

## **Empirical Study on Ownership Structure and Financial Performance of Indian Steel Industry**

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### **ABSTRACT**

*Ownership structure of companies in India is mostly held by promoter groups and individuals, in addition to foreign investors and public sector undertakings. As an approximation, around 55000 unlisted public companies would be virtually wholly managed by promoter and ownership structure can mediate firm strategy and behavior. These have their direct impact on the financial performance, as top management decisions result in financial performance. This paper attempts to investigate the effect of ownership structure on financial performance of the 85 steel Indian listed companies using judgmental sampling technique over a period of 13 years between 2005 and 2017. The data is collected from capital line data base and regressed to investigate the null hypothesis that there is a statistically significant positive relationship between share holdings and performance of selected companies in India. The study uses the Share of the Indian promoter(IP), Foreign promoter(FP), institutional holdings, and non-institutional holding as ownership structure variables, ROE& ROCE(accounting based ratios), P/E ratio, EPS, Tobin Q(Market based ratios) as performance variables, and Divided , Debt , firm age as control variables. For variables, first panel unit root test and Hausman tests were made and then panel data analysis were applied for ROE,ROCE, EPS fixed effect model were developed, and for P/E ratio & Tobin Q random effect model were developed. According to the result of analysis, only P/E ratio has negative significant on ownership structure. ROE, ROCE, TobinQ, and EPS has no significant on ownership structure, and null hypothesis is rejected.*

**Keywords:** Shareholding Pattern, Promoters holdings.

IP: Indian Promoter, FP: foreign promoter, INS: institutional holdings, NON INS: non institutional holdings, ROE: return on equity, ROCE: return on capital employed, PE ratio: price earnings ratio, EPS: earning per share,

### **INTRODUCTION:**

The effect of ownership structure/Shareholding pattern on company performances is an important subject and debatable in corporate finance and accounting literatures. Empirical studies still not yet reached a conclusive finding regarding the effect of ownership structure on company performance. The first study regarding ownership structure was started by Berle and Means in 1932.

Shareholding pattern is the detailed ownership of that business, it shows how its shares are split among the

entities that make up its owners. The Shareholding structure is declared every quarter and indicates future stock price movement, research and policies to get vitiated. SEBI issued a circular on November 30, 2015 ("Disclosure Norms Circular") to provide the format for disclosing the shareholding pattern, and the manner in which the shares of promoter/ promoter group are to be held in the DEMAT format.

The Shareholding pattern holding of specified securities is to be divided into 3 (three) categories, namely.

1. Promoter/ promoter group"
2. "Public holdings" and
3. "Non-promoter non-public/others".

In order to avoid multiple disclosures of the shareholding of the same person, the details of the promoter/ promoter group shareholding(s) are to be consolidated on the basis of the PAN and folio number.

Promoters' Holding – Promoters are initial investors of the company, Underlying shares against which depository receipts have been issued, held by the promoter/ promoter group will be disclosed under "promoter/ promoter group" category. Promoters may include domestic and foreign promoters. Promoters are the entities that floated the company, and to a large extent have seats on the Board of Directors or the management. Persons acting in concert with the promoters are the relatives of the promoters who hold shares fall under this class and are termed as the promoter group. As per the SEBI regulation that maximum percentage of promoters holding will be 75% of the total shareholding, means public holding will comprise minimum 25%.

Indian ownership structure includes public holdings: public holdings include Institution which includes mutual funds/UTI, financial institution /Bank, insurance companies, venture capital, central and state government and foreign institutional investors. Institution investors are not homogenous group, differing in contractual relationship between owners and managers while distributing risk and returns.

Public holdings also includes Non-institution, it includes individual shareholders up to 2 lakh, NBFC, trusts, NRI's, trusts, clearing members, and corporate bodies.

## **REVIEW OF LITERATURE:**

The relation between ownership structure and firm performance has been an important research topic around from 1983, and produced ongoing debating the literature of corporate finance. Theoretical and empirical research on the relationship between ownership structure and firm performance was originally identified by Berle and Means (1932) motivated by the separation of ownership and control, suggested that ownership structure affects firm performance. Based on this analysis the agency theory that explains the conflict of interest between inside owners and outside shareholders (Jensen and Meckling, (1976): Fama and Jensen(1983)),

Agency theory argues that agency cost would arise when there is a separation between firm owners and firm managers. This is due to the conflict of interest between owners and managers. The conflict that forms agency problem is not only between shareholders and managers (principal – agent), but also between shareholders and shareholders (principal – principal), especially in developing countries (Dharwadkar, George & Brandes 2000). Therefore, it is necessary to research corporate ownership in firms that may affect firm performance in emerging markets.

According to Demsetz (1983), there should be no systematic relation between variations in ownership structure and variations in firm performance. Other works followed the Morck, Shleifer and Vishny (1988) study. Included among these studies are Cho (1998), Hermalin and Weisbach (1991), Himmelberg et al (1999), Holderness et al (1999), Loderer and Martin (1997), McConnell and Servaes (1990) and Wu and Cai (2002). Hermalin and Weisbach (1991) estimate the effect of managerial ownership and board composition using panel data for five years.

They find no relation between board composition and performance, but find significant non-monotonic relation between managerial ownership and performance, positive relation between 0% and 1%, a decreasing relation between 1% and 5%, an increasing relation between 5% and 20%, and decreasing beyond 20%. Chen, Cheung and Stouraiti (2000) found a negative relationship between concentrated ownership and firm value. Nakamura and Shivdasani (2000), whose results confirm the relation between ownership concentration and performance and Cui (2002), study the effect of ownership structure on a firm's health. They found that there is a positive relation between ownership concentration and accounting profits, indicated by ROA and ROE, but the relation is negative with respect to the market value measured by the share price-earnings ratio (P/E) and market price to book value ratio (M/B). Also, the contribution of government (state) and institution ownership is significantly positive to company profit, while negative to the market value.

According to Pervan, Pervan and Todoric (2012) there is an association between corporate ownership and firm

performance in Croatia, indicates that listed firm controlled by foreign investors perform better than domestic firms do. Douma, George and Kabir (2006) also point out that foreign ownership has positive effect on the corporate performance in India because foreign shareholders can play a monitoring role in the internal corporate governance system of the firms.

Duc Nam Phung<sup>1</sup> and Thi Phuong Thao Hoang (2013), Using data from Ho Chi Minh Stock Exchange and Hanoi Stock Exchange during the period of 2007 and 2012, this study examines the effect of corporate ownership (state ownership and foreign ownership) on firm performance. The empirical findings from fixed effect models show that while state ownership has an inverted U-shaped relationship with firm performance, foreign ownership has a U-shaped relationship with firm performance. These results imply that when ownership is concentrated, while state ownership lower firm performance, foreign ownership enhance firm performance.

## **RESEARCH METHODOLOGY:**

### **Statement of the Problem:**

Ownership and financial performance is a topic, which has attracted the interest of a large number of scholars, researcher and has been discussed by researchers for a very long period of time. Several studies have examined the relationship between corporate governance mechanisms, ownership structure and firm performance across countries with different characteristics in U.S., the U.K. and Japan. The studies yielded different results, affected by the nature of the prevailing governance system for each country. Investigating India's listed firms could add diversity to the growing body of work that examines this relationship.

As India progresses towards a globalized economy and as both domestic and foreign investors take a greater interest in our capital market, it has become imperative for us to upgrade and harmonize our disclosure standards and formats. This is also necessary as our markets are now of interest to a growing number of researchers, analysts and academicians. Given the importance of company's ownership structure in corporate governance mechanisms of firms have yielded non-conclusive empirical findings. Therefore, study sought to investigate the effect of ownership structure on performance of Indian listed steel companies. And Is Indian promoter positively related to firm performance in India? Is foreign promoter positively related to firm performance in India? Do firm with institutional owners and non-institutional ownership perform differently in India? Does the linear relationship exist between ownership structure and firm performance in India?

## **OBJECTIVE OF THE STUDY:**

The purpose of the study is to investigate the effect of ownership structure on financial performance of the Indian listed steel companies. Specifically, the study sought to:

1. Establish the shareholding holding pattern levels of different firms of steel industry listed in the Bombay stock Exchange & National stock exchange, India.
2. Determine the level of financial performance of different firms of steel industry listed at the Bombay stock Exchange & National stock exchange, India.
3. Ascertain the effect of ownership structure on financial performance of different firms steel industry listed at the Bombay stock Exchange & National stock exchange, India.

### **Research hypothesis:**

Based on review of literature and research question following hypothesis are developed

H0: There is a positive significant relationship between promoters' holdings and performance of steel industry listed at the Bombay stock Exchange & National stock exchange, India.

- Indian promoters has significant positive impact on firm's financial performance
- Foreign promoters significantly positive associated with firm financial performance

HA: There is no positive significant relationship between promoters' holdings and performance of steel industry listed at the Bombay stock Exchange & National stock exchange, India.

- Indian promoters has no significant positive impact on firm's financial performance
- Foreign promoters are not positively associated with firm financial performance

### **Scope of the study:**

The study uses two variables namely: ownership structure and financial performance of 85 steel companies listed at the Bombay stock Exchange & National stock exchange, India. The study was designed as a panel survey. Each firm considered in the study sample was based on the same number of time series observations among the panel members; therefore, the panel data of the firm was a balanced panel, due to enormous

difficulties in collecting data for smaller enterprises, the study looked at firms listed at the only organized capital market in India. In addition, companies at the Bombay stock Exchange and national stock exchange were chosen because they have clear ownership structures an aspect pertinent to this research.

#### **Significance of the study:**

1. This study contributes by combining market based financial indicators as measures of firm performance to test the predictions of agency theory.
2. The study provides empirical evidence on the effect of shareholdings on firm's financial performance of different firms in steel industry.

#### **Conceptual frame work:**

The study examined the relationship between ownership holdings and firm's performance using both accounting based and market based financial indicators as measures of firm performance to test the predictions of the agency theory also known as stakeholder's theory while controlling for the firm's debt, age, dividend. In this framework, market based performance measures namely EPS, P/E ratios and Tobin's Q, are used. Accounting based performance measures such as ROE, ROCE. This choice is motivated by the fact that these indicators may have different interpretations regarding firm's performance. The hypothesized relationship is shown.

#### **Research design:**

Robson (1993) posits that research design begins with selection of the topic and a paradigm. The topic of the study was to investigate the "Empirical Study on Promoters Holding and Financial Performance of Indian Steel Industry".

A paradigm provides the research with an idea study area of assumptions about the social world and how a study should be conducted. It suggests legitimate problems, solutions, and criteria of proof. Paradigms encompass both theories and methods. According to Philips (1987) and Creswell (1994) a study can follow a qualitative and/or a quantitative paradigm. The quantitative paradigm is termed as the traditional, positivist, experimental, or empiricist paradigm. The qualitative paradigm is termed as the constructivist, naturalistic, interpretative, post-positivist, experiential or post-modern perspective (Schiffman and Kanuk, 2009; Smith, 1983). This study followed the quantitative paradigm. This study utilized a quantitative paradigm to investigate the effect of Ownership Structure on Financial Performance of Indian listed Steel Companies.

#### **Sampling frame& Data collection method:**

The data were collected from capital line data base. The secondary data used in this study included unbalanced panel data of 173 steel industry companies listed at the Bombay stock Exchange & National stock exchange, but in order to convert the data into balanced panel data many companies are dropped, hence 85 steel companies listed at the Bombay stock Exchange & National stock exchange India were finalized, over a period of 13 years i.e. 2005 to 2017. These companies are selected randomly covering steel industry. The major items of interest are balance sheets, income statements, ownership structure, and the percentage holdings of all main shareholders derived from financial reports of listed companies and relevant ratios were computed. As per the listing rules of BSE&NSE, all listed companies should prepare financial statements based on the Indian Accounting Standards which are adopted from International Accounting Standards. The reason for using panel data was to control for possibly correlated, but unobserved time-invariant heterogeneity (Himmelberg et al., 1999). It also reduces problems with endogeneity.

#### **Data analysis:**

Data was analyzed using quantitative approaches notably descriptive statistics, correlation analysis and pooled multiple regression analysis. Frequency, mean, minimum, maximum, and standard deviation, panel multiple regressions analysis and summarizes the information in the data by disclosing the average indicators of the variables used in the study. In this part of the study Robust covariance matrix estimation (Sandwich estimator) unit root tests were used to remove auto correlation and Heteroskedasticity, as it is essential condition to have good model. panel regression analysis and Hausman test is done to check for the development of model (fixed effect model or random effect model). Panel methodology and Regression analysis, used aided by R studio, SPSS, excel software since it increases efficiency by combining time series and cross-section data.

### Regression model specification:

Data analyzing has been held using balanced panel data technique, analyzed data of total 85 firms of steel industry using "R studio" software. Regression analyses on panel data which are employed to test the hypothesis for total 85 firms are as follow:

$$(1) ROE_{it} = \alpha + \beta_{it1}IP + \beta_{it2}FP + \beta_{it3}INS + \beta_{it4}NON\ INS + \beta_{it5}DIV + \beta_{it6}DEBT + \beta_{it7}AGE + e_{it}$$

$$(2) ROCE_{it} = \alpha + \beta_{it1}IP + \beta_{it2}FP + \beta_{it3}INS + \beta_{it4}NON\ INS + \beta_{it5}DIV + \beta_{it6}DEBT + \beta_{it7}AGE + e_{it}$$

Three other regression equations which are employed to test the hypothesis as follow:

$$(3) PE\ ratio_{it} = \alpha + \beta_{it1}IP + \beta_{it2}FP + \beta_{it3}INS + \beta_{it4}NON\ INS + \beta_{it5}DIV + \beta_{it6}DEBT + \beta_{it7}AGE + e_{it}$$

$$(4) EPS_{it} = \alpha + \beta_{it1}IP + \beta_{it2}FP + \beta_{it3}INS + \beta_{it4}NON\ INS + \beta_{it5}DIV + \beta_{it6}DEBT + \beta_{it7}AGE + e_{it}$$

$$(5) TOBIN\ Q_{it} = \alpha + \beta_{it1}IP + \beta_{it2}FP + \beta_{it3}INS + \beta_{it4}NON\ INS + \beta_{it5}DIV + \beta_{it6}DEBT + \beta_{it7}AGE + e_{it}$$

\*In equations **i** and **t** stands for firms and years respectively. **e<sub>it</sub>** is error term. **IP**: Indian Promoter, **FP**: foreign promoter, **INS**: institutional holdings, **NON INS**: non institutional holdings, **ROE**: return on equity, **ROCE**: return on capital employed, **PE ratio**: price earnings ratio, **EPS**: earning per share,

The model may consist of auto correlation and Heteroskedasticity in order to remove it used sandwich estimator with HC3 method to reduce the standard error which makes variables to significant for the model. The following tables show the coefficients of the model with less in the standard error without auto correlation and Heteroskedasticity.

### RESULT AND DISCUSSIONS:

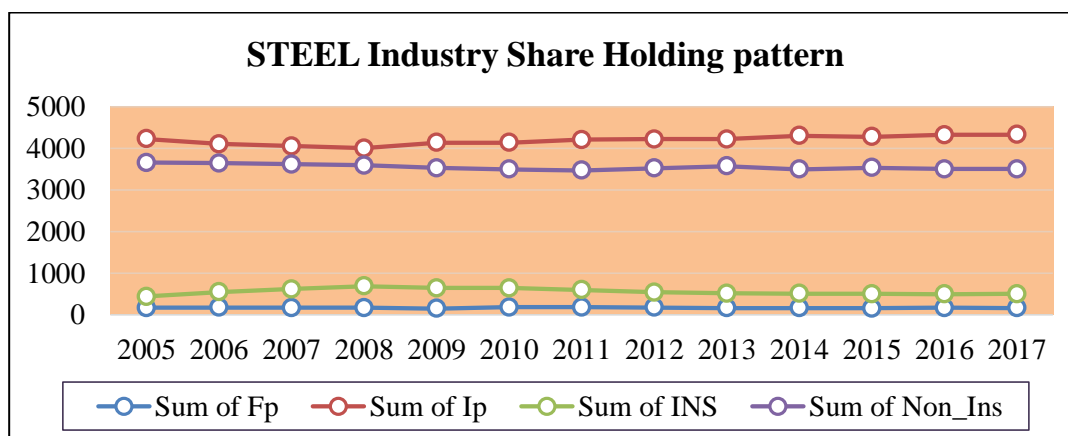
**Establish the shareholding holding pattern levels of different firms of steel industry listed at Bombay stock Exchange & National stock exchange, India:**

The first objective of this paper is explained with **Table 1**; descriptive statistics were computed and summarized.

Table 1

Independent variables		Minimum	Maximum	Sum	Mean		Std. Deviation	variance	Skewness		Kurtosis	
		Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic		Statistic	Std. Error	Statistic	Std. Error
Promoter holdings	Ip	0.00	90.96	54532.69	49.35	0.57	18.92	357.98	-0.37	0.07	-0.39	0.15
	Fp	0.00	48.38	2170.81	1.96	0.20	6.68	44.60	4.55	0.07	22.41	0.15
Public holdings	INS	0.00	56.43	7241.72	6.55	0.31	10.45	109.11	1.94	0.07	3.25	0.15
	NONI NS	2.34	99.29	46126.45	41.74	0.57	19.11	365.03	0.71	0.07	0.32	0.15

Graph 1



In the Table-1, and graph shows average percentage of ownership structure. the highest ownership structure is Non institutions (NON INS) with an average of 99.29% with minimum of 2.34% and mean of 41.74%. Indian promoters (IP) with an average 90.96% with mean of 49.35%. While the Institution ownership is maximum of 56.43% with mean of 6.55% and lowest is foreign Promoter (FP) with average 48.36%, with mean of 1.96%.

These results indicate that high level of ownership structure consist of public holdings, they are generally common people or organizations managing money on their own. They invest funds only when they are totally optimistic and confident about the future of the company. Public holdings are not homogenous group, differing in contractual relationship between owners and managers while distributing risk and returns. A phenomenon of institutionalization of wealth wherein institutional investors' are consolidating their holdings is quite apparent from the study. This growth of public shareholding is expected to have a pervasive influence on corporate governance.

Kurtosis for the data is 0.15, as a general rule, the kurtosis of a normal distribution is 3. The distribution is less than 3, it is platykurtic which means a distribution is less peaked than normal distribution. Skewness in the distribution is positively skew i.e.0.07 which means the mean is greater than the median.

### **Determine the level of financial performance of different firms of steel industry, listed in the Bombay stock Exchange & National stock exchange, India:**

The address second objective of this paper is explained with **Table 2**; descriptive statistics were computed and summarized.

**Table 2**

Dependent variables		Min	Max	Mean		Std. Deviation	variance	Skewness		Kurtosis	
		Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Accounting Based ratios	ROE	-522.65	1241.63	9.79	1.39	46.22	2135.99	15.94	0.07	476.73	0.15
	ROCE	-21.39	115.65	10.86	0.39	12.80	163.90	2.37	0.07	11.35	0.15
Market Based Ratios	PE	0.00	2252.50	21.52	3.32	110.41	12190.00	12.37	0.07	194.21	0.15
	EPS	0.00	225.36	9.53	0.57	18.90	357.15	4.85	0.07	37.09	0.15
	Tobin Q	-471.25	53.06	0.01	0.51	17.05	290.75	-21.73	0.07	554.68	0.15
Controlled variables	Dividend	0.00	550.00	16.98	1.27	42.33	1791.46	5.29	0.07	41.18	0.15
	Debt	0.00	48318.17	1500.53	158.80	5278.76	27865280.12	5.33	0.07	31.08	0.15
	Age	2.00	110.00	30.22	0.43	14.44	208.46	2.07	0.07	7.33	0.15

The above Table 2 displays the descriptive statistics of the variables of different firms of steel industry. It can be observed that in the accounting based ratios average of ROCE is highest 10.86%. In the market based ratios PE ratios 21.52%. The other measure of firm performance that this study looks at is the ratio of market capitalization to book value of assets as captured by the TobinQ measure which is a proxy for the investors' opinion and confidence of a company's net worth and is major determining factor in stock valuation (Rajni, 2012). The results above show an average ratio of 0.01(=1) implying that the firms' indication of growth. EPS average of 9.53% indicating a company's profitability to investors.

### **Ascertain the effect of ownership structure on financial performance of different firms of steel industry listed at the Bombay stock Exchange & National stock exchange, India:**

To address this objective correlation analysis and pooled regression analysis were done and results are summarized in Table-3(correlation result) and Table 4(Regression result)

Table 3

Correlation between ownership structure Vs. Market Based Performance					Correlation between ownership structure Vs. Account based Performance			
	FP	P.E	EPS	Tobin Q		FP	ROE	ROCE
FP	1	-0.02	-0.027	0.011	FP	1	-0.03	-0.005
P.E		1	-0.058	-.195**	ROE		1	.219**
EPS			1	0.039	ROCE			1
Tobin Q				1				
						Ip	ROE	ROCE
	IP	P.E	EPS	Tobin Q	Ip	1	.108**	0.026
IP	1	-0.005	0.054	-0.024	ROE		1	.219**
P.E		1	-0.058	-.195**	ROCE			1
EPS			1	0.039				
Tobin Q				1		INS	ROE	ROCE
					INS	1	0.013	.079**
	INS	P.E	EPS	Tobin Q	ROE		1	.219**
INS	1	-0.024	.334**	0.031	ROCE			1
P.E		1	-0.058	-.195**				
EPS			1	0.039		NON INS	ROE	ROCE
Tobin Q				1	NON INS	1	-.102**	-.066*
					ROE		1	.219**
	NON INS	P.E	EPS	Tobin Q	ROCE			1
NON INS	1	0.016	-.227**	0.001	**. Correlation is significant at the 0.01 level (2-tailed).			
P.E		1	-0.058	-.195**				
EPS			1	0.039	*. Correlation is significant at the 0.05 level (2-tailed).			
Tobin Q				1				

In order to establish the level and direction of correlation among the variables of interest, above is the Correlations Matrix. This matrix attempts to provide insights on the hypothesis tests that the study intended to test. It can be observed that we cannot reject the null hypothesis that there is no significant relationship between ownership concentration and performance of firms.

Foreign Promoter has Positive impact on Tobin Q, and negative influence ROE, ROCE, PE ratio and EPS, Indian Promoter has positive influence ROE, ROCE, EPS, and negative impact on PE ratio, and Tobin Q INS has positive influence on ROE, ROCE, EPS, and Tobin-Q ratio but negative impact on PE ratio NON\_INS has positive impact only on PE ratio and Tobin Q, and has negative impact on ROE, ROCE, and EPS.

Table 4.1: Regression result

ROE Fixed effect Model						ROCE Fixed effect Model					
Variable	Coefficients	Std. Error	t Value	Pr(> t )	Significance	Variable	Coefficients	Std. Error	t Value	Pr(> t )	Significance
FP	-0.114	0.739	-0.154	0.878		FP	-0.09	0.121	-0.744	0.457	
IP	0.394	0.403	0.978	0.328		IP	0.119	0.12	0.995	0.32	
INS	-0.603	0.49	-1.231	0.218		INS	0.039	0.139	0.278	0.781	
NON INS	-0.042	0.266	-0.158	0.875		NON INS	0.108	0.126	0.852	0.394	
dividend	0.055	0.023	2.35	0.019	*	dividend	0.038	0.025	1.561	0.119	
debt	-0.001	0	-1.445	0.149		debt	0	0	-1.771	0.077	.

age	-1.747	0.615	-2.842	0.005	**	age	-1.01	0.141	-7.189	0	***
Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1						Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1					
Total Sum of Squares: 2085300						Total Sum of Squares: 120400					
Residual Sum of Squares: 2009200						Residual Sum of Squares: 95757					
R-Squared: 0.036486						R-Squared: 0.20466					
Adj. R-Squared: -0.050069						Adj. R-Squared: 0.13321					
F-statistic: 5.47994 on 7 and 1013 DF, p-value: 3.3898e-06						F-statistic: 37.2385 on 7 and 1013 DF, p-value: < 2.22e-16					

**ROE:**  $ROE_{it} = \alpha + \beta_1 IP + \beta_2 FP + \beta_3 INS + \beta_4 NON\ INS + \beta_5 DIV + \beta_6 DEBT + \beta_7 AGE + \epsilon_{it}$

The above table 4.1 shows regression results between ROE and other variables i.e. FP, IP, INS, NON INS, dividend, debt, and age. According to the Hausman test fixed effects model is suitable to the data and the model is significant, it explains that coefficient is positive for the variable IP and dividend, t-stat shows that Dividend and firm age have significant relationship. R-square expresses independent variables brought only 3.64% change in dependent variable and remaining change is due to the factors which have not been considered. F-statistic shows the validity of the model. As F-stat is greater than its P value so the model is valid. From above table 5 out of 7 independent variables are insignificant and remaining is significant for the model.

**ROCE:**  $ROCE_{it} = \alpha + \beta_1 IP + \beta_2 FP + \beta_3 INS + \beta_4 NON\ INS + \beta_5 DIV + \beta_6 DEBT + \beta_7 AGE + \epsilon_{it}$

The above Table 4.1 shows regression results between ROCE and other variables other variables i.e. FP, IP, INS, NON INS, dividend, debt, and age. According to the Hausman test fixed effects model is suitable to the data and the model is significant, it explains that coefficient is positive for all the except FP and firm age, t-stat shows that only firm age have significant relationship. R-square expresses independent variables brought only 20.46% change in dependent variable and remaining change is due to the factors which have not been considered. F-statistic shows the validity of the model. As F-stat is greater than its P value so the model is valid. From above table 6 out of 7 independent variables are insignificant and remaining are significant for the model.

**EPS :**  $EPS_{it} = \alpha + \beta_1 IP + \beta_2 FP + \beta_3 INS + \beta_4 NON\ INS + \beta_5 DIV + \beta_6 DEBT + \beta_7 AGE + \epsilon_{it}$

**Table 4.2**

Variable	Coefficients	Std. Error	t Value	Pr(> t )	Significance
FP	-0.075	0.132	-0.567	0.571	
IP	-0.101	0.116	-0.875	0.382	
INS	-0.131	0.156	-0.838	0.402	
NON INS	-0.133	0.121	-1.100	0.272	
dividend	0.174	0.053	3.275	0.001	**
debt	-0.001	0.000	-3.459	0.001	***
age	-0.470	0.126	-3.744	0.000	***
Total Sum of Squares: 196600					
Residual Sum of Squares: 137470					
R-Squared: 0.30077					
Adj. R-Squared: 0.23795					
F-statistic: 62.2476 on 7 and 1013 DF, p-value: < 2.22e-16					

The above table 4.2 shows regression results between EPS and other variables i.e. FP, IP, INS, NON INS, dividend, debt, and age. According to the Hausman test fixed effects model is suitable to the data and the model is significant, fixed effect mixed model is developed, it explains that coefficient is negative for all the variable, t-stat shows that only controlled variable have significant relationship. R-square expresses independent variables brought only 30% change in dependent variable and remaining change is due to the factors which have not been considered. F-statistic shows the validity of the model. As F-stat is greater than its P value so the model is valid. From above table 4 out of 7 independent variables are insignificant and remaining are significant for the model

**Table 4.3**

<b>P/E Random effect Model</b>						<b>Tobin Q Random effect Model</b>					
Effects:	var	std.dev	share			Effects:	var	std.dev	share		
Idiosyncratic	11736.5	108.34	0.964			Idiosyncratic	288.9	17	0.989		
Individual	436.08	20.88	0.036			Individual	3.35	1.83	0.011		
Theta: 0.178						Theta: 0.06778					
Variable	Coefficients	Std. Error	t Value	Pr(> t )	Significance	Variable	Coefficients	Std. Error	t Value	Pr(> t )	Significance
(Intercept)	477.9	154.16	3.1	0.002	**	(Intercept)	2.075	2.964	0.7	0.484	
FP	-4.93	1.706	-2.889	0.004	**	FP	-0.006	0.034	-0.189	0.85	
IP	-4.39	1.545	-2.841	0.005	**	IP	-0.028	0.037	-0.76	0.448	
INS	-4.56	1.654	-2.755	0.006	**	INS	0	0.06	-0.008	0.994	
NON INS	-4.42	1.549	-2.851	0.004	**	NON INS	-0.011	0.039	-0.289	0.773	
dividend	-0.06	0.096	0.639	0.523		dividend	0.018	0.006	2.793	0.005	**
debt	0	0.001	0.222	0.824		debt	0	0	0.854	0.393	
age	-0.5	0.284	-1.751	0.08	.	age	-0.018	0.031	-0.572	0.567	
Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1						Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1					
Total Sum of Squares: 12996000						Total Sum of Squares: 317430					
Residual Sum of Squares: 12848000						Residual Sum of Squares: 316560					
R-Squared: 0.011373						R-Squared: 0.0027376					
Adj. R-Squared: 0.0050644						Adj. R-Squared: -0.0036259					
F-statistic: 1.8028 on 7 and 1097 DF, p-value: 0.083136						F-statistic: 0.430204 on 7 and 1097 DF, p-value: 0.88369					

### **Tobin Q:**

$$\text{Tobin } Q_{it} = \alpha + \beta_1 \text{IP} + \beta_2 \text{FP} + \beta_3 \text{INS} + \beta_4 \text{NON INS} + \beta_5 \text{DIV} + \beta_6 \text{DEBT} + \beta_7 \text{AGE} + \text{eit}$$

The above table 4.3 shows regression results between P/E ratio and other variables i.e. FP, IP, INS, NON INS, dividend, debt, and age. According to the Hausman test random effects model is suitable to the data but the model is not significant, it explains that coefficient is negative FP, IP, and Non INS, and positive for the remaining explanatory variables. T-stat shows that only dividend have significant relationship. R-square expresses independent variables brought only 0.0273% change in dependent variable and remaining change is due to the factors which have not been considered. F-statistic shows the validity of the model which is less than p value. From above table 6 out of 7 independent variables are insignificant and remaining are significant for the model.

### **P/E Ratio:**

$$\text{P/E ratio}_{it} = \alpha + \beta_1 \text{IP} + \beta_2 \text{FP} + \beta_3 \text{INS} + \beta_4 \text{NON INS} + \beta_5 \text{DIV} + \beta_6 \text{DEBT} + \beta_7 \text{AGE} + \text{eit}$$

The above table 4.3 shows regression results between P/E ratio and other variables i.e. FP, IP, INS, NON INS, dividend, debt, and age, According to the Hausman test random effects model is suitable to the data but the model is not significant, it explains that coefficient is negative for all the variable, t-stat shows that all the explanatory variable have significant relationship. R-square expresses independent variables brought only 11.7% change in dependent variable and remaining change is due to the factors which have not been considered. F-statistic shows the validity of the model. Even though F-stat is greater than P value the model is not valid. The Theta value shows 17% of variation comes from the individual variables versus Idiosyncratic. From above table 2 out of 7 independent variables are insignificant and remaining are significant for the model

## CONCLUSION:

The main objective of this study is to investigate the relationship between ownership structure and financial performance. For this purpose, the study investigates balanced panel data of 85 Indian steel companies, from 2005 to 2017. Ownership structure consist of Promoters holdings(IP &FP) and public holdings(INS &NON INS), we analyzed the relationship between IP,FP, INS ,and NONINS with firm performance, both accounting(ROE & ROCE) and market based ratios(P/E ratio, EPS, TobinQ). Controlled variable are dividend, firm age and debt were selected. FP with average of 1.96% and Positive correlation only with Tobin Q, IP with Highest average of 49.35% , has Positive correlation with EPS, ROE and ROCE, and this variables are not significant. INS with average of 6.55% has positive correlation with all the variables except P/E ratios. NON\_INS has second highest average of 41.74% has Positive correlation with P/E ratio and Tobin Q.

In our study, sandwich estimator unit root tests were used. The results of unit root tests indicate that series has no unit root, Stationary data, Model with auto correlation and Heteroskedasticity to remove both used Robust covariance matrix estimation (Sandwich estimator) after that coefficients are find out . According to Hausman test random effects model is suitable to the P/E ratio and Tobin Q. fixed effect model is suitable to ROE, ROCE, EPS. But the model is not significant.

In the model, the share of the ownership structure as the independent variable did not have statistically a significant effect on ROE, ROCE, EPS and Tobin Q ratio but has a significant and negative effect on P/E ratio the dependent variable.

Shareholder is observed to be effective on P/E ratio with a significant and negative coefficient i.e. As there are 1 % changes in ownership structure will lead to changes in P/E ratios negatively as statistical in the panel data, so the null hypothesis is rejected. In the literature was observed studies that as it was meaningless relationship between ownership structure and firm performance as Samiloglu and Unlu's study. According to the result of their study a significant relationship couldn't be found statistically between ownership structure and both market and accounting based performance metrics. They found a weak relationship between dependent and independent variables. Their conclusions are consistent with the results of our studies.

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