“The impact of ownership structure on corporate decisions: Evidence from Pakistani non-financial distressed and non-distressed firms”

By:

Maryam Aslam **Enrollment No # *01-120161-018***

MBA 3.5 Years

Supervisor:

Ma’am NIDA AMAN

Department of Management Science

Bahria University Islamabad
Spring -2019

Major: FIN

S.NO.11

THE IMPACT OF OWNERSHIP STRUCTURE ON CORPORATE DECISIONS: EVIDENCE FROM PAKISTANI NON-FINANCIAL DISTRESSED AND NON-DISTRESSED FIRMS

By:

Maryam Aslam **Enrollment No # *01-120161-018***

Supervisor:

Ma'am NIDA AMAN

Department of Management Science
Bahria University Islamabad

Spring -2019

FINAL PROJECT/THESIS APPROVAL SHEET
Viva-Voice Examination

Viva Date 21/6/2019

Topic of Research: "The impact of ownership structure on corporate decisions: Evidence from Pakistani non-financial distressed and non-distressed firms"

Name of Student: Maryam Aslam **Enrollment No: 01-120161-018**

Class: MBA 3.5 years

Approved By:

_____

Supervisor (NIDA AMAN)

_____

Examiner-I (Tanveer Illahi)

_____

Examiner-II (Hira Idrees)

_____

Dr. Sarwar Zahid
Research Coordinator

_____

Dr Khalilullah Muhammad
Head of Department
Management Sciences

Abstract

In corporate finance the financial decision making is a crucial area. From policy makers as well as from academics it has received high attention. To check the impact of ownership structure on dividend payout and financing policy of non-financial distressed and non-distressed firms of Pakistan is the main theme of the study. For the purpose of the research total 225 firms of non-financial sectors are taken out of which 185 are distressed and 40 are non-distressed firms that are listed on Pakistan stock exchange. From 2011-2017,6 years data is collected from annual reports of the firms. In research secondary data is used. By using three different tests including correlation analysis, descriptive analysis and panel data regression method the results are revealed. To conduct the results Stata software is used. Authors have their divergent point of views according to some previous researchers. Some authors suggest that ownership structure has positive impact on corporate decisions while the some other authors suggest that ownership structure has its negative impact on corporate decisions. Companies distribute more dividends with higher shareholding by its owners it is assumed. It is also assumed that companies distribute more dividends with higher institutional shareholding to please them. To undergo the study this contradiction encouraged researcher. In financial decisions (dividend payouts and capital structure) whether institutional and managerial shareholding makes a significant difference or not this study inclines towards these findings. The companies with higher institutional ownership invest more capital and tend to pay better dividends according to our study findings. Moreover, firms make better dividend policies with higher profitability.

Keywords*: Ownership structure, Dividend Payout Ratio, capital structure, OLS*

Acknowledgement

All the Praises are for Almighty Allah

First of all thanks to Almighty Allah for giving me strength, understanding and ability to complete the research.

I would like to express my gratitude to my research advisor Mam. Nida Aman for guiding me and also support a lot in my whole research. For thesis construction she inspired me a lot. Her scientific attitude and broad knowledge benefitted me a lot. My supervisor also helped me to improve the thesis logic and framework. Her valuable comments and timely critical make my thesis more plentiful and precise.

I am also thankful to my Amma (May Allah rest her soul in peace) it is only because of her prayers that I am completing my thesis. I am also grate full to my aba that he supported me a lot and motivated me. In developing research our appreciation and thanks also go to our colleagues and to those people who was always willing to help me and stand by me in my difficult times.

In the research I have taken efforts. However without help of many individuals and kind support it would not have been possible for me to complete my thesis. I am thank full to authors who provided me information and content related to my thesis. I am really thank full to all of them.

May Allah give me success (Ameen) and show his blessings on me.

Declaration

I, **Maryam Aslam** enrollment No.**01-120161-018** student of MBA, declare that my thesis is my own work. My thesis entitled **"**Impact of ownership structure on corporate decisions: Evidence from Pakistani non-financial distressed and non-distressed firms.**"** This work has not been published, submitted and printed as research work in Bahria University in any form.

Signature: _____

Dated: 28-06-2019

Name: Maryam Aslam

Table of Contents

Contents

Table of Figures ix
List of tables ix
1-Introduction 1
1.1 Gap Identification 7
1.3 Research Objectives 8
1.4 Research Questions 8
1.6 Scheme of the Study 9
2-Literature Review 10
2.1 Impact Of Ownership Structure On Dividend Policy 12
2.2 Theories Related To Dividend Policy 15
2.2.1 Dividend Irrelevance Theory 15
2.2.2. Bird In Hand Theory: “Bird in the Hand Is Worth More Than Two in The Bush” 16
2.2.3. Clientele Effect 16
2.2.5 Walter model 17
2.3 Impact Of Ownership Structure On Capital Structure 17
2.4 Conceptual framework 22
2.4.1 Impact of Ownership Structure on Dividend policy 23
2.4.2 Impact of Ownership Structure on the Capital Structure 23
3- Methodology 25
3.1 Research Design 25
3.2 Sample selection 25
3.3 Data Collection 26
3.4 Variables and measurement 26
3.5 Software used for Data Analysis 26
3.6 Regression models 27
3.6.1 Impact of ownership structure on dividend policy 27
3.6.2 Impact of ownership structure on capital structure 27
3.7 Analytical model 27
3.7.1 Panel data analysis 27
3.7.2 Descriptive Statistics 28
3.7.3 Correlation Matrix 28
3.7.4 Panel data analytic Models 28

4- Results and Discussions 30
4.1 Descriptive Analysis 30
4.2 Correlation Analysis 31
4.3 Regression Analysis 32
5.1 Conclusion 37
5.2 Limitation of the study 38
5.3 Recommendations 39
5.4 Future research 39

Table of Figures

Figure 1 conceptual framework.....23
figure 2 conceptual framework.....24

List of tables

Table 1 From different sectors selected KSE listed firms.....28
Table 2 Variables and measurement.....26
Table 3 Descriptive stats.....30
Table 4 Correlation analysis.....31
Table 5 Regression analysis of impact of ownership structure on dividend.....32
Table 6 Regression analysis of impact of ownership structure on capital structure.....34