IMPACT OF EQUITY CAPITAL STRUCTURE ON THE PRODUCTIVITY OF CAPITAL AND LABOUR FACTORS: A CORPORATE GOVERNANCE ANALYSIS

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Abstract

This study investigates the relationship between capital structure and productivity of Ecuadorian companies, focusing on factors related to financial health, ownership structure, and currency. Two regression models were constructed to analyse performance and productivity using the same panel data from 2021 to 2022. The findings show that the majority of members have a positive impact on both types of productivity, while members' financial well-being increases employee productivity. Conversely, the results obtained by business owners are negatively associated with goods production, indicating the unique economic situation of Ecuador. The results of the study also indicate the limited explanatory power of the model, indicating the influence of other unobserved factors. This study highlights the importance of business governance in developing sustainable resources and employment, especially in emerging markets such as Ecuador. These findings build on previous research that addresses majority participation (Demsetz & Lehn, 1985) and business governance (Shleifer & Vishny, 1997). This study contributes to the growing literature on corporate governance by providing insights into the interaction between corporate ownership and corporate performance in the Latin American context. Future research should explore other aspects to gain a deeper understanding of the underlying factors in production decisions.

Keywords: Productivity, Capital Structure, Financial Health, Corporate Governance, Ecuadorian Companies

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1. INTRODUCTION

The performance of a company is often affected by the management of the company, and in this context, ownership structure becomes important in production decisions. Despite the importance of management in resource development, little is known about the relationships among members (such as ownership structure, ethnicity, and financial health) and the productivity of firms in emerging markets. The research investigated the influence of capital structure on labour dynamics and productivity within the Ecuadorian economic context.

It explores how governance structures, shareholder returns, and majority ownership impact productivity, identifying which controls exert the most significant influence. The study connects firm ownership with organizational performance and contributes to the broader discourse on corporate governance. It is rooted in organizational theory and resource-based perspectives. Beyond enhancing theoretical frameworks in management, the clarification of business owner characteristics in emerging markets offers practical insights for companies aiming to enhance performance through effective management reforms. Based on ownership, shareholder financial health and management processes, the article investigates the impact of shareholder equity and its relationship with efficiency yes. For example, it refers to the publication by Muñoz Mendoza et al. (2023) and Shleifer and Vishny (1997), which identifies financial flexibility and transparency as factors affecting business performance.

The research process focused on the use of balance sheets of 150 Ecuadorian companies between 2021 and 2022. business efficiency. In order to ensure the validity of the results, this section describes the tests performed, such as heteroskedasticity correction and negative correction and evaluation. Ownership structure, including shareholder participation and influence on management, also plays an important role in firm performance (Al-Hawatmah & Shaban, 2023; Laksana et al., 2024; Yeboah et al., 2024). Businesses need to follow transparent and effective policies (Capalbo et al., 2022; Utomo & Mawardi, 2024).

The relationship between a firm's profitability and substantial ownership of capital, in conjunction with labour productivity, is notably distinct and positively correlated. These findings are analyzed in the context of Ecuador's distinctive business landscape. The article offers an extensive discussion of the results, while also considering the limitations of the model's explanatory power and the implications for various management strategies. Additionally, it investigates the influence of unexplained variables on productivity and advocates for further research in this area. Further research is recommended to gain more insight and extend the analysis to other sectors or regions.

The rest of the article is structured as follows. Section 2 overviews the relevant literature. Section 3 describes the methodology of the research. Section 4 presents the results, and Section 5 discusses them in detail. Section 6 outlines the conclusion and also highlights the significance of corporate governance changes in emerging economies and suggests further research to investigate more factors and extend the analysis to other industries or areas.

2. LITERATURE REVIEW

Ownership structure is an important aspect of business management and can affect the company's shares. In this study, the ownership structure is defined by several important characteristics: compliance with the responsibilities of the governing bodies, nationality of the business owners, the profits they accept, control by shareholders, cooperation of major shareholders, organization of the shareholders, and financial position of the shareholders.

These traits, in turn, influence the decisions on how and to what extent the company uses resources — reflecting its input factor productivity (a measure of how efficiently inputs like labour are used to create outputs). Adherence to regulatory requirements can pave the way for increased transparency and more efficient management, said UK Steel, as various factors like the nationality of shareholders and financial resilience also have a bearing on stability and investment capability (Muñoz Mendoza et al., 2023). The presence of managing shareholders and the involvement of the controlling shareholder can affect decision-making and resource allocation, and institutional shareholders can contribute to more rigorous supervisory practices (Antoniou et al., 2008). How these factors combine and affect factor productivity is crucial to understanding operational efficiency in the Ecuadorian context.

Therefore, it is important to know how these features of shareholder capital affect the productivity factor of companies in a country like Ecuador, where corporations have unique challenges with respect to corporate governance and operational efficiency that put international competitiveness at risk. While these issues remain key, there has been limited exploration to date of the precise relationship between equity market-specific traits and factor productivity in this setting.

Corporate governance is a vital part of corporate administration because it details which methods and regulations businesses abide by within the organization. Good corporate governance creates the instruments that coordinate business decisions with shareholders and broader stakeholder values, fostering accountability and transparency (Shleifer & Vishny, 1997; Fama & Jensen, 1983).

Good business management can reflect positive results by creating processes that will improve resource allocation and increase operational efficiency (Becht et al., 2002; Claessens & Yurtoglu, 2012). The impact of management also plays an important role in the performance of the company. Factors such as compliance with regulatory requirements, ethnic ownership, profits, ownership of the business, ownership of the business, and the health of the business owners have a significant impact on business efficiency (Chen et al., 2019).

Business management increases investment and productivity by reducing business and risk management and increasing the efficiency of resource use (Dunbar et al., 2023; Sendawula et al., 2021). Compliance with the rules will help ensure effective cooperation, thus improving the economy (Akang, 2024; Abikoye et al., 2024). The presence of international business owners shows management diversity and can bring new practices and technologies that increase capital and efficiency. This not only increases productivity but also enables innovation (Kijkasiwat et al., 2024; Alviarez et al., 2024).

Foreign business owners can increase operational efficiency by bringing in new ideas and

international practices (Grazzi & Pietrobelli, 2016; Myšková & Hájek, 2017). Factors in capacity-building profitable firms will reinvest these profits in technology and employee development, thereby increasing profitability (Reserve Bank of Australia, n.d.; Shahzad et al., 2023). Reinvesting in assets and employee training improves performance (Chen et al., 2019).

Business owners involved in management can implement strategies that improve resource utilization, increase capital, and increase efficiency (Di, 2021). This integration increases efficiency by encouraging greater decision-making and productivity (Din et al., 2022; Gradzewicz, 2020).

The bottom line is significantly impacted when controlling shareholders have a significant say in strategic choices. Larger shareholders have the power to influence training and technology spending, resource allocation rules, and other measures that boost factor productivity and operational effectiveness (Deep, 2023).

The ability to direct business strategy maximizes performance by optimizing the use of resources.

The influence of institutional shareholders is also crucial. These shareholders often promote high standards of governance and oversight, which improve transparency and efficiency in resource management. They get involved and they make sure practices are followed.

Alshammari (2015) optimizes capital and labour utilization, leading to increased productivity. Yahaya (20025) and Lewellen and Lewellen (2022) and sustainability programs, which can improve operational efficiency, can be supported by institutional shareholders.

The ability to invest in the growth and development of a company is directly related to the financial health of shareholders. Investors with strong financial resources can provide capital to improve technological infrastructure and develop the workforce, which can lead to increased productivity of capital and labour factors. Improving financial health can support operational and efficiency improvement initiatives, improving overall performance (André & Gal, 2024; Abikoye et al., 2024).

The relationship between productivity and capital structure demonstrates the importance of capital management in improving firm performance. These linkages need to be recognized to increase productivity and maximize returns on labour and capital (Organisation for Economic Co-operation and Development [OECD], 2011; Gurbuz & Aybars, 2010; Miftahurrohman et al., 2024; Claessens & Yurtoglu, 2013; Nasution et al., 2024).

3. RESEARCH METHODOLOGY

3.1. Object of study

The general objective of this study is to determine various aspects of investment property, including regulatory compliance, nationality of ownership, profits generated, management shareholders, shareholder participation, shareholder ownership and shareholder health, events that affect the efficiency of the Ecuadorian economy. This analysis aims to provide detailed information on the impact of economic regulations on resource use and sustainable employment in Ecuador.

3.2. Method research design

The objective of this study is to examine the link between equity capital structure and factor productivity in Ecuadorian firms using a quantitative research design based on panel data. The application of panel data enables us to have an insight into and understand changes over time, hence giving a more solid understanding of how the characteristics of the capital stock structure can influence productivity at different times. Two models will be constructed for panel data: one where the dependent variable is capital factor productivity (*ingresocapital*) and another, where the dependent variable is labour factor productivity (*ingresoemple*).

3.3. Population

The study population comprises all companies registered with the Superintendency of Companies, Securities and Insurance of Ecuador operating in key industry sectors during the years 2021 and 2022. This population includes companies of different sizes and sectors to ensure a representative and generalizable sample.

3.4. Sample

A total of 150 companies were chosen for the sample. The classification will be based on company size and industry sector to ensure fair representation of different groups. We will establish a well-rounded panel by gathering information for each company for the next two years. The analysis will show the disparity between available data and the data tailored to each model.

3.5. Information gathering

The information was collected using only secondary sources:

1. Superintendency of Companies, Securities and Insurance: Detailed information on the companies, including financial data, compliance with regulatory obligations, characteristics of the capital stock structure, and other relevant aspects, was obtained from the records and databases provided by the Superintendency of Companies, Securities and Insurance.

2. Information available online: The information was supplemented with data available on the companies' official websites and other online sources that provide updated information on the characteristics and performance of the companies under study.

3.6. Measurement of variables

The variables used in the study will be measured as follows in Table 1.

Table 1. Variables used in the study

Variable	*Abbreviation*	*Description*	*Unit of measurement*
Shareholder financial health	*shwealth*	Indicates whether the company has recorded profits in recent periods.	Binary (0 = no, 1 = yes)
Controlling shareholder's interest	*ownershare*	Percentage of shares held by the majority shareholder.	Percentage (%)
Profitability obtained	*sharebenroa*	Return obtained by the shareholder in relation to the company's assets.	Return on assets (ROA)
Net income obtained from shareholder	*sharebenefmnet*	Net income received by the shareholder after taxes and other adjustments.	Amount in dollars (USD)
Labour factor productivity	*ingresoemple*	Labour productivity is measured as income generated per employee.	Amount in dollars (USD)
Capital factor productivity	*ingresocapital*	Capital productivity is measured as income generated per unit of capital invested.	Amount in dollars (USD)

3.7. Data analysis

The analysis will be carried out using statistical techniques for panel data. Two regression models for panel data will be developed, one for each dependent variable:

1. Regression model for *ingresocapital*: This model will assess the impact of equity capital structure variables on *ingresocapital*, using capital income as the measure. The analysis will be based on 459 observations annually.

2. Regression model for *ingresoemple*: This model will analyze the impact of the equity capital structure on *ingresoemple*, measured through employment income. The model will include 522 observations per year.

The mathematical panel data model for both approaches is specified as follows:

ingresocapital model

$$Y_{i,t} = \beta_0 + \beta_1 shwealth_{i,t} + \beta_2 ownershare_{i,t} + \beta_3 sharebenroa_{i,t} + \beta_4 sharebenefmnet_{i,t} + \varepsilon_{i,t} \quad (1)$$

ingresoemple model

$$Y_{i,t} = \beta_0 + \beta_1 shwealth_{i,t} + \beta_2 ownershare_{i,t} + \beta_3 sharebenroa_{i,t} + \beta_4 sharebenefmnet_{i,t} + \varepsilon_{i,t} \quad (2)$$

where,

- Y_{it} is the dependent variable (*ingresocapital* or *ingresoemple*) for a company *i* in year *t;*
- $shwealth_{it}$ is the shareholder's financial health for a company *i* in year *t;*
- $ownershare_{it}$ is the majority shareholder's stake for a company *i* in year *t;*
- $sharebenroa_{it}$ is the profitability obtained by the shareholder for a company *i* in year *t;*
- $sharebenefmnet_{it}$ is the net income that is obtained from the shareholders for a company *i* in year *t*;
- $\varepsilon_{i,t}$ is the common error term.

To guarantee the accuracy and strength of the results, the following tests and analyses will be conducted:

1) Tests of fit: tests will be conducted to assess the normality of the residuals and check for heteroscedasticity. These will include the Shapiro-Wilk test for normality and a modified Wald test to detect heteroscedasticity in the fixed effects regression model.

2) Fixed and random effects test: The best fit of the model with fixed and random effects will be evaluated. The Hausman test will help determine which of the two methods should be chosen.

This process will lead to a comprehensive analysis of how the characteristics of corporate capital affect the efficiency of Ecuadorian companies, thus leading to an understanding of the management of the enterprise and its impact on operational efficiency. The study uses a panel regression model to examine the link between spending patterns and performance, but other methods may be useful. Structural equation modelling can be used to analyze the relationship between ownership and performance. The impact of changes in ownership can be measured using difference-in-differences. Additionally, qualitative methods such as case studies or key stakeholder interviews can provide a deeper understanding of the context that affects efficiency. These alternative methods can improve upon many existing methods to provide a more comprehensive understanding of the relationship between market and resource structures.

4. RESULTS

The results of the modified Wald test for heteroscedasticity in the fixed effects regression model for productivity per fixed capital indicate that the null hypothesis (H_0: $\sigma_i^2 = \sigma^2$ for all *i*) has been rejected with an extremely large Chi-squared statistic (Chi^2) of approximately 6.2e+23 with 459 degrees of freedom. The associated p-value (prob > Chi^2) is 0.0000, indicating strong evidence against homoscedasticity. This finding suggests that the variance of errors is not constant across individuals in the fixed effects regression model for productivity per fixed capital.

Table 2. Modified Wald test for heteroscedasticity in the fixed-effects regression model where *Y* = productivity per fixed capital

Income from fixed assets	*Coeff.*	*Std. error*	*t-value*	*p-value*	*95% conf.*	*Interval*
shwealth	0.416	1.145	0.36	0.716	-1.834	2.667
ownershare	-54189148	33273302	-1.63	0.104	-1.196e+08	11199260
sharebenroa	0.257	1.786	0.14	0.886	-3.252	3.766
sharebenefmnet	-0.283	3.015	-0.09	0.925	-6.208	5.642
Constant	41057983	25210481	1.63	0.104	-8485438.5	90601404
Mean dependent var	5.286		SD dependent var			12.055
R-squared	0.006		Number of obs			918
F-test	0.740		Prob > F			0.999
Akaike criterion (AIC)	5610.785		Bayesian criterion (BIC)			5630.074

Table 3. Linear regression, standard errors corrected for heteroskedastic panels — productivity per fixed capital

Group variable: Record Time variable: Period Panels: Heteroskedastic (balanced) Autocorrelation: No autocorrelation Estimated covariances = 459 Estimated autocorrelations = 0 Estimated coefficients = 5 A number of obs. = 918	Number of groups = 459 Obs. per group: Min = 2 Avg = 2 Max = 2 R-squared = 0.0041 Wald $Chi^2(4)$ = 14.55 Prob > Chi^2 = 0.0057

Het-corrected						
Income from fixed assets	***Coef.***	***Std. error***	***z***	***p > z***	***95% conf.***	***Interval***
shwealth	0.329162	2.230.626	0.15	0.883	-4.042.785	4.701.109
ownershare	2.403.707	1.054.667	2.28	0.023	0.3365982	4.470.816
sharebenroa	-1.285.723	1.216.411	-1.06	0.291	-3.669.845	1.098.398
sharebenefmnet	250.326	3.479.041	0.72	0.472	-4.315.534	9.322.055
Constant	322.276	1.681.453	1.92	0.055	-0.0728283	6.518.347

In the linear regression analysis with correction for panel heteroskedasticity for productivity per fixed capital, the results indicate the presence of heteroskedasticity, as evidenced by the Wald Ch^{i2} test (14.55, p = 0.0057). However, the R-squared value for the entire model is low at 0.0041, indicating that the explained variables are only a part of the variance in the productivity equation. When the heterogeneity-correction coefficient is taken into account, the positive and significant value of the ownership ratio indicates that the increase in this variable is associated with the increase in fixed assets. In comparison, *sharebenroa* is not significant, and wealth and s*harebenefmnet* also do not show significant effects. The constant has a p-value of 0.055, suggesting some proximity to the conventional significance level of 0.05. In summary, although heteroscedasticity is addressed, the explanatory power of the model for productivity per fixed capital is limited.

Table 4. Modified Wald test for heteroscedasticity in the fixed-effects regression model where *Y* = productivity per working capital

Income employee	*Coeff.*	*Std. error*	*t-value*	*p-value*	*95% conf.*	*Interval*
shwealth	-2750.795	13105.133	-0.21	0.834	-28504.891	23003.3
ownershare	-2.559e+11	3.808e+11	-0.67	0.502	-1.004e+12	4.925e+11
sharebenroa	-87311.078	20434.857	-4.27	0	-127469.49	-47152.672
sharebenefmnet	112986.84	34506.621	3.27	0.001	45174.729	180798.96
Constant	1.939e+11	2.885e+11	0.67	0.502	-3.731e+11	7.609e+11
Mean dependent var	128125.839		SD dependent var			190561.358
R-squared	0.041		Number of obs			918
F-test	4.808		Prob > F			0.000
AIC	22768.706		BIC			22787.995
H_o: $\sigma_i^2 = \sigma^2$ for all *i*						
Chi^2 (459) = 6.2e+23						
Prob > Chi^2 = 0.0000						

The data in Table 4 indicate a significant rejection of the null hypothesis (H_o: $\sigma_i^2 = \sigma^2$ for all *i*). The Chi^2 is extremely large, about 6.2e+23, with 459 degrees of freedom, and the associated p-value (prob > Chi^2) is 0.0000. This strong evidence against homoscedasticity suggests that the variance of errors is not constant across individuals in the fixed effects regression model for productivity per labour capital.

Table 5. Linear regression, standard errors corrected for hetero-elastic panels — Productivity per working capital

Group variable: Record Time variable: Period Panels: Heteroskedastic (balanced) Autocorrelation: No autocorrelation Estimated covariances = 522 Estimated autocorrelations = 0 Estimated coefficients = 5 A number of obs. = 988	Number of groups = 522 Obs. per group: Min = 1 Avg = 18.927.203 Max = 2 R-squared = 0.0296 Wald $Chi^2(4)$ = 38.68 Prob > Chi^2 = 0.0000

Het-corrected						
Income from fixed assets	***Coef.***	***Std. error***	***z***	***p > z***	***95% conf.***	***Interval***
shwealth	52392.73	12684.56	4.13	0.000	27531.45	77254
ownershare	56732.1	17970.11	3.16	0.002	21511.33	91952.87
sharebenroa	-93808.81	39631.55	-2.37	0.018	-171485.2	-16132.39
sharebenefmnet	109795.5	55405.47	1.98	0.048	1.202.777	218388.2
Constant	40712.27	16259.27	2.50	0.012	8.844.694	72579.85

Table 5 presents the results of a linear regression corrected for heteroscedasticity in panels for productivity per working capital, with an unbalanced data set. The Wald Chi^2 test (38.68, p = 0.0000) suggests the existence of heteroscedasticity, supporting the standard error correction. The R-squared for the whole model was 0.0296, indicating that these variables explain part of the changes in productivity per unit of working capital. The positive value of wealth determined by the heteroscedasticity correction coefficient indicates that an increase in this variable is associated with an increase in output per unit of working capital. Similarly, affiliation is valuable and valuable. In contrast, *sharebenroa* has a negative correlation, indicating a positive relationship with productivity. *Sharebenefmnet* shows a significant effect, although the significance level is slightly below 0.05. The negative constant is significant and indicates that the support for producing one unit of labour capital is constant.

5. DISCUSSION

The results of this study provide a better understanding of the relationship between ownership structure and productivity in Ecuadorian companies. In the analysis of the firm's capital, we found that the majority of members participating had a positive effect. This finding supports the literature that greater management participation results in increased capital expenditures (Jensen & Meckling, 1976; Shleifer & Vishny, 1997). Organizational theory also supports the idea that controlling shareholders will be more motivated to ensure good governance and maximize profits.

However, the financial health of the shareholder, the profitability obtained, and the net profit obtained from the shareholder did not show significant effects on the productivity of fixed capital. These results are in line with the findings of La Porta et al. (2000), who suggested that the relationship between shareholder financial health and productivity may be less direct in some contexts, especially in emerging markets where institutional structure may influence capital efficiency differently.

In terms of factor productivity, the study revealed a significant positive effect of shareholder financial health and majority shareholder ownership. This aligns with the literature that argues that a strong financial situation can lead to better working conditions and higher investments in human capital, thus increasing productivity (Barney, 1991).

Majority shareholder ownership is also associated with more effective management, which can improve labour productivity, corroborating the observations of Demsetz and Lehn (1985).

However, the profitability obtained by the shareholder showed a significant negative effect on labour productivity, which contrasts with previous studies that have found a positive relationship between profitability and labour productivity (McConnell & Servaes, 1990). This result may reflect a particular context in the Ecuadorian business environment, where increased profits may not be reinvested in the form of better incentives or working conditions for employees.

The models used show low R-squared, indicating that the variables examined explain only a small part of the variation in production. This suggests that other factors not included in this study may also affect productivity, as suggested by previous research on complex production (Griliches, 1998; Aghion et al., 2005). This shows how many different aspects and concepts need to be examined to obtain a better understanding of the complexity of things.

Although theoretical frameworks consider characteristics such as business efficiency, financial health and ownership as important, the findings show that this variation is only a small part of the difference. This may be explained by the fact that the model does not take into account the importance of context. For example, productivity can be greatly affected by specific industries such as manufacturing, technology or foreign trade, changes in credit availability and other variables. In addition, the weak explanatory power of this model can be attributed to certain characteristics of the Ecuadorian market, such as the small size of products, low level of trade and compliance with different rules. Although not specifically addressed in the current study, these concepts are important for understanding the broader context in which the product operates. These elements should be included in future studies to develop better models that explain variations in outcomes.

6. CONCLUSION

This study demonstrates the correlation between shareholder prosperity and the stock market performance of Ecuadorian companies. The findings highlight the importance of stakeholder engagement in corporate governance, revealing that most stakeholders positively impact operational efficiency and capital distribution. Furthermore, the financial stability of employers is crucial to the overall

success of organizations, indicating that a solid financial foundation contributes to enhanced performance.

Nevertheless, the returns of shareholders indicate a negative correlation with labour productivity, suggesting that certain market factors in Ecuador may influence the allocation of profits and workers. Additionally, the low R-squared in the models suggests that there are other factors not considered in this study that could potentially impact performance. The results indicate that Ecuadorian companies need to reflect on their strategies for improving their performance with respect to the role of security ownership and financial health. However, more research needs to be done regarding other potential influences and to see whether these results hold in other circumstances or in larger studies. In the particular setting of Ecuadorian businesses, this study makes significant advances to our knowledge of how shareholder capital structure affects factor productivity. This research sets the stage for future studies on corporate governance in emerging markets by highlighting the positive impact of majority ownership and shareholder financial well-being on productivity, while also revealing the unexpected negative correlation between profitability and labour productivity. Policymakers and corporate leaders who aim to refine governance frameworks and optimize resource allocation for improved operational efficiency will find the study's conclusions especially relevant. Nevertheless, several shortcomings in the research need to be addressed in subsequent evaluations.

For instance, the low R-squared values of the regression models suggest that additional factors not explored in this study may significantly influence productivity, including industry-specific elements, macroeconomic conditions, or cultural dimensions of governance. More profound insights could also be gained by broadening the temporal analysis beyond 2021–2022 or by incorporating comparative studies with firms in other areas. Addressing these concerns will lead to a more comprehensive understanding of the relationships between productivity and corporate governance.

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