Corporate Governance through Ownership Structure: Evidence from KSE-100 Index

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ABSTRACT

This paper examined the association between ownership structure, firm performance and dividend policy with respect to Governance perspective of companies present in Karachi Stock Exchange (KSE). A sample of 45 Non-financial KSE-100 Index listed firms for a period of 2010 to 2013 has been taken for analysis of this study. Multiple Regression Models are applied on the panel data to measure the relationship between ownership structure, firm performance and dividend policy. The empirical results provide evidence that ownership structure significantly affects the dividend policy and firm performance in connection with family ownership concentration. The empirical results also exhibit a significant negative relation between Dividend payments and ownership concentration and thus support the Entrenchment Theory; it means that the major shareholders protect their own benefit at the cost of minor stakeholders. Furthermore, the results also showed a positive relation of firm performance with foreign holdings, which means better performance is an attractive sign for the foreign investment and financial health of the economy.

Keywords: Ownership Structure, Firm Performance, Dividend Policy, Entrenchment Theory, Family Ownership Concentration

JEL Classification: G34, G32

Introduction

Background of the study

Public have gained awareness towards the subject and value of corporate governance, after the detection of foremost scandals like Enron, WorldCom etc that were occurred due to failure of governance. The corporate governance is not a new concept, but this concept comes into existence at the same time when the management and ownership in an organization were separated and concept of agency theory applied. Like, when a child cry to acquire his mother's concentration, the companies also needs a well-built corporate governance mechanism, because when the minor investors cry after losing their investments

due to corporate governance failures, then the professional & regulatory bodies starts to pay their notice to develop a highly structured corporate governance mechanisms.

What is Corporate Governance?

Corporate Governance is a mechanism, process, policies, rules & regulations designed by the professional & regulatory bodies and companies senior management to serve and protect the rights of minorities against expropriation and all the stakeholders, to run the organization in the best interest of all the stakeholders including society and achieve the strategic goal of corporation. Shleifer and Vishny (1997) said that corporate governance system is a way through which providers of finance to corporations give surety to themselves of being paid a return on investment.

Objectives of corporate governance are, to protect the individual interest of each stakeholder, to protect the collective interest of all stakeholders, not allowing any stakeholder to save his interest at the cost of any other stakeholder and not authorizing any single stakeholder to make decisions of a company. When all these points will be considered while implementing the codes of corporate governance, the company's profitability will be enhanced and this will be a positive signal for investor's investment.

Relationship between governance & management; actions taken by Board of directors to insure proper conduct of affairs of company is Governance while work done by employees hired by Board of directors to operate company on day to day basis is management. So both the owners and management run a corporation together for the common welfare of all the stakeholders.

In view of the fact that the pioneer cram of Berle and Means (1932) there has been growing literature on the subject of corporate governance. During 1970s and 1980s, corporate governance research investigates the individual governance mechanism focusing on U.S. corporations. In the early hours of 1990s, the research has begun to cram the possible impact of various institutional environment on the structure of corporate governance mechanisms, which seems to be triggered by the wave of globalization (for a survey, see Denis & McConnell 2003) and CEO dismissals by the board e.g. IBM, Kodak and Honeywell.

Corporate Governance and Agency Problem

The fundamental function of corporate governance is to tackle the agency problem in an organization. Agency problem creates because of difference or conflict of interest among management and owners, because everyone try to safe their own interest even at the cost of others right. Shleifer and vishny in 1997 has named this problem as contractual planning among all factors of the production and when a single factor creates problem all the other effects. An organization is the association of different factors of production (Fama, 1983) works together for the sake of each other. Agency relationship comes into existence when a person (principal) hires a person (agent) to carry on working on his behalf, the powers and authorities are vested to him (agent) on his (principal) behalf and he (agent) is accountable to him (principal). Both the parties try to take advantage of on their own interests, so divergence will be occurred between the principal's benefit and the agent's proceedings. This divergence is may be due to these two reasons firstly, different investors/shareholders may have different targets and preferences and secondly, investors may contain inadequate information of each other's proceedings, preferences, knowledge. So to control this conflict of interest the companies have to bear an agency cost which also affects the company's profitability

Jensen and Mecking in 1976 have said about agency cost is the cost incurred by the principal to monitor agent and the cost of bonding incurred by the agent, and get the net

result in the form of loss, loss is in the form of loosing reputation and welfare of the principal due to difference in principals and agents decisions. Fama and Jensen in 1983 have explained this problem with the reference of contract theory and said that the agency cost is the summation of structuring, monitoring and bonding cost beard to establish the contracts among agents having a number of conflicts. To save from this problem both the parties should sign a "complete contract" which explains even every sole future contingency that may occurred and also specify the corresponding actions to be taken under each unforeseen event (Shleifer & Vishny, 1997).

The managers also utilize the shareholders' finances to guzzle perquisites, in this case they may tend to enlarge the firm away from what is rational, reinvest free cash, and pursue favorite projects and so on. If this practice works the managerial expropriation of shareholders can entrench the managers to secure their jobs a smart level of reward whether they are eligible or competent for this job or not. This problem also exists among controlling and small shareholders. This problem mostly exists in those countries where this culture of controlling shareholders prevails. The controlling shareholders have more voting power, decision rights over minority shareholders, so they pay themselves special dividends, in this way they take benefit on minorities' right. Impact of Dividend policy was analyzed by D'Souza in 1999 and he originate that agency cost is negatively related with dividend payout, DeAnglo in 2004 also makes an effort to locate a relationship among agency cost and dividend policy and initiate that dividend payment helps to prevent these problems.

Corporate Governance (ownership structure) and Firm Performance

Equity ownership structure is a key instrument of corporate governance that influence the quality of governance and also decrease the cost of agency, while the concentration of ownership is a quantitative mean to get information about the investment rights of major shareholders, so lower investor safety leads to high concentrated ownership and this concentration leads to insure personal benefits at the expense of minorities and ultimately this action leads to strict monitoring that enhance the efficiency of block holders and tends to make good performance (La Porta et al. 1998).

Problem Statement

Pakistan is currently suffering from a severe financial, reputational, energy and behavioral crisis due to corruption, terrorism, immorality and other reasons. The scope of governance is not limited up to the corporate level but actually it starts from a personal level whose basis is the ethical background. As a single drop collectively makes a river, same is the case with corporate governance mechanism, all the members from the ownership level to a gate keeper level, are a part of a corporation and all these entities directly or indirectly influence or influenced by the actions of the company. So to control, monitor the working, there should be a need to introduce, implement and enforce the codes of corporate governance in a true sense.

Pakistan economy depends 80% on corporations they contribute significantly in GDP, GNP, BOP and ultimately on the financial health of the country. But unfortunately, Pakistan is a highly family concentrated ownership country, the system of corporations is in the hands of the unqualified, non-professional persons who have not concerned with the interest of others, they try to safeguard their own benefits either by hook or by crook. These practices exert a harmful impact on the performance of company, and ultimately harm the name of country.

Objectives of the Study

The salient objectives of this study are:
- To investigate corporate governance through ownership structure in KSE listed firms.
- To elaborate the ownership/shareholding pattern of the KSE listed firms.
- To analyze the contact between shareholding pattern and the performance of firm.
- To suggest the measures to protect the rights of minorities.
- To inspect the effect of ownership structure on dividend policy.
- To check the effect of structure of ownership on firm market valuation and profitability.

Research Questions of the Study

There are following research questions to be solved
- How the governance system is being adept by ownership structure?
- What type of ownership structure is being followed by the companies in Pakistan?
- What is the connection between pattern ownership and firm market & internal progress?
- Which type of association exists between shareholding pattern and dividend policy?
- What actions should consider to safeguarding the minorities' shareholders?

Significance of the Study

This is first study in Pakistan to inspect the impact of shareholding pattern on firm market valuation, internal performance/profitability and dividend policy by suggesting all possible firm performance measuring parameters, using latest data of KSE listed companies. And this study is helpful for all types of investors to take investment decision after observing the governance system, shareholding pattern, dividend policy and market & internal performance.

Review of Literature

Kapopoulos and Lazaretou, (2007) had tried to discover the relation between 'ownership structure' and 'firm performance'. They had investigated it by means of a sample of 175 Greek companies. They had recommended that when a firm had high 'concentrated ownership', the 'profitability' of that firm is also high.

Imam and Malik (2007) conducted research on 'Firm Performance' and 'Corporate Governance' through 'Ownership Structure'. They used multiple regressions Equation for the examination of 'Firm Performance' and 'Corporate Governance' through 'Ownership Structure'. 'Ownership structure' was taken as independent variable while 'Return', 'Tobin's Q' & 'Dividend Payout Ratio' taken as independent variable. They showed that firm performance & foreign holdings are positively correlated. They concluded that manufacturing 'firm's performance' and 'sponsors ownership' is negatively related.

Afza and Mirza (2010) documented the Impact of 'Corporate Governance' on 'Firm Financial Performance'. They applied the OLS and Tobit Regression Models to evaluate the Impact of 'Corporate Governance' on 'Firm Financial Performance'. Institutional ownership, growth, size, leverage & profit were taken as independent variable while Dividend payouts & dividend intensity were taken as dependent variable. Dividend payouts were positively associated with growth opportunities.
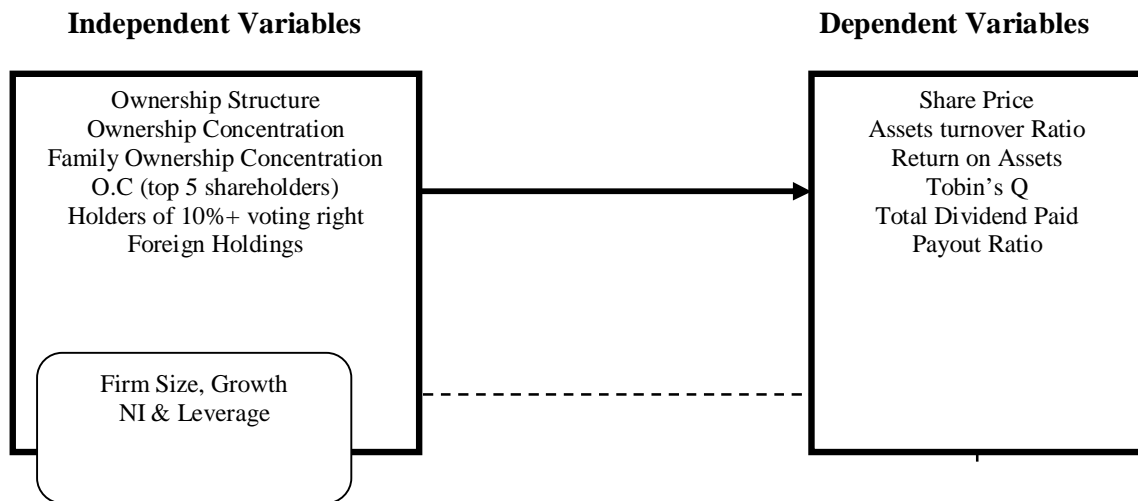
Javid and Iqbal (2010) study explored that Corporate Valuation, Ownership & Financing. By using model proposed by Black, et al. (2003) for exploration of Corporate

Valuation, Ownership& Financing. Corporate governance index (CGI) was taken as independent variable while Tobin Q, ROA and ROE were taken as dependent variable. There is positive significant relationships exist between the corporate governance and Tobin's Q, RO. & ROE.

A study on governance mechanism, 'ownership Structure' and 'Firm Performance' was explored by Tsegba and Herbert (2013) in Nigeria. Market price and earnings per share were dependent and ownership structures (concentrated and foreign) were dependent variables, and Ordinary Least Squares (OLS) was employed to got significant negative impact of concentrated ownership and positive of foreign ownership on firm performance. Their findings were to form a policy that would promote foreign investments.

Abbas, Naqvi and Mirza(2013) they studied of influence of large 'ownership' on 'firm performance'. They applied Correlation Analysis & ordinary least square regression equation to check the impact of large 'ownership' on 'firm performance'. Large owners, firm size and leverage were taken as independent variable while ROA, ROE were taken as dependent variable. They investigate the large shareholders significantly & positively affect on firm performance. They concluded that when ownership goes beyond controlling level (50%) relationship between large owners & firm value become negative.

Theoretical Framework

Independent Variables   **Dependent Variables**

| Ownership Structure
Ownership Concentration
Family Ownership Concentration
O.C (top 5 shareholders)
Holders of 10%+ voting right
Foreign Holdings | | Share Price
Assets turnover Ratio
Return on Assets
Tobin's Q
Total Dividend Paid
Payout Ratio |

Firm Size, Growth
NI & Leverage

Control Variables

Methodology

This topic is a hot issue in the subject of corporate finance, from Pakistan's economy point of view. Different researchers have conducted research on this topic and find different results as discussed in the literature of this topic.

Hypothesis Development

All around the world, every company have a different shareholding pattern according to ownership trend prevailing in a specific economy. Mostly the economies have following mixture of holdings such as Family/Group, Directors, Institutional, Associated companies, General public, Foreign holdings while in Pakistan in addition to this, 10% or above 10% and Others holdings is also considered. There is no specific criteria of a type of holding,

every type exert its influence differently on the organizational progress, so to check this precautions on 'firms performance' following hypothesis are developed.

H1 = There is an association between ownership structure, firm performance and dividend policy.

H2 = Ownership concentration affect the dividend policy.

H3 = Greater the family ownership concentration, better the firm performance.

H4 = There is a positive relationship between Foreign holdings and firm performance.

H5 = Larger the size of board better the dividend policy.

Source of Data and sample selection

For the testing of above hypothesis the data is secondary and sample is chosen from Karachi Stock Exchange 100 Index, the whole Pakistani economy is affected directly or indirectly by the performance of KSE that is considered the backbone of country. The sample to test effect of ownership mix on firm's performance is selected from KSE 100-Index companies. The sample is taken by excluding the finance, banking and insurance industries and incomplete information about non-financial sector for a period of 3 consecutive years 2010, 2011 & 2012. The detail of available data and final sample is as follows:

Target Population	KSE 100-Index
Data Type	Secondary
Time Period	2010, 2011 & 2012
Available Data	45/100
Selected Sample	45 companies

Model Specification

To test the association between ownership structure and firm performance a pragmatic model is formulized. The share price, assets turnover ratio, return on assets and market value measured by Tobin's Q is taken as dependent variable and dividend policy measured by total dividend paid either in the cash or stock form and payout ratio is also considered as performance measuring tool. The ownership pattern is divided into two contexts as an ownership mix and concentration. Following regression model is applied on the panel data to check the relationship among independent and dependent variables:

$$Y_{it} = \alpha + \beta \text{ (ownership structure)}_{it} + \delta X_{it} + \varepsilon_{it}$$

Here Y_{it} is the dependent variable used to measure the internal as well as external performance of the company by the tools of share price, assets turnover ratio, return on assets, Tobin's Q. Total dividend paid & payouts ratio, where ***ownership structure*** is the change in ownership pattern that varies country to country and company to company as well, X_{it} demonstrate the firm's specific variables that also effect the performance of company, and ε_{it} is the error term and all the Greek letters shows the co-efficient of ownership pattern the independent variables. This is the fundamental general equation to examine the relationship between ownership structure and firm performance of the selected sample.

Empirical Results

Descriptive statistics
The analysis is based on the available data of 45 non-financial firms listed at KSE-100 Index to check the impact of ownership structure on the firm performance and dividend policy. The ownership variables are correlated with one another as one increase the will obviously will decrease to complete the 100% ownership. From DIR ownership to OTH ownership 100% ownership is calculated and it lies between 0-100% but varies among company to company their mean of DIR, INST, ASSO, FOR, GP, OTH are 9.98, 10.64, 8.2, 16.3, 3.2 respectively.

One person have minimum 5.18, maxi 94.34 and average 38.11 this shows the concentration of holdings, holders of 10%≤ voting rights have 0-94.34% holdings with average 56.39% holdings this also shows the concentration of holdings. OC5 are the top 5 individuals and these individuals owns 17.17- 97.27 holdings with average 64.69% and express the ownership concentration in the firm. The family firms having 25%≤ have 0 to 95.07% holding with mean of 41.12%, the family firms owns 50%≤ shares have 0 to 83.74 with a mean of 3.55% holdings and these holdings also report the concentration of family holdings and have their impact of firm performance accordingly. All the necessary details about the variables used to analyze the impact are given in Table 1.

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DIR	135	.00	73.23	9.9833	17.94587
INST	135	.00	42.06	10.6487	10.17603
ASSO	135	.00	96.00	49.7041	28.95294
FOR	135	.00	83.57	8.2440	16.38021
GP	135	.00	87.56	16.7289	16.30658
OTH	135	.00	19.59	3.2096	4.44303
GRE	135	5.18	94.34	38.1167	24.82882
VR10	135	.00	94.34	56.3941	23.96361
OC5	135	17.17	97.27	64.6905	21.01656
FO25	135	.00	1.00	.6444	.48046
FOOC25	135	.00	95.07	41.1296	34.73803
FO50	135	.00	1.00	.0667	.25037
FOOC50	135	.00	83.74	3.5527	14.51911
BSIZE	135	7.00	15.00	9.1333	2.23540
SIZE	135	2.94	5.84	4.1692	.58269
GRO	135	-4.14	4.50	.9417	.93485
NI	135	-.21	2.09	.1230	.24931
LEV	135	.00	121.66	19.6586	22.21937
SP	135	.00	4231.50	237.2796	640.78917
ATR	135	.00	5.13	1.2415	.96025
ROA	135	-4.86	40.50	9.4448	8.56969
ROE	135	-33.72	97.49	21.1970	18.96301
TOBINSQ	135	.12	8.37	1.1656	1.17256
TDP	135	.00	1250.00	107.1148	218.98131
POR	135	.00	285.71	50.5687	46.76361

Analysis of Firm Performance, Dividend Policy & Ownership Structure

Firm performance as Dependent variable

To investigate the relation between Firm Performance and Ownership Structure, the Linear Regression Model is regressed with 4 firm performance measuring variables like SP, ATR, ROA, Tobin's Q, and ownership structure is defined from both points of view, ownership mix and ownership concentration and also is a firm is family firm, its concentration is also included and following equations are regressed

$$
\begin{aligned}
SP_{it} = {} & \alpha + \beta_1 DIRE_{it} + \beta_2 INST_{it} + \beta_3 ASSOC_{it} + \beta_4 FOR_{it} + \beta_5 GP_{it} + \beta_6 OTH_{it} \\
& + \beta_7 GRE_{it} + \beta_8 VR10_{it} + \beta_9 OC_{it} + \beta_{10} FO25_{it} + \beta_{11} FOOC25_{it} \\
& + \beta_{12} FO50_{it} + \beta_{13} FOOC50_{it} + \beta_{14} BSIZE_{it} + \beta_{15} SIZE_{it} + \beta_{16} GRO_{it} \\
& + \beta_{17} NI_{it} + \beta_{18} LEV_{it} + \varepsilon_{it}
\end{aligned}
$$

$$
\begin{aligned}
ATR_{it} = {} & \alpha + \beta_1 DIRE_{it} + \beta_2 INST_{it} + \beta_3 ASSOC_{it} + \beta_4 FOR_{it} + \beta_5 GP_{it} \\
& + \beta_6 OTH_{it} + \beta_7 GRE_{it} + \beta_8 VR10_{it} + \beta_9 OC_{it} + \beta_{10} FO25_{it} \\
& + \beta_{11} FOOC25_{it} + \beta_{12} FO50_{it} + \beta_{13} FOOC50_{it} + \beta_{14} BSIZE_{it} \\
& + \beta_{15} SIZE_{it} + \beta_{16} GRO_{it} + \beta_{17} NI_{it} + \beta_{18} LEV_{it} + \varepsilon_{it}
\end{aligned}
$$

$$
\begin{aligned}
ROA_{it} = {} & \alpha + \beta_1 DIRE_{it} + \beta_2 INST_{it} + \beta_3 ASSOC_{it} + \beta_4 FOR_{it} + \beta_5 GP_{it} \\
& + \beta_6 OTH_{it} + \beta_7 GRE_{it} + \beta_8 VR10_{it} + \beta_9 OC_{it} + \beta_{10} FO25_{it} \\
& + \beta_{11} FOOC25_{it} + \beta_{12} FO50_{it} + \beta_{13} FOOC50_{it} + \beta_{14} BSIZE_{it} \\
& + \beta_{15} SIZE_{it} + \beta_{16} GRO_{it} + \beta_{17} NI_{it} + \beta_{18} LEV_{it} + \varepsilon_{it}
\end{aligned}
$$

$$
\begin{aligned}
Tobin's Q_{it} = {} & \alpha + \beta_1 DIRE_{it} + \beta_2 INST_{it} + \beta_3 ASSOC_{it} + \beta_4 FOR_{it} + \beta_5 GP_{it} \\
& + \beta_6 OTH_{it} + \beta_7 GRE_{it} + \beta_8 VR10_{it} + \beta_9 OC_{it} + \beta_{10} FO25_{it} \\
& + \beta_{11} FOOC25_{it} + \beta_{12} FO50_{it} + \beta_{13} FOOC50_{it} + \beta_{14} BSIZE_{it} \\
& + \beta_{15} SIZE_{it} + \beta_{16} GRO_{it} + \beta_{17} NI_{it} + \beta_{18} LEV_{it} + \varepsilon_{it}
\end{aligned}
$$

Stock price (SP) is the indicators of better performance if the price of stock is high it means the firm is performing well, here the purpose is to check the impact of ownership structure on stock prices, the other equation is run with Assets turnover ratio (ATR), this variable is used to check the efficiency of the management with difference of shareholding structure. Return on assets (ROA) is used to check the financial performance of the firm with the combination of different ownership structure while the Tobin's Q is the ration to check the market value of the firm with difference of ownership structure. The ownership structure is defined from two constrains 1 is ownership mix which express the 100% holding of the firm and is expressed by the %age of shares held by (DIR, INST, ASSO, FOR, DP & OTH), and ownership concentration defined by the %age of shares held by (GRE, VR10, OC5, FOOC25, FOOC50). α is the constant β is the coefficient of all the independent variables respectively. The empirical findings of these variables are shown in Table 2.

Table 2: Regression Coefficient

Variables	Model 1 SP		Model 2 ATR		Model 3 ROA		Model 4 Tobin's Q	
	Beta	**Sig.**	**Beta**	**Sig.**	**Beta**	**Sig.**	**Beta**	**Sig.**
(Constant)	-790.767	.301	3.616	.000*	4.946	.555	-.353	.774
DIR	-3.231	.539	.003	.693	-.024	.677	-.017	.041**
INST	.479	.941	.007	.398	-.178	.013	-.017	.105
ASSO	-5.560	.232	-.009	.147	.055	.284	.008	.298
FOR	5.677	.256	.009	.150	.084	.129	.003	.717
GP	8.054	.079***	-.004	.469	.072	.151	.018	.016**
OTH	-39.662	.005*	.000	.989	-.304	.049**	-.071	.002*
GRE	8.910	.070**	.016	.014**	-.010	.855	-.018	.027**
VR10	.124	.979	.001	.814	.020	.695	-.001	.924
OC5	-4.616	.541	-.005	.606	-.197	.019**	.014	.250
FO25	-616.164	.171	-1.389	.019**	-11.022	.027**	-.372	.606
FOOC25	13.282	.034**	.014	.093***	.208	.003*	.011	.288
FO50	885.569	.145	-.157	.842	7.060	.288	2.231	.023**
FOOC50	-17.000	.099***	-.002	.853	-.055	.628	-.035	.035**
BSIZE	-33.403	.289	-.032	.438	.331	.339	-.069	.173
SIZE	337.772	.014**	-.275	.120	3.180	.034**	.498	.023**
GRO	-68.004	.353	-.109	.254	-2.512	.002*	-.632	.000*
NI	-425.655	.132	-1.361	.000*	11.783	.000*	.793	.081***
LEV	4.818	.087***	-.018	.000*	-.108	.001*	.001	.771
R^2	**59.8**		**51.3**		**75.3**		**50.4**	
F	**3.583**		**6.800**		**8.434**		**6.560**	

Note: * shows the level of significance at 1%, ** at 5% & *** at 10%.

The empirical results shows that the relationship exist between the firm performance and ownership structure so this table support the H_1 and indicates a positive relation of GP with SP, Tobin's Q and negative with OTH, positive with FOOC25 and SIZE means if the size is large the performance is better.

Dividend Policy as dependent variable

The relation of ownership structure is checked with dividend policy as measured by TDP & POR. These Equations express the relation of ownership with TDP & POR and express the empirical results in Table 3.

$$TDP_{it} = \alpha + \beta_1 DIRE_{it} + \beta_2 INST_{it} + \beta_3 ASSOC_{it} + \beta_4 FOR_{it} + \beta_5 GP_{it} + \beta_6 OTH_{it} + \beta_7 GRE_{it} + \beta_8 VR10_{it} + \beta_9 OC_{it} + \beta_{10} FO25_{it} + \beta_{11} FOOC25_{it} + \beta_{12} FO50_{it} + \beta_{13} FOOC50_{it} + \beta_{14} BSIZE_{it} + \beta_{15} SIZE_{it} + \beta_{16} GRO_{it} + \beta_{17} NI_{it} + \beta_{18} LEV_{it} + \varepsilon_{it}$$

$$POR_{it} = \alpha + \beta_1 DIRE_{it} + \beta_2 INST_{it} + \beta_3 ASSOC_{it} + \beta_4 FOR_{it} + \beta_5 GP_{it} + \beta_6 OTH_{it} + \beta_7 GRE_{it} + \beta_8 VR10_{it} + \beta_9 OC_{it} + \beta_{10} FO25_{it} + \beta_{11} FOOC25_{it} + \beta_{12} FO50_{it} + \beta_{13} FOOC50_{it} + \beta_{14} BSIZE_{it} + \beta_{15} SIZE_{it} + \beta_{16} GRO_{it} + \beta_{17} NI_{it} + \beta_{18} LEV_{it} + \varepsilon$$

Table 3: Regression Coefficient

Variables	Model 5 TDP		Model 6 POR	
	Beta	**Sig.**	**Beta**	**Sig.**
(Constant)	-8.816	.974	-8.497	.886
DIR	-.212	.908	-.227	.578
INST	.213	.925	-.225	.654
ASSO	-1.754	.280	.021	.954
FOR	2.354	.178	-.574	.138
GP	3.098	.053***	.427	.227
OTH	-12.586	.011**	-2.273	.037**
GRE	3.675	.033**	-.896	.019**
VR10	.825	.616	-.359	.326
OC5	-4.380	.098***	1.127	.055**
FO25	-297.411	.059***	20.441	.556
FOOC25	5.853	.008*	-.304	.528
FO50	158.710	.452	-18.755	.688
FOOC50	-3.168	.377	.306	.700
BSIZE	6.927	.528	4.170	.088***
SIZE	50.274	.287	7.472	.475
GRO	-31.304	.222	-10.877	.057**
NI	-122.424	.214	10.296	.636
LEV	-.401	.682	-.595	.007*
R²	**32.9**		**27.7**	
F	**3.165**		**2.472**	

Note: * shows the level of significance at 1%, ** at 5% & *** at 10%.

The empirical results show that there is significant positive relations exist between dividend payouts and GP holdings and significant negative relation between concentration and payouts. So these results accept the H_1 and confirms that a relation exist between ownership structure and dividend policy.

Ownership Concentration and Dividend Policy

Ownership concentration is defined by the greatest ownership (GRE), holders of $10\% \leq$ voting rights (VR10), and shareholding of top 5 shareholders (OC5) with other control variable and run the following equations and empirical results are shown in Table-4, which express a significant negative relations between ownership concentration and dividend payouts, it means the rights of minorities are expropriated these results support entrenchment theory and conforms the H_2. It means increase in 1% increase in owners of $10\% \leq$ voting right will decrease payouts by Rs. 69.4.

Table 4: Regression Coefficient

Variables	Model 5 TDP		Model 6 POR	
	Beta	**Sig.**	**Beta**	**Sig.**
(Constant)	-16.153	.926	15.856	.663
GRE	-.687	.639	-.521	.090***
VR10	-.764	.571	-.694	.015**
OC5	.117	.953	.896	.034**
SIZE	52.322	.170	13.027	.102
GRO	-48.284	.034**	-6.761	.153
NI	-22.267	.772	-6.359	.692
LEV	-1.899	.051***	-.581	.004*
R^2	**11.1**		**15.1**	
F	**2.272**		**3.231**	

Note: * shows the level of significance at 1%, ** at 5% & *** at 10%.

Family Ownership & Firm Performance

The family ownership concentration is calculated by multiplying the OC5 (%are of top 5 shareholders) with FO (family ownership) and family ownership is obtain from the board of directors having 25%≤ voting right and second criteria was 50%≤ voting rights. And family ownership concentration is checked by both criteria through following equation and empirical evidence is shown in Table 5, the empirical results reveals a significant positive relation between family ownership concentration and firm performance, the same results were obtained by Reeb (2003) and Din and Javaid (2011), these results conforms the Agency Theory and support the H3, it means 1% increase in family ownership concentration will result to increase SP by Rs. 5.3, ROA by 3.5%, Tobin's Q by Rs. 0.8.

Table 5: Regression Coefficient

Variables	Model 1 SP		Model 2 ATR		Model 3 ROA		Model 4 Tobin's Q	
	Beta	**Sig.**	**Beta**	**Sig.**	**Beta**	**Sig.**	**Beta**	**Sig.**
(Constant)	-989.505	.038**	2.909	.000*	-4.829	.352	-1.113	.145
FOOC25	5.335	.001*	-.003	.190	.035	.043**	.008	.003*
FOOC50	-2.855	.430	-.005	.325	.039	.324	.001	.829
SIZE	275.321	.008*	-.179	.197	3.917	.001*	.592	.000*
GRO	-63.294	.317	-.240	.006*	-2.591	.000*	-.465	.000*
NI	-378.322	.090***	-.906	.003*	10.004	.000*	-.213	.551
LEV	-1.233	.637	-.023	.000*	-.124	.000*	-.003	.542
R^2	**42.8**		**33.2**		**45.0**		**36.6**	
F	**4.778**		**10.60**		**17.469**		**12.304**	

Note: * shows the level of significance at 1%, ** at 5% & *** at 10%.

Foreign Ownership & Firm Performance:

Better performance is an attractive sign for the foreign investment, it's a good sign for an economy to have foreign investment and Government should provide incentives to encourage foreign investment. The relationship of %age of foreign investment is checked

with firm performance measuring variables and empirical results support the H_4 shown in Table 6. A significant and positive relation is shown in empirical results; it means 1% increase in foreign ownership will result to increase SP by Rs. 7.3, ATR by 0.8 and ROA by 4.7%.

Table 6: Regression Coefficient

Variables	Model 1 SP		Model 2 ATR		Model 3 ROA		Model 4 Tobin's Q	
	Beta	**Sig.**	**Beta**	**Sig.**	**Beta**	**Sig.**	**Beta**	**Sig.**
(Constant)	-831.768	.083***	2.785	.000*	-2.703	.599	-.812	.295
FOR	7.330	.026**	.008	.077***	.070	.047**	.007	.173
SIZE	265.840	.011**	-.198	.151	3.576	.002*	.574	.001*
GRO	-85.093	.184	-.215	.012**	-2.726	.000*	-.502	.000*
NI	-170.612	.436	-1.002	.001*	11.619	.000*	.097	.785
LEV	.071	.979	-.023	.000*	-.112	.000*	-.001	.866
R^2 F	14.3 4.308		30.6 12.813		44.2 20.454		32.7 12.509	

Note: * shows the level of significance at 1%, ** at 5% & *** at 10%.

Board Size & Dividend Policy

Composition of board of a firm also influences its performance. All the major decisions are taken by members of board of directors if the size of board is large obviously better decisions will be taken. Size of board contains the number of members of board of directors. The following equation is run to check the impact of Board size on Dividend policy and empirical results reported in Table-7 reveals a significant positive relation between payouts and board size. It means that increase of one member in the composition of board will results to increase in Rs. 5.8 in payouts.

Table 7: Regression Coefficient

Variables	Model 5 TDP		Model 6 POR	
	Beta	**Sig.**	**Beta**	**Sig.**
(Constant)	-12.456	.940	25.299	.471
BSIZE	-6.232	.492	5.830	.003*
SIZE	63.224	.108	-2.712	.742
GRO	-48.425	.031**	-6.257	.182
NI	-30.086	.695	-2.261	.889
LEV	-1.923	.040**	-.534	.007*
R^2 F	11.1 3.223		13.7 4.112	

Note: * shows the level of significance at 1%, ** at 5% & *** at 10%.

Conclusion and Recommendation

The study is conducted to investigate the relationship between ownership structure, firm performance and dividend policy with respect to a sample of 45 Non-financial KSE-100 Index listed firms for a period of 3 years from 2010 to 2012 by Linear Regressions Model.

The ownership structure is checked through different possible combinations of shareholding to expose its impact on firm performance and dividend policy. The purpose of the study was to investigate from different point of view and provide protection to minorities. The empirical results provide evidence that ownership structure significantly affects the firm performance and dividend policy. The result reveals a significant positive relationship between family ownership concentrations and firm performance. It means the centralization of decision is better approach to get maximum returns and these results favored the Agency Theory.

The results also revealed significant negative relation between ownership concentration and Dividend payments and support the Entrenchment Theory. It means the Block holders try to get maximum returns themselves and rather to distribute earnings to all the stakeholders, retain them and use for their personal benefit so use the earnings for expansion of the business, therefore the results expose positive relation with size of the firm. But if the size of board is large the better decision about distribution of dividend is expected, the results demonstrate positive relation between size of board or dividend payout. It means there is a need of professional, skilled, eligible, talented and experienced members to take better decisions.

The empirical results show a positive relation of firm performance with foreign holdings it means better performance is an attractive sign for the foreign investment, it's a good sign for an economy to have foreign investment and Government should provide incentives to encourage foreign investment.

Limitations of Study

There is no specific criteria to check the family ownership and categorize the firm as family owned firm so many gapes remains unfilled due to unavailability of data and proper guidance about the selection of proper criteria of ownership structure and fitness of model used to measure the impact of ownership structure on firm performance and dividend policy. These gapes can be filled with future research in this field.

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