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Table of Contents

Effects of Ownership Concentration on Corporate Performance: Sri Lankan Evidence

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ABSTRACT

This study will examine the effects of ownership concentration on corporate performance based on the listed entities in Sri Lanka. As the research philosophy of the current study is positivistic paradigm, quantitative research approach was selected. For this empirical study, population represents the listed entities in Colombo Stock Exchange representing nineteen Global Industry Classification Standard (GICS) industry groups. As the sample, 100 publicly listed companies were selected for a period starting from 2015/2016 to 2019/2020. Data were collected through the annual reports of the companies. OLS regression analysis shows that ownership concentration has a significant impact on the corporate performance measured by ROA. However, the results of the panel regression did not indicate any significant relationship between the ownership concentrations and firm performance. Through this study it helps potential investors, current decision makers to have a good understanding how the ownership of the companies affects the performance of the business in positive and negative ways. As further recommendation future researchers can widen the range of companies they are going to select as well they can consider ownership identities prevailing with in the Sri Lankan companies. In addition, potential researchers have the opportunity of considering the companies beyond the CSE listed companies while bringing more reliability to the studies by not only relying on the secondary data sources. Especially when it comes to private limited companies' different ownership types can be identified. It will be a new dimension for the current literature as well.

Keywords: Corporate Performance, Ownership Concentration, Colombo Stock Exchange

1. INTRODUCTION

Corporate performance is critical for any business entity. Because of the strong rivalry, businesses must retain competitive advantages by achieving consistent financial growth in order to flourish in the market. Performance of a business entity can be influenced by both internal factors as well as external factors. Amongst ownership structure is identified as a major concern. Corporate financial performance substantially connects to their ownership structure throughout the time, as it provides money through owner's equity (Lawal, et al., 2018). To that end, it is necessary to analyze how different kinds of ownership structures impact the company's profitability and growth. Ownership structures have two implications following structure of the ownership which is defined as share percentage of state, institutional, domestic individual shareholders and the other implication is the share percentage of top shareholder, top two, three or five shareholders (Dayarathne & Kumari, 2020; Claessens & Djankov, 1999).

According to previous studies, ownership concentration can be recognized as a variable that can impact business performance while also serving as a great corporate governance instrument for decreasing agency conflicts. Consequently, the purpose of this research is to examine the impact of ownership concentration on the corporate performance of listed firms in Sri Lanka addressing the research question of "How does the ownership concentration of affect corporate performances of listed entities in Colombo Stock Exchange?"

According to Holdernsee (2003), it has not been conclusively established whether the influence of shareholders on business performance is good or bad. As large block shareholders have some incentives and resources to monitor managerial actions and choices, the degree of concentration of ownership increases the firm's efficiency. Concentrated owners with significant shareholdings in the firm's ownership structure, provide an effective control mechanism via which management conduct can be watched and regulated, and as a result, the firm's performance changes (Waheed & Malik, 2019). And also, they are in a position to grab substantial amount out of the improvement of the firm performance as well (Abdelmohsen & Gehan, 2013). Dispersed ownership lacks the ability and motivation to resolve management agency issues. Market controls are the major regulating factors that hold managers in check in jurisdictions with dispersed ownership, where principals are generally both reluctant and unable to act as effective monitors (Madhani, 2016).

According to the prior studies, the effects of ownership concentration can be described through two offsetting effects namely monitoring/substitution effect and exploration effect. The monitoring effect is used to predict the favorable effect of ownership concentration on performance. On the other side, the expropriation effect is used to anticipate the negative effect of ownership concentration on performance (Villegas et al., 2018). Concentrated ownership, according to this line of research, may make it easier for controlling shareholders to extract private benefits at the expense of minority shareholders' wealth increasing the expropriation effect and, as a result, damaging performance (Filatotchev et al., 2013; Wang & Shailer, 2015).

Since there is a separation of ownership in listed entities, it is quite evident that when there is a diffused ownership concentration, management of the business receive significant control on their hands (Berle and Means, 1932). The shift of firm control from individual shareholders (owners) to managers (agents) in listed businesses results from the dispersion of ownership (Madhani, 2016). By having more power vested with the mangers of the business, managers may tend to focus more on their own interests rather than the interest of shareholders of the company. As a result, mangers are not going to fully utilize the investments or resources of the shareholders with the objective of maximize the shareholder wealth. Managers' self-interest drives them to mismanage company assets, such as pursuing excessively risky investment initiatives at the expense of capital providers (Pillai & Malkawi, 2018).

This paper is organized into six sections. Section one is about problem identification; Section 2 is on prior literature of the study. The next session summarizes methodology employed in this empirical study.Section 4 interprets the results and discussion of the study. Section 5 describes the conclusions of the study consisting with the future recommendations.

2. LITERATURE REVIEW

The effect of ownership concentration and firm performance is found mixed. In the previous two decades, the relationship between ownership concentration and company profitability has caused considerable worry among corporate investors, leading a substantial examination in the wider scope of modern finance among various participants (Madhani, 2016). Generally speaking, studies on this area of research could be divided into two main groups depending on their approach to ownership structure: the first group describes about the relevance of the concentration of shares for main shareholders (Abdelmohsen & Mousa, 2013; Murtaza, et al., 2020). The second group considers the relevance of the type of investors (Dayarathne & Kumari, 2020).

2.1 Theoretical Background

Corporate Governance

There is no single definition of corporate governance rather, it could be seen from various angles. However, it is widely acknowledged under these definitions that safeguarding a business entity's financial health is critical. (Ajward et al., 2016). Sheifier & Vishny (1986) define corporate governance as the" ways in which suppliers of finance to companies assure themselves of getting a return on their investment". The corporate governance system is regarded as a key component in regulating and monitoring the firm's activities in a good and better manner (Aslam et al., 2019). Corporate governance mechanisms provide assurance that people who invest their capital can receive returns on this capital (Lepore et al., 2017).

Agency Theory

The history of the agency problem may be traced back to the period when human civilization performed commerce and attempted to maximize their interests. Adam Smith was maybe the first author to suggest the possibility of an agency issue, and this has been a driving element for economists to nurture features of agency theory ever since. Smith predicted in his book The Wealth of Nations that if an organization is governed by a person or group of people who are not the true owners, they may not work for the best interests of the organization (Panda & Leepsa, 2017). Agency model is considered as one of the oldest theories in the literature of the management and economics (Daily, Dalton, and Rajagopalan, 2003; Wasserman, 2006). The idea describes the connection between principals, such as shareholders, and agents, such as top management at a company. (Lawal et al., 2018). But in practice, when one party is expected to act in the best interests of the other, a conflict of interest might be occurring, which is known as an agency problem. When identifying the impact of ownership structure on firm's financial performance, agency theory takes an important place because the conflict of interest between owners and managers can directly affect the firm's financial performance (Dayarathne & Kumari, 2020).

2.2 Empirical studies

Ownership Concentration

Ownership concentration is an important internal corporate governance element where principals can inspect and oversee the operations of the company to safeguard their investment, because it affects the authority and control between management and the ownership concentration is an important internal mechanism of corporate governance. (Madhani, 2016). As suggested by agency theory, "ownership concentration is a key corporate governance mechanism that helps to limit agency problems arising from the separation of ownership and control" (Sheifier & Vishny, 1986). It is identified as an essential element of corporate governance mechanisms to reduce agency issues (Aguir et al., 2020).

Asses the level of ownership concentration

Ownership concentration has been assed using different methods in prior studies. One of the initial studies conducted on Ownership Concentration and Corporate Performance in the Czech Republic (Claessens & Djankov, 1999) used share of equity held by the top five investors (T5) and a logistic transformation of this share (L5), defined as log {T5/[100-T5]}, as the indicators for ownership concentration. One of the latest researchers carried out in Sri Lankan context on the relationship between ownership structure and firm's financial performance: A case study on listed companies in Sri Lanka by (Dayarathne & Kumari, 2020) have used the percentage of sum of shares controlled by each of the top 5 shareholders in measuring the ownership concentration.

Corporate performance

Corporate performance is the key element of any kind of business where it shows the results of the relevant company whether they have operated effectively or not. "Financial performance measures and indicate whether a company's strategy implementation and execution contribute to increased profitability" (Pathirawasam & Wickremasinghe, 2012). Financial performance becomes highly important in satisfying a business's financial responsibilities to keep the entity operating after the firm is recognized as a going concern. (Gabriel and Osazuwa, 2020).

Asses the level of corporate performance

One of the initial studies carried out by Claessens and Djankov (1999) have used labor productivity and profitability as indicators of corporate performance. In most of the studies most of the researchers have used return on assets (ROA) and return on equity (ROE) as the measurements of the firm performance. (Waheed & Malik, 2019; Machek & Kubíček, 2018). Some studies have used Tobin's Q in measuring the company profitability (Ejokehum & Osazuwa, 2020.

The initial studies carried out in 1932 by Berle, A., and Means, G. on the topic of The Modern Corporation and Private Property, stated that the dispersion of ownership leads to the decline of firm performance. One of the empirical studies conducted on the topic of "The Role of Ownership Concentration and Dividend Policy on Firm Performance: Evidence from an Emerging Market of Pakistan" (Aguir, et al., 2020) have identified a significant positive relationship between ownership concentration and corporate performance after employing panel data analysis. For their analysis they have used 42 chemical firms listed in the chemical sector, in Pakistan for the time span of 2012 to 2017.

Investigation conducted to examine the link between corporate governance and company performance using data from 180 Malaysian listed firms from 2013 to 2017 (Al-Sayani, et al., 2020) and according to their results showed that ownership concentration plays a positive role for the performance of the firm in Malaysian market. Prior research which investigated the effect of ownership concentration on financial performance of manufacturing firms in Nigeria have found a positive relationship between ownership concentration and firm performance (Ajao, et al., 2020).

Waheeb and Malik (2019) carried out research on the topic of Board characteristics, ownership concentration and firms' performance based on panel of 309non-financial sector firms listed on Pakistan Stock Exchange (PSX) from 2005 to 2016. The results of the study indicated that higher ownership concentration overcomes agency problems in the firm which results in better performance.

Using 276 firm-year observations comprising of 69 companies across 8 different sectors over the sample period of 2012, 2013, 2014 and 2015 Talab et al (2018) have conducted research to investigate the effect of corporate governance mechanisms on firm performance of listed companies in Iraqi Stock Exchange (ISX). The empirical results suggest that government shares ownership and local institutional ownership significantly improve firm performance while private shares ownership and foreign ownership have no significant effect on Iraqi firm performance.

The research paper which was investigated the relationship between ownership concentration and financial performance of companies in Singapore and Vietnam investigated in a dynamic framework (Nguyen & Evans, 2017) have concluded that ownership concentration has a positive and significant effect on performance in firms operating in markets where the ownership structure is highly-concentrated.

Al-Matari and Al_Arussi (2016) studied the impact of business performance on ownership structure features in Oman. The study discovered a positive and substantial relationship between ownership concentration, government ownership, and business performance using multiple regression analysis on a sample of 81 enterprises from 2012 to 2014.

Abdelmohsen and Gehan, (2013) examined the impact of ownership concentration and identity on company performance using a sample of 99 of the most active publicly traded businesses on the Egyptian Exchange (EGX). Their research elaborated that there is a significant impact of ownership concentration on the firm performance.

The study examines the effects of ownership concentration and managerial ownership on the profitability and the value of non-financial firms listed on the Istanbul Stock Exchange (ISE) in the context of an emerging market (Gumus & Mandac, 2010) have found a positive relationship between ownership concentration and firm performance.

The examination which has been done to evaluate the impact of ownership concentration on firm performance based on the sample of 70 non – financial companies which shares are traded on the Belgrade Stock Exchange conducted for the period of 2015-2017 (Vasilić, 2018) showed a negative association between the two variables. The study has found that ownership concentration greater than 55% will make a negative effect on firm performance measured by ROE and ROA.

Yasser & Al Mamun, 2015 have conducted an examination on the topic of Effects of ownership concentration on firm performance employing the data of 100 listed companies in Karacchi Stock Exchange during the period of 2007-2011. As their final finding they have able to discover a negative impact on between ownership concentration and the accounting-based performance, market-based performance measures and economic profit, in general.

The research article carried out by (Machek & Kubíček, 2018) which researched the relationship between ownership concentration and performance in Czech Republic using a sample of 34,284 companies and their financial data in the period of 20017-2015. The research indicated an inverted U-shaped relationship between the Herfindahl index and profitability while controlling for firm size, capital structure, and industry affiliation. Through their study they were no evidences found that there is liner relationship between ownership concentration and firm performance.

Current Situation in Sri Lanka

Dayarathne and Kumari (2020) examined the link between ownership structure and financial performance and examined the influence on financial performance of Colombo Stock Exchange-list businesses of ownership structure. Based on the availability of information, three sectors were chosen as the population and 24 firms were chosen as the sample based on ownership diversity. The data was collected between 2015 and 2019. Diversified Holdings, Telecommunications, and Healthcare were chosen for this analysis because they have the highest foreign and domestic shares. The researcher utilized five variables in this study: one dependent variable (financial performance as assessed by ROA) and four independent variables (institutional ownership, foreign ownership, individual ownership, and ownership concentration). According to the study's findings, institutional ownership and foreign ownership are strongly and favorably connected with financial performance, but individual ownership and ownership concentration are significantly and negatively correlated with financial performance. Furthermore, ownership concentration has a significant impact on a company's financial success, whereas ownership identity has no influence. One of the studies conducted in Sri Lanka with the intention of investigating the relationship between ownership structure and financial performance of listed beverage food and tobacco companies for the period of 2010-2015. Balagobei and Velnampy, (2017) have abled to identify that ownership concentration and foreign ownership structure are positively correlated with financial performance of listed beverage food and tobacco companies while institutional ownership structure isn't significantly correlated with financial performance.

Manawaduge and De Zoysa (2013) used pooled data to assess performance with accounting and market-based indicators and found a substantial positive link between ownership concentration and accounting performance metrics. However, the study revealed that employing market-based performance metrics had no meaningful influence. Four different measures of performance: return on assets (ROA), return on equity (ROE), Tobin Q (TQ) and market-to-book-value ratio (MBR) have been used. Ownership concentration (OC) is measured using four variables: (1) the percentage of shares held by first three-largest shareholders (SH3); (2) the percentage of shares held by first five-largest shareholders (SH5); (3) the percentage of shares held by first ten-largest shareholders (SH10); and (4) the Herfindahl Index (HERF). The HERF index, which is the sum of squared percentage of shares controlled by each of the top-five shareholders. Pathirawasam & Wickremasinghe (2012) have conducted a study with the intention of determining the impact of ownership concentration and the other endogenous factors on the financial performance of companies listed in the Colombo Stock Exchange. The findings identified through this study is that the ownership concentration within these listed companies does not have a statistically significant positive relationship with the ROA.

3. METHODOLOGY

This section covers the research methodology of this study, the selected sample and how data was collected, the conceptual framework and operationalization of the variables and measurements.

3.1 Research Approach

This empirical study aims at identifying the effect of ownership concentration on the corporate performance of the listed entities in the CSE. Through this it defines what sort of relationship prevailing between these two variables including ownership concentration and firm performance.

Population

For this empirical study population represents the listed entities in Colombo Stock Exchange representing 19 Global Industry Classification Standard (GICS) industry groups. Currently there are 302 companies representing 19 GICS industry groups as at 6th of August 2021.From the population the companies listed under the sectors of banking, finance and insurance have been excluded the due to different regulations imposed and complexity in financial reporting. And also, the companies which are listed during the review period 2016 -2020 have been removed due to limitation of information.

Sampling and Sampling procedures

The sample of this study is consisted with 100 publicly traded firms identified using stratified sampling technique, excluding the sectors banks, diversifies financials and insurance from a total of 302 companies representing 19 Global Industry Classification Standard (GICS) sector groupings listed in Colombo Stock Exchange (CSE) as of August 6, 2021. When selecting the sample companies which are listed during the review period 2016 to 2020 have been excluded. A sample of one hundred firms were purposively selected based on data accessibility and the requisite information for the period under study.

Data Sources

This study utilized cross sectional data from secondary sources. This entailed extraction of data from the annual reports and financial statements of the firms listed at the Colombo Stock Exchange for the study period. (Table 1). Table 1 brings out the distribution of sample companies representing 19 different sectors excluding the banking, insurance and finance companies.

Table 1: Variable Definitions and Measurements

Variable	Definition	Literature
Independent Variable		
Ownership Concentration	Accumulated percentage of shares owned by the major five shareholders of the company	Dayarathne & Kumari (2020), Claessens & Djankov (1999), Aguir, et al. (2020)
Dependent Variables		
Return on Assets	$ROE = \frac{EBIT}{\text{Total Assets}}$	Yasser & Al Mamun (2015), Leopre et al. (2017), Gaur et al. (2015), Aguir, et al. (2020)
Return on Equity	$ROE = \frac{EBIT}{\text{Total Equity}}$	
Control Variables		
Firm Size	Natural Logarithm of Total Assets	Aguir, et al., (2020), Machek & Kubíček (2018), Abdelmohsen & Gehan (2013)
Firm Leverage	$\frac{\text{Total Assets}}{\text{Total Liabilities}}$	
Firm Liquidity	$\frac{\text{Firm current assets}}{\text{Firm current liabilities}}$	

Source: Researcher constructed (2021)

Research Model specification

Following the previous studies regression analysis is going to be used in developing the research model. In measuring the corporate performance, ROA and ROE have been used. Ownership concentration was used as the study's sole independent variable which is measured through the accumulated shareholding percentage of the top five shareholders of the particular company while variables include financial leverage (FLIVER), liquidity (LIQUI), and firm size (FSIZE). The regression models that were utilized in this empirical investigation are as follows.

$$ROA = \beta_0 + \beta_1 CON5 + \beta_2 FSIZE + \beta_3 FLIVER + \beta_4 LIQUI + \varepsilon \quad (1)$$

$$ROE = \beta_0 + \beta_1 CON5 + \beta_2 FSIZE + \beta_3 FLIVER + \beta_4 LIQUI + \varepsilon \quad (2)$$

CON5 = Aggregated Shareholding percentage of top five shareholders of the business entity
FSIZE = Firm Size
FLIVER = Firm Leverage
LIQUI = Liquidity

Only one hypothesis has been established based on the main variable, and it is as follows.

H1: There is a significant relationship between ownership concentration and firm's financial performance.

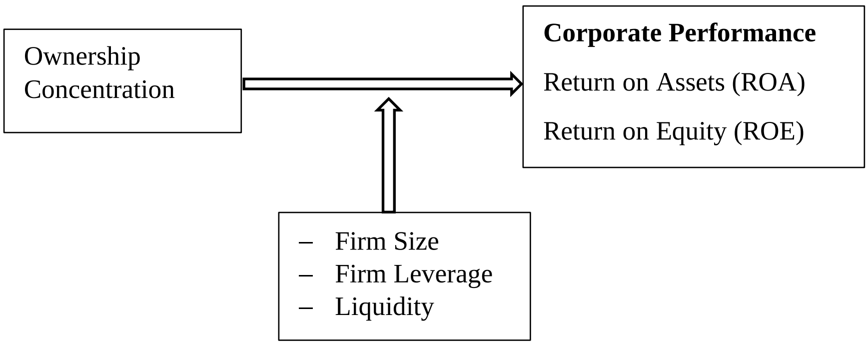

Figure 1: Conceptual Framework
Source: Researcher constructed (2021)

Methods
After collection of data, it was cleaned before analysis. Accurate and authentic data was used. The clustered data will be assessed through IBM Statistical Package of Social Sciences (SPSS 26). Before analyzing the data for the study, the data will be explained through the descriptive statistics and inferential statistics.

Objective 1: To assess how ownership concentration effects impact on the corporate performance of the companies listed in Colombo Stock Exchange.

With the objective of measuring the ownership concentration indicators and performance indicators Descriptive statistics will be used and they will be mainly depending on mean, median, standard deviation and variance.

For examine the effects of ownership concentration on corporate performance - OLS Regression Analysis and Pearson Correlation going to be used. The strength of the link between dependent (ROA and ROE) and independent variables was examined using the Pearson correlation.

4. RESULTS AND DISCUSSIONS

This section describes the main data results, as well as the conclusions drawn from the findings emphasized by the various analysis techniques, attempting to determine whether there is a meaningful link between these two variables.

4.1. Descriptive statistics

This section concentrates on the general description of the features of research variables including the Mean, standard deviation (Std. Dev), Skewness and Kurtosis. Table 1 provides descriptive statistics of dependent variables, control variables and independent variable.

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Skewness	Kurtosis
Ownership Concentration	500	0.552	0.947	0.795	-0.654	-0.615
Return On Assets	500	-0.074	0.161	0.039	0.111	-0.374
Return on Equity	500	-0.185	0.353	0.071	0.0321	0.303
Financial Leverage	500	0.083	0.843	0.461	-0.076	-0.892
Liquidity	500	0.224	2.466	1.055	0.791	-0.537
Firm Size	500	13.956	24.405	19.293	-0.074	-1.486

Source: Researcher constructed (2021)

Definitions of these variables are indicated in Table 1. According to the descriptive statistics the average value of the independent variable is 79.50%. It indicates that the ownership of the selected 100 companies have been concentrated within few individuals. The literature of this study is supported by showing that the ownership concentration is highly concentrated in Sri Lankan entities with controlling power having with the few shareholders (Samarakoon, 1999; Kulathunga et al., 2017).

Through the output of the descriptive statistics indicates that average ROA and ROE that a company is having following 0.039 and 0.071. The variables, occupancy Rate, ROA and ROE show no major difference between mean and median values indicating the absence of major outliers.

4.2. Correlation analysis

Table 3 displays Pearson's matrix correlation coefficients. The bivariate correlation of Pearson demonstrates the strength and direction of the link between two variables. There are a variety of significant correlations between dependents (ROA and ROE), and one independent variable of this research Ownership concentration

For instance, Table 3 reveals that there are no any significant relationship between Ownership Concentration (CON5) and corporate performance when it measured through the return on assets while in the same way there is no any significant association between the ownership concentration and performance when it calculated based on the Return on Equity (ROE).But both of these dependent variables are having positive relationship with the ownership concentration even though they are not significant either in 0.01 or 0.05 levels. This means that when the ownership is concentrated, the financial performance of an organization is difficult to improve. This is in line with the agency theory, which suggests that concentrated ownership may cause to raise agency costs within an organization.

Table 3: Correlation Analysis

Variables	Return on Assets	Return on Equity	Ownership Concentration	Financial Leverage	Liquidity	Firm Size
Return on Assets	1					
Return on Equity	0.862	1				
Ownership Concentration	0.066	0.059	1			
Financial Leverage	-0.316**	-0.081	0.059	1		
Liquidity	-0.470**	-0.295**	0.052	0.513	1	
Firm Size	-.104**	-0.117**	0.078	-0.014	0.02	1

*p<0.05, ** p<0.01

Source: Researcher constructed (2021)

4.3. Regression analysis

A multiple regression analysis is conducted so as to test relationship among variables (independent) on performance of companies listed at the CSE. The regression analysis done through model 01, adjusted R^2 found to be 0.249 while for model 02 resulted as 0.112. It is inferring that CON5, FLIVER, LIQUI and FSIZE explained only 24.9% and 11.2% of the performance of companies respectively. Further regression model test was found to be significant which less than 0.05 level since p-values of the two models following are 0.000.

Table 4: OLS Multivariate Regression Analysis

Model	(1) Coefficient*** (Standard error)	(2) Coefficient (Standard error)
Ownership Concentration	0.055**	.089
Leverage	-0.031	0.05
Liquidity	-0.035**	-0.059**
Firm Size	-0.002**	-0.005**
F -Value	40.993	15.593
R^2	0.249	0.112
Sig. of F value	0.000	0.000
Observations	500	500
Groups	100	100

p<0.05, ** *p*<0.01

Source: Researcher constructed (2021)

Table 4 implies that all the variables of the model 01 has a significant impact on the corporate performance when it is measured by the return on assets (ROA), 0.055 (p<0.01), while under model 02 also there is a systematic relationship between CON5 and ROE either in 0.05 or 0.01 level. But there is a positive relationship between these two variables.

The established model 01 for the study was

$Y = 0.087+0.055X_1 + -0.0.35X_3+ -0.002X_4$

Only significant coefficient has been considered in developing the model.

Y = Return on assets (ROA)
X_1 = Ownership Concentration (CON5)
X_3 = Liquidity
X_4 = Firm Size

If all other variables are maintained constant, the performance of firms listed on the CSE will be 0.087. According to the table, all of the model 01 variables have a substantial influence on business performance as evaluated by return on assets (ROA). Financial leverage, company size, and liquidity all have a substantial influence (p0.01) on the return on assets, however they are also weak correlations.

The established model 2 for the study was;

$Y = 0.129+ -0.0.59X_3+ -0.005X_4$

Only significant coefficient has been considered in developing the model.

Y = Return on assets (ROA)
X_3 = Liquidity
X_4 = Firm Size

The results reveal that performance of companies listed at the CSE will be 0.129 if all other factors are held constant.

4.4. Panel regression analysis

As an additional analysis, in order to examine the relationship between the CON5 and Firm Performance, the panel regression also carried out on the corporate performance with the Hausman test, which is used to choose between fixed effect and random effect model.

The panel regression for the model 01 implies that the independent variable does not have a significant systematic association with the corporate performance when it is measured by the dependent variable, ROA. Even though previous regression analysis results shown a systematic relationship between CON5 and ROE this panel data analysis has not shown the same output. In contrast it resulted a weak relationship between CON5 and ROE.

Results of this does not support the Hypothesis (H1), of the current study which is, *H1: There is a significant relationship between ownership concentration and firm's financial performance.* Considering the panel regression for the model 02 it implies the same results as for model 01 there is no significant association with in the ownership concentration and firm performance when it quantified by the ROE.

Table 5: Panel regression analysis

Model	(1) Coefficient (Standard error)	(2) Coefficient (Standard error)
Ownership Concentration	-0.014	-0.023
Leverage	0885*	-0.044
Liquidity	-.0218**	-.0418**
Firm Size	0227**	-.0510**
F -Value	19.27	7.71
R^2	0.0712	0.0294
Sig. of F value	0.000	0.000
Observations	500	500
Groups	100	100

5. CONCLUSION

This chapter discuss the important data results, conclusions taken from the findings highlighted generated from the different analytical techniques. Further through this chapter it implies out the how well this study has contributed to the current literature and to the different decision makers as well. Concluding this chapter and thesis it brings out the limitation of the current review and recommendations for potential researchers to have more look into.

5.1. Main findings and conclusions

Through the results of the descriptive statistics, it is observed that the average shareholding percentage that top five shareholder possess with is 79.50%. It concluded that the ownerships of the selected companies have been concentrated into the top five shareholders of the company giving more power and ability to influence the management activities. For examining the association between the said variables correlation analysis ,OLS regression analysis and panel data analysis have been performed .OLS regression which is performed for the model 01 has supported the hypothesis H1 indicating that there is a significant relationship between the ownership concentration and firm performance .However either in panel data regression carried out for two models of the study indicated a significant association between the ownership concentration it only showed a negative weak relationship between the ownership concentration and firm performance. Based on the findings of the study it seems that there is no any significant relationship between the ownership concentration and firm performance either it is measured based on ROA or ROE. Therefor it is safe to assume that there is a mixed results coming out since the analysis does not make a conclusive finding on the ownership concentration and firm performance.

Corporate administration is a significant component in the field of finance. Ownership concentration can be defined as the most significant number of block holders (Murtaza & Azam, 2019). Through the literature and other information, we can have the idea that ownership concentration has been considered as a great corporate governance mechanism as it guides the business to solve agency problems arising between the management and the shareholders who invest in the company. Performance of business is a vital element for the shareholders of the company. It directly affects the return for their investment. Through this study it helps potential investors, current decision makers to have a good understanding how the ownership of the companies affects the performance of the business in positive and negative ways. Further the indicated findings have contributed to the current literature by generating updated results on the association between the ownership concentration and firm performance from an Asian Country like Sri Lanka, especially in Sri Lankan context there is a high ownership concentration can be identified. And also, the current empirical study has been covered more industries than prior studies conducted by focusing in more listed entities repressing all the industries available in the CSE**.**

5.2. Limitations and Future Research Directions

Limitations of this research include not considering ownership identities or kinds as metrics of ownership concentration, restricting the sample to 100 firms, and not collecting data from companies classified under banking, insurance, and finance.

Future researchers can refer ownership identities in measuring ownership concentration and also, they can expand the scope without limiting to CSE companies by considering ownership structures of non-listed companies as well.

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