OWNERSHIP CONCENTRATION AND FINANCIAL PERFORMANCE: THE CASE OF SRI LANKAN LISTED COMPANIES

Chandrapala Pathirawasam, Guneratne Wickremasinghe***

Abstract

The purpose of this paper is to examine the impact of ownership concentration and the other endogenous factors on the financial performance of companies listed on the Colombo Stock Exchange. Both pooled and ordinary least squares regressions are used to analyze the data. The return on assets (ROA) is used as the performance measure. One study finding is that the ownership concentration within these listed companies does not have a statistically significant positive relationship with the ROA. However, the study indicates that firm size, quick ratio and ratio of inventory investment to total assets have positive impacts on the ROA. But the debt ratio is negatively related to the financial performance of the listed companies.

Keywords: Financial Performance, Colombo Stock Exchange, Ownership Concentration, Return on Assets

* *Department of Commerce and Financial Management, University of Kelaniya, Sri Lanka*
** *School of Accounting and Finance and Centre for Strategic Economic Studies, Victoria University, PO Box, Melbourne, Victoria 8001, Australia*
Fax: +613 9919 4901
Tel.: +613 9919 1477
E-mail: guneratne.wickremasinghe@vu.edu.au

1 Introduction

The profitability of a firm has become the major criterion when determining its financial performance. Equity investors, who are the owners, are mainly concerned about the profitability of their company. Therefore, they attempt to influence the activities of the firm in various ways mainly because they recruit professional managers as their agents to play essential roles on their behalf. However, the agency theory shows that sometimes managers work for their own interest (high compensation, low efforts, expense preference, luxury facilities etc. known as diversification strategy in strategic management) rather than in the interest of the owners.

Agency theoretic research (e.g. Lippert (1996) has studied the impacts of conflicts between owners' and managers' behavior in relation to the financial performance of companies. It focuses specially on managers' diversification motive and owners' control to avoid diversification. One of the indications of best corporate governance controls over managers' decisions is how far the ownership of the firm is concentrated in the hands of major shareholders and the impact of such ownership concentration on the financial performance of the firm (Tomsen and Pedersen, 2000; Leng, 2004).

Ownership concentration is not the only internal factor which determines the financial performance of a firm. Many studies have shown that a number of internal factors influence such performance, and the important internal factors are size, age, debt ratio, quick ratio, inventory level, sales growth and capital turnover (Chhibber and Majumdar, 1999; Barbosa and Louri, 2005; Kuntluru et al., 2008). However, the impact of these factors on the financial performance of firms is not the same throughout the world. It differs from country to country, from industry to industry and even from firm to firm.

The objectives of this study are twofold. The first objective is to examine the relationship between ownership concentration and financial performance of companies listed on the Colombo Stock Exchange (CSE) of Sri Lanka. The second objective is to study the impact of other endogenous factors such as size, age, debt ratio, quick ratio, inventory level, sales growth and capital turnover on the financial performance of the above companies.

The results of this study are important for managers and investors. Potential and existing investors may use the findings to propose better corporate governance practices as well as to select profitable stocks and to revise portfolios of assets. Managers can use the findings to design corporate strategies and make investment decisions in the areas of profit goals, leverage, asset management and working capital.

This study uses 162 firm-year observations for 81 companies listed on the CSE in the years 2008 and 2009 after ignoring missing data and outliers (see Table 1 for details). Constant coefficient panel data analytic model as well as ordinary least squares (OLS) regression model are used to analyze the data.

The remainder of the paper is organized as follows. Section 2 presents a review of literature and focuses on the variables used in the study. Basic methodology and data are described in section 3. Section 4 contains the results of the analysis. Section 5 concludes the paper with some suggestions for further research.

2 Review of literature

Papers dealing with corporate governance and determinants of financial performance are of interest here. This section reviews the findings of past studies in these areas in order to identify the independent and dependent variables employed in the empirical analysis. In addition, such a review facilitates the formulation of the empirical model estimated in this paper.

Dependent variable

Many researchers prefer to use financial measures to summarize outcomes of economic and other events that have already taken place in firms. Financial performance measures indicate whether a company's strategy implementation and execution contribute to increased profitability. Most researchers have used return on assets (ROA) to measure financial performance of companies (Hansen Wernerfelt, 1989; Mahmood and Mann, 1993; Brown, Gatian and Hicks, 1995; Chhibber and Majumdar, 1999; Barbosa and Louri, 2005 and Kuntluru, Muppani and Kan, 2008). In view of this, this study also uses ROA as the dependent variable in the empirical model.

Independent variables

This section discusses the literature on two types of independent variables which have impacts on financial performance. These are variables related to ownership structure and the other variables that have an impact on the financial performance of firms.

a. Ownership structure and financial performance

This section reviews the research findings on the agency theory. This theory explains the relationship between principals/owners and agents/managers. The generally accepted assumption is that owners always attempt to maximize their wealth. At the same time, managers have other interests (high compensation, low effort levels, expense preference, empire building etc.). Therefore, owners need some sort of control over managers to achieve their objective of wealth maximization. Ownership concentration is one of the variables that influence managers' activities. Thomsen and Pedersen (2000) report that top managers prefer to have diversification strategies because of employment risk aversion, expense preference and empire building. However, concentrated ownership might counteract diversification and increase shareholder wealth.

There have been a number of empirical papers on the relationship between ownership concentration and firm profitability. Thomsen and Pedersen (2000) and Berle and Means (1932) report a positive association between ownership concentration and profitability. Lloyed *et al*. (1987) find that the company market value-to-sales ratio is greater for ownership concentrated firms. Zeckhauser and Pound (1990) report that price/earnings ratio and ownership concentration have a positive relationship. Further, Thomsen and Pedersen (2000) who took a sample of 435 of the largest European companies demonstrate that, after controlling for other variables, ownership concentration has a positive relation with market-to-book value of equity as well as the ROA. However, the effect is levelled off for high ownership shares. In addition, they find that ownership identity has important implications for corporate strategy and performance. More recently, Leng (2004) finds that, after controlling the effects of the other factors (namely, the proportion of non-executive directors on the board of directors, binary variable for the chairman of the audit committee, binary variable for CEOs who are also acting as the chairman of the board of directors, the proportion of large multinational investors owning shares in the company, and size of the company in terms of turnover), the proportion of shares held by institutional investors significantly influences the return on equity (*ROE*) in Malaysian listed companies.

In contrast, Demsetz (1983) points out that theoretically ownership concentration is an endogenous factor balancing the costs (e.g. risks) and benefits (e.g. monitoring) of ownership. This argument is supported by Demsetz and Lehn (1985) who find that the relationship between ownership concentration and accounting profitability to be not significant when controlling for certain other variables that are related to financial performance. Holderness and Sheehan (1988) also reports the same results for majority-owned companies used in his study. Subsequently, Gerson and Barr (1996), Pedersen and Thomsen (1999) have reported evidence consistent with that of the Densetz-Lehn model.

In order to analyze the monitoring role of large owners on financial performance, this study introduces ownership concentration (*CON*) of the firm as the main independent variable.

b. Other variables

Literature on financial performance measures does not propose a standard set of factors which determine a firm's financial performance. However, Hansen and Wernerfelt (1989) classify financial performance differences of firms as arising from firms' internal factors and external factors. The scope of this study is limited to investigating the financial performance of Sri Lankan listed firms due to internal factors only. Cubin and Geroski (1987) and Rumelt (1991) report that industry effect does not contribute significantly to change a firm's profitability and instead there are important firm specific dynamic factors. Therefore, this section deals with only internal organizational factors as influential factors that determine a firm's financial performance. The internal factors considered are: size, age, debt ratio, quick ratio, inventory level, sales growth and capital turnover.

Size

Empirical studies have found a positive relationship between the size of the firm and its financial performance. Chhibber and Majumder (1999) and Kuntluru *et al.* (2008) find a statistically significant positive relationship between firm size and profitability (*ROA* and return on sales (*ROS*)) of Indian firms. Leng (2004) also confirms the above findings using data from Malaysian companies.

Age

The age of the firm is an important variable in determining its financial performance. When the firm becomes older, it enjoys economies of scale. This means that the firm can produce products at lower costs and this will cause an increase in revenue and profits. When a firm gets older, it can also enjoy a superior level of performance compared to new companies. However, if the older firms do not change their systems to cope with the new environmental conditions, their current financial performance would be worse. Kuntluru *et al.* (2008) report a statistically significant positive relationship between the age of the firm and its ROA. However, Chhibber and Majumder (1999) report that the relationship between firm age and profitability (ROA and ROS) is negative.

Debt ratio

Capital structure theory reveals that debt financing is favourable to the firm since it delivers tax savings. Therefore, increasing the level of debt will cause an increase in the value of the firm. However, it is shown that bankruptcy-related problems are more likely to arise when a firm includes more debts in its capital structure (see, for details, Brigham and Houston, 2004, p. 500). Hence, the relationship between capital structure and financial performance of a firm could be negative or positive. Empirical studies find that capital structure is negatively related with the financial performance. Kuntluru *et al.* (2008) find that debt ratio has a negative significant relationship with ROA and ROS. Barbosa and Louri (2005) and Chhibber and Majumder (1999) also report consistent results. Further, Thomsen and Pedersen (2000) find a negative relationship between debt equity ratio and ROA in the largest European companies.

Inventory level

Inventory is an essential part of all business operations. The level of inventory has a direct relationship with sales. The shortage of inventory leads to loss in sales and excess inventory may increase excessive carrying cost. Therefore, it is important to study the actual relation between profitability and the inventory. Chhibber and Majumder (1999) and Barbosa and Louri (2005) find that the variable inventory is negatively related to profits, suggesting that large inventories create a drag on a firm's ROA and ROS.

Quick ratio

Fixed assets alone are not sufficient to generate performance (profits). Working capital or highly liquid assets are necessary to meet the day-to-day expenses to put fixed assets into operations in order to generate performance. If the firm does not generate sufficient cash flows to meet recurrent expenses, then the firm will have to borrow in the short-term (current liabilities) or it has to pay its short-term liabilities out of permanent capital and eventually the company will go bankrupt. Therefore, the firm's ability to pay short-term liabilities is a key factor in determining the performance of a firm. In this study, the quick ratio is introduced to capture the relative ability of firms to generate cash and other liquid assets as a proportion of other outstanding current liabilities. Assuming that there is no reason for a firm to keep unnecessarily an excess amount of quick assets, the authors assume that there is a positive relationship between quick ratio and firm performance. Barbosa and Louri (2005), Kuntluru *et al.* (2008) and Chhibber and Majumdar (1999) also support this hypothesis.

Sales growth

The market share of a firm determines its relative competitive position. Kuntluru *et al.* (2008) predict that competitive positions have an impact on the financial performance of a firm. Using sales growth as the indicator of the competitive position, they find a significant positive relationship between sales growth and the profitability of firms.

Capital turnover

Kuntluru *et al.* (2008) introduce capital turnover ratio (CTR) to measure how efficiently capital assets are used by firms. A lower value for this ratio may imply a greater efficiency in capital utilization resulting in higher profitability. Therefore, this ratio is supposed to be negatively related to the profitability of the firm. Kuntluru *et al.* (2008) provide empirical support for this hypothesis.

3 Data and methodology

Data

Total sample of the study consists of 102 companies from the five largest sectors (excluding Bank, Finance

and Insurance sector) in terms of the number of companies listed on the CSE during the two years 2008 and 2009. Companies selected for the study under each sector are given in Table 1.

To control for the outliers, observations having standardized residuals greater than 3 standard deviations from zero in any yearly regression have been removed. Only 162 cross-sectional time series observations for 81 firms met the above criterion. The data for these firms were used for the final analysis. Table 1 shows the distribution of companies among the selected industry sectors.

Table 1. Classification of the sample

Sector	No. of companies
Food and Beverage	15
Hotel	27
Manufacturing	28
Plantation	17
Land and Property	15
Total	102
Less: Companies with abnormal observations	21
Companies selected for the study	81

Source: CSE data library 2009

Methodology

The study uses the constant coefficient panel data model as well as the OLS regression model to analyze the data. Under the constant coefficient panel data model, all the data are pooled and an OLS regression model is run. The fundamental assumption behind this model is that both intercepts and slopes are constant. That means there is no significant firm effect or temporal effect (time effect) on ROA (see Eq. 1).

$$ROA_{it} = \alpha_i + \beta_1(CON_{it}) + \beta_2(Size_{it}) + \beta_3(Age_{it}^2) + \beta_4(Debt\ \text{ratio}_{it}) + \beta_5(Quick\ \text{ratio}_{it}) + \beta_6(Inventory_{it}) + \beta_7(Sales\ \text{growth}_{it}) + \beta_8(CTR_{it}) + \varepsilon_{it} \quad (1)$$

Where, i = 1, 2,… 81, and t = 2008 and 2009. β values represent the regression coefficients of independent variables. In order to detect any timing effect on the ROA, the above regression is run separately for 2008 and 2009. Definition for each variable is given in the following table.

Table 2. Description of variables

Variables	Definition
Dependent variable	
1. ROA	Profit before depreciation, interest and taxes divided by total assets
Independent variables	
2.Ownership concentration (CON)	Ownership share (votes) of the largest owner (%)
3. Size	Log of total assets
4. Age	Number of years since incorporation till the date for which data are incorporated
5. Debt ratio	Total debt to total assets
6. Quick ratio	Ratio of quick assets to total current liabilities
7. Inventory	Ratio of inventory investment to total assets
8. Sales growth	Ratio of current year to previous year's sales
9. Capital turnover ratio (CTR)	Ratio of net fixed assets to sales

4 Results

Tables 3 and 4 provide descriptive statistics of mean, standard deviation, maximum and minimum values for each variable. Table 3 shows that average ownership concentration is 47% and that ownership concentration ranges between a maximum of 97% to a minimum of 0.07%. It shows that the ownership concentration in the sample is well dispersed between two ranges.

Table 3. Pooled sample descriptive statistics

	Mean	Standard deviation	Maximum	Minimum
ROA	0.06	0.11	0.65	-0.25
CON	0.47	0.23	0.97	0.07
Age	27.00	14.40	82.00	4.00
Sales growth	0.08	0.20	0.83	-0.37
Size	14.40	1.04	16.75	11.42
Debt ratio	1.19	1.20	6.85	0.01
Inventory	0.12	0.10	0.46	0.00
Quick ratio	0.92	0.80	5.71	0.05
CTR	1.78	3.38	31.49	0.02

Source: survey data

Table 4 provides correlation matrix for the independent variables. As indicated in the table, quick ratio is having a moderately negative correlation with debt ratio (r =-0.35). Further, there is an indication that capital turnover is having a moderately negative correlation with inventory (r = -0.43). No any other pair of variables shows statistically significant correlations. Hence, the table reveals that independent variables are free from multicolinearity problem.

Table 4. Correlation among independent variables

	CON	Age	Sales growth	Size	Debt ratio	Quick ratio	Inventory	CTR
CON	1.00	0.13	-0.16	0.21	0.02	-0.05	-0.04	0.12
Age		1.00	-0.07	0.00	-0.12	-0.17	0.09	0.26
Sales growth			1.00	-0.03	-0.06	0.11	-0.08	0.03
Total assets				1.00	0.06	-0.09	-0.04	0.07
Debt ratio					1.00	-0.35	0.25	-0.24
Quick ratio						1.00	-0.10	-0.02
Inventory							1.00	-0.43
CTR								1.00

Regression results are shown in Tables 5, 6 and 7. Table 5 presents the regression (constant coefficient model) estimates of the coefficients of equation 1 for a measure of financial performance using the ROA as the dependent variable. The panel A of the table presents the analysis of variance (ANOVA) for the model and the panel B of the table shows regression coefficients with their *t*-values.

The total model explains 35.83% (R^2) of the variability of ROA (F=10.68186, P< 0.01). Panel B of the table shows that size, debt ratio, quick ratio and inventory are having significant effects on ROA.

Table 5. Results of ANOVA and regression analysis using constant coefficient model – for the years 2008 and 2009

Panel A: Results of ANOVA					
	df	***SS***	***MS***	***F***	***Significance F***
Regression	8	0.72055	0.09007	10.68186	7.2E-12***
Residual	153	1.29009	0.00843		
Total	161	2.01065			
Panel B: Results of regression analysis using constant coefficient model					
Variable			**Coefficient**		**t-statistic**
CON			0.026		0.80
Age			0.001		0.26
Sales growth			0.000		0.17
Size			0.028		4.04***
Debt ratio			-0.016		-2.42**
Inventory			0.511		6.34***
Quick ratio			0.023		2.34**
CTR			-0.004		-1.64
R^2 = 35.83					

** Significantly different from zero at the 5% level; *** Significantly different from zero at the 1% level.

Panel B of the table indicates that ownership concentration has no significant impact on the financial performance of companies on the CSE. This finding suggests that either the largest owners tend to place more emphasis on non-profit objectives of the firms or that the cost of monitoring the activities of managers may be higher than the benefits of ownership concentration. This finding is similar to the Demsetz and Lehn (1985) who find that the relationship between ownership concentration and accounting profitability to be not significant when controlling for other variables. Holderness and Sheehan (1988) also find the same results for majority-owned companies in the US. Subsequently, Gerson and Barr (1996) and Pedersen and Thomsen (1999) also come to the same conclusions.

The size variable is having statistically significant positive effect on ROA. This means when the firm becomes larger and larger, its ability to generate returns gradually improves. This finding proves the micro economic theory of economics to scale. Further, the results are in accordance with the Chhibber and Majumder (1999) and Kuntluru *et al.* (2008) who find a statistically significant positive relationship between firm size and profitability (both ROA and ROS) of Indian firms. Leng (2004) also confirms the above findings in Malaysian companies.

Quick ratio shows a positive and statistically significant impact on the ROA. This finding is similar to the findings reported by Barbosa and Louri (2005), Kuntluru *et al.* (2008) and Chhibber and Majumdar (1999). The average quick ratio is 0.92 (see Table 3) and it reflects the working capital management benchmark as well as the firm level cash management capabilities that are unobservable. The finding shows that efficient cash management, debtors and creditors administration are key factors for better financial performance.

Nonetheless, debt ratio is having a negative relationship with the profitability of the firms (β=-0.016, t = 2.42, refer to Table 5). This means that when the capital structure consists of more debts, capital structure causes the decrease in profitability of the firm. It seems that the excess debts increase the financial distress costs and decrease the value of the firm. This finding is similar to the Chhibber and Majumder (1999), Thomsen and Pedersen (2000) and Barbosa and Louri (2005).

Inventory effect increases as firms attain high profits, indicating that the relevance of inventory decisions increase as firms improve their performance. Therefore, firms should keep sufficient level of inventories to achieve better financial performance. This is an opposite finding to the Chhibber and Majumder (1999) and Barbosa and Louri (2005).

Table 6. Results of ANOVA and regression analysis using constant coefficient model for the year 2008

Panel A: Results of ANOVA					
	df	***SS***	***MS***	***F***	***Significance F***
Regression	8	0.34720	0.0434	4.9309	6.96E-05***
Residual	72	0.63372	0.00880		
Total	80	0.98092			
Panel B: Results of regression analysis using constant coefficient model					
Variable			**Coefficient**		**t-statistic**
CON			0.0129		0.27
Age			-0.004		-0.44
Sales growth			-0.000		-0.23
Size			0.028***		2.72
Debt ratio			-0.013		-1.33
Inventory			0.412***		3.68
Quick ratio			0.038**		2.02
CTR			-0.007		-1.44
R^2 = 35.39					

** Significantly different from zero at the 5% level
*** Significantly different from zero at the 1% level.

Table 6 shows OLS regression results for the year 2008. The model explains 35.39% (R^2) of the variability of ROA (F=4.9309, P< 0.01). Panel B of the table shows that size, inventory and quick ratio have positive impacts on the ROA. However, contrary to total sample, the negative impact of debt ratio on ROA is not statistically significant in the year 2008.

Table 7 shows the OLS regression results for the model 1 only for the year 2009. It seems that the model explanatory power has improved in the year 2009, thus explaining the 40.61% (R^2) of the variability of ROA (F= 6.15611, P< 0.01). Panel B of the table shows that size and inventory have positive impacts on the ROA. Debt ratio is having significant negative effects on ROA (β = -0.019, t = -1.94). However, contrary to total sample, the positive impact of quick ratio on ROA is not statistically significant in the year 2009.

Table 7. Results of the analysis of variance and regression analysis using constant coefficient model for the year 2009

Panel A: Results of the analysis of variance					
	df	***SS***	***MS***	***F***	***Significance F***
Regression	8	0,41405	0,05175	6,15611	4.91E-06***
Residual	72	0,60533	0,0084		
Total	80	1,01938			
Panel B: Results of regression analysis using constant coefficient model					
Variable		**Coefficient**		**t-statistic**	
CON		0,048		1,02	
Age		0,01		1,01	
Sales growth		-0,032		-0,59	
Size		0,028		2.79***	
Debt ratio		-0,019		-1.94*	
Inventory		0,6		4.69***	
Quick ratio		0,019		1,63	
CTR		-0,003		-1,18	
R^2 = 40.61					

* Significantly different from zero at the 10% level.
*** Significantly different from zero at the 1% level

5 Conclusion and future directions

Conclusion

This study examined the impact of the ownership proportion of the largest owner and the other controlled variables on the ROA of selected listed companies in Sri Lanka. The control variables used in the study are: size, age, debt ratio, quick ratio, inventory level, sales growth and capital turnover. The constant coefficient panel data analytic model and the OLS regression model were used for the analysis of data. Data were gathered from the annual reports of the respective companies.

The study shows that ownership concentration has a positive impact on the ROA but it is not a statistically significant determinant of firm performance. The size, quick ratio and inventory investment to total assets have significant positive effects on ROA whereas the debt ratio has a negative effect on ROA.

The findings have important managerial implications. First, firms should keep adequate levels of quick assets to meet the liquidity requirements. Further, inventory management is important to maintain a satisfactory level of financial performance. Next, the firm's capital structure should not contain excessive debt capital. This is more relevant when the macroeconomic conditions are adverse.

This study has several implications for investors also. If investors want to take the stake of the company, they have to think of appropriate monitoring measures to govern the activities of managers so that all efforts of managers and scare resources of the company generate value for shareholders. Further, it is important for investors to consider the size of the company in terms of asset base when making investment decisions.

Findings of the study show that the overall explanatory power of the model is low and further research is needed to find out the other explanatory variables that affect financial performance of Sri Lankan companies.

Future directions

This study has used data from 81 firms only. Therefore, the researchers could not examine the ownership concentration effect on different levels of ownership as well as ownership identity effects on financial performance. Tomas and Petersen (2000) find that there is no effect on financial performance when the ownership is highly concentrated in one owner. Further, they find that ownership identity also affects share value. Therefore, future research could use a larger sample of firms with different levels of ownership concentration to investigate if different degrees of ownership affect firm performance of Sri Lankan companies. It is also important to study the impact of ownership concentration on the performance of Sri Lankan companies with reference to different ownership identities such as institutional investors, government investors and individual investors.

One of the major limitations of the model employed in this paper is not considering whether the ownership-performance relationship varies among different industries. Barbosa and Louri (2005) also

report that firms operating in Greece are sensitive to industry characteristics such as concentration, research and development intensity and growth. Therefore, it is important to investigate whether the above factors play a role in the ownership-performance of Sri Lankan firms.

Further, studies have found that enterprises receiving foreign investment or enterprises under foreign ownership outperform their domestic counterparts (Djankov and Hoekman, 2000). Harun and Deniz (2008) and Kuntluru *et al*. (2008) also support this view. Hence, the examination of the impact of foreign direct investment (FDI) on the financial performance of Sri Lankan firms would shed more light on the ownership- performance nexus in developing countries. Another avenue of investigation for future researchers would be to examine the impact of qualitative variables such as management style and employee attitudes together with the variables considered in this paper on firm/financial performance.

References

1. Barbosa, N. and Louri, H. (2005), 'Corporate Performance: Does ownership matter? A comparison of foreign-and domestic-owned firms in Greece and Portugal,' *Review of Industrial Organization*, 27, 73-102.
2. Brigham, E. F. and Houston, J. F. (2004), 'Fundamentals of Financial Management', South-Western: Thomson.
3. Brown, S., Kin, L. and Thomas, L. (1999), 'Use of R^2 in Accounting Research: Measuring Changes in Value Relevance over the Last four Decades,' *Journal of Accounting & Economics*, 28, 83-115.
4. Chhibber, P.K. and Majumdar, K.K. (1999), 'Foreign ownership and profitability: property rights, control and the performance of firms in Indian Industry,' *Journal of Law and Economics*, 42, 209–238.
5. Cubbin, J. and Geroski, P.A. (1987), 'The Convergence of Profits in the Long Run: Inter firm and Inter-industry Comparisons,' *Journal of Industrial Economics*, 35, 427–442.
6. Demsetz, H. (1983), 'The structure of ownership and the theory of the firm', *Journal of Law and Economics*, 26, 375–390.
7. Demsetz, H. and Lehn, K. (1985), 'The structure of corporate ownership: causes and consequences,' Journal *of Political Economy*, 93, 1155–1177.
8. Djankov, S. and Hoekman, B. (2000), 'Foreign Investment and Productivity Growth in Czech Enterprises,' *The World Bank Economic Review*, 14, 49-64.
9. Gerson, J. and Barr, G. (1996), 'The structure of corporate control and ownership in a regulatory environment unbiased toward one-share-one-vote,' *Corporate Governance*: An International Review, 4, 78–93.
10. Hansmann, H. (1988), 'Ownership of the firm', *Journal of Law, Economics and Organization*, 4, 267–304.
11. Hansen, G.S. and Wernerfelt, B. (1989), 'Determinants of Firm performance: The relative importance of economic and organizational factors,' *Strategic management Journal*, 10, 399-411.
12. Holderness, C and Sheehan, D. (1988), 'The Role of Majority Shareholders in Publicly Held Corporations: An Exploratory Analysis', *Journal of Financial Economics*, 20, 317-346.
13. Kaya, H. and Erden, D. (2008), 'Firm-specific capabilities and foreign direct investment activities of Turkish manufacturing firms', *Journal of management Development*, 27, 761-777.
14. Kuntluru, S., Muppani, V.R. and Ali Khan, M.A. (2008), 'Financial performance of foreign and domestic owned companies in India,' *Journal of Asia-Pacific Business*, 9, 28-54.
15. Leng, A.A. C. (2004), 'The Impact of Corporate Governance Practices on Firms' Financial Performance: Evidence from Malaysian Companies,' A*SEAN Economic Bulletin*, 21, 308–18.
16. Lippert, R. L. (1996), 'Agency Conflicts, Managerial Compensation, and Firm Variance, *Journal of Financial and Strategic Decisions, 9, 39-47.*
17. Lloyd, W.P., Hand, J.H. and Modani, N.K. (1987), 'The effect of the degree of ownership control on firm diversification, market value, and merger activity', *Journal of Business Research*, 15, 303–312.
18. Mahmood, M.A. and Mann, G.J. (1993) 'Measuring Organizational Impact of Information Technology investment: An Exploratory study', *Journal of Management Information systems*, 10, 97-122.
19. Rumelt, R.P. (1991) 'How Much Does Industry Matter?' *Strategic Management Journal*, 12, 167–185.
20. Thomsen, S. and Pedersen, T. (2000), 'Ownership structure and economic performance in the largest European Companies,' *Strategic Management Journal*, 21, 689-705.
21. Zeckhauser, R.J. and Pound, J. (1990), 'Are Large Shareholders Effective Monitors? An
22. Investigation of Share Ownership and Corporate Performance', in Hubbard, R. G.
23. (ed.), *Asymmetric Information, Corporate Finance and Investment*, 149-180, University of Chicago Press.