2341	0.0013
block holding	0.4708	0.1271	3.7050	0.0002
Foreign	-0.0185	0.0168	-1.1041	0.2701
Size	0.0184	0.0045	4.0127	0.0007
Growth	0.1583	0.0150	10.4842	0.0000
Leverage	-0.2463	0.0132	-18.6895	0.0000
R-squared 0.4055	Adjusted R-squared	0.4016		
F 103.8256	P-value(F)	0.0000		

Table 4.3:

Results of Random Effect Model (Dependent variable: Tobin's Q)

Variables	Coefficient	Std. Error	t-ratio	p-value
Constant	0.0097	0.0199	0.4861	0.6270
Family ownership	-0.1797	0.0882	-2.0376	0.0419
Associated ownership	0.1393	0.0480	2.8995	0.0039
Institutional ownership	0.0234	0.0086	2.727	0.0066
Managerial ownership	-0.3829	0.1824	-2.100	0.0361
Ownership concentration	0.0660	0.0306	2.156	0.0315
block holding	0.0521	0.0225	2.316	0.0209
Foreign	-0.0213	0.0214	-0.9981	0.3186
Size	-0.1006	0.0606	-1.6603	0.0973
Growth	0.5703	0.1820	3.1336	0.0018
Leverage	-0.9879	0.1719	-5.7477	0.0000
Wald chi square 22.99	**P-value of chi square 0.0003**			

The effect of control variables have also been reported in the Table 4.2 and Table 4.3. Results suggest positive relationship of size with ROA and negative relationship with Tobin's Q. The positive relationship of size is supported by the study of Khan and Khan (2011) who reported that firms having greater size have better performance. They stated that large firms can enjoy economies of scale that leads the firm to perform efficiently. On the other side negative results of size in table 4.3 support the findings of Stulz et al. (2005). They stated that small firms create value for shareholder as compared to larger size firms.

Growth has positive impact on firm's performance. These results are consistent with the findings of Abdullah et al. (2011). On the other hand, the results of leverage in both models indicate that there is negative association of leverage with firm' performance as suggested by Abdullah et al. (2011). When leverage ratio increases then debts of the firm increases and as a result the firm has to pay high interest which directly affects corporate value and declines profitability.

Conclusion

The present study investigates the impact of ownership structures on firm's performance of non-financial firms listed at Pakistan Stock Exchange during 2004 to 2013. Findings of the present study reveal that Family ownership and managerial ownership has significant and negative relationship with firm's performance. These findings are consistent with the hypothesis of minority shareholder expropriation developed by Shleifer (1997) which states that when family ownership and managers' involvement will be higher in a firm then such investors will exploit the funds of minor shareholders. On the other hand the study found significant and positive relationship of associated ownership, institutional ownership, and concentrated ownership and block holders with firm's performance. Firm's value and profitability increases in case of these ownership structures in a firm because these investors control the unfavorable activities of the top management and take favorable decisions for other minor share holders.

Study Limitations and Future Directions

The present study has various limitations. First, our study covers a sample of only publically listed firms. Thus, generalization of our results to unlisted or small firms must be made with this limitation in mind. Second, due to data availability constraints, we have considered only non-financial firms. Future studies should also consider financial sector. Finally, our study focuses on only the financial performance of firms. However, the non-financial goals can be of equal importance for managers and owners. Therefore, future studies should take into account both financial and non-financial goals and assess them in firms having different ownership structures.

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