

AN ANALYTICAL STUDY ON SHAREHOLDING PATTERN AND PERFORMANCE OF INDIAN FIRMS

Dr. Kalaivani. KN

Asst. Professor of Commerce & Management GFGC. Anekal, Bangalore

Latha. B.V

Research Scholar, Ph.D (P.T) Dravidian University, Kuppam. AP

ABSTRACT

This paper inspects the impact of shareholding pattern and performance of the Indian organizations. Broad information investigation has been done to discover the impact of shareholding pattern and performance. It can be comprehended that there is a positive relationship of Dividend pattern, Shareholding pattern, Capital structure, Wealth management, Legal confinement, Market productivity, Profitability of shareholders, Firm performance and Behavioral pattern of shareholding. The outcomes reasoned that Indian shareholding companies has a more prominent impact than other shareholders stake on the assurance of shareholding pattern and performance of the Indian organizations in India.

Keywords: shareholding pattern, firm performance, Capital structure, stake, dividend

INTRODUCTION

Corporate Governance is the arrangement of control instruments, through which "the provider of fund to partnerships guarantee themselves of getting an arrival on their speculation". The established issue exists in the detachment of proprietorship and control, i.e. the office cost coming about because of a uniqueness of interest between the proprietors and the administrators of the firm.

Analysts have broadly considered the contention among supervisors and proprietors with respect to the idea of the firm. Creators guarantee that with an expansion in professionalization of administration, firms may work for the directors' advantage instead of that of the proprietors.

The important operator system is utilized to clarify the irreconcilable circumstance among administrators and shareholders. The organizational issue built up a fundamental piece of the legally binding perspective of the firm. A rich empirical writing has explored the adequacy of elective systems as far as the connection between takeovers, performance, administrative pay structure and performance of the firm.

A portion of the issues tended to in this investigation have additionally been examined with Indian information in some ongoing examinations. Authors look at the firm performance with connection to viable checking by proprietors of organizations utilizing in depth detail. In any case, every one of the investigations has endeavored to investigate the inquiry utilizing cross-area information where the surreptitiously firm heterogeneity can't be controlled and their outcomes might be time particular.

Our outcomes record that no gathering of proprietors affirm to a large number of the previous theory in the wake of controlling for firm-settled impacts and alongside a few factors that may impact association's financial performance. Our outcomes likewise exhibit that even subsequent to controlling for firm-settled impacts some firm particular controls, for example, age, measure, promoting force, send out power, showcasing force and import force have critical impact on firm performance. Be that as it may, without firm-settled impacts, we do discover proof for the impact of share-holding pattern on firm performance.

Age has a solid positive effect on firm performance. This might be a result of different reasons. To begin with, in spite of the fact that organizations in develop and also baby ventures continue finding out about their very own efficiencies after some time and discover their specialties in the item showcase as they age, the profits of such learning might lessen in a develop industry and expanding in a newly developed industry.

Second, in a newly developed industry, finding out about the presence of the new item, by buyer may increment over the age of the creating firm, prompting a positive effect on its performance. Third, with age an association's notoriety may be improved. The administrative come back from such reputation building might be high in a newborn child industry, prompting a positive effect on firm performance. The outcomes propose that the share-holdings are ideally chosen. These outcomes are as opposed to those obtained by a various authors in the Indian context.

A negative relationship of use with firm performance is discovered, or, in other words toward the Western economies. It might be on the grounds that in India, providers of obligation are basically government-claimed budgetary foundations.

Objectives of the study

1. To understand the performance of Indian firms through their shareholding pattern
2. To comprehend the influence of profitability of shareholders on firms' performance
3. To examine the influence of wealth maximization on performance of Indian firms
4. To analyze the causal relationship among the selected variables of the study

REVIEW OF LITERATURE

Ahuja and Majumdar (1998) mentioned that huge firms may have positive advantages, as they may have better entrance in the market (contribution and additionally yield), contrasted with the littler firms. They may practice economies of scale. Substantial size empowers more noteworthy enhancement and specialization, then again it makes the administrators undertaking more troublesome because of expanded coordination prerequisites. From the point of view of administration, the exceptionally gifted directors are related with the bigger firms; subsequently bigger company's performance ought to be higher.

Sarkar and Sarkar (2000) explained that Share holding pattern does not prompt a huge connection among performance and possession structure, as the ideal proprietorship structure is picked after some time. Firm performance is disconnected to the level of shares held by various gathering of financial specialists. Firm performance may rely upon administrators' learning about the market, buyers and its notoriety in the market. Or, in other words to learning by doing contentions, recommending firms age might be one of the determinants of the performance. In any case, with expanding age firms might be hesitant to utilize the adjustments in innovation or administrative structure prompting lower performance which is treated as 'inflexibility impact'. It might yield a negative connection among performance and age.

Jensen and Meckling (1976) stated that the main operator system is utilized to clarify the irreconcilable circumstance among directors and shareholders. The organization issue, is a fundamental piece of the authoritative perspective of the firm. A rich observational writing has explored the adequacy of elective instruments as far as the connection between takeovers, performance, administrative pay structure and performance of the firm.

La Porta et al. (1999) analyzed that an extreme controlling shareholder can be recognized by means of the pyramid structure in which no less than one openly recorded organization lies between the downstream firm and a definitive proprietor in the chain of 20%/10% casting a ballot rights. On the off chance that the middle

of the road organization happens to be a non-recorded firm, in any case, the case does not enter their example, basically in light of the fact that the correct proprietorship information of the non-recorded firm is difficult to gather, while the transitional recorded organizations have the commitment to uncover their shareholding data to general society.

RESEARCH METHODOLOGY

Details regarding the research design, data collection questionnaire, sampling plan, area of the study and statistical tools used have also been given. Finally the limitations of the study have also been briefed.

Research Design

Research design is purely and simply the framework or plan for a study that guides the collection and analysis of the data. The research design indicates the methods of research i.e. the method of gathering information and the method of sampling study is descriptive in nature.

Sampling Design

Sampling design comprises four major areas: Population, Frame, Sampling method and Sample size estimation.

Research Tools used for the Present Study

- ANOVA
- CHI – SQUARE
- STRUCTURAL EQUATION MODEL

HYPOTHESIS

H₀₁: There is no significant difference between age groups with regards to the Dividend pattern, Shareholding pattern, Capital structure, Wealth maximization, Legal restriction, Market efficiency, Profitability of shareholders, Firm performance and Behavioral pattern.

H₀₂: There is no significant difference between education groups with regards to the Dividend pattern, Shareholding pattern, Capital structure, Wealth maximization, Legal restriction, Market efficiency, Profitability of shareholders, Firm performance and Behavioral pattern.

DATA ANALYSIS AND INTERPRETATION

The present chapter helps to analyze and interpret the data. The data gathered from the respondents belonging to shareholding pattern in Bengaluru is evaluated and interpreted to arrive at a conclusion for the research.

ONE WAY ANOVA (AGE)

H₀₁: There is no significant difference between age groups with regards to the Dividend pattern, Shareholding pattern, Capital structure, Wealth maximization, Legal restriction, Market efficiency, Profitability of shareholders, Firm performance and Behavioral pattern.

VARIANCE		SUM OF SQUARES	DF	MEAN SQUARE	F	SIG
Dividend pattern	Between Groups	35.506	3	11.835	.502	.681
	Within Groups	7374.683	313	23.561		
	Total	7410.189	316			
Shareholding pattern	Between Groups	67.606	3	22.535	1.231	.299
	Within Groups	5731.776	313	18.312		
	Total	5799.382	316			
Capital structure	Between Groups	18.064	3	6.021	.396	.756
	Within Groups	4753.469	313	15.187		
	Total	4771.533	316			
Wealth maximization	Between Groups	154.547	3	51.516	3.257	.022
	Within Groups	4950.588	313	15.817		
	Total	5105.136	316			
Legal restriction	Between Groups	134.839	3	44.946	1.958	.120
	Within Groups	7184.959	313	22.955		
	Total	7319.798	316			

Market efficiency	Between Groups	129.992	3	43.331	1.646	.179
	Within Groups	8241.838	313	26.332		
	Total	8371.830	316			
Profitability of shareholders	Between Groups	37.015	3	12.338	.867	.459
	Within Groups	4455.244	313	14.234		
	Total	4492.259	316			
Firm performance	Between Groups	17.927	3	5.976	.470	.703
	Within Groups	3977.568	313	12.708		
	Total	3995.495	316			
Behavioral pattern	Between Groups	28.066	3	9.355	.560	.641
	Within Groups	5224.477	313	16.692		
	Total	5252.543	316			

* Significant at the 5% level

Analysis:

It can be seen from above Table that null hypotheses is rejected as the p values are lesser than 0.05 levels for Wealth maximization. For all other dimensions, since the p value is greater than 0.05 null hypotheses is accepted.

Discussion:

There is no significant difference between age groups with regards to the Dividend pattern, Shareholding pattern, Capital structure, Legal restriction, Market efficiency, Profitability of shareholders, Firm performance and Behavioral pattern. There is significant difference between age groups with regards to the Wealth maximization.

ONE WAY ANOVA (EDUCATION)

H₀₂: There is no significant difference between education groups with regards to the Dividend pattern, Shareholding pattern, Capital structure, Wealth maximization, Legal restriction, Market efficiency, Profitability of shareholders, Firm performance and Behavioral pattern.

		SUM OF SQUARES	DF	MEAN SQUARE	F	SIG
Dividend pattern	Between Groups	28.047	3	9.349	.396	.756
	Within Groups	7382.142	313	23.585		
	Total	7410.189	316			
Shareholding pattern	Between Groups	128.170	3	42.723	2.358	.042
	Within Groups	5671.212	313	18.119		
	Total	5799.382	316			
Capital structure	Between Groups	14.873	3	4.958	.326	.806
	Within Groups	4756.660	313	15.197		
	Total	4771.533	316			
Wealth maximization	Between Groups	118.295	3	39.432	2.475	.033
	Within Groups	4986.840	313	15.932		
	Total	5105.136	316			
Legal restriction	Between Groups	44.438	3	14.813	.637	.592
	Within Groups	7275.360	313	23.244		
	Total	7319.798	316			
Market efficiency	Between Groups	143.870	3	47.957	1.824	.143
	Within Groups	8227.959	313	26.287		
	Total	8371.830	316			
Profitability of shareholders	Between Groups	53.956	3	17.985	1.268	.285
	Within Groups	4438.302	313	14.180		
	Total	4492.259	316			
Firm performance	Between Groups	41.238	3	13.746	1.088	.354
	Within Groups	3954.258	313	12.633		

	Total	3995.495	316			
Behavioral pattern	Between Groups	29.597	3	9.866	.591	.621
	Within Groups	5222.945	313	16.687		
	Total	5252.543	316			

Analysis:

It can be seen from above Table that null hypotheses are rejected as the p values are lesser than 0.05 for Shareholding pattern and Wealth maximization. For all other dimensions, since the p value is greater than 0.05 null hypotheses is accepted.

Discussion:

There is no significant difference between education groups with regards to the Dividend pattern, Capital structure, Legal restriction, Market efficiency, Profitability of shareholders, Firm performance and Behavioral pattern. There is significant difference between education groups with regards to the Shareholding pattern and Wealth maximization.

Chi – Square Test

Association between Education and Age

	Value	df	Asymp. Sig. (2-sided)	Statistical Inference
Pearson Chi-Square	434.401 ^a	9	.000	$X^2 = 434.401^a$ Df = 9 P = .000 < 0.05 *Significant at 5% level
Likelihood Ratio	344.170	9	.000	
Linear-by-Linear Association	1.566	1	.211	
N of Valid Cases	317			

Significant at 5% level

Analysis:

It can be seen from above Table the P value is lesser than our chosen Significance at = 0.05 levels, the null hypothesis is rejected.

Discussion

It is therefore concluded that there is an association between Age and Education factors.

STRUCTURAL EQUATION MODELING

The Observed, endogenous variables

- i. Profitability of shareholders
- ii. Firm performance
- iii. Wealth maximization

The Observed, exogenous variables

- i. Dividend pattern
- ii. Share holding pattern
- iii. Capital structure
- iv. Legal restriction
- v. Market efficiency

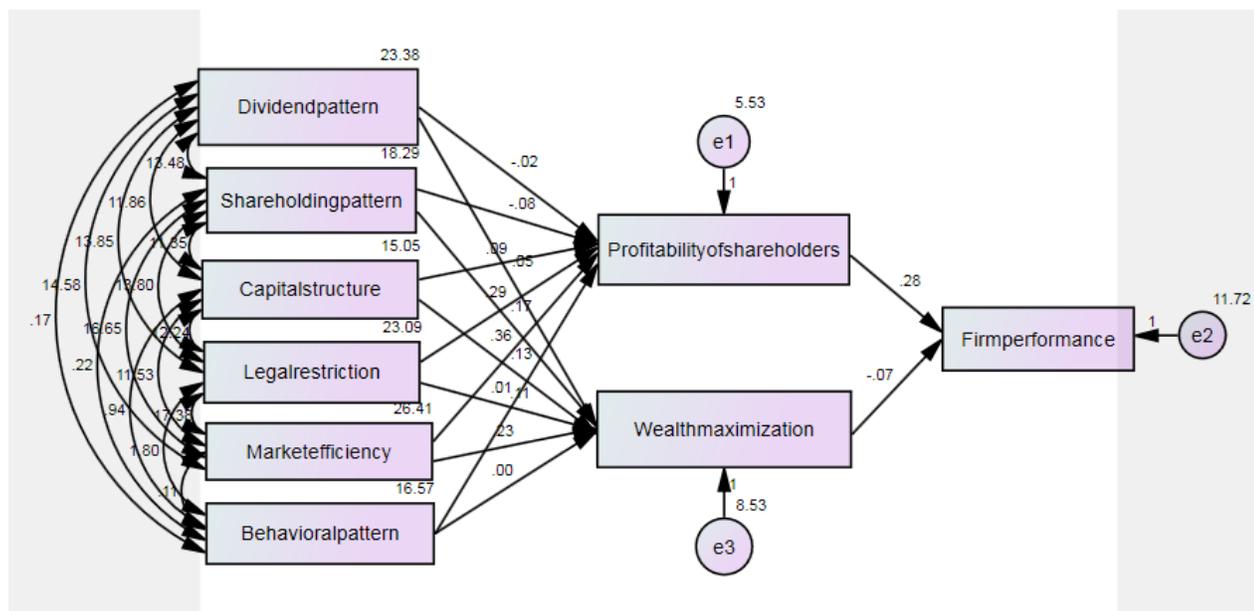
vi. Behavioral pattern

The Unobserved, exogenous variables

- i. e1 (Profitability of share holders)
- ii. e3 (Firm Performance)
- iii. e2 (Wealth maximization)

Variable counts (Group number 1)

Number of variables in your model: 12
 Number of observed variables: 9
 Number of unobserved variables: 3
 Number of exogenous variables: 9
 Number of endogenous variables: 3



Major Model Fit Indices Summary

Parameters	Acceptable values for Good Fit	Research Model values
GFI	>0.9	0.941
AGFI	>0.9	0.939
CFI	>0.9	0.958
RMSEA	<0.06	0.043
RMR	<0.10	0.024

The Goodness of Fit index (GFI) value was 0.941, Adjusted Goodness of Fit Index (AGFI) value was 0.939 and Comparative Fit index (CFI) value was 0.938. All these values were greater than 0.9 indicating a very good fit. It was found that Root Mean Score Error of Approximation (RMSEA) value was 0.043 (greater than 0.06) and Root Mean Square Residual (RMR) value was 0.024 (greater than 0.1).

Discussion: Good fit exists for research model.

CONCLUSION

This study focused on the shareholding pattern and performance of the Indian companies. Moreover, the shareholding pattern exhibits the future advancement of the association, for instance, takeovers and mergers. Corporate organization has been exhibiting a greatly capable and intense structure for our economy and to save the energy of speculators anyway some more gainful checking and direct inside audit system, successful board and organization can lead it to suitable corporate administration. The discoveries of this paper contribute towards a prevalent cognizance of shareholding pattern and performance of Indian organizations which clears way for progression related to money related improvement. The abstract pointers feature such parts as nonappearance of institutional headway, limits on openness to outside portfolios and money related revelation. In any case, it is critical to consider that regardless of whether various researches have been done in developed nations or developing nations, yet there is a restricted exploratory research has done in India to look at the effects of shareholding patterns on firm performances.

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