THE IMPACT OF OWNERSHIP STRUCTURE ON FIRM PERFORMANCE: EVIDENCE FROM FIRMS LISTED IN THE PAKISTAN STOCK EXCHANGE

SUBMITTED BY

Hina Nisar Qureshi

SUPERVISED BY

Dr. Faid Gul

NATIONAL UNIVERSITY OF MODERN LANGUAGES

RAWALPINDI

JULY, 2024

The Impact of Ownership Structure on Firm Performance: Evidence from Firms Listed in the Pakistan Stock Exchange

By

HINA NISAR QURESHI

MSBA, NUML University, 2024

A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF

MASTER OF SCIENCE
In **BUSINESS ADMINISTRATION**

To

FACULTY OF MANAGEMENT SCIENCES

NATIONAL UNIVERSITY OF MODERN LANGUAGES, RAWALPINDI.

JULY, 2024

© HINA NISAR QURESHI

NATIONAL UNIVERSITY OF MODERN LANGUAGES FACULTY OF MANAGEMENT SCIENCES

THESIS/DISSERTATION AND DEFENSE APPROVAL FORM

The undersigned certify that they have read the following thesis, examined the defence, are satisfied with the overall exam performance, and recommend the thesis to the Faculty of Management Sciences

Thesis/ Dissertation Title: The Impact of Ownership Structure on Firm Performance: Evidence from Firms Listed in the Pakistan Stock Exchange

Submitted By: Hina Nisar Qureshi **Registration #** MS-RWP-F21-005

____
Degree Name in Full (e.g Master of Philosophy, Doctor of

Dr. Faid Gul ________________________________
Supervisor Signature

Dr. Shoaib Hassan ________________________________
HOD (MS) Signature

Prof. Dr. M. Zahid Iqbal ________________________________
Dean (FMS) Signature

Date ____________________

CANDIDATE DECLARATION FORM

(Declaration Form to be filled in by Candidate at the time of Submission of Thesis to the Supervisor for Internal and External Evaluation. Follow this pattern strictly, and also let the dotted lines appear on the page)

I Hina Nisar Qureshi

Daughter/ Son of Nisar Ahmed Qureshi

Registration # MS-RWP-F21-005

Discipline Management Science

Candidate of Master Of Science at the National University of

Modern Languages do hereby declare that the thesis (Title) The Impact of Ownership Structure on

Firm Performance: Evidence from Firms Listed in the Pakistan Stock Exchange.

submitted by me in partial fulfillment of MPhil/ PhD degree, is my original work, and has not been submitted or published earlier. I also solemnly declare that it shall not, in future, be submitted by me for obtaining any other degree from this or any other university or institution.

I also understand that if evidence of plagiarism is found in my thesis/dissertation at any stage, even after the award of a degree, the work may be cancelled and the degree revoked.

Signature of Candidate

Date

Hina Nisar Qureshi
Name of Candidate

ABSTRACT

The Impact of Ownership Structure on Firm Performance: Evidence from Firms Listed in the Pakistan Stock Exchange

Firm performance always remained an area of interest/ concern for all stakeholders including stockholders, creditors, management, government, suppliers, etc. So far, several factors that contribute to the performance of a firm, have been identified by the researchers. Along with different external factors, the ownership structure is also considered an important factor contributing to firm performance. Various studies have found that the relation between ownership structure and firm performance is not straightforward. This relation is influenced by a number of other factors. As the decision-making of a firm is affected by the ownership structure based on the level of control different owners have over the organization. While conducting the research, the researcher has considered other factors like retention ratio, increase in debt and firm's size along with the different dimensions of ownership structure. This study has adopted the quantitative approach to study and analyze the relation between the selected variables in the model. The data has been collected from annual reports of different manufacturing companies. Stata software has been used to analyze the data. The findings of the research are mixed stating that family and institutional ownership have a significant impact on the firm performance in the presence of the control variables (retention ratio, increase in debt, and firm size) leading to the fact that firms with concentrated ownership tend to perform better in Pakistan as controlling shareholders have stronger incentive for controlling and monitoring the management team.

Keywords: ownership structure, firm performance, retention ratio, debt level, firm

TABLE OF CONTENTS

CHAPTER 1 1
INTRODUCTION 1
1.1 Background of the Study 1
1.2 Problem Statement 6
1.3 Research Gap 9
1.4 Rationale of the study 11
1.5 Research Objectives 12
1.6 Research Questions 12
1.7 Significance of the study 13
1.8 Practical significance 14
1.9 Contribution 15
1.10 Chapter Summary 16
CHAPTER 2 18
LITERATURE REVIEW 18
2.1 Theoretical Evidence 19
2.1.1 Agency Theory 20
2.1.2 Stakeholder Theory 22
2.2 Ownership Structure 23
2.2.3 Institutional Ownership 29
2.2.4 Family Ownership 31
2.3 Firm Performance (Sales Growth) 34
2.4 Retention (Reinvested) Earning 38
2.4.1 Retention ratio and firm performance 39
2.5 Increase in Debt 40
2.5.1 Debt level and firm performance 41
2.6 Firm Size (Total Assets) 42
2.6.1 The size of the firm and firm performance 43
2.7 Theoretical Framework 45
2.8 Hypotheses of the Study 45
2.9 Chapter Summary 46
CHAPTER 3 47
RESEARCH METHODOLOGY 47
3.1 Research Ethics 47
3.2 Research Approach 48

3.3 Sampling Technique and Sample Size 48
3.4 Data Collection 49
3.5 Data Analysis 49
3.6 Chapter Summary 52
CHAPTER 4 53
RESULTS AND INTERPRETATION 53
4.1 Descriptive Statistics 53
4.2 Correlation Analysis 55
4.3 Testing for the Presence of Endogeneity 57
4.4 Testing of Hypotheses (Application of Generalized Method of Moments) 58
4.5. Discussion 61
4.6. Chapter Summary 63
CHAPTER 5 65
CONCLUSION 65
5.1 Practical Implications of the Study 66
5.2 Limitations of the Study 66
5.3 Future Research Directions 67
CHAPTER 6 69
REFERENCES 69

ACKNOWLEDGMENTS

I would like to express my deepest gratitude to all those who have supported and guided me throughout the course of this research.

First and foremost, I am profoundly grateful to my supervisor **Dr Faid Gul**, internal supervisor**, Dr Shoaib Hassan** and external supervisor, **Dr Hassan Raza** for their guidance and expertise throughout this research journey. Their support and encouragement have been invaluable, and I am grateful for the opportunity to have worked with them.

Additionally, I acknowledge **NUML University Rawalpindi Campus** for providing resources and facilities. Special thanks to **Dr Shoaib Hassan** and **Sir Shoaib Ghulam** for their assistance and support. Lastly, I thank my family and loved ones for their patience, understanding, and encouragement throughout this journey.

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

The ownership structure of a company/ firm describes by whom the company is owned. Companies having private structures have control over the buying, and selling of shares while companies that have public ownership have their shares traded by the general public in the open market. The decision-making process of a corporation may be influenced by its ownership structure. Businesses with a small number of very powerful owners tend to provide greater voice to all shareholders, including minority owners, in major policy decisions, in contrast to those with more concentrated ownership. The internal structure of a company and the responsibilities and privileges of the people who have a stake in it are both addressed by the ownership structure. The ownership structure of a corporation has an impact on how the organization makes decisions (Dayal Pandey & Nath Sahu, 2023). Companies having concentrated ownership have strong control over decision-making. On the other hand, more power is given to minority shareholders in companies that have less concentrated ownership.

Ownership structure is also defined as the distribution of ownership rights and control of a firm. Strategies, investments, and capital raising all impact a company's capacity to execute, making it a key performance indicator (Di, 2021). Some popular methods to assess ownership structures include concentration of ownership, institutional ownership, insider ownership, family ownership, and foreign ownership. Another popular approach to assess ownership is by looking at the percentage of shares owned by the biggest shareholders. Another typical metric is the percentage of shares held by insiders, such as managers and directors, and by investors from outside the nation of the firm's headquarters, who are considered foreign owners.

According to Boyd and Solarino (2020), there are different types of ownership in a corporation, including managerial, institutional, and family ownership. The ownership structure impacts an organization Key Performance Indicator (KPI) (Demsetz & Lehn 2019). An effective ownership structure can resolve the conflicts (emotional, cognitive and competing interests) between the stakeholders. According to Soliman et al. (2018), there are three different types of ownership for a business: managerial, institutional, and family ownership. According to a study by Ullah. et.al. (, 2019). A connection between firm KPI and ownership structure and that if the company is generating good profits, the shareholding and wealth of the shareholders is more likely to increase.

According to Wahyudin (2020), the basic goal of the ownership structure is to boost the firm performance, which is indicated by the degree of prosperity of the company's owners. The owners of a firm make different strategies to improve the firm's performance. This approach aims to minimize management's propensity to act opportunistically in ways that could be detrimental to shareholders. It is based on the agency theory (Jensen & Meckling, 1976). There is a vast body of research exploring the relationship between firm performance and ownership structure, as well as the impact of stock exchange listing on firm performance (Demsetz et al., 2019). This dissertation investigates the impact of ownership structure on the performance of firms listed on the Pakistan Stock Exchange, aligning with SDG 8 to promote sustained, inclusive, and sustainable economic growth. The study examines different ownership types influence profitability, efficiency, and market valuation, providing insights for enhancing corporate governance and supporting sustainable development in emerging markets.

According to Jensen and Mecking (1976), firms create a legal entity between their management and shareholders (i.e., owners, management, employees, suppliers, and customers) to increase productivity and profitability. This study focuses on components of ownership structure including managerial, institutional, and family ownership. The ownership structure is important in any organization because it measures the whole structure of the firm's Key Performance Indicator. It

is determined as the distribution of ownership according to the voting rights and the firm's shareholding (Suartana et al. 2018).

Firm performance is defined as the measure of how well the goals of the company are achieved by it. Firm performance can be measured in any organization based on customer satisfaction, operational performance, and financial performance. One common way to evaluate a business's financial health is by looking at its financial ratios. Three important financial statistics are return on equity (ROE), profit margin (PM), and return on assets (ROA). You can see the efficiency and effectiveness of the company's resource use in generating profits from these ratios. Measures including productivity, quality, and on-time delivery are used to assess operational success. These metrics reflect how well the products or services of the company are produced and delivered. Surveys and feedback are used to measure the customer satisfaction. Customer satisfaction is considered an important measure of the performance of the firm as the future financial success of the company is indicated by it. A well-performing firm is always working well to achieve customer satisfaction and operational and functional goals. High-performing firms are able to attract and retain top talent, grow market share, and generate stronger profits.

In this research, the parameter that is used to measure firm performance is sales growth. The reason for giving preference to sales growth over traditional financial metrics like Tobon Q ROE and ROA is that sales growth is influenced by various factors that reflect focus on different aspects of strategic goals of the company and market positioning (Homburg et al., 1999). Similarly, the sales growth is less vulnerable to different accounting techniques used by firms whereas the traditional measures e.g. ROA, ROE and Profit margins can be affected by using different accounting standards (Shatnawi et al., 2021). Variation in corporate tax laws can also affect the traditional measures of performance whereas Sales Growth is less affected by such variations. Other reasons for giving preference to this measure include a focus on top-line growth as it measures the direct ability of the company to increase its growth. Growing the top line is crucial for expanding market share by reaching new customers and increasing overall market presence (Karas et al., 2020). Sales growth is

also an indicator of the ability of the company to adopt changes in economic conditions. Sales growth is considered a more competitive benchmark for performance evaluation as industries with low-profit margins but high sales (turnover) may prioritize sales growth as a key indicator. Companies are more likely to invest in marketing and research to capture new business opportunities driving sales growth. Sales growth is particularly important for companies in competitive markets that prioritize expanding their customer base and market share (Al Harazi et al., 2023). This especially helpful measure for companies that are characterized by technological change or evolving consumer preferences.

The relation between the ownership structure and firm performance is complex, based on the complexity of this relation no single consensus has been found in the results of different studies on the exact nature of this relation (Boachie, 2023). There is growing evidence suggesting that ownership structure can have a significant impact both directly and indirectly on the performance of the firm. One of the most important ways in which ownership structure can have an impact on firm performance is through its impact on agency cost. Agency cost is the cost that arises from the separation of control and ownership in the business (Martono et al., 2023). When the interests of managers are different from shareholders based on which they may make decisions that are not in the best interest of the firm which can lead to a loss of value for shareholders.

Several mechanisms exist within an ownership structure that might reduce agency costs. One good example is how institutional owners, who are usually the biggest shareholders, have a vested interest in keeping an eye on management to make sure they are acting in the company's best interest. Because firm size is associated with both ownership structure and firm performance bigger firms may have easier access to capital markets than smaller ones due to their dispersed ownership structure this study also used control variables like retention ratio, increase in debt, and firm size to examine the effect of ownership structure on firm performance (Yadav et al., 2021).

As bigger companies often have more resources and may take advantage of economies of scale, they are often able to outperform smaller ones when it comes to business success. Companies

with more employees tend to be less nimble and more bureaucratic, both of which may reduce their efficiency. Firm performance can also be affected by the increase in debt as necessary debt can be provided by debt to invest and grow. Too much debt can increase the financial risk of the firm. The increase in financial risk might make it difficult for the firm. The firm can be bankrupt if it defaults on its debt. The retention ratio is the percentage of earnings of the firm that can be retained and reinvested in the firm. A higher retention ratio shows that for future growth the firm is reinvesting more of its earnings instead of paying out in the form of dividends. Paying out less dividends to its shareholders is reflected by a higher retention ratio and this can result in an increase in sales in the future. A high level of retained earnings gives firms the funds from internal sources that are necessary for future growth (Rajverma et al., 2019).

It is essential to include the effects of company size, retention ratio, and growth in debt when studying and evaluating the relationship between ownership structure and business success. According to Morck et al. (1988), ownership structure continues to have a favorable effect on performance even after taking company size and leverage into consideration. However, the study did indicate that ownership was less beneficial for enterprises with higher debt levels. The favorable impact of ownership structure on performance was only seen in organizations with high retention rates, according to Jensen and Mecking (1976).

Previous studies have shown that companies with more management ownership, higher levels of ownership concentration, or institutional ownership tend to perform better. This adds to the growing body of research suggesting that a company's ownership structure may significantly affect its performance. One of the most important aspects of a company's performance is its ownership structure. Size of the business, growth in debt, and retention rates are important confounding factors to think about when studying the correlation between ownership structure and financial performance. The classic challenge presented by Berle and Means (2017)—how can we discipline company managers to maximize firm value—becomes more pressing in light of the growing separation between ownership and management in recent years. Effective management discipline is made

possible by complex ownership systems, sophisticated capital markets, and intense inter-firm competition in developed economies like the US and Europe. As such, this topic is still crucial. For developing emerging economies, the question is even more important.

Therefore, it makes sense that a large number of studies on emerging markets concentrate on the impact of ownership structure on firm performance. This is because the authors of these studies hold the opinion that these businesses should perform well if their owners, acting as principals, are able to effectively guide managers as agents to maximize firm value (Shleifer and Vishny, 1986).

Moreover, ownership structure in emerging economies is a result of political intervention rather than something that develops naturally. This is one of the key reasons why ownership structures of businesses are so important to scholars studying emerging economies. In actuality, the national privatisation of socialist firms gave rise to business owners throughout Eastern Europe and Russia (Iwasaki & Mizobata, 2018). Business owners in China are members of a new class that the Communist Party of China (CPC) formed politically in an effort to implement Deng Xiaoping's so-called "socialist market economy." (Goodman, 2008).[2] Do the endogenously formed corporate owners in developed capitalist countries, such as China and former socialist regimes, have a comparable function to those established politically and exogenously over extended periods of time? The response to this query can be a crucial indicator of how well newly created economic systems are developing and functioning.

1.2 Problem Statement

Firm performance always remained an area of interest for all stakeholders including stockholders, creditors, management, government, suppliers, etc. So far, several factors that contribute to the performance of a firm, have been identified by the researchers. Along with different external factors, the ownership structure is also considered an important factor contributing to firm performance.

In an ideal world, ownership structure may be an irrelevant factor for firm performance, however, in the real world, the conflict of interests among different stakeholders can affect firm performance. Since the interests of different stakeholders as well as different categories of stockholders (ownership structure) are not completely aligned with each other, therefore, it is believed that increasing the managerial and institutional ownership in a firm can improve its performance (Kumar & Singh, 2018). The impact of ownership structure on firm performance is important for investors, managers, and policymakers, as it could help in their decision-making about the organization and management of businesses. (Kang, Lee, & Na, 2016).

The findings of this research stress the need to broaden our understanding of ownership arrangements in order to properly assess their effects on business success. It goes on to say that the way a company is structured in relation to its ownership could have different effects on its performance in different countries and contexts. According to Mehta et al. (2023), industrialized nations have an abundance of literature on this subject. The findings of different studies are mixed. Further research is needed to confirm these findings and explore the mechanisms behind the observed relations, especially from a developing country's perspective.

Instead of maximizing shareholder profit, opportunistic managers often misuse organizational resources for their own personal advantage. By using good ownership and governance practices, the conflict of interest between the agents and the principles can be reduced, increasing the value of the business. The purpose of this study is to investigate how ownership structure and corporate governance standards affect the relationship between agency cost and business performance. This is one of the few research that looks into the relationship among agency costs and business performance using an evolving modelling technique. Specifically, this project aims to solve the following research issues: Does the effect of agency costs on firm performance lessen with higher quality corporate governance? (2) What effects do ownership concentrations have on the link between agency costs and business performance? (3) How do state and non-state businesses control the links between agency costs and firm performance?

In emerging economies, concentrated ownership is associated with improved company performance (Heugens et al., 2009). The minority shareholders are shielded against management expropriation thanks in part to the concentrated ownership structure. The concentrated ownership reduces the agency cost in emerging nations, leading to better performance, according to the alignment of interest theory (Chen 2001).

The current study makes several contributions to the body of literature. First, by looking at the mediating role of corporate board features, the study expands on earlier research on ownership structure and business performance. Second, when examining the impact of ownership structure on company performance, the bulk of earlier research has either concentrated on accounting-based (Abdur Rouf & Hossain, 2018; Lauterbach & Vaninsky, 1999) or market-based (Demsetz & Villalonga, 2001) firm performance. Only a small number of research (Elvin & Bt Abdul Hamid, 2016; Jaafar et al., 2019; Yeh, 2019) have examined this association by concentrating on both measures. Given the importance of both measurers, the current study focuses on market-based (Tobin's Q and market-to-book ratio) as well as accounting performance (return on assets (ROA) and return on equity (ROE). Finally, the study hopes to facilitate comparison with the setting of other economies by using Bangladesh as an emerging and developing country, which varies from developed economies in terms of institutional and legal frameworks.

There is a need for conducting research on finding the impact of ownership structure on firm performance as some studies conducted had limited scope and focused on specific industries that might not be representing the broader Pakistani environment (Rashid Khan et al., 2020). The findings of those studies were not generalizable to other companies or industries. The sample size of previously conducted studies was small which limited the generalizability of the findings of the study as a small sample size cannot be representative of the broader population of Pakistani firms (Arslan, 2022).

Additionally, it is important to learn about and put to the test the agency hypothesis, which states that a company's ownership structure is a key component influencing its success. Due to the high

concentration of family ownership in Pakistani businesses, this research is necessary to shed light on how ownership affects company performance. The data is particularly relevant to Pakistani organizations. When insiders, family members, or large institutions possess a disproportionate amount of a company's stock, we say that ownership is concentrated. The overarching goal of this research is to fill in certain gaps in our knowledge about how different types of ownership affect business success in Pakistan.

1.3 Research Gap

Research on the effect of ownership structure on company performance is mixed, with some studies indicating a positive correlation and others indicating no correlation at all. Hence, further studies are required to examine how different forms of ownership affect business performance (Makni, Francoeur, & Bellavance, 2018).

Additionally, there is a chasm since management's and investors' interests are not entirely congruent. Management and institutions are seen to perform better when they have a larger stake in the company. When managers have a larger stake in the company, their interests are more closely tied to the investors'. Institutional ownership may also lead to stronger control of management's activities, which in turn improves the firm's performance. There is limited research with varying results in this area in the context of Pakistani firms (Ali et al., 2015, Mehta et al., 2023). Since performance is also affected by several other factors, therefore, this study includes them as control variables e.g. size, increase in debt level, retention ratio, etc. Limited work is available in this area in Pakistan by Akhtar et al. (2014).

Few studies have examined how different types of ownership affect business success in Pakistan. A large majority of the research has relied on accounting-based metrics like ROA, ROE, and EPS, profit margin on sales, etc. or market-based measures e.g. Stock Returns in terms of price change, dividends, or total yield. The above-stated accounting-based measures are influenced by the tax laws, accounting methods, and capital structure choices of a firm while the market-based

measures are influenced by the capital market conditions, political conditions, and factors outside the boundaries of a specific country. Sales growth, which is used as a measure of firm performance in this study, is also an accounting measure of performance but it is less affected by factors stated above. While ownership structure affects various dimensions of firm performance, such as financial performance, risk-taking behavior, and corporate governance (Demsetz and Villalonga, 2001; Claessens et al., 2002), there is limited research on how ownership structure influences a firm's ability to increase its sales/ revenues.

Only a small number of studies have looked at the connection between ownership structure in industrialized nations. According to research conducted in the United States by Hsu et al. (2018), firms with institutional ownership tend to perform better. Nevertheless, in developing economies like Pakistan, where the institutional and legal landscape is distinct, the connection between ownership arrangements could alter. According to Demsetz and Villalonga (2019). Hence, further studies are required to examine how firm performance is affected by ownership structure in developing countries like Pakistan. Firms in these economies may benefit from this as it clarifies the connection between ownership structure and business performance, allowing them to formulate more effective strategies for improving their performance.

This study fills a gap in our understanding by examining the effect of ownership structure on business performance in Pakistan, an area where very little research has been conducted. The research examines a group of Pakistan Stock Exchange-listed firms to determine the relationship between company performance and family, institutional, managerial, and concentration ownership. Due to a dearth of literature, this research sought to fill that gap by investigating the correlation between ownership and business performance in Pakistan. No studies have looked at the correlation between ownership structure and company performance outside of Pakistan (Adler, 2022). This goes against research conducted in the US, UK, and China.

There is a need for more study in this area, both theoretically and empirically. A company's success is heavily influenced by its ownership structure, which affects the alignment of interests

between shareholders and management and potentially the organization's decision-making processes. Understanding the factors that contribute to an organization's success or failure requires research on how ownership affects productivity.

There seems to be a dearth of research on the topic of how different ownership forms affect the financial performance of Pakistani businesses. A small number of studies have followed Ahmed and Ahmed (2014) and looked at how ownership affects a company's bottom line in Pakistan. This work is novel and significant because it fills a knowledge gap that has not been filled before: no one has looked at how ownership structure affects the performance of Pakistani enterprises, and no one has explained how the specific circumstances in Pakistan may play a role in this relationship.

1.4 Rationale of the study

There is a need to explore the relation between ownership structure and firm performance, especially in the context of Pakistani companies because limited research is available in the context of the impact of these variables on Pakistani Companies. Secondly, most of the research has been conducted in developed countries and there is a need for researching the impact of these variables in developing countries like Pakistan. Pakistan also has a unique business environment where different ownership structures exist as compared to other countries impacting and influencing the firm performance which may provide a broader and different research perspective as compared to the results of the studies conducted in developed countries. A dearth of literature on non-financial firms in developing nations like Pakistan necessitates this investigation into the effects of managerial ownership on business performance. Previous studies have shown that managerial ownership affects firm performance in industrialized nations, but this study will fill that gap.

Lastly, there is a need for further study on the relationship between ownership structure and company performance, especially in a specific business climate like Pakistan where there is a lack of existing information. The best ownership structure for Pakistani businesses, which may affect their performance, might be better understood with the aid of this study.

1.5 Research Objectives

The broad objective of this study is to evaluate the impact of the ownership structure on firm performance from the perspective of the companies operating in Pakistan and listed on the Pakistan Stock Exchange.

The objectives of this study can be categorized into the following points:

- To analyze the impact of ownership structure on firm performance (sales growth) listed in the Pakistan Stock Exchange.
- To analyze the impact of institutional ownership on firm performance listed in the Pakistan Stock Exchange.
- To analyze the impact of managerial ownership on firm performance listed in the Pakistan Stock Exchange.
- To analyze the impact of family ownership on firm performance listed in the Pakistan Stock Exchange.

1.6 Research Questions

An important role is played by the structure of the organization in shaping its governance and process of strategic decision-making. The stakeholders including policymakers, managers, and investors must understand how ownership concentration, institutional, etc. influence the firm performance. The central research questions that arise are:

1) What is the impact of ownership structure on firm performance (sales growth) listed in the Pakistan Stock Exchange?
2) What is the impact of institutional ownership on firm performance listed in the Pakistan Stock Exchange?
3) What is the impact of managerial ownership on firm performance listed in the Pakistan Stock Exchange?

4) What is the impact of family ownership on firm performance listed in the Pakistan Stock Exchange?
5) What is the impact of Retention Ratio, Increase in Debt and Firm Size (Asset) on the firm performance listed in the Pakistan Stock Exchange?

1.7 Significance of the study

This study aims to study the relationship between firm ownership structure and the performance of the firm operating in Pakistan. Specifically, this study also aims to club all the ownership structure categories into institutional, managerial, and family ownership and consider its impact on the performance of the firm. The findings are significant for the investors to select companies that are expected to perform better, thus providing higher returns.

This study focuses on components of ownership structure which include managerial, institutional, and family ownership. The results of this study would help in finding reasons to establish an effective ownership structure that may result in better firm performance. Investors can use the results of this study for better investment decisions to earn better returns on their investments.

The research other than the significance mentioned above has the benefit that understanding the impact of ownership structure on firm performance especially in Pakistani companies can enhance their performance which can contribute to achieving sustainable growth and increased productivity. The regulatory bodies can formulate regulations regarding the ownership structure of firms which are more beneficial for different stakeholders as well as for the government.

SDG 8 is significant impact the of ownership structure and firm performance, as it promotes sustainable economic growth and decent work. Evidence from listed companies in the Pakistan Stock Exchange shows that transparent ownership structures improve governance and performance. Achieving SDG 8 through improved ownership structures can lead to increased productivity, job creation, and economic stability in Pakistan. This contributes to a prosperous and sustainable future.

A good ownership structure helps in motivating employees to achieve firm performance. Another significance of this would be the result of this research can be used by the policymakers and decision-makers of Pakistani companies to give their team members clear expectations and provide them with the required resources for achieving the required goals of the company. The results of the study can be used for designing a tailored ownership structure leading to improved firm performance through better collaboration and communication, increased motivation, and better performance management.

1.8 Practical significance

This research builds on previous work that examined company performance from a variety of angles, such as ownership and capital structure, business size and dividend policy, and others. It adds to the existing body of knowledge by synthesizing findings from a number of studies that examined the correlation between ownership structure and company performance in both developed and developing nations. Prior research has defined agency theory and shown that management's and investors' competing interests may have a major impact on a company's bottom line. Managers may lack a strong motivation to prioritize shareholder value in companies with a more decentralized ownership structure (Demsetz & Lehn, 2018). Theoretically, the research adds to the literature by constructing and testing hypotheses and shedding light on the key processes that underlie the correlation between ownership structure and company success.

There are a lot of real-world reasons why research on the connection between company ownership and performance is important. In order to promote sound corporate governance and encourage ownership structure, which leads to improved company performance, governments may utilize the study's conclusions to establish legislation and policies. On a broader scale, this may also contribute to increased economic growth. The second important thing about this study is that it can help businesses figure out how to set up their ownership structures so that managers and shareholders have each other's best interests at heart. This, in turn, can improve management and decision-

making, which in turn boosts business performance. In order to make better, more informed investment choices, investors might use the study's findings to choose companies with stronger ownership structures and governance processes.

1.9 Contribution

The practical contribution of the study is to guide managers on how to design an effective ownership structure to optimize firm performance. The study could help investors better understand the risks associated with concentrated ownership structures and provide guidance to managers, shareholders, and regulators on how to mitigate the negative effects of agency problems.

Overall, the impact of ownership structure on firm performance is complex. The relation between these variables is affected by a variety of other factors including the size of the firm, level of debt, retention ratio, and the industry in which the firm is operating. The impact of the ownership structure on firm performance is also affected by the nature of the environment in which the company is operating and the strategic goals that it has to achieve (Pham & Islam, 2021). A significant role can be played by a well-designed organizational culture that can help the organization achieve its goals and improve its performance.

Considering the scarcity of literature on the subject and the status of Pakistan as a developing nation, it would be beneficial to address this knowledge gap by examining the correlation between ownership structure and firm performance in that context. An additional advantage of the study's results is the ability to determine the most effective ownership arrangements in Pakistan. The study's results may be used by researchers to ascertain the ownership forms that are most likely to enhance a company's financial performance. Businesses may use the results of this research to construct ownership arrangements, hence promoting economic growth and development.

The study conducted by Chegini et al. (2013) suggests that subpar performance is a significant concern for several organizations. The performance of a business is influenced by its productivity and the effective utilization of resources to achieve a competitive advantage. Size, environment, and

technology are a few of the factors that impact the link between ownership structure and organizational success (Chegini, et. al., 2013). Therefore, this study's overarching goal is to learn more about how ownership affects corporate performance by examining the ownership structures of businesses listed on the Pakistan Stock Exchange.

1.10 Chapter Summary

The ownership structure of a company/ firm describes by whom the company is owned. Companies having private structures have control over the buying, and selling of shares while companies that have public ownership have their shares traded by the general public in the open market. Ownership structure has an impact on how decisions are made in a company. In companies, those who have concentrated ownership have strong control over decision making while companies that have less concentrated ownership delegate more decision-making power to even minority shareholders. An organization's ownership structure determines the roles and responsibilities of those who have a financial, legal, or equitable stake in the company. The firm's ownership structure affects the organization's decision-making (Dayal Pandey & Nath Sahu, 2023). Companies with a small number of owners tend to have a lot of say in major policy decisions. Companies with less concentrated ownership, on the other hand, provide more authority to minority shareholders (Dayal Pandey & Nath Sahu, 2023).

The correlation between a company's ownership structure and its financial success is complex, according to research. The ownership structure impacts the company's decision-making according to the amount of power each owner has over the organization, which is only one of many aspects that impact this relationship.

Previous studies failed to adequately address important questions due to their narrow focus, small sample sizes, incomplete analyses, and absence of qualitative data; so, this new study is necessary. A comprehensive study was required to comprehend the connection between Pakistani firms' ownership structures and their performance.

The study's relevance lies in the fact that its findings may inform the development of a personalized ownership structure that boosts business efficiency. Given the dearth of literature on the topic, and the fact that Pakistan is an emerging country in particular, it would be helpful to fill this knowledge gap by investigating the connection between ownership structure and company performance there. Finding out what works best for ownership structures in Pakistan is another benefit of the study's findings. Researchers might use the study's findings to determine which types of ownership are most associated with effective corporate governance and strong performance.

The next chapter shall throw light on the literature available on ownership structure and its impact on firm performance while chapter 3 shall highlight the research methodology adopted for conducting the research along with the information on data collection and methods used for analysis of data. Chapter 4 concludes the research also making recommendations to the researchers for future research.

CHAPTER 2

LITERATURE REVIEW

Ownership structure is defined as the distribution of ownership rights and controls in the firm. These rights and controls may be complex and multifaced and involve a variety of different types of owners including individuals, families, institutions, and government. Firm performance is the extent to which goals and objectives are achieved by the firm. This structure has been shown to affect a firm's performance, with various studies examining the impact of ownership structure on firm performance in different situations.

Different ownership structures can affect the decision-making of the firms with more concentrated ownership may have more control over decision-making. Ownership structure can also affect the alignment of incentives as in a firm with concentrated ownership the managers and owners are more aligned to the success of the firm. A firm with dispersed ownership is more likely to lead to agency problems as they may not always be making decisions in the best interest of the shareholders. Ownership structure can also affect the ability of the managers to monitor and control the behavior of the managers they may not be using the resources efficiently which leads to managers making decisions that are not in the best interest of managers.

Particularly in Pakistan, the ownership structure has a significant impact on the success of the organization. Because most companies in Pakistan are run by families, this factor plays a significant role in determining how well a corporation does. Second, while family members control the majority of a company's shares in Pakistan, this concentration of wealth may have both beneficial and bad effects on the company's bottom line. Because controlling shareholders are less prone to be influenced by short-term market factors, concentrated ownership may result in effective decision-making, which in turn can lead to long-term planning. Because controlling shareholders are highly motivated to keep an eye on management and make sure they're looking out for the company's best interests, concentrated ownership may assist bring down agency expenses. When there is a small

number of powerful people in charge of a company, they may act in a way that benefits themselves at the expense of the rest of the shareholders, which may cause issues like entrenchment, tunnelling, and a general lack of transparency. Furthermore, minority shareholders may find it challenging to obtain corporate information due to concentrated ownership. Pakistan has a higher prevalence of concentrated ownership than scattered ownership. The increasing prevalence of dispersed ownership in Pakistan has both beneficial and bad effects on business performance. As a result of minority shareholders' increased ability to oversee and influence management, dispersed ownership has the potential to lower the agency cost. Beyond this, businesses with distributed ownership find it less difficult to access public market funds. Because distributed shareholders are subject to more pressure from the short-term market dynamics, a negative consequence of dispersed ownership is that it might cause decision-making to be less efficient and focused on the short-term. Second, when companies have different levels of ownership, it's harder for them to work together and carry out their long-term plans.

The correlation between company ownership and financial success has been the subject of much study (Arslan, 2022). According to Dayal Pandey and Nath Sahu (2023), there is conflicting evidence in the research. Others studies have discovered a positive correlation, others have found a negative one, while yet others have failed to detect any association at all. The concentration of ownership, or the percentage of shares held by a small number of shareholders, is one of the most important determinants of the correlation between ownership structure and business performance.

Experts and investors have long been curious in the connection between a company's ownership structure and its financial success.

2.1 Theoretical Evidence

According to agency theory, which is one of the foundations of this relationship, managers and shareholders have competing interests since ownership and control are separated. Agency expenses,

such the price of keeping tabs on managers, may rise as a result of this dispute and have an impact on how well a company does financially.

2.1.1 Agency Theory

Corporate governance's agency theory delves into the nature of the relationship between principals and agents (Yadav, 2022). According to agency theory, issues may arise when the goals and motives of principals and agents are at odds with one another. Managers may prioritize their own interests above those of the shareholders in accordance with agency theory, provided that they are legally able to separate their money and influence from their management duties. It seems that ownership could impact company performance in a different way than first anticipated. The difficulty is compounded by the fact that various kinds of owners have varying objectives and motivations, which in turn influence the firm's performance in different ways. Particularly, there are good and bad effects on performance that might result from family ownership. While there is a potential for increased nepotism and agency issues, there is also a possibility of a greater emphasis on long-term investment.

When owners and management split up assets (cash flow) or when significant company choices are taken and tampered with, agency problems occur. The main source of conflict in a joint-stock company is between shareholders and managers since current business structures separate ownership from management. Managers have the ability to use their profit rights as representatives, who are usually recruited. They use knowledge or experience to their advantage while making self-serving choices.

On the other hand, it might be harmful to the interests of the company as a whole and to shareholders specifically. The connection between one party that assigns management responsibilities to another party acting as a representative to oversee the work is reflected in the notion of agency difficulties. Agency theory and principal-agent theory are the two historical vantage points from which agency problems have been examined.

Agents and principles can find themselves in a conflict of interest, but agency theory can help alleviate some of the tension that might result. Various forms of ownership affect a company's success in various ways, according to agency theory.

Agency theory predicts that firms with managerial ownership will perform better because, under this type of ownership, owners' and managers' interests are congruent, leading to decisions that benefit the organization financially and boost performance. Therefore, management ownership may cause agency difficulties since managers may use their positions to make choices that benefit themselves, even if such actions aren't in the best interest of other stakeholders.

Directors, as agents representing investors, often pursue personal objectives that have nothing to do with the shareholders' best interests, according to agency theory. The idea is that if more people have a say in running the company, it will be more lucrative. In this study, we want to find out how size, retention rate, ownership structure, and mounting debt affect business success.

Although prior research has addressed agency theory and its suggestion that management-shareholder conflicts may significantly affect a firm's performance, the current study places equal emphasis on the two concepts (Johnson, S., & Tian, 2021).

As a result of managers' and shareholders' shared interests, agency theory posits that a more concentrated ownership structure might improve a company's bottom line. When managers have a personal investment in the company's success, they are more inclined to behave in a way that benefits the business, which ultimately boosts its performance (Mitnick, 2011). The agency theory also implies that managers would behave in their own self-interest while putting the interests of other shareholders at risk if they were likely to have control of the organization, which would have a detrimental effect on business performance.

In general, the effects on business performance of various ownership forms may vary. By reducing agency costs and aligning shareholder and management interests, firms may improve their long-term performance via strategic ownership structure design. The corporation may reduce agency issues and delay the pitfalls of control and ownership separation with the aid of effective governance processes.

2.1.2 Stakeholder Theory

Stakeholder theory is the theory that emphasizes the importance of considering the interests of all stakeholders in addition to shareholders in the process of decision-making. According to the stakeholder theory, it is suggested that focusing on the interests of the stakeholders can help the firm improve its performance and create value (Harrison & Wicks, 2013).

By using stakeholder theory different stakeholders of the firms can be identified that can be affected by the firm performance. Stakeholders have different interests in the firm and these interests may not be aligned with the interests of the shareholders (Dao & Phan, 2023).

Based on the stakeholder theory, it can be seen how ownership structure can affect the ability of the firm to manage its relationship with different stakeholder's firms with higher levels of institutional investors are more likely to be interested in making short-term profit investments at the expense of long-term investments or satisfaction of employees.

Firms with more family ownership shall be more likely to invest in long-term growth even at the expense of short-term profits. Ownership of the company can influence firm performance as ownership concentration can lead to better alignment of interest between managers and shareholders leading to improved performance. Ownership concentration can lead to excessive risk-taking by managers which can damage firm performance.

Stakeholder theory suggests that value should be created by the firm for all its stakeholders and not just for its shareholders (Scherer & Patzer, 2011). Ownership structure can influence financial performance through strategic orientation organization structure and management.

Empirical studies have also provided support for the Stakeholder Theory, with research showing a positive relationship between stakeholder orientation and firm performance. A study by Freeman et. al. (2010) concluded that firms that prioritize stakeholder interests tend to have higher financial performance.

Overall, the literature on firm performance highlights the importance of considering multiple factors when analyzing organizational success. While the useful framework for understanding how firm resources and capabilities drive performance.

According to the stakeholder theory, firms that are focused on maximizing the value for shareholders are more likely to take excessive risks as shareholders are concerned with the potential rewards of taking risks and less concerned with the potential risks of other stakeholders.

A number of negative consequences can be faced by the firm due to excessive risk-taking which includes legal liability, reputational damage, financial losses, and bankruptcy. These consequences can harm the stakeholders of the firm including the shareholders. Therefore, according to this theory balanced risk-taking approach needs to be adopted by the firms by the firms operating to create value for their stakeholders and achieve better long-term performance.

2.2 Ownership Structure

The way in which a company's shareholders, managers, and other interested parties are structured in relation to one another in terms of ownership and control is called its ownership structure (Pham & Islam, 2021). Many studies have looked at how alternative ownership structures influence a company's performance in various contexts, and the results have shown that this structure does have an effect. Several scholars have investigated how different forms of ownership affect business outcomes. Khan et al. (2018) found that family ownership is positively correlated with company success. Because of their dedication, long-term thinking, and managerial control, family enterprises outperform non-family firms, according to the research.

In Pakistan's banking industry, Hussain (2019) conducted research on the connection between ownership structure and business performance. A firm's performance is negatively affected by concentration of ownership and positively affected by institutional ownership, according to the study's successful conclusion. According to the authors, institutional investors should be responsible for overseeing and reprimanding management in order to boost company performance. In a similar

vein, Ali et al. (2020) looked at how different types of ownership affected the bottom lines of different companies. Firm performance is negatively affected by concentration of ownership, but positively affected by institutional and family ownership, according to the research.

Firm performance is influenced by ownership structure, according to the literature. Evidence suggests a detrimental effect of ownership concentration and a favorable effect of family and institutional ownership. Implications for investors and lawmakers are significant since these results imply that encouraging family and institutional ownership could boost company performance. Firm performance is significantly affected by family ownership, according to Anderson and Fraser (2000), Martnez et al. (2007), and Chu (2011). One way in which ownership affects a company's success is shown by Alabdullahet (2022).

Various studies have been carried out to examine the correlation between different types of ownership and the financial success of a company. La Porta et al. (1999) found that since the biggest shareholders have greater say in the company's choices, businesses with a larger concentration of ownership often do better. In a similar vein, Gugler et al. (2018) discovered that companies with a larger percentage of insider ownership often outperform their peers. This is likely due to the fact that insiders are more likely to act in the company's best interest.

Ownership structure and firm performance

There has been a lot of research on the complicated relationship between ownership and corporate performance. Economic success and market-based performance metrics are positively correlated with ownership concentration, according to the prior research. Since there are a lot of ways in which an organization's ownership structure may impact its performance, there is a strong correlation between the two.

An ownership structure may assist bring managers' and owners' interests closer together, which is useful since agency problems can arise when managers' and owners' interests are at odds. The ownership structure impacts the firm's performance since it determines how the firm's management is governed and monitored. In order to improve the firm's performance and decrease the danger of

fraud, larger investors are increasingly interested in regulating and monitoring the company's management. The ownership structure of a company may impact its performance by influencing the availability of its resources. By giving the business access to resources, large investors may boost the firm's performance, allowing it to develop and expand.

The entity or organization that owns the majority of a company's shares is known as the ownership structure (Kepemilikan et al., 2018). Effective business performance and shareholder wealth are mostly determined by the ownership structure. When a corporation has a functional ownership structure, all shareholders have the ability to vote on important matters that are crucial to the functioning of the business, meaning that no one authority can control the organization when decisions are made based on ownership.

Consequently, disputes between proprietors and their representatives could be prevented, improving the functioning of the company (Al Farooque et al., 2020). Public, private, institutional, and managerial ownership are the different categories into which the ownership structure can be subdivided (Irawati et al., 2019). Regarding ownership structure, this study makes use of managerial and institutional ownership.

For a long time, FP and ownership structure have been the main topics of discussion among academics, researchers, and decision-makers. This relationship is contingent upon different ownership arrangements that manage investment strategies apart from the investment timeframes that could impact financial performance (Kuo et al., 2020). According to Yasser et al. (2017), variations in the monitoring of those that the shareholders can carry out account for the direction of this association. Mardnly et al. (2018) discovered that the board's monitoring responsibilities have grown in importance in this regard. Additionally, the ownership structures of businesses are the primary basis for how CG mechanisms organize them, which in turn affects board choices. However, some earlier research asserts that conflicts of interest between shareholders and management could result from the ownership structure. This conflict has the potential to reduce the

value of the company, particularly if managers prioritize maximizing their own interests over the demands of the owners (Khan & Zahid, 2020).

A firm's performance may take a hit if the majority shareholders' interests were to supersede those of the minority shareholders due to the ownership structure of the company. Family ownership may enhance or diminish a company's success. When an owner-manager reduces their share of ownership below 100%, they do not have to pay the whole increased cost, therefore they can utilize or squander company resources for their own gain. If agency expenditures are vital to the company, manager ownership is inversely correlated with them. Having a majority stake, taking part in operational governance, and managing managers can save agency costs and boost firm performance when the family's goals coincide with the company.

A family-owned business is defined by a high level of family member power concentration. Larger financial stakeholder groups are more financially motivated to minimize agency disputes and boost overall performance. Furthermore, in family-owned businesses, the establishment of the firm is intrinsically related to the family's assets, which incentivizes the family to control the manager's self-serving actions. Due to their access to resources, manufacturing know-how, and industry expertise, family members have a clear advantage when monitoring calls for specialist knowledge, as it does in technical firms. Similar to how diversification of ownership helps reduce exposure to risk, it boosts bottom line results (Yasser & Mamun, 2017).

Institutional ownership improved accounting-based performance, but foreign and director ownership improved market-based enterprises' success as well, according to researchers who examined the effects of different forms of ownership on company performance. To sum up, there are a lot of moving parts in the complex link between ownership structure and company success. When deciding on an ownership structure, managers should take into account the specifics of their companies and the sector in which they operate.

H_1: Ownership structure has a significant impact on firm performance.

Managerial, institutional, and family ownership

There are a lot of elements that might influence a company's success, including managerial, institutional, and family ownership. The correlation between company ownership and financial success has been the subject of a great deal of research. The research on management, institutional, and family ownership will be reviewed in this article, and some of the important results will be discussed.

2.2.1. Managerial Ownership

The amount of shares owned by managers who are also involved in making decisions for the company is called managerial ownership. According to Short and Keasey (1999), managers may be both owners and commissioners. It is a method of running a company that seeks to make sure that managers' goals are in line with those of the shareholders. Alignment of interests, less agency cost, and increased motivation and commitment are some of the advantages linked with management ownership (Di, 2021).

When managers' personal interests are aligned with those of the firm's shareholders, the managers are more likely to act in the shareholders' best interests, as their own investments in the company will lead to higher share prices. There is less agency cost under management ownership since managers' and shareholders' objectives are complementary rather than competing (Espenlaub et al., 2007).

When managers have a stake in the company's success, they have a greater incentive to put the company's interests first, which boosts the bottom line. Managerial ownership is not without its downsides. Decisions made by managers with majority shares may benefit themselves at the cost of the company's minority owners. Because managers may be hesitant to sell their shares in a market where individuals could have diverse opinions about how the firm should be run, managerial ownership might lead to a decrease in diversity of ownership. There may be less accountability and transparency in the firm if the management who own most of the shares are unwilling to share sensitive information with shareholders.

There are more upsides to management ownership than downsides, but a solid corporate governance framework is necessary to prevent managers from abusing their positions of authority. Furthermore, research suggests that the ideal percentage of ownership could change based on the specifics of a business.

Management ownership is positively correlated with company success, according to several research (Demsetz and Lehn, 1985; Fama and Jensen, 2020). Performance and creativity may both benefit from a greater sense of responsibility on the part of managers. Hermalin and Weisbach (2001) discovered that companies with more management ownership invested more in R&D and development, leading to more innovation. There is some evidence that managers may put their personal interests ahead of the company's and shareholders', which is known as agency difficulties, when there is a high degree of management ownership. Poor decision-making and conflicts of interest may result from this. A more equitable ownership structure, including both internal and external shareholders, is recommended by some academics for businesses. Firms may benefit from having separate ownership and control, according to Shleifer and Vishny (2018). This is because having external owners can help keep managers in check and make sure the business is getting what it needs.

A number of variables, including the kind of industry, the size of the business, and the governance arrangements in place, are likely to influence the complicated link between management ownership and firm success.

Managerial Ownership and Firm Performance

Managerial ownership is the percentage of a company's total shares held by its management. Researchers interested in researching corporate performance have found this issue intriguing. Some studies have shown that management ownership has an effect on output and company success. Numerous studies have sought to analyse and explore the effect of ownership on business performance by grouping all corporate owners into a single ownership structure, and a great deal of research has focused on the link between managerial ownership and firm performance. Some

research has shown a favorable correlation between management ownership and business success, whereas other research has found the opposite to be true. Managerial ownership does not always correlate positively with company success, according to prior research. There is no entrenchment impact at management ownership levels over 5%, according to the conclusions of certain writers (de Villiers, 2000). The authors Mandacı and Gumus (2010) discovered a favorable correlation between management ownership and business performance in a research that was carried out in a Turkish nation using data gathered from non-financial enterprises. There was a positive correlation between management ownership and business performance in 48% of the UK-based enterprises whose data was sourced from another research (Short & Keasey, 1999).

The complicated and multi-factoral nature of the link between management ownership and business performance suggests that managerial ownership may, in general, improve firm performance. Both the nature of the business and the degree of ownership have the potential to impact and complicate the nature of the interaction between these variables.

Therefore, it can be said that:

H1a: Managerial Ownership has a significant impact on firm performance.

2.2.3 Institutional Ownership

Institutional ownership has established a significant impact on business performance in studies (Julianti, 2018). Institutional ownership has not been demonstrated to have an impact on firm value, according to Radhitiya & Purwanto (2017). Investors can use some types of information, as signals (Abd Rahman & Ahmad, 2018). Previous studies have demonstrated that ownership structure has a favorable impact on business performance with a reasonably high coefficient.

Institutional investors, including pension funds, insurance firms, and mutual funds, hold a certain amount of a company's shares. Investors from outside the firm often see institutional ownership as a show of trust in the business. There is a favorable correlation between institutional ownership and corporate performance, according to serval research (Aggarwal and Samwick, 1999; Bushee, 2019). Institutional investors are often more focused on long-term growth prospects than

individual investors, which may contribute to the positive relationship. Finally, the institutional theory suggests that a firm's performance is influenced by its institutional environment, including cultural norms, regulations, and social expectations. The institutional theory suggests that firms that follow the norms and expectations of their institutional environment tend to achieve better performance outcomes.

Empirical research has provided mixed support for the institutional theory, with some studies finding a positive relationship between institutional conformity and performance and others finding a negative relationship. A study by Deephouse and Carter (2018) concluded that firms that follow environmental regulations tend to have higher performance outcomes, while a study by Johnson et al. (2003) found that firms that follow social norms tend to have lower performance outcomes.

Institutional Ownership and Firm Performance

A portion of a company's stock is owned by institutional investors including pension funds, mutual funds, and hedge funds. The effect of institutional ownership on a company's profitability is an intriguing topic for both investors and academics. Institutional ownership is positively correlated with corporate success, according to research (Tsouknidis, 2018). Using tools like panel data and regression analysis, a number of research have looked at this correlation. The research found that institutional ownership and company performance are asymmetrically related. In the first regime, institutional ownership is associated with an increase in firm performance, whereas in the second regime, the opposite is true. As institutional representatives have more of an incentive to keep an eye on the company's management, prior studies have shown that having them on board increases a company's firm value (Clay, 2002). Having a larger number of institutional investors could influence the board of directors' choices. A research conducted by Chaganti and Damanpour (1991) found that the ownership of independent institutions had an effect on business performance and a positive relationship between institutional ownership and firm value. Along with deregulation, changes in institutional ownership, and endogeneity, institutional ownership impacts company performance. The connection between institutional ownership and business value is influenced by capital structure

as well. The effect of capital structure on company value could be different for different KPIs. An indicator of institutional ownership is the large proportion of firm shares held by the institution. The institutions in this case are banks, investment firms, insurance companies, and private companies. High ownership is usually indicative of institutional ownership, which leads to a more efficient management monitoring system (Kepemilikan et al., 2018). Representing a specific group of shareholders who own a sizable portion of the stock, institutional investors are important players (Raimo et al., 2020). Through increased oversight, institutional ownership can contribute to improved managerial performance (Hapsari et al., 2019).

Previous research has consistently shown that institutional ownership increases a company's worth. This effect, however, differs from one firm's capital structure to another, as well as from one kind of institutional investor to another (Abedin et al., 2022). Thus, it is reasonable to conclude that institutional ownership improves business results.

H1b: Institutional ownership has a significant impact on firm performance.

2.2.4 Family Ownership

One of three criteria characterizes an enterprise as family owned: (i) the family member created the company; (ii) the family member controls the business by possessing a majority of the voting rights; or (iii) the family member engages in management of the business. If a business is family owned, it means that a family actively participates in its governance or has members serve on its board of directors. The Vietnamese Enterprise Law of 2014 defines a "related person" as someone who is closely connected to the management, board member, or shareholder of the company. This is when family ownership arises. The following shareholders are either directly or indirectly associated with the business: spouse, child, brother or sister, father (either biological or adopted), mother (either biological or adopted), and brother-in-law or sister-in-law.

Family ownership refers to the percentage of shares owned by members of a family (Schweiger et al., 2023). Family firms are often characterized by a strong sense of tradition and long-term vision.

Family ownership is a type of family ownership in which shares of the business are owned by the members of the family reflecting their majority stake in the business. Benefits of family ownership include long-term perspective, alignment of interest, and flexibility. Family businesses are often more focused on long-term investments making decisions and making policies that are long-term in the best interest of the company. Alignment of interest between managers and owners is the characteristic of family ownership as family owners have a vested interest in the success and financial performance of the firm. Family businesses are more flexible as compared to businesses with other ownership structures as they are not answerable to other shareholders. As they are not answerable to shareholders they can make the changes quickly and easily in the business. Some drawbacks are associated with family-owned businesses. These drawbacks include succession planning conflict of interest as multiple positions are being held by the family members and limited access to capital as shares are not publicly traded and therefore they have limited opportunity to expand and grow.

Villalonga and Amit (2018) cite several research that found a favorable correlation between family ownership and company success. A company's long-term success may depend on the stability and continuity offered by family ownership. Gómez-Mejía et al. (2018) found that family-owned firms are more likely to be profitable and last longer than non-family-owned enterprises when looking at the association between family ownership and firm performance. The authors state that there are benefits to family ownership, including the ability to plan ahead, the establishment of common ideals and objectives, and a stronger bond and loyalty within the family.

However, family ownership can also face certain challenges, particularly in the area of corporate governance. Family-owned businesses often face conflicts between family members (executive) and non-family executives, which can impede decision-making and create tensions within the organization (Chrisman et al., 2020). In addition, family ownership can make it difficult to attract outside investors or executives. Family ownership remains a popular ownership structure in many countries and industries (Chrisman, Chua, & Steier, 2018). Overall, the literature on family

ownership highlights the unique advantages and challenges of this ownership structure and suggests that careful management of family dynamics and governance structures can help family-owned businesses increase and succeed over the long term.

Family Ownership and Firm Performance

Family ownership is common ownership in many companies and has been of common interest to researchers due to its impact on firm performance. Due to the fact that family members act as controlling stakeholders and senior management, prior research has shown a favorable correlation between family ownership and business success (Li & Ryan, 2022). Studies have shown that as the percentage of ownership increases above the ideal level, company performance begins to decline, but when family ownership increases, business performance improves. Many other elements, such as the size of the business, family control, and family management, might affect the effect of family ownership on firm performance (Chu, 2009). Research also shows that firm value that is measured by Tobin Q increases with a decrease in family ownership over time. Firms are likely to have lower capital expenditure and less to invest in development and research having higher family ownership (Dyer, 2018).

The analysis of management practices and organizational structure is the foundation of research on corporate performance. In general, a review of the company's financial statements and market value is used to assess its success. A company's financial success may be summed up as follows: raising revenue, cutting expenses, raising profits on total assets, and raising profits for shareholders. Financial measures such as return on assets (ROA), return on equity (ROE), and return on invested capital (ROI) are commonly utilized to assess the success of a company. In addition, market variables including the organization's structure, business operations, and the increase in the market capitalization of stocks are used to assess the performance of the firm. The market price to earnings per share (P/E) ratio and the market capitalization plus book value of debt to total assets (Tobin's Q) ratio are two often used indicators. Numerous earlier research on business performance have made use of Tobin's Q. This research looks at firm performance from two angles: market indicators and

financial statements (ROA [EBITDA] and ROA [NI]). Family-controlled businesses are found to be better in terms of profitability and market valuation than firms with non-controlling shareholders in Western Europe (Maury, 2006).

Overall, it can be said that family ownership can have a positive impact on firm performance.

H1c: *Family ownership has a significant impact on firm performance.*

2.3 Firm Performance (Sales Growth)

The success or failure of a company depends on its ability to perform effectively and efficiently in the marketplace. The overall effectiveness and efficiency of the firm in achieving its goals and objectives are measured by the Firm's performance. It is a multidimensional concept that encompasses various aspects of the strategic outcomes, financial health, and operations of the company. Key indicators of the financial performance of the firm are its profitability, revenue growth, and liquidity. The operational performance of the firm is measured by efficiency, productivity, and quality. The market performance of the company can be evaluated by its market share, customer satisfaction, and brand strength. The strategic performance of the firm is measured by its innovation, adaptability, and strategic planning by which the effectiveness of the long-term planning and execution is analyzed. Firm performance also includes evaluating the ability of eh firm to manage its financial and operational risk by assessing the effectiveness of managing risks in day-to-day operations. Firm performance is often measured based on the combination of these indicators however the specific metric may vary depending on the industry and goals of the firm.

Human capital is also a critical factor in determining firm performance. A study by Decker and Wohlrabe (2019) demonstrated that the education level and experience of a firm's employees significantly impacted its performance. Another study by Dulebohn et al. (2019) concluded that employee engagement positively influenced firm performance.

Financial performance is a commonly used measure of firm performance. A study by Liu and Chen (2020) showed that profitability, liquidity, and asset utilization are significant determinants of firm

performance. Similarly, a study by Yap and Shokri (2020) found that financial leverage, liquidity, and profitability have a significant impact on firm performance.

The external factor also plays a significant role in determining firm performance. A study by Koc and Boz (2020) showed that macroeconomic factors such as GDP growth and inflation significantly influence firm performance. Another study by Chung and Kim (2020) demonstrated that industry competition and market uncertainty can also affect firm performance.

Recent research has provided insights into the determinants of firm performance and has shown that the key to achieving better performance lies in a combination of effective strategies, skilled employees, strong financial performance, and adaptability to the external environment. Further research is needed to explore the interaction between these different factors and how they contribute to firm performance.

This literature review aims to examine the recent research on firm performance and provide an overview of the different factors that influence it. One of the primary factors that affect firm performance. According to Johnson et al. (2017), firms with a clear and focused performance tended to perform better than those that were not focused on their performance. Another study by Molina-Azorín et al. (2018) showed that the implementation of an innovation strategy positively affects firm performance. According to Adams and Ferreira (2020), good corporate governance practices can improve financial performance by reducing agency costs, enhancing transparency, and increasing accountability. Similarly, Habib and Bhuiyan (2021) find that effective governance mechanisms, such as board independence and CEO duality, positively affect firm performance in the context of emerging markets.

Another important factor that affects firm performance is strategic orientation. In this study, Singh and Pandey (2020) have found that firms with a market-oriented strategic orientation tend to have better financial performance than those with a product-oriented orientation. They suggest that market orientation can improve a firm's performance to identify and respond to customer needs, which can lead to higher sales and profits.

In addition to corporate governance and strategic orientation, innovation has also been identified as a significant determinant of firm performance. In a recent study, Karim and Alam (2021) have shown that innovation capability positively affects financial performance by enabling firms to develop new products and services, improve operational efficiency, and gain a competitive advantage. Overall, the literature suggests that firm performance is influenced by multiple factors, including corporate governance, strategic orientation, and innovation capability. These factors can help firms improve their financial performance.

Firm performance is a multidimensional concept that includes various aspects of organizational success, including financial performance, market share, customer satisfaction, innovation, and sustainability. The literature on firm performance is vast and spans multiple disciplines, including economics, management, and finance. A study by Barney (2017) finds that firms with valuable, rare, and difficult-to-imitate resources tend to outperform their competitors. Similarly, a study by Amit and Schoemaker (2018) found that firms with strong technological capabilities tend to have higher profitability and market share.

Another important theory related to firm performance is the Stakeholder Theory, which suggests that a firm's performance is not only determined by its financial outcomes but also by its impact on various stakeholder groups such as employees, customers, suppliers, and the community. According to this theory, firms that prioritize the needs of their stakeholders tend to achieve superior long-term performance.

Academics and management groups have long been curious in how well companies do. Analysing company performance in the present economic situation is a big issue for academic scholars and working managers. Metrics for the expansion of sales have been the subject of much research. Pakistan, like many developing nations, relies on thriving enterprises. For continued success in today's cutthroat economic climate, it is essential that all companies operate under performance-based conditions. However, different people will always provide different interpretations depending on their viewpoints, as there isn't a consensus operational definition of

business performance among scholars. The sales team's success in increasing revenue over a certain time period is measured by their sales growth. A key indicator of a company's financial health is its sales growth rate. Salary increases, new assets, and corporate development are all ways in which a successful sales campaign may help the firm and its workers. Undesired negative growth might be a sign of bad strategy. An rise in sales numbers above the base comparison is called positive sales growth. Positive sales growth is something that every company aspires to, and it is always advantageous to the financial growth of the company.

Executives at major corporations have one overarching objective: to maximize revenue, regardless of the cost to profits in the near or distant future (Baumol, 1959). In place of profit maximization as the aim of the big business enterprise, Baumol has introduced an addition to the ever-increasing by proposing sales maximization with a minimal profit limitation. By examining the sales growth ratio, this empirical study sought to analysis the performance. Consequently, this paper's primary goal is to examine performance using the sales growth ratio analysis. Consequently, a key indication of financial reporting will be provided by the outcomes of this empirical study. The company changes production by raising or lowering pricing without thinking about how rivals would respond.

The Chinese banking industry was the focus of Chang and Leung's (2020) investigation of the link between financial innovation and company success. According to the research, sales growth was positively affected by financial innovation. Researchers Pham et al. (2021) looked at how digital transformation affected the efficiency and productivity of Vietnamese banks. Companies who undertook digital transformation saw an uptick in revenue, according to the research. A key component of every successful company is its performance, and a common metric for measuring this performance is the rate of increase in sales. The academic literature is replete with studies that examine the correlation between increasing sales and the success of businesses.

Sales growth and company success are positively correlated, according to many research. A larger proportion of the market and more earnings are typical of rapidly expanding businesses,

according to research by Hitt et al. (2001). Similarly, Fama and French (2004) found that returns on assets were greater for companies whose sales grew rapidly. While some research has shown a favorable association between sales growth and company success, other studies have found a more nuanced and complicated relationship. The literature review reveals that various factors impact firm performance and sales growth, including knowledge management practices, customer satisfaction, innovation, and digital transformation. These findings indicate that firms that focus on these factors can enhance their sales growth and overall performance.

2.4 Retention (Reinvested) Earning

The performance and retention ratio of a business may be greatly affected by its ownership structure. The distribution and ownership of a company's shares is known as its ownership structure. How a business is structured in terms of ownership may affect management's decision-making, shareholders' influence, and the available capital for expansion and investment. According to research on the retention ratio by Muriithi et al. (2019), companies whose insiders control a larger percentage of shares are more likely to keep their profits and reinvest them. Similarly, a retention ratio is greater at companies with a larger percentage of family ownership, according to research by Kaur and Kaur (2020). This is likely due to the fact that family owners value long-term success more than immediate profits.

Both the performance and retention ratio of a corporation may be greatly affected by its ownership structure. Some situations may benefit from a more distributed ownership structure, while others may call for a more concentrated one. The size of the company, the sector it works in, and the shareholders' individual traits are just a few of the variables that will determine how ownership structure affects performance and retention ratio.

The retention ratio is the proportion of earnings that a company keeps rather than distributes as dividends to shareholders. A high retention ratio means the company is reinvesting most of its profits back into the business, while a low ratio indicates the company is paying out more dividends. John Lintner and Myron Gordon argued that firms determine their dividend policy based on two

main factors: their need 1956 for capital and their desire to maintain a stable dividend payout ratio. They also argued that the dividend payout ratio was directly related to the retention ratio, which is the percentage of earnings retained by the firm. In 1961, M.H. Miller and F. Modigliani presented different opinions on "Dividend Policy, Growth, and the Valuation of Shares." They argued that a company's dividend policy has no impact on its overall value; and that the retention ratio is more important in determining a company's growth rate and, therefore, its value. In 1978, Michael Jensen and William Meckling introduced the agency theory, which suggested that a high retention ratio could signal to investors that the firm's management was reinvesting profits in the company rather than distributing them as dividends.

In 2018, Pettit and R.E. Ferris examined the relationship between the retention ratio and stock returns. They find that companies with high retention ratios had lower stock returns, but only if the retained earnings were not being reinvested in profitable projects. In 2010, Annette Poulsen and Mike Stegemoller examined the impact of the retention ratio on a firm's future earnings growth. They have concluded that firms with high retention ratios experienced higher future earnings growth than firms with low retention ratios, particularly if the retained earnings were being reinvested in profitable projects.

Overall, the literature suggests that the retention ratio is an important factor in a firm's financial decisions and performance. While the dividend policy debate continues, the retention ratio is generally considered a key metric for assessing a company's growth potential and investment opportunities.

2.4.1 Retention ratio and firm performance

Retention ratio is a financial metric that is used to measure the proportion of earnings that are kept back in business as retained earnings. The retention ratio helps the investor to determine the reinvestment rate and its ability to support growth. A high retention ratio is associated with growing companies that are experiencing rapid increases in profits and revenues. A high retention ratio may

not be indicative of financial health but may be used by investors to compare this ratio with competitors in the industry by assessing the reinvestment rate.

Overall, the retention ratio is a useful metric that can provide insight into the financial health of the company. This metric is also used to compare the company with its competitors in the industry to get a more comprehensive understanding of the performance of the company. Therefore, it can be said that

H2: Retention ratio has a significant impact on firm performance.

2.5 Increase in Debt

Debt can be used for various purposes such as financing investment, consumption, or even for survival. This literature review aims to provide an overview of the research on the increase in debt and its consequences, with a focus on the causes and effects of the increase in debt. The increase in debt can be attributed to several factors, including the availability of easy credit, low-interest rates, and changes in financial regulations. According to Mishkin (2019), the availability of easy credit and low-interest rates played a significant role in the increase in debt. The increase in debt has several effects on the economy, including the potential for financial instability, inflation, and economic growth.

According to Cecchetti and Kharroubi (2016), the increase in debt can lead to financial instability, as it increases the likelihood of default and bankruptcy. They argued that the accumulation of debt over time can also lead to inflation, as governments may be tempted to monetize their debt by printing more money. Finally, the increase in debt can also hurt economic growth, as debt repayment can divert resources from productive investments. The increase in debt has been a concern for many years, and research has shown that it can have significant consequences for the economy. The increase in debt can be attributed to various factors, including the availability of easy credit, low-interest rates, and changes in financial regulations. Therefore, policymakers must carefully consider the implications of increasing debt levels when making economic decisions.

2.5.1 Debt level and firm performance

Debt structure refers to a mixture of debt and equity that is employed by the firm to finance its productive operations, assets, and future growth. The capital structure of a firm is a determinant of the overall cost of capital and therefore makes a contribution to the total level of risks of the firm (Ahmed et al., 2023).

Scholars from all over the world have gathered data from all sorts of nations and used all sorts of analytical tools to study the correlation between debt levels and business success. Many studies have looked at the correlation between a company's debt and its success. Information gathered from businesses in the Netherlands formed the basis of a recent research. The data was gathered between 2013 and 2018. The research found that a higher debt level has a detrimental effect on business success. The research employed four performance metrics: stock return, Tobin Q, return on equity, and return on assets. Companies listed in Pakistan were also the subjects of the empirical investigation. Firm performance was negatively and significantly affected by both short-term and long-term debt, according to the study's findings (Boshnak, 2022). When debt financing has a substantial and unfavourable effect on firm performance, the study's findings suggest that business owners and managers should prioritise achieving manageable levels of debt. Based on studies done with Japanese companies, researchers discovered that debt structure and performance do not follow a linear connection. Panel data was used in the research that drew conclusions from 2000 to 2018. A financial crisis significantly alters the correlation between debt levels and company performance, according to the study's findings (Nazir et al., 2021).

Agency cost is another factor that affects the correlation between debt levels and company success. The sample used in the research consisted of one thousand companies that were listed on the Tehran Stock Exchange. Debt, according to the study's findings (Ahmed et al., 2023), may reduce principal-agency conflicts, which in turn increases the value of the organisation.

Previous research suggests that a number of variables, including economic circumstances, business type, and debt, impact the complicated link between debt level and company performance. To

produce a notable effect on corporate performance, firms should think about an appropriate amount of debt that strikes a balance between the advantages of debt financing. Thus, it may be concluded that:

H3: Increase in debt level has a significant impact on firm performance.

2.6 Firm Size (Total Assets)

A literature review on the relationship between asset size and financial performance suggests that there is a positive correlation. Several studies have found that larger firms tend to have better financial performance, as measured by metrics such as profitability, return on assets, and return on equity (Titman & Wessels, 1988; Rajan & Zingales, 1995; Demirguc-Kunt & Huizinga, 2019). This relationship has been attributed to various factors, including economies of scale, diversification benefits, and access to capital markets.

However, other studies have concluded that the relationship between asset size and financial performance is not always straightforward. Some research has suggested that the relationship may be nonlinear, with the benefits of size tapering off or even reversing at very large levels of assets (Petersen & Rajan, 2020). Other studies have suggested that the relationship may depend on other factors, such as industry characteristics, firm age, and ownership structure (Gorton & Schmid, 2000; Dang, Kim, & Shin, 2016). Overall, the literature suggests that asset size is an important determinant of financial performance, but the relationship is complex. Further research is needed to understand the shades of this relationship and its implications for firm strategy and performance.

One way to estimate a business's size is to look at its revenue, total assets, or capital, according to Thakur and Workman (2016). In the stable phase, businesses with high total assets tend to outpace those with lower total assets. This is because the former have matured, gained confidence in their future prospects, and are able to turn a profit. Owners' priorities shift in relation to the total value of a company's assets. Research by Nurainy et al. (2018) corroborated this idea by showing that the size of a company significantly affected its success. A company's size, or total assets, is a good indicator

of its value since these factors might affect the firm's future success. It is common practice for businesses to invest in tangible assets like machinery and buildings in order to boost their cash flow.

2.6.1 The size of the firm and firm performance

The relationship between the size of the firm and its performance has been studied extensively and mixed results have been found by the researchers. Firm size has a significant impact on diversification and profitability. Small firms have different characteristics that affect their performance (Abdullah et al., 2018). Larger firms have higher profitability but lower productivity while in older firms the situation is the opposite.

The past literature suggests that the relationship between firm size and performance. Larger firms tend to have lower productivity and higher profitability while small firms have different characteristics that affect their performance. Managers should therefore consider the unique characteristics of the firms and industry in which they are operating while making decisions about the size of firms.

H4: The size of the firm has a significant impact on firm performance.

Also, improving a company's performance is possible via the design of an ownership structure that combines shareholder interests with management incentives. To accomplish this goal of ensuring that insiders are paid fairly and held responsible for their performance, it is necessary to decrease ownership concentration and increase institutional ownership. Industry, company size, and developmental stage are a few variables that could affect the correlation between ownership structure and performance. When deciding on an ownership structure, these things should be considered. Therefore, in order to examine the effect of various ownership arrangements on firm performance, particularly for Pakistani businesses, size is considered as a control variable.

There is a strong correlation between the ownership structure of a company and its success. Dayal Pandey and Nath Sahu (2023) found that various ownership forms affect company performance in different ways. A decrease in the value of a company may occur as a result of a stronger block shareholding that results from high levels of ownership concentration. A lower value and more

idiosyncratic risk are the results of family-owned businesses with concentrated ownership that pay fewer dividends. When managers have a vested interest in the company's success, it might hurt productivity. Institutional investors may improve company governance and performance by monitoring and discipline, which is an indirect effect of institutional ownership on performance. Since no previous study has tried to include all corporate owners in a single model, this work is significant. In order to examine the effect on business performance, this study aimed to represent all owners in a single model.

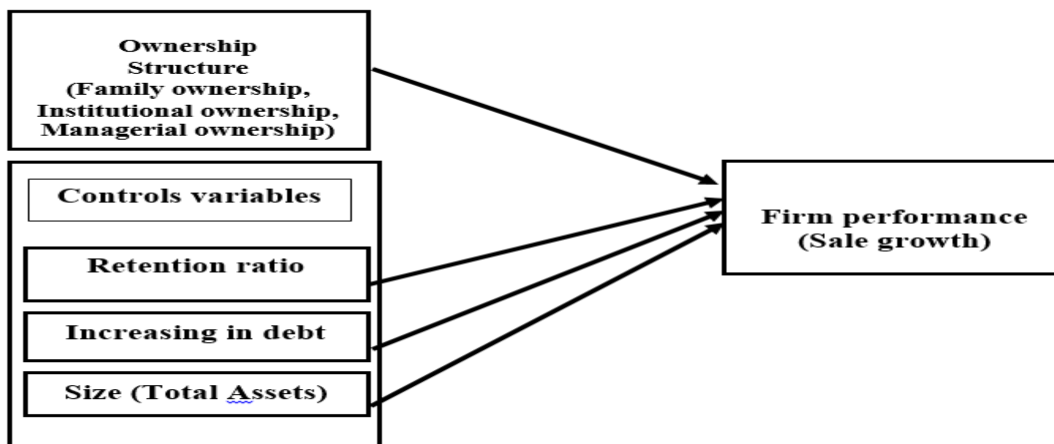
There is a complex association among ownership structure and company success. There has been a lot of research into this complicated relationship, but no one definitive conclusion has been drawn: ownership structure does affect firm performance, but the exact nature of this impact depends on factors unique to each firm, such as its size, stage of development, and industry. Generally speaking, research has shown that firms with a larger percentage of institutional ownership tend to do better. This is because institutional investors tend to be more knowledgeable and have longer investment horizons, which means they can keep managers accountable for their performance by closely monitoring their performance. While some research suggests that concentrated ownership is associated with superior performance due to more investment and tighter managerial oversight, the exact nature of this link is unclear. Other research suggests that managers with a vested interest in the company's success are more inclined to prioritize their own interests above those of other stakeholders, which may lead to agency difficulties.

Family ownership may have both positive and negative effects, depending on the details. Because of their dedication to the future, family businesses are more inclined to put money into research and development. Other agency concerns, such as nepotism, are also common in family businesses (Chang et al., 2020). In sum, there are a lot of moving parts and variables that affect the connection between ownership structure and company success. Nevertheless, studies have shown that firms with institutional ownership tend to do better than those with other types of ownership, while the effects of other types of ownership are less obvious.

Since the majority of Pakistani businesses are family-run, studying the relationship between ownership and performance while controlling for factors like debt, firm size, and retention ratio using data from Pakistani manufacturing companies would be highly relevant. Economic profit is positively correlated with ownership structure market-based performance metrics, according to previous research (Zaidi & Aslam, 2006). There is a negative correlation between individual and group ownership and business performance as a result of income management, according to another Pakistani research. So, it's safe to say that several variables, such as the business's size and industry, could influence the complicated link between ownership structure and firm performance.

In a country like Pakistan, where family members control the majority of businesses and only a small number of companies list their shares on the stock exchange, studies examining the relationship between ownership structure and firm performance with control variables like retention ratio, increase in debt, and firm size will shed light on the topic.

2.7 Theoretical Framework



Source: Author

2.8 Hypotheses of the Study

There is still a lot of curiosity in how different types of ownership affect risk-taking, management behavior, and the overall success of a company. Under these circumstances, a theory develops proposing the relationship between ownership structure and business performance while

controlling for firm size, retention ratio, and debt levels. In order to find out how different types of ownership affect a company's performance, researchers will test the hypothesis that this is the case.

H_1: Ownership structure has a significant impact on firm performance

H_{1a}: Managerial Ownership has a significant impact on firm performance

H_{1b}: Institutional ownership has a significant impact on firm performance

H_{1c}: Family ownership has a significant impact on firm performance

H_2: Retention ratio has a significant impact on firm performance

H_3: Increase in debt level has a significant impact on firm performance

H_4: The size of the firm has a significant impact on firm performance.

2.9 Chapter Summary

Ownership structure is defined as the distribution of ownership rights and controls in the firm. These rights and controls may be complex and multifaced and involve a variety of different types of owners including individuals, families, institutions, and government.

A company's performance may be defined as the degree to which its aims and targets are met. Tobin Q and other market-based metrics and accounting-based metrics like return on assets and return on equity (ROE) are some methods to assess a company's success. Many studies have looked at how alternative ownership structures influence a company's performance in various contexts, and the results have shown that this structure does have an effect. The correlation between company ownership and financial success has been the subject of much study (Arslan, 2022). According to Dayal Pandey and Nath Sahu (2023), there is conflicting evidence in the research. Others studies have discovered a positive correlation, others have found a negative one, while yet others have failed to detect any association at all. The concentration of ownership, or the percentage of shares held by a small number of shareholders, is one of the most important determinants of the correlation between ownership structure and business performance.

CHAPTER 3

RESEARCH METHODOLOGY

This chapter also justifies the design choice by the researcher by showing that the chosen technique and methods are the best fit for achieving the research objectives, and aims and answering research questions. Research methodology also aims to ensure that results are valid and reliable and can be trusted by other researchers. This chapter throws light on the research philosophy along with research methods adopted for conducting the research.

In this research, the quantitative research is carried out by collecting data from the financial statements of the companies listed on the Pakistan Stock Exchange. The data for the study is collected from 2012-2021 and total number of observations is 386 (Uwah et al., 2023).

3.1 Research Ethics

This research is conducted quantitatively which involved collection and analysis of numerical data. Ethics for quantitative research is the application of ethical principles to design, conduct, and report quantitative research studies. Quantitative research studies the collection and analysis of numerical data to answer research questions. While conducting the quantitative research it was ensured by the researcher that all ethical considerations must be kept in mind. The ethics that were followed while conducting the research were:

It was ensured by the researcher that data was collected honestly. It was also ensured that she should not fabricate, falsify, or misrepresent the data.

Researchers strived to avoid biasedness in experimental designs, data analysis, and data interpretation.

The researcher while conducting the research kept the promise to act with sincerity and strive for consistency of action and thoughts.

The researcher tried to avoid careless errors and negligence during research work and ensured to critically examine her own work and keep a good record of research activities.

Other than ethical principles it was ensured that data excess, production, and analytical transparency must also be ensured.

All the methods and assumptions that were used during the research are evaluated and disclosed by the researcher as per requirement.

These research ethics were adhered to ensure that the quantitive research was conducted in a responsible and ethical way.

3.2 Research Approach

In this research quantitative approach was adopted by the researcher for conducting the research as the data was numerical and collected using secondary means. Secondly, the deductive approach was adopted by the researcher in which the purpose of the research was to test the hypotheses derived from already developed theory.

Population in research is defined as the entire group of people, organization or objects that the researcher is interested in studying. The population in this study is all manufacturing public limited companies listed on the Pakistan Stock Exchange in the years 2012-2021. However, the target population of this study is only the manufacturing firms listed on the stock exchange during the sample time period. Firms with complete data for the entire time period will be included in the study.

3.3 Sampling Technique and Sample Size

The sample is used to collect data from companies' annual reports. The sampling method in this study is purposive sampling. As reported by Sugiyono (2013), the purposive sampling method is a sampling approach with particular discussions. The method of data analysis in this research is panel regression analysis. Therefore, the data has been collected for 40 manufacturing firms over the 10 years' time. The sample includes 40 firms with complete data on ownership structure and financial performance for the years 2012 to 2021. Any firm which is not listed during the entire period has been excluded from the sample. Similarly, firms that do not provide complete data on

ownership structure has been excluded from the sample. The ownership structure data has been collected from the firms' annual reports. The study used approximately 386 usable observations. This number of observations is sufficient for a study of this nature (Zhang et al., 2021).

The study is designed to provide a comprehensive picture of the impact of ownership structure on firm performance. How ownership structure is determined influences the financial performance of the firm. The impact of ownership structure and its different variables were also studied in light of existing available literature. Among the two methods of quantitative research methods, this study adopts a quantitative approach to study and analyze the relationship between the selected variables in the model. There are a number of research techniques like survey focus groups, questionnaires, use of secondary data, etc. Sampling on the basis of firm criteria that information about financial data in the study year, has ownership structure, has a firm performance, has a reinvested earning, has an increase in debt, and has a size.

3.4 Data Collection

Data collection methods are the procedures and techniques that are used to collect information for conducting research. The choice of data collection depends on the research questions that need to be addressed, the time and resources available, and the type of data required to address the research questions

In this research, data was collected from secondary sources. Data for the analysis was collected from the financial reports of the companies available on the official websites of the company. Panel data of the selected companies was collected from 2012-2021.

3.5 Data Analysis

Data analysis is the process of inspecting, cleaning, transforming, and modeling data with the goal of discovering useful information, informing conclusions, and supporting decision-making.

This study adopts the quantitative approach to study and analyze the relationship between the selected variables in the model. The data has been collected from annual reports of different

manufacturing companies. E-Views and Stata software have been used to analyze the data. First of all, the data has been described by using descriptive statistics. Afterward, the correlations analysis was carried out, and by following Ullah, Akhtar & Zaefarian, 2018), the Durbin-Wu test was used; first, the research model was run, and a residual term was obtained. This residual term was then used as the dependent variable, and each independent variable was used as an explanatory variable one at a time. If any independent variable produced significant results when combined with the residual term, endogeneity was confirmed, and the generalized method of moments was advised.

The results show the presence of endogeneity, therefore, by following Chatterjee and Nag (2022) the generalized method of moments has been taken into account to address the issue of endogeneity.

Table 1: Variables and Measurement Scale Description

Sr#	Variables	Equation	Source
1	Ownership structure	$Family\ Ownershion = Shares\ Held\ by\ Family\ Members / Total\ Shares\ outstanding$ Institutional Ownership= $Shares\ Held\ by\ Institutions / Total\ Shares\ outstanding$ $Managerial\ Ownership = Shares\ Held\ by\ Managers / Total\ Shares\ outstanding$	Ross, Westerfield, & Jordan (2018) & Rahman & Uddin (2020)
2	Firm performance	$Sale\ Grwoth\ \ Rate = (Current\ year\ \ Sales / Last\ year\ sale)\ - 1$	Ismail (2021)
3	Retention	$Retention\ ratio = 1 - Payout\ ratio$	Li, Chen, &

	ratio		Tang (2021)
4	Increase in Debt	$(Current\ year\ debt / Last\ year\ debt)$-1	Alves, Couto, & Francisco (2021)
5	Firm Size	Ln(Assets)	Bianconi, & Yoshino (2021)

3.8. Econometric Equation

To examine the impact of different ownership structures (managerial, institutional, and family) on firm performance, while controlling for retention ratio, increasing in debt, and size, I have used the following equations:

Overall Equation for all Dimensions of Ownership Structure and Firm Performance

$$FP_{i,t} = \beta_0 + \beta_1 (MO)_{i,t} + \beta_2 (IO)_{i,t} + \beta_3 (FO)_{i,t} + \beta_4 (RR)_{i,t} + \beta_5 (Idebt)_{i,t} + \beta_6 (FS)_{i,t} + \beta_7 AR(1) + \beta_6 AR(2) + \varepsilon_{i,t} \quad (1)$$

Whereas:

FP represents Firm Performance

MO represents Managerial Ownership

IO is for Institutional Ownership

RR shows the Retention Ratio

IDebt is for the Increase in Debt

FS shows the Firm's Size

AR1 and AR2 represent are the auto-correlation terms

Moreover, the panel data has been used to test the research model, therefore, “i" is used for companies, and “t” represents the year in the econometric equation.

3.6 Chapter Summary

Research methodology is defined as the logical and systematic plan that is followed by the researchers to solve the research problem. Research methodology involves the practical how of the research study including how research is being systematically designed by the researcher to ensure the achievement of valid and reliable results addressing the aim, objectives, and questions of the proposed research. Research methodology helps the researcher to decide the type of data collection required for conducting the research such as quantitative or qualitative data. This chapter has also thrown light on the research philosophy along with research methods adopted for conducting the research. The research was carried out quantitively based on deductive reasoning and by collecting data from the financial statements of the companies listed on the Pakistan Stock Exchange. The data for the study was collected from 2012-2021.

This study has adopted the quantitative approach to study and analyze the relationship between the selected variables in the model. The data has been collected from annual reports of different manufacturing companies. E-Views and Stata software have been used to analyze the data. First of all, the data has been described by using descriptive statistics. Afterward, the correlations analysis was carried out, and by following Ullah, Akhtar & Zaefarian, 2018), the Durbin-Wu test was used; first, the research model was run, and a residual term was obtained. This residual term was then used as the dependent variable, and each independent variable was used as an explanatory variable one at a time. If any independent variable produced significant results when combined with the residual term, endogeneity was confirmed, and the generalized method of moments was advised.

CHAPTER 4

RESULTS AND INTERPRETATION

This chapter is concerned with the results and interpretation of the results. This chapter shows the statistical status of the hypotheses. In this chapter, the results of descriptive statistics, correlation analysis, and generalized method of moments have been presented. In descriptive statistics, the average values, variation measured by standard deviation, and maximum and minimum values have been presented for all variables. In the second phase, the results pertaining to correlation analysis have been shown, which show the relation between all variables. Moreover, the testing of the hypotheses has been made by using the generalized method of moments (GMM).

In Table 2, the results have been placed, which are pertaining to descriptive statistics, in which, the average results have been placed for all variables determined by mean values. The results are also showing the variation in the data, which has been measured by using standard deviation. The results are also showing the maximum and minimum values in the series of all variables. A total of 386 observations for each variable have been used for analysis purposes.

4.1 Descriptive Statistics

Table 2*: *Results of Descriptive Statistics

Table No. 4.1 Results of Descriptive Statistics

	FP	**MO**	**IO**	**FO**	**IDEBT**	**RR**	**FS**
Mean	0.057	0.236	0.393	0.087	0.103	0.428	22.632
Median	0.040	0.160	0.320	0.000	0.071	0.480	22.670
Maximum	0.720	0.690	0.950	0.850	0.690	1.000	25.780
Minimum	-0.580	0.000	0.000	0.000	-0.500	-0.980	18.360
Std. Dev.	0.227	0.241	0.288	0.207	0.247	0.404	1.453

FP=firm Performance, MO=Managerial Ownership, IO=Institutional Ownership, FO=Family Ownership, Idebt=Increasing in debt, FS=Firm Size

Mean, median, and mode are used to measure the central tendency. They are also used to describe the central value of a set of data. Mean is calculated by taking the average of a set of data points and is used to calculate whether and understand whether the data set is skewed or has any outliers. The median is the middle point in the set of data where the data is ordered from lowest to highest. The median is less sensitive to outliners and is a good measure of central tendency where data is not normally distributed. Median is a less precise measure as compared to men, especially for small sets of data. These measures are used to gain insight and knowledge of the financial market for making informed decisions for investments. If the mean is greater than the median the data is positively skewed and if vice versa, it is negatively skewed. From the data in Table 2, it can be said that the data is positively skewed as the mean is more than the median. Data is positively skewed showing that data can lead to more accurate predictions using statistical models that are sensitive to outliers. Also, the positively skewed data is less likely to be influenced by the outliers leading to a better understanding of extreme events. Positively skewed data can lead to identifying risks and therefore help in efficient in the efficient allocation of resources.

In research, Standard deviation is the measure of dispersion that is used to analyze data and measure its variability or spread of the distribution of data points. It is a useful tool that can be used for identifying patterns by summarizing data available in the financial market. A high standard deviation means that data points are spread away from the mean. Low standard deviation indicates that data points are clustered around the mean. Standard deviation can be used to calculate the risk associated with the investment. It is also used to calculate the performance of investment as stocks with higher standard deviation are considered to be riskier. It can also be used to identify outliers and estimate the confidence intervals by testing the hypothesis.

The results for descriptive statistics show that the managerial ownership (MO) has a mean value of 0.2504, which managerial ownership is 25.04%, This is only an average value, but the managerial ownership may differ from year to year and from company to company and this dispersion has been shown by using standard deviation i.e. 0.2737, which means managerial ownership may differ upto

0.2737 units from the average value. The maximum managerial ownership is 92% and the minimum managerial ownership is 0.

The results further show that institutional ownership (IO) has an average value of 0.4047, which means institutional ownership (IO) is 40.47% with a standard deviation of 0.3027. The maximum and minimum institution ownership is 99% and 0% respectively. In the case of family ownership, the results indicate that on average family ownership (FO) is 8% with dispersion in data of family ownership found as 0.2003 (20.03%). Both maximum and minimum family ownership (FO) are found 85% and 0%.

The results further indicate that an increase in debt (Idebt) has been found on average of 8.04% as growth in debt has been taken as a proxy of increase in debt (Idebt), moreover, this growth may change from year to year and from firm to firm as showing by the value of standard deviation, which is found as 0.4895, which means on average variation in debt growth is found 48.95%. The maximum growth in debt or increase in debt is found as 99% and the minimum decrease is -99%.

The results also show that on average retention ratio (RR) is found as 25.41%. The variation in retention ratio is found as 2.52 units. The maximum and minimum retention ratios have been found 5.18 and -48.59 respectively. The firm size has been proxied by taking the natural log of total assets, and on average firm size (FS) is found as 22.63, which means on average total assets of a company are Rs.6,731,070,286/- (Exponential of 22.63). These average total assets may differ up to 1.4918 units.

4.2 Correlation Analysis

In Table No. 4.2, the results regarding correlation analysis have been presented. The results show that there is a weak correlation between all variables, especially between all explanatory variables. Some variables have negative correlations to each other and some have positive relationships but all of them have weak relationships.

Table No. 4.2 Results of Correlation Analysis

	FP	MO	IO	FO	IDEBT	RR	FS
FP	1.000						
MO	0.092*	1.000					
IO	-0.059	-0.641***	1.000				
FO	-0.002	-0.329***	-0.332***	1.000			
IDEBT	0.103*	0.091*	-0.013	-0.094*	1.000		
RR	0.070*	0.084*	-0.232**	0.132*	-0.010*	1.000	
FS	-0.105*	-0.257**	0.198**	0.065*	-0.016**	0.047	1.000

FP=firm Performance, MO=Managerial Ownership, IO=Institutional Ownership, FO=Family Ownership, Idebt=Increasing in debt, FS=Firm Size , Significance level 5%, ***=sig at <0.001, **=sig at <0.01, *=sig at <0.05,

The results show that managerial ownership (MO) has a negative relationship with institutional ownership (IO), family ownership (FO), retention ratio, and firm size, but a positive relationship with an increase in debt (Idebt). The degree of strength of the relationships of managerial ownership with all variables is weak.

The results also indicate that institutional ownership (IO) has a negative relationship with family ownership (FO), but a positive relationship with an increase in debt (Idebt), retention ratio (RR), and firm size, however, all relationships are weak less than 0.5. Similarly, the results of the coefficient of correlation express that family ownership (FO) has a negative relationship with an increase in debt (Idebt), but a positive association with retention ratio (RR), and firm size (FS). An increase in debt (Idebt) has a positive relationship with the retention ratio (RR) and there is a negative relationship between the increase in debt (Idebt) and firm size (FS). Moreover, the results show that there is a positive relationship between the retention ratio (RR) and firm size (FS).

Family-owned businesses have a negative relationship with an increase in debt as businesses that are family-owned are more willing to invest their own money in businesses are pass on the cost of debt to future generations resulting in reducing debt levels and improving the financial position of the business. Family-owned businesses have a positive relationship with the firm performance as they are more interested in long-term growth and sustainability and may be less willing to make short-term decisions that may harm the long-term interest of the firm.

These results show that there is no big issue of multi-co-linearity of the variables and these variables may be used for further analysis. Hair et al., (2010) discussed that no issue of multi-co-linearity has occurred if the explanatory variables have a relationship less than 0.90, and in case of a higher correlation between independent variables, the question of multi-co-linearity may arise. Apart from it, Durbin Watson is the statistical test that is used to detect autocorrelation in the residuals. The amount of Durbin Watson varies between 0 and 4. A value of 2 indicates that there is no autocorrelation in the residuals.

4.3 Testing for the Presence of Endogeneity

Table 4.3 Testing of Endogeneity by Using Durbin-Wu-Test

The residual term of the Research Model has been taken as Dependent Variable (DV=Residual)	
Results of the Wu-Hauman Test	0.284**
	(0.0000)

Note: Residual term=Dependent variable, ***P<0.01, **P<0.05, *P<0.1 Parenthesis are demonstrating the P-values (P-values)

In Table 4, the results of the test for endogeneity have been presented. Following, Ullah, Akhtar & Zaefarian 2018) the test of Durbin-Wu was applied, in which first of all research model was run and the residual term was obtained, which was further used as the dependent variable and one by one independent variable had been as the explanatory variable and if any independent variable has shown the significant results with the residual term, then the presence of endogeneity is confirmed, which recommend applying the generalized method of moments.

As can be seen from Table 4 above a statistical value of 0.1466 is closer to zero indicating that there is a positive correlation between the error terms that can affect the results of regression analysis. To avoid the problem of endogeneity and autocorrelation GMM method is used for analysis instead of regression analysis.

After the application of GMM regression, it can be seen from the results of Durbin Watson that is almost closer to 2 showing that there is no autocorrelation between the residual terms.

4.4 Testing of Hypotheses (Application of Generalized Method of Moments)

Table No. 5 shows the results regarding the testing of hypotheses obtained by applying the generalized method of moments. The results indicate reliability of model as Prob>chi2 is 0.0000. The results also show that the value of Hansen J-Statistic is 30.2247 with a P-value greater than 0.05 i.e. 0.697. This insignificance value of the J-statistic depicts the validity of the technique. The issue of autocorrelation is resolved at AR (1) as AR (1) is -4.049 with a p-value less than 0.05. While AR(2) is insignificant as observed in the results.

Table 5: Application of Generalized Method of Moment (GMM)

Table No. IV Application of Generalized Method of Moment (GMM)			
Dependent Variables	**Co-efficient**	**Z-stat**	**P-value**
MO	0.319***	5.64	0.000
IO	0.092**	2.26	0.024
FO	0.333***	4.87	0.000
Idebt	0.019	1.51	0.132
RR	0.041**	2.44	0.015
FS	-0.075***	-13.54	0.000
Constant	1.622**	12.23	0.000
AR (1)	-4.049(P-value 0.0001)		
AR (2)	0.175 (P-value 0.8606)		
No. of Observations	304		
Hansen J-Statistic	30.2247 (P-Value 0.697)		
No. Of Instruments	43		

FP=firm Performance, MO=Managerial Ownership, IO=Institutional Ownership, FO=Family Ownership, Idebt=Increasing in debt, FS=Firm Size, *****P<0.01, **P<0.05, *P<0.1**

The coefficient of managerial ownership (MO) is 0.319 with a p-value less than 0.05. These results show that managerial ownership (MO) brings significant and positive change in firm performance. Therefore,

H_{1a}: Managerial ownership (MO) has a significant impact on firm performance is not accepted.

The results further show that the co-efficient of institutional ownership (IO) is 0.092 with a P-value less than 0.05 i.e. 0.024, which means the institutional ownership (IO) has a positive and significant influence on firm performance. If one unit of institutional ownership is increased then 0.092 units increased in firm performance is realized and vice versa.

Thus, the empirical results show that

H_{1b} *Institutional ownership (IO) has a significant impact on firm performance and is accepted at a 1% significance level.*

The results of the generalized method of moments (GMM) further indicate that the coefficient of family ownership (FO) is 0.333 with a P-value of 0.000 (P-value <0.05). The results show that family ownership (FO) has a positive and significant influence on firm performance. These results show that if a 1% increase in family ownership has occurred then a 33.3% increase in firm performance is seen and vice versa. Therefore, the results show that the hypothesis

H_{1c} *Family ownership has a significant positive impact on firm performance and is accepted at a 5% level of significance.*

In the study, three control variables are retention ratio, increase in debt, and firm size. The application of the generalized method of moments also shows that the control variables have also shown a significant influence on firm performance. The coefficient of the retention ratio is found as 0.041 with a p-value less than 0.05. The p-value is found as 0.015. This outcome shows that an increase in the retention ratio causes an increase in firm performance and vice versa. These results show that the retention ratio has a positive and significant influence on firm performance and if a 1% retention ratio is increased then 4% sales growth is increased, which is measured by firm performance. So, the statistical results show that the hypothesis.

H_2: *Retention ratio has a significant impact on firm performance (FP) and is accepted at a 5% level of significance.*

The results for other control variables show similar results as the coefficient of increase in debt (Idebt) is determined as 0.019 with a p-value of 0.132 (p-value > 0.05).

The results show that an increase in debt has an insignificant influence on firm performance (FP), which means that if debt is increased then firm performance remains insignificant. So, the hypothesis is not accepted in this case which suggests that:

H_3: *An increase in debt level has a significant impact on firm performance and is not accepted at a 5% level of significance in this research.*

The coefficient of firm size (FS) is found as -0.075 and it has a p-value less than 0.00 (P-value=0.0000). These results show that firm size has a negative influence on firm performance. If total assets (Firm size) are changed by 1% then the firm performance observed the 7.5% change in the opposite direction. Thus, the results show that hypothesis

H4: *Size of the firm has a significant impact on firm performance is accepted at a 1% level of significance.*

Finally, in a nutshell, it is concluded that the empirical results show that all the hypotheses are accepted except the one based on statistical results.

In conclusion, it can be said that in calculating the results 304 observations were used for analysis. It is shown by the results that the value of Hansen J-Statistic is 30.224 with a P-value greater than 0.05 i.e. 0.697. This insignificance value of the J-statistic depicts that the over identifying of the instruments is valid. The issue of autocorrelation is resolved at AR (1) as AR (1) is -4.049 with a p-value less than 0.05.

The regression results of the study further show that the p-value is less than 0.05 based on which the hypothesis is accepted that MO has a significant impact on firm Performance. Results show that the coefficient of Institutional Ownership has a p-value that Is less than 0.05 showing that institutional ownership (IO) has a positive and significant influence on firm performance. If one unit of institutional ownership is increased, then a 9.2%-unit increase in firm performance is realized and vice versa. The results of the study further indicate that the coefficient of family ownership (FO) is 0.333 with a P-value 0.000(P-value <0.05). The results show that family ownership (FO) has a positive and significant influence on firm performance.

4.5. Discussion

Particularly in Pakistan, the ownership structure has a significant impact on the success of the organization. Because most companies in Pakistan are run by families, this factor plays a significant role in determining how well a corporation does. Second, while family members control the majority of a company's shares in Pakistan, this concentration of wealth may have both beneficial and bad effects on the company's bottom line. Because controlling shareholders are less susceptible to short-term market pressures, effective decision-making and long-term planning may result from concentrated ownership (Pham & Islam, 2021). Because controlling shareholders are highly motivated to keep an eye on management and make sure they're looking out for the company's best interests, concentrated ownership may assist bring down agency expenses. When there is a small number of powerful people in charge of a company, they may act in a way that benefits themselves at the expense of the rest of the shareholders, which may cause issues like entrenchment, tunneling, and a general lack of transparency. Furthermore, minority shareholders may find it challenging to obtain corporate information due to concentrated ownership. Pakistan has a higher prevalence of concentrated ownership than scattered ownership. The increasing prevalence of dispersed ownership in Pakistan has both beneficial and bad effects on business performance. As a result of minority shareholders' increased ability to oversee and influence management, dispersed ownership has the potential to lower the agency cost. Beyond this, businesses with distributed ownership find it less difficult to access public market funds. Because distributed shareholders are subject to more pressure from the short-term market dynamics, a negative consequence of dispersed ownership is that it might cause decision-making to be less efficient and focused on the short-term. Second, when companies have different levels of ownership, it's harder for them to work together and carry out their long-term plans.

The correlation between company ownership and financial success has been the subject of much study (Arslan, 2022). According to Dayal Pandey and Nath Sahu (2023), there is conflicting evidence in the research. Others studies have discovered a positive correlation, others have found a

negative one, while yet others have failed to detect any association at all. Concentration of ownership, or the extent to which a small number of shareholders control the majority of the voting stock in a company, is a major determinant of the correlation between ownership structure and business performance (Pham & Islam, 2021). Economic profit is positively correlated with ownership structure market-based performance metrics, according to previous research. There is a negative correlation between individual and group ownership and business performance as a result of income management, according to another Pakistani research. One thing that is clear is that there are a lot of variables, such as the firm's size and industry, that might affect the correlation between ownership structure and performance (- et al., 2020).

Villalonga and Amit (2018) cite several research that found a favorable correlation between family ownership and company success. A company's long-term success may depend on the stability and continuity offered by family ownership. Gómez-Mejía et al. (2018) found that family-owned firms are more likely to be profitable and last longer than non-family-owned enterprises when looking at the association between family ownership and firm performance. The authors state that there are benefits to family ownership, including the ability to plan ahead, the establishment of common ideals and objectives, and a stronger bond and loyalty within the family.

However, family ownership can also face certain challenges, particularly in the area of corporate governance. Family-owned businesses often face conflicts between family members (executive) and non-family executives, which can impede decision-making and create tensions within the organization (Chrisman et al., 2020). In addition, family ownership can make it difficult to attract outside investors or executives. Family ownership remains a popular ownership structure in many countries and industries (Chrisman, Chua, &Steier, 2018). Overall, the literature on family ownership highlights the unique advantages and challenges of this ownership structure and suggests that careful management of family dynamics and governance structures can help family-owned businesses increase and succeed over the long term (Schweiger et al., 2023). Research gaps were there based on which the results of this study can be used to get valuable insight into how ownership

structures in the presence of retention ratio, increases in debt, and firm size as control variables have an impact on the performance of the firm. The results are useful in providing an understanding of causal mechanisms and conditions under which the specific ownership (family and institutional) contributes significantly to the firm performance.

Research on the relationship between ownership structure and firm performance, with retention ratio, increase in debt, and firm size as control variables, will shed light on this relationship. This is particularly important in Pakistan, where family members own most of the businesses and only a small number of companies' trade shares on the stock exchange. Firms with concentrated ownership tend to perform better in Pakistan because controlling shareholders have stronger incentives for controlling and monitoring the management team. However, the research shows that family and institutional ownership significantly affect firm performance when control variables such as retention ratio, increase in debt, and firm size are present.

4.6. Chapter Summary

This chapter is concerned with the results and interpretation of the results. This chapter shows the statistical status of the hypotheses. In this chapter, the results of descriptive statistics, correlation analysis, and generalized method of moments have been presented. In descriptive statistics, the average values, variation measured by standard deviation, and maximum and minimum values have been presented for all variables. In the second phase, the results pertaining to correlation analysis have been shown, which show the relationship between all variables. Based on this testing it can be concluded that the data was positively skewed and firms that have family ownership structures are less risker for investment and have better performance as compared to firms having managerial and institutional ownership structures. Moreover, the testing of the hypotheses has been made by using the generalized method of moments (GMM).

It follows that MO significantly affects company performance. The findings also corroborate the hypothesis that IO significantly and positively affects company performance. Increasing institutional ownership by one unit leads to a 0.092unit improvement in company performance, and the inverse is

also true. There is a favourable and statistically significant relationship between family ownership (FO) and business success, according to the findings.

CHAPTER 5

CONCLUSION

In this study, data was measured using descriptive statistics, average values, and variation. The results were measured by standard deviation, and maximum and minimum values and have been presented for all variables. In the second phase, the results pertaining to correlation analysis have been shown, which show the relationship between all variables. Based on this testing it can be concluded that the data was positively skewed and firms that have family ownership structures are less risker for investment and have better performance as compared to firms having managerial and institutional ownership structures. Moreover, the testing of the hypotheses has been made by using the generalized method of moments (GMM).

The findings indicate that MO significantly affects company performance. The findings also corroborate the hypothesis that IO significantly and positively affects company performance. Increasing institutional ownership by one unit leads to a 9.2% improvement in company performance, and the inverse is also true. There is a favourable and statistically significant relationship between family ownership (FO) and business success, according to the findings. Firm size, retention ratio, and rise in debt are the three control variables in the research. Using the generalised technique of moments, we find that the control variables including Firm size and retention ratio have a substantial impact on the performance of the company as well.

The complicated and factor-dependent nature of the interaction between these variables follows. Research results are significant when it comes to the effects of family and institutional ownership on firm performance. When controlling for retention ratio, increase in debt, and firm size, firms with concentrated ownership do better in Pakistan, likely because controlling shareholders have a stronger incentive to oversee and control the management team. This study highlights that ownership structure affects firm performance in the Pakistan Stock Exchange, supporting SDG 8 of sustainable economic growth and decent work. Firms listed on the Pakistan Stock Exchange, it is

evident that ownership types significantly influence economic growth, employment opportunities, and the inclusivity of development outcomes.

5.1 Practical Implications of the Study

Family owner-managed businesses seem to be the least profitable of all organizational models. When comparing performance to the business sector, only family enterprises with owner managers have an average score of less than 50%; when all firms are taken into account, only these firms have an average performance score of less than 30%. Businesses run by non-owner managers outperform those run by owners. These results imply that performance is enhanced by the contemporary style of corporate organization, which is the open corporation with distributed ownership and non-owner managers. Why "efficient" and "less-efficient" organizational structures coexist is a question that critical readers may have. The likelihood is that we do not record a long-term equilibrium state. The likelihood is that we do not record a long-term equilibrium state. With time, it is expected that the underperforming family (and partnership)-controlled businesses will become public, non-majority held enterprises.

5.2 Limitations of the Study

There are limits to this research, as there are to all studies. One caveat is that the research only looked at businesses in one developing nation (Pakistan), therefore the findings may not be generalizable. Additionally, the study's findings are based on a data sample that only comprises specific organizations and does not include financial institutions; the sample only spans a period of ten years. Financial institutions are not included in the statistics. The use of quantitative methods, such as regression analysis on panel data, is another caveat. –

Research into what influences a company's success includes looking at its ownership structure. Managerial choices, macroeconomic variables, and industry circumstances are a few more important aspects that influence performance. Share repurchases, mergers, and acquisitions are only a few

examples of the ways in which business activities may cause ownership to evolve over time (Górriz & Fumás, 1996).

Consequently, the correlation between a company's ownership structure and its financial success could shift with the years. Since the actual ownership of shares held via nominee accounts is not always straightforward to ascertain, measuring ownership structure may be a challenge. Since the ownership structure may be affected by the firm's performance, it can be said to be endogenous. Increasing the number of institutional investors is a good indicator of a successful business. Consequently, the direction of causation between ownership structure and company performance becomes difficult to ascertain (Ogabo et al., 2021). So, although ownership structure alone has its limits, it may be a good predictor of company success when combined with other metrics.

The fact that the researchers only looked at sales growth as a proxy for firm success is another caveat. According to Mehta et al. (2023), there are more metrics that may be used to assess a company's success, such as return on assets (ROA), return on equity (ROE), and others.

5.3 Future Research Directions

From the study's limitations, it is clear that stakeholders want further investigation into the relationship between ownership structure and business performance; ideally, this investigation would use a qualitative approach. Due to the increased likelihood of stakeholders seeing the effect of employee motivation and individualized ownership structures on business performance, qualitative research is the method of choice.

Considering that the majority of previous research in Pakistan has concentrated on big, publicly traded companies, one suggestion is to broaden the scope of the study to include a variety of industries and businesses. Consequently, studies should be conducted using a representative sample of small and private companies from various industries. Most studies that have looked at this topic in Pakistan have been cross-sectional, meaning they only looked at the connection between

ownership structure and the effect on firm performance at one point in time. To really understand how ownership structure affects performance, longitudinal studies are also suggested.

Therefore, in order to understand the effect of changes in ownership structure on business performance over time, longitudinal studies are necessary. It is also recommended that researchers utilize straightforward metrics, such as the biggest shareholder's proportion of shares, to assess the effect of ownership structure on company performance. Therefore, studies assessing ownership structure complexity using more advanced metrics such as the Hirschman Index (HHI) are necessary. To further understand the connection between ownership structure and business performance, researchers may look at how institutional characteristics like corporate governance quality moderate this link.

CHAPTER 6

REFERENCES

Aggarwal, R., & Samwick, A. A. (1999). The other side of the trade-off: The impact of risk on executive compensation. *Journal of Political Economy*, 107(1), 65-105.

Alabdullah, T. T., Ahmed, E. R., & Yahya, S. (2018). The determination of firm performance in emerging nations: Do board size and firm size matter? *International Academic Journal of Accounting and Financial Management*, *05*(02), 57–66. https://doi.org/10.9756/iajafm/v5i2/1810017

Ali, A., Shah, A., & Jan, F. A. (2015). Leverage, ownership structure, and firm performance: evidence from Karachi Stock Exchange. *Journal of Management Info*, *2*(2), 1–7. https://doi.org/10.31580/jmi.v6i1.41

Ali, S., Khan, S. A., & Ahmad, M. (2020). The impact of ownership structure on financial performance: Evidence from Pakistan. *Journal of Asia Business Studies*, 14(1), 70-84.

Almashhadani, M., & Almashhadani, H. A. (2022). Internal mechanisms features, unfavorable behavior, and firm performance. *International Journal of Business and Management Invention,* 11(4), 1-6.

Anderson, R. C., & Reeb, D. M. (2003). Founding-family ownership and firm performance: evidence from the S&P 500. *Journal of Finance*, 58(3), 1301-1328.

Arslan, M. (2022). Effect of ownership structure on firm performance evidence from non-financial listed firms. *Research Anthology on Strategies for Maintaining Successful Family Firms*, 296–323. https://doi.org/10.4018/978-1-6684-3550-2.ch013

Bebchuk, L. A., Cohen, A., & Ferrell, A. (2002). What matters in corporate governance? *Review of Financial Studies*, 15(3), 837-867.

Bell, A., Johnston, R., & Jones, K. (2015). Stylized fact or situated messiness? The diverse effects of increasing debt on national economic growth. *Journal of Economic Geography*, 15(2), 449-472.

Boone, A. L., & White, J. T. (2015). The effect of institutional ownership on firm transparency and information production. *Journal of Financial Economics*, 117(3), 508-533.

Boshnak, H. (2022). The impact of capital structure on firm performance: Evidence from Saudi-listed firms. *International Journal of Disclosure and Governance*, *20*(1), 15–26. https://doi.org/10.1057/s41310-022-00154-4

Bushee, B. J. (1998). The influence of institutional investors on myopic R&D investment behavior. *The Accounting Review*, 73(3), 305-333.

Carney, M. (2005). Corporate governance and competitive advantage in family- controlled firms. *Entrepreneurship Theory and Practice*, 29(3), 249-265.

Cecchetti, S. G., & Kharroubi, E. (2012). Reassessing the impact of finance on growth. *BIS working papers*, 1-21.

Chaganti, R., & Damanpour, F. (1991). Institutional ownership, capital structure, and firm performance. *Strategic Management Journal*, *12*(7), 479–491. https://doi.org/10.1002/smj.4250120702

Chatterjee, C., & Nag, T. (2022). Do women on boards enhance firm performance? Evidence from top Indian companies. *International Journal of Disclosure and Governance*, 1-13.

Chu, W. (2009). Family ownership and firm performance: Influence of Family Management, family control, and firm size. *Asia Pacific Journal of Management*, *28*(4), 833–851. https://doi.org/10.1007/s10490-009-9180-1

Claessens, S., Djankov, S., & Lang, L. H. (2002). The separation of ownership and control in East Asian corporations. *Journal of Financial Economics*, *58*(1-2), 81-112

Clay, D. G. (2002). Institutional ownership and firm value. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.485922

Cole, R. A., & Sokolyk, T. (2018). Debt financing, survival, and growth of start-up firms. *Journal of Corporate Finance*, 50, 609-625.

DAKHLALLH, M. M., RASHID, N., ABDULLAH, W. A. W., & DAKHLALLH, A. M. (2021). Ownership Structure and Firm Performance: Evidence from Jordan. *Journal of Contemporary Issues in Business and Government,* 27(2), 79-90.

Dang, V. A., Kim, M., & Shin, Y. (2016). Does ownership structure matter for firm value? Evidence from the Korean market. *Pacific-Basin Finance Journal*, 40, 155-169.

Dao, T. T., & Phan, M. C. (2023). Stakeholder theory, risk-taking, and firm performance. *Corporate Governance: The International Journal of Business in Society*, *23*(7), 1623–1647. https://doi.org/10.1108/cg-09-2022-0366

Dayal Pandey, K., & Nath Sahu, T. (2023a). Interaction among capital structure, equity ownership, and corporate performance. *Capital Structure, Equity Ownership and Corporate Performance*, 76–102. https://doi.org/10.4324/9781003397878-5

De Villiers, J. (2000). Managerial ownership and firm performance: A re-examination using productivity measurement. *CFA Digest*, *30*(2), 88–89. https://doi.org/10.2469/dig.v30.n2.684

Di, M. (2021). The relationship between managerial ownership and firm performance: Reviewing and evaluating. *Advances in Social Science, Education, and Humanities Research*. https://doi.org/10.2991/assehr.k.211220.247

Dyer, W. G. (2018). Are family firms really better? reexamining “examining the ‘Family Effect’ on firm

performance." *Family Business Review*, *31*(2), 240–248. https://doi.org/10.1177/0894486518776516

Espenlaub, S. K., Stathopoulos, K., & Walker, M. (2007). Agency theory versus managerial ownership theories: Understanding the non-linear relationship between managerial incentives and firm risk. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.842006

Górriz, C. G., & Fumás, V. S. (1996). Ownership structure and firm performance: Some empirical evidence from Spain. *Managerial and Decision Economics*, *17*(6), 575–586. https://doi.org/10.1002/(sici)1099-1468(199611)17:6<575::aid-mde778>3.0.co;2-n

HABTOOR, O. S. (2021). The Influence of Board Ownership on Bank Performance: Evidence from Saudi Arabia. *The Journal of Asian Finance, Economics and Business*, 8(3), 1101-1111.

Al Harazi, Y. K., Tian, G., Shah, S. A. A., Al Harazi, A. K., Alwan, S. Y., & Amer, A. M. A. (2023). Unlocking the Potential of E-Commerce in Yemen: Identifying Key Impacting Factors and Exploring Strategic Solutions. *Sustainability*, *15*(18), 13712.

Harrison, J. S., & Wicks, A. C. (2013). Stakeholder theory, value, and firm performance. *Business Ethics Quarterly*, *23*(1), 97–124. https://doi.org/10.5840/beq20132314

Harymawan, I., Nasih, M., Madyan, M., & Sucahyati, D. (2019). The role of political connections on family firms' performance: evidence from Indonesia. *International Journal of Financial Studies*, 7*(*4), 55.

Hasibuan, A. F. P., Sadalia, I., & Muda, I. (2020). The effect of claim ratio, operational ratio, and retention ratio on profitability performance of insurance companies in Indonesia Stock Exchange. *International Journal of Research and Review*, 7(3), 223-231.

Heisler, M., Wagner, T. H., & Piette, J. D. (2005). Patient strategies to cope with high prescription medication costs: who is cutting back on necessities, increasing debt, or underusing medications? *Journal of Behavioral Medicine*, 28(1), 43-51.

Husna, A., & Satria, I. (2019). Effects of return on asset, debt to asset ratio, current ratio, firm size, and dividend payout ratio on firm value. *International Journal of Economics and Financial Issues,* 9(5), 50-54.

Hussain, M., Shah, S. Z. A., & Abbas, Q. (2019). Ownership structure and firm performance: Evidence from Pakistan's banking sector. *Pakistan Journal of Commerce and Social Sciences,* 13(2), 489-508.

Karas, M., & Režňáková, M. (2020). Cash flows indicators in the prediction of financial distress. *Engineering Economics*, *31*(5), 525-535.

Kaur, M., & Kaur, S. (2020). Impact of ownership structure on the financial performance of companies in India. *Journal of Economics and Management*, 36(1), 24-34.

Khan, A., Shah, A., & Iqbal, J. (2018). The impact of family ownership on firm performance: Evidence from Pakistan. *Pakistan Journal of Commerce and Social Sciences*, 12(3), 1015-1032.

Kurniawan, A. (2021). Analysis of the effect of return on asset, debt to equity ratio, and total asset turnover

on share return. *Journal of Industrial Engineering & Management Research*, 2(1), 64-72.

Laporšek, S., Dolenc, P., Grum, A., & Stubelj, I. (2021). Ownership structure and firm performance–The case of Slovenia. *Economic Research-Ekonomska Istraživanja*, 34(1), 2975-2996.

Li, H., & Ryan, H. E. (2022). Founding family ownership and firm performance: Evidence from the evolution of family ownership and firm policies. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.4001060

Mandacı, P., & Gumus, G. (2010). Ownership concentration, managerial ownership, and firm performance: Evidence from Turkey. *Southeast European Journal of Economics and Business*, *5*(1), 57–66. https://doi.org/10.2478/v10033-010-0005-4

Martínez-Ferrero, J., & Lozano, M. B. (2021). The nonlinear relation between institutional ownership and environmental, social, and governance performance in emerging countries. *Sustainability,* 13(3), 1586.

Martono, S., Yulianto, A., & Wijaya, A. P. (2023). The Agency Cost of Concentrated Institutional Ownership: Evidence from Indonesia. *Montenegrin Journal of Economics*, *19*(3), 201-212.

Maury, B. (2006). Family ownership and firm performance: Empirical evidence from Western European corporations. *Journal of Corporate Finance*, *12*(2), 321–341. https://doi.org/10.1016/j.jcorpfin.2005.02.002

Mehta, K., Sharma, R., & Goel, A. (2023). 7 Ownership structures and performance of SMEs: An empirical analysis. *Sustainability, Green Management, and Performance of SMEs*, 119–140. https://doi.org/10.1515/9783111170022-007

Meiryani, Olivia, Sudrajat, J., & Mat, Z. (2020). The effect of a firm's size on corporate performance. *International Journal of Advanced Computer Science and Applications*, *11*(5). https://doi.org/10.14569/ijacsa.2020.0110536

Mitnick, B. M. (2011). Origin of the theory of Agency: An account by one of the theory's originators. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.1020378

MUNTAHANAH, S., KUSUMA, H., HARJITO, D. A., & ARIFIN, Z. (2021). The effect of family ownership and corporate governance on firm performance: a case study in Indonesia. *The Journal of Asian Finance, Economics and Business,* 8(5), 697-706.

Muriithi, M. W., Wangui, E. M., & Gichuhi, J. W. (2019). Ownership structure and dividend payout of companies listed at the Nairobi Securities Exchange. *International Journal of Academic Research in Accounting, Finance and Management Sciences,* 9(1), 179-194

Nanthamitr, P., Tomon, C., Jangsan, C., Sangsanit, T., Tejangkura, W., Joraleechanchai, N., & Sawangphruk, M. (2023). An old blending strategy can enhance the capacity retention of Ni-rich cathode materials. *Journal of Alloys and Compounds,* 169795.

Nazir, A., Azam, M., & Khalid, M. U. (2021). Debt financing and firm performance: empirical evidence

from the Pakistan Stock Exchange. *Asian Journal of Accounting Research.*

Nazir, A., Azam, M., & Khalid, M. U. (2021). Debt financing and firm performance: Empirical evidence from the Pakistan Stock Exchange. *Asian Journal of Accounting Research*, *6*(3), 324–334. https://doi.org/10.1108/ajar-03-2019-0019

Ngatimo, S., Dewi, S. C., &Herosian, M. Y. (2021). Cash Flow, Financial Leverage, and Current Ratio Towards Corporate Valueatfood and Beverage. *Journal Mantik,* 4(4), 2486-2493

Ogabo, B., Ogar, G., & Nuipoko, T. (2021). Ownership structure and firm performance: The role of managerial and institutional ownership-evidence from the UK. *American Journal of Industrial and Business Management*, *11*(07), 859–886. https://doi.org/10.4236/ajibm.2021.117053

Pham, H. N., & Islam, S. M. (2021). The ownership structure and firm performance relationship. *Corporate Governance, Ownership Structure and Firm Performance*, 24–43. https://doi.org/10.4324/9781003255741-2

Rajverma, A. K., Misra, A. K., Mohapatra, S., & Chandra, A. (2019). Impact of ownership structure and dividend on firm performance and firm risk. *Managerial Finance*, *45*(8), 1041–1061. https://doi.org/10.1108/mf-09-2018-0443

Rashid Khan, H. ur, Khidmat, W. B., Hares, O. A., Muhammad, N., & Saleem, K. (2020). Corporate governance quality, ownership structure, agency costs, and firm performance. evidence from an emerging economy. *Journal of Risk and Financial Management*, *13*(7), 154. https://doi.org/10.3390/jrfm13070154

REHAN, A., JAVAID, A. Y., & UMAR, M. (2020). IMPACT OF CONCENTRATED OWNERSHIP ON FIRM GROWTH. *Pakistan Journal of Applied Economics*, 30(1), 73-94.

Sasaki, H., & Fujita, S. (2012). The importance of the retention ratio in a Kaleckian model with debt accumulation. *Metroeconomica,* 63(3), 417-428.

Scherer, A. G., & Patzer, M. (2011). Where is the theory in stakeholder theory? A meta-analysis of the pluralism in stakeholder theory. *Stakeholder Theory*. https://doi.org/10.4337/9780857936349.00012

Shatnawi, S. A., Eldaia, D. M., Marei, A., & Aaraj, S. A. (2021). The relationship between audit committee characteristics on accounting-based performance (ROA and ROE) as a measure of performance evidence from Jordan. *International Journal of Business and Digital Economy*, *2*(2), 15-27.

Short, H., & Keasey, K. (1999). Managerial ownership and the performance of firms: Evidence from the UK. *Journal of Corporate Finance*, *5*(1), 79–101. https://doi.org/10.1016/s0929-1199(98)00016-9

Short, H., & Keasey, K. (1999). Managerial ownership and the performance of firms: Evidence from the UK. *Journal of Corporate Finance*, *5*(1), 79–101. https://doi.org/10.1016/s0929-1199(98)00016-9

Stearns, G. (1931). The significance of the retention ratio of calcium: phosphorus in infants and in children. *American Journal of Diseases of Children*, 42(4_PART_I), 749-759.

Sunardi, N., Husain, T., & Kadim, A. (2020). Determinants of Debt Policy and Company's Performance. *International Journal of Economics and Business Administration*, 8(4), 204-213.

Talacchi, S. (1960). Organization size, individual attitudes, and behavior: An empirical study. *Administrative Science Quarterly*, 398-420.

Tsouknidis, D. A. (2018). The effect of institutional ownership on firm performance: The case of U.S. listed shipping companies. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.3332362

Uwah, U., Aji, I. A., & Iniabasi, E. (2023). Accounting ratios and false financial statements detection: evidence from Nigerian quoted companies. *AKSU Journal of Administration and Corporate Governance (AKSUJACOG)*, *3*(1), 61-75.

William, R. (2020). Capital Structure Determinants, Dynamics and Speed of Adjustment towards Target Leverage: A Systematic Literature Review of Empirical and Theoretical Disciplines. *International Journal of Recent Scientific Research,* 11

Yadav, I. S., Pahi, D., & Gangakhedkar, R. (2021). The nexus between firm size, growth, and profitability: New Panel data evidence from Asia–Asia-Pacific markets. *European Journal of Management and Business Economics*, *31*(1), 115–140. https://doi.org/10.1108/ejmbe-03-2021-0077

Yadav, S. (2022). Agency theory and internationalization: A critical assessment of literature. *Corporate Governance - Recent Advances and Perspectives*. https://doi.org/10.5772/intechopen.99192

Yasser, Q. R., & Mamun, A. A. (2017). The impact of ownership concentration on firm performance: Evidence from an emerging market. *Emerging Economy Studies*, *3*(1), 34–53. https://doi.org/10.1177/2394901517696647

Zraiq, M. A. A., & Fadzil, F. H. B. (2018). The impact of ownership structure on firm performance: Evidence from Jordan. *International Journal of Accounting, Finance and Risk Management,* 3(1), 1-4.