OWNERSHIP STRUCTURE AND ITS IMPACT ON FIRM PERFORMANCE AND FINANCIAL DECISIONS OF LISTED COMPANIES IN PAKISTAN STOCK EXCHANGE. MODERATING ROLE OF CORPORATE GOVERNANCE

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AUGUST 2023

RESEARCH DEGREE BAHRIA UNIVERSITY, KARACHI

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DEDICATION

With Love and Pride

To my Payari Ami Jan (late)

Sajada Farooq

And

Abu jan (Farooq Ahmed)

Acknowledgements

"Place your trust in the Almighty, and in His benevolence, you shall find the ultimate reward."

In the culmination of this arduous academic journey, I stand on the precipice of accomplishment with a heart full of gratitude and humility. This thesis is a testament to not just my individual effort, but a collective effort of the many remarkable individuals who have supported and guided me along the way.

First and foremost, I dedicate this work to my late mother. Her unwavering belief in my potential and her boundless love were the guiding lights that fueled my pursuit of knowledge. Though she is no longer with us in the physical realm, her spirit continues to inspire me every day. This thesis is a tribute to her enduring influence on my life's path. To my father, your unwavering support and sacrifices have been the bedrock upon which I've built my academic journey. Your belief in my abilities, even when I doubted myself, has been a driving force. Your love, wisdom, and encouragement have been my pillars of strength, and I am eternally grateful for your presence in my life.

I extend heartfelt appreciation to my supervisor, Dr. Riaz Ahmed. Your guidance, mentorship, and scholarly insights have been invaluable throughout this research endeavor. Your ability to challenge my thinking while nurturing my academic growth has been a privilege. Your dedication to pushing boundaries and nurturing intellect has profoundly shaped my academic and personal growth.

I extend my gratitude to my family and friends whose unwavering support has sustained me through the highs and lows of this journey. Your encouraging words, understanding, and prayers have given me the motivation to persevere. I am blessed to have you in my life, and I share this achievement with all of you.

To my colleagues and fellow researchers, your camaraderie and stimulating discussions have enriched my understanding and widened my horizons. The academic community's collaborative spirit has been instrumental in shaping the ideas presented in this thesis. Lastly, a special note of appreciation to all those who prayed for me, near and far. Your positive energy and well-wishes have been a source of strength. Your belief in my potential has been an inspiration, and I am humbled by the knowledge that I have been surrounded by a network of support.

In conclusion, this thesis stands as a testament to the love, dedication, and support that have been bestowed upon me. To my late mother, my father, Dr. Riaz Ahmed, my family, friends, and well-wishers, I offer my deepest gratitude. This work would not have been possible without your unwavering belief in me. As I step forward into new challenges and opportunities, I carry your contributions with me, forever shaping my path and aspirations.

ABSTRACT

The intention of this study is to examine the impacts of ownership on the performance and decisions of non-financial sector companies in Pakistan, while also examining the moderating role of corporate governance in the relationship between ownership and firm's performance, as well as financial decision. This study utilizes data from 192 listed companies spanning the period from 2009 to 2019. Firm accounting performance is evaluated using measures such as return on assets and return on equity, the assessment of market performance involves stock volatility, Tobin's Q, and the market-to-book price ratio as measures. Additionally, financial decisions are examined by taking into account factors such as the debt-to-equity ratio and dividend payout ratio. The findings reveal that foreign and institutional ownership has a positive and significant impact on firm's financial performance, whereas director ownership negative and significant affects performance measures. Foreign and institutional ownership also significantly reduce stock volatility and benefit the firm's equity market value and Tobin's Q ratio. Conversely, director ownership increases significantly stock volatility, whereas it has a negative and significant impact on stock valuation and negative insignificant impact on Tobin's Q ratio. However, foreign and institutional ownership have positive and significant impacts on the leverage ratio, while negative impact foreign ownership on dividend payout ratio is insignificant. Director ownership has a negative and significant impact on both financial leverage and dividend payout. Corporate governance plays a significant role between the relationship of ownership and financial performance and decisions. However, it does not significantly moderate the relationship between ownership and market performance. The study concludes that internal owners are less efficient and lack control compared to foreign and institutional shareholders. Recommendations are made to adjust the director's interest in favor of the firm, considering the implications of agency theory and steward theory. This research emphasizes the importance of corporate governance as a moderator between the impact of ownership structure on performance, contributing to the literature on agency theory and steward theory.

Key words

Ownership structure, Corporate governance, Director ownership, Foreign ownership, institutional ownership, performance, Financial decisions.

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