

Factors Influencing Ownership Pattern and its Impact on Corporate Performance of Selected Indian Companies

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ABSTRACT

This study on factors influencing Ownership pattern and its impact on corporate performance has used five industries data viz Automobile industry, IT industry, Banking industry, Oil & Gas industry and pharmaceutical industry for five years from 2017 to 2021. First the factors influencing ownership pattern was identified and later its impact on corporate performance was analysed. Multiple Regression, ANOVA and Correlation was used in SPSS 28. Percentage of independent directors on the board and size of the company has significant impact on Indian Promotor holding and non-institutional ownership has significant impact on corporate performance.

Keywords-- Asset Utilization Ratio, Ownership Pattern, Public Shareholding, Board Independence, Board Size

I. INTRODUCTION

Shareholding of a company can be classified as either ownership with individual shareholders mainly or majority of the holding with promoters. Domestic Institutional Investors and Foreign Institutional Investors also form a part of the shareholding pattern of the companies. This study is very important which focus on identifying the factors that influences the ownership pattern and in turn how it affects the corporate performance. Many literature survey confirmed the impact of shareholding pattern on corporate performance. The objective of the study is to identify the factors influencing ownership pattern, to analyze the impact of ownership pattern on corporate performance and to find the relationship between the study variables.

II. MATERIALS AND METHODS

Mak, Y. T., & Li, Y. (2001) empirically found that there was a relationship between board structure and shareholding pattern. Duality has positive relationship with Block holder ownership. Short, H., Keasey, K., & Duxbury, D. (2002). This paper provides evidence on the positive relationship of debt ratio with ownership by management and negative relationship with large external

shareholders. This proves that large external shareholders presences affect the agency cost. Cornett, M. M., Marcus, A. J., Saunders, A., & Tehranian, H. (2007). found that institutional investors with potential business relations have significant impact on the operating cash flow returns. Agarwal, S., & Singh, A. (2020) It was found that FII, ISH and Non institutional ownership have significant impact whereas Shares held by the custodian and Indian promotor holding were insignificant with corporate performance. This study was carried out for 30 firms for the period of 2007 to 2019. Jeet, D. (2020) found that there was a positive relationship between women on board of directors and firm performance. ROA and TOBINS Q was used as measure for firm performance. Jeet, D., Bhatia, B. S., & Sharma, R. K. (2020) empirically examined the determinants of shareholding pattern. Indian promotor holding and foreign promotor holding was used as dependent variables. Firm performance and duality has significant positive impact on shareholding pattern. Banik, A., & Chatterjee, C. (2021), based on the GMM (Generalized Method of Moments, more executive salary led to firm performance and companies with more promotor holding creates more value creation and Domestic Institutional Investors have significant impact on the performance of firms.

Five industries were selected viz Automobile industry, IT industry, Banking industry, Oil & Gas industry and pharmaceutical industry. In Automobile industry, Maruti Suzuki India limited, TVS motor company limited, Tata motors limited, Eicher motors limited and Ashok Leyland limited were selected. In IT Industry, Tata Consultancy Services Limited, Infosys Limited, Wipro Limited, HCL Technologies Limited and Tech Mahindra Limited and in Banking industry , HDFC Bank Limited, Kotak Mahindra Bank Limited, ICICI Bank Limited, Axis Bank Limited, IndusInd Bank Limited, State Bank of India, Bank of Baroda and Punjab National Bank were selected. In Oil & Gas industry, Bharat Petroleum Corporation Limited, Reliance Industries Limited, Oil and Natural Gas Corporation Limited, Petronet LNG Limited and Indian Oil Corporation Limited and from pharmaceutical industry CIPLA Limited, Aurobindo Pharma Limited, Lupin Limited, Sun Pharmaceutical

Industries Limited and Cadila Healthcare Limited were selected. Five years data from 2017 to 2021 were collected from www.nseindia.com, www.moneycontrol.com and from the companies' annual reports. All the companies were selected based on market capitalization. Tools used were One way ANOVA, Correlation and Multiple Regression was used for the analysis. SPSS 28 was used for the analysis.

To find the factors influencing the ownership pattern the following variables were used. IND_PRO = INDIAN PROMOTORS (Dependent Variable) and independent variables are ROE = RETURN ON EQUITY, DER = DEBT EQUITY RATIO, BOARD_SIZE = NO OF BOARD DIRECTOR, BINDEP = PERCENTAGE OF INDEPENDENT DIRECTOR IN BOARD and SIZE_MC = SIZE OF MARKET CAPITALIZATION.

$$IND_PRO = \beta_1ROE + \beta_2DER + \beta_3BOARD_SIZE + \beta_4BINDEP + \beta_5SIZE_MC + c$$

To find the impact of ownership pattern on corporate performance, the variables used are AUR = ASSET UTILIZATION RATIO (Dependent Variable) and independent variables are IND_PRO = INDIAN PROMOTORS, FOR_PRO = FOREIGN PROMOTORS, PSH = PUBLIC SHAREHOLDING, SHARE_CUSTODIAN = SHARE HELD BY CUSTODIAN and NON_ISH = NON - INSTITUTIONAL SHAREHOLDING

$$AUR = \beta_1NONINSTOWN + \beta_2FOR_PRO + \beta_3SHARE_CUSTODIAN + \beta_4PSH + \beta_5IND_PRO + c$$

III. RESULTS AND DISCUSSION

One way ANOVA has performed to find out the difference in the selected variables between the selected companies.

Table 1: One way ANOVA – Selected variables

PARTICULARS	P VALUE	INFERENCE
ROE	0.000	Significant Difference
BOARD_SIZE	0.000	Significant Difference
PSH	0.000	Significant Difference
AUR	0.000	Significant Difference

It was found from Table 1 that there is significant difference in ROE, Board Size, PSH and AUR of the selected Indian companies.

Table 2: Relationship between factors influencing the ownership pattern variables

	IND_PRO	ROE	DER	BOARD_SIZE	BINDEP	SIZE_MC
IND_PRO	.	.215	.355	.275	.000	.000
ROE	.215	.	.000	.449	.036	.004
DER	.355	.000	.	.406	.002	.001
BOARD_SIZE	.275	.449	.406	.	.040	.225
BINDEP	.000	.036	.002	.040	.	.082
SIZE_MC	.000	.004	.001	.225	.082	.

From Table 2, there is Significant relationship between Indian promoter holding with Percentage of independent directors on the board and size of the company. Return on Equity has significant relationship with Debt Equity ratio, Percentage of independent directors on the board and size of the company and Debt

Equity Ratio has significant relationship with Percentage of independent directors on the board and size of the company and Board Size has significant relationship with Percentage of independent directors on the board.

Table 3: Relationship between impact of ownership pattern on corporate performance variables

	AUR	NONINSTOWN	FOR_PROM	SHARE_CUSTODIAN	PSH	IND_PROM
AUR	.	.164	.105	.008	.001	.017
NONINSTOWN	.164	.	.078	.000	.000	.000
FOR_PROM	.105	.078	.	.458	.491	.000
SHARE_CUSTODIAN	.008	.000	.458	.	.000	.000
PSH	.001	.000	.491	.000	.	.000
IND_PROM	.017	.000	.000	.000	.000	.

From Table 3, there is Significant relationship between Asset Utilization Ratio with Shares held by the Custodian, Public Shareholding and Indian promotor holding. Non-Institutional Ownership has significant relationship with Shares held by the Custodian, Public Shareholding and Indian promotor holding. Foreign

promotor holding has significant relationship with Indian promotor holding. Shares held by the Custodian has significant relationship with Public Shareholding and Indian promotor holding. Public Shareholding has significant relationship with Indian promotor holding.

Table 4: Factors Influencing Ownership Pattern – Multiple Regression - ALL INDUSTRIES TOGETHER AND INDIVIDUAL INDUSTRY – DEPENDENT VARIABLE: INDIAN PROMOTOR

PATICULARS	OVERALL	AUTO	IT	PHARM	OIL AND GAS	BANKING
ROE	-	Significant impact	Significant impact	-	-	-
DER	-	Significant impact	Significant impact	-	Significant impact	Significant impact
BOARD SIZE	-	Significant impact	-	-	-	-
BOARD INDEPENDENCE	Significant impact	Significant impact	-	Significant impact	-	Significant impact
SIZE MC	Significant impact	Significant impact	-	-	-	-

It was found from table 4 that for overall the Percentage of independent directors on the board and size of the company has significant impact whereas Board Size,

Debt Equity ratio and Return on Equity were insignificant factors on Indian Promotor holding.

Table 5: Impact of Ownership pattern on Corporate Performance – Multiple Regression - ALL INDUSTRIES TOGETHER INDIVIDUAL INDUSTRY – DEPENDENT VARIABLE: ASSET UTILIZATION RATIO

PATICULARS	OVERALL	AUTO	IT	PHARM	OIL AND GAS	BANKING
NON-INSTITUTION	Significant impact	-	Significant impact	-	-	-
FOREGIN PROMOTER	-	Significant impact	Significant impact	-	-	-
SHARE CUSTODIAN	-	-	Significant impact	-	Significant impact	-
PSH	-	Significant impact	Significant impact	-	-	-
INDIA PRO	-	Significant impact	Significant impact	Significant impact	-	-

It was found from table 5 that for overall the Non institutional Ownership alone has significant impact on Asset Utilization ratio whereas foreign promotor holding,

Shares held by the custodian, public shareholding and Indian promotor holding has no significant impact on Asset Utilization ratio.

Table 6: Factors Influencing Ownership Pattern – Multiple Regression - ALL INDUSTRIES TOGETHER – DEPENDENT VARIABLE: INDIAN PROMOTOR - INDIAN PROMOTOR > 50% AND INDIAN PROMOTOR < 50%

Variables	INDIAN PROMOTOR > 50%	INDIAN PROMOTOR < 50%
ROE	-	-
DER	-	Significant impact
BOARD_SIZE	Significant impact	-
BINDEP	-	Significant impact
LNMC	Significant impact	-

From table 6, if Indian promotor holding is more than 50%, Board size and Size of the company has significant impact on Indian promotor holding where as if

it is less than 50%, Debt equity ratio and Percentage of independent directors on the board has significant impact on Indian promotor holding.

Table 7: Impact of Ownership pattern on Corporate Performance – Multiple Regression - ALL INDUSTRIES TOGETHER – DEPENDENT VARIABLE: ASSET UTILIZATION RATIO - AUR > 50% AND AUR < 50%

VARIABLES	AUR > 50%	AUR < 50%
IND_PROM	-	-
FOR_PRO	-	-
PSH	-	-
SHARE_CUSTODIAN	-	-
NONINSTOWN	Significant Impact	Significant Impact

It was found from table 7, that non institutional ownership alone has significant impact on Asset Utilization ratio if it is less than 50% and more than 50%.

increased companies’ performance. Board Independence and Size of the company has significant impact on ownership pattern. DER has an Impact on all the industries on the factors influencing ownership pattern the companies should try maintain optimum debt equity ratio which should increase financial performance and shareholder wealth. Influence of ownership pattern factors on Indian promoters is more for automobile companies which shows that this industry performance depends more on ownership pattern. IT Industry asset utilization rate is impacted by all the ownership pattern and its factors. Foreign promoters play a major impact in IT Industry performance & Growth. This shows the relationship between shareholding pattern and corporate performance increase in foreign promotor ownership institutional and non-institutional ownership reduces agency cost.

IV. CONCLUSION

There is significant positive relationship between no of independent direction and firm performance. This shows the independent directors take decision without any hindrance and that improves company’s financial performance. Firms can increase and maintain. Independent directors’ numbers for the companies benefit. Negative significant relationship between DER and Board independence also proves that independent directors insist more that independent directors insist more on using retained earnings than outside financing. There is significant negative relationship between public shareholding and AUR and significant positive relationship between Indian promoters and AUR. This shows that increased PSH leads to more distribution of earnings to shareholders in the form of dividend and leads to decreased AUR. The companies should try to reduce PSH by Share buyback and increase promotor holding for

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