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Shareholding Patterns and its Impact on Firm Performance: A Contemporary Study of Indian NIFTY 50 Companies

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***Abstract* - Ownership structure or the stakeholder structure of an organization often play significant role in operations decision, monitoring and control. This as a result possesses influences over process and hence performance. On the other hand, the role of stakeholders and respective conflict of interests can also be not ruled out. Under such circumstances, assessing the impact of organizational structure or stakeholder pattern and firm performance becomes inevitable to assess. In addition, the relationship between the investment pattern and respective conflicts of interests is inevitable to be examined. To ensure investment security corporate governance has played vital role that suggests assessing the inter-relationship between the stakeholder pattern and firm performance. With this motivation, in this paper an empirical study has been done to examine the impact of internal shareholding patterns on the associated firm's performance. In this paper we have performed an empirical study where the aforementioned relationship has been examined for Indian listed NIFTY 50 companies for the duration of the financial year 2011 to 2016. Our empirical results provide evidence that insider shareholding is positively and significantly related to the firm performance as measured by market capitalization; market value by book value and Tobin's Q.**
***Keywords*: Internal stakeholders, firm performance, NIFTY 50 companies, Indian economy**

I. INTRODUCTION

The high pace emergence of Indian economy has revitalized its business processes as well as given a new dimension for investors to explore more opportunities and gain bigger market share. On the other hand, globalization, liberalization, and privatization have cumulatively revitalized entire economy by enabling boundary-less business processes thus giving more opportunities for investors to select the best investment. In the last few years, Indian economy has witnessed significantly high pace of growth that as a result has made it one of the most secure and promising market or investment destination. Non-deniably to achieve an optimal productivity or an organization maintaining certain standard operating protocol is must. To achieve higher productivity and business growth certain inevitable needs including business ethics, optimal code of conduct and corporate culture are must to be followed and inculcated. To meet these demands, corporate governance has been found a potential paradigm. It signifies certain set of principles, process and systems through which a form is directed, controlled and governed (Cadbury Committee, 1992). Typically, corporate governance comprises the regulatory models and different management related roles and responsibilities, organizational hierarchy or structure (such as functional and non-functional executives, board of directors, shareholders and stakeholders) etc. It provides the functional guidelines to optimize business prospects that eventually attract long term capital, stakeholder's belief and trust, and growth prospects. Non-deniably, for any organization of firm its performance or growth pattern plays vital role to convince or guide investors and allied stakeholders. A better performing organization and associated business can significant enhance the long-term returns for their investor. It can play vital role in assuring security of the return on investment (ROI) of the investors. In addition, success of the firms, specifically in terms of increased financial profitability emphasizes on enhancing the income of its employees, improving the quality of the products for its customers, facilitating friendly environment for the production etc. It as a cumulative result ensures higher productivity of an organization or firm and hence assured ROI for the stakeholders. In addition, the increase in profit results in attracting more investments that in tern generates more employability and profitability. Exploring in depth, to achieve these objectives incorporating efficient corporate governance practices is of utmost significance.

The significance of corporate governance becomes inevitable due to the potential conflicts of interest between the stakeholders in the corporate structure. This is primarily caused due to varied goals and preferences of the different stakeholders or organizational entities and imperfect information among the stakeholders about the functions of each other's, knowledge, and preferences (Jensen et al, 1976). Jensen et al., (1976) found that the lack of corporate governance practices the conflict of interest and functions or roles can cause executives with the capability to proceed through their own self-interest, instead of shareholders interest. Among all corporate governance practices that have been studied in US and UK, one of the broadly studied fields in the rest of the world is ownership structure. Usually observed that in the countries other than UK and US, corporate governance practices is in the form of active market for corporate control, managerial labor market, and managerial compensation approaches that operates based on stock. In such cases, the board consists of the independent director, executive committee preventatives and independent director as chairperson of audit committee etc. are not efficient to establish regulatory and legal framework. In such circumstance, governance through ownership structure becomes the most significant element of corporate governance.

Being one of the effective mechanisms in corporate governance, ownership structure enables efficient functions of a firm and directly or indirectly influences firm performance for long term. While developing corporate governance model of a firm, ownership structure plays vital role. The ownership concentration has its benefits in the corporation structure, since huge range of shareholdings permits monitoring of managers in better way that eventually leads enhanced performance (Jensen & Meckling 1976). On the other hand, the conflicts of interest between owners and managers can be significantly minimized if there is no separation between ownership and control. This as a result optimizes the shareholders' value (Morck, Shleifer & Vishny 1988). In an East Asian corporations shareholders control is very common. Usually, firms are controlled by families or the state government, since predominantly they possess the right to use organizational hierarchy and participation in management (La Porta, Lopez-De-Silanes & Shleifer 1999). A study performed by Claessens et al. (2000) revealed that in nine East Asian countries including Malaysia, single shareholders are controlling the firms in more than two thirds of the firms. It has also been found that the top management of approximate 60% of the firms is typically controlled by the family shareholding. Furthermore, it has been observed that almost more than 50% of East Asian firms are primarily controlled by the family shareholding. These evidences states that there is direct involvement of family shareholders in the business or firm businesses and hence assessing the impact of shareholder patterns on the company performance becomes inevitable to assure secure investment.

This is the matter of fact that in any firm or organization, ownership pattern or hierarchy has been an essential schedule for corporate governance and that of performance of a firm. Taking into consideration of the significance of ownership pattern and its impact on the firm performance, in last few years extensive efforts have been made to identify optimal ownership patterns, hierarchical model and form performance, corporate governance and its relation with ownership patter etc. Non-deniably, in many developed economies and in emerging markets, the impact of ownership structure on firm performance has been widely discussed. However, due to dynamic market characteristics and competition assessing it regularly is must. Unfortunately, as per our present knowledge there is no significant research done in recent years to assess the impact of organizational structure of stakeholder pattern on firm performance. Examining the relationship between corporate governance, stakeholder structure and associated firm performance can be of paramount significance for an investor to ensure ROI and secure investment. Interestingly, major difference among the various counties corporate governance systems is the difference in the ownership and control pattern of firms that exist across countries.

Consideration of the different components such as the degree of ownership and ownership based control and the identification of controlling shareholders as per the corporate governance systems can be vital to achieve optimal firm performance. There are certain corporate governance systems, which are characterized by means of certain extensive dispersed ownership model (i.e., outsider systems). On the contrary, the other systems are defined by concentrated ownership or control (i.e., insider systems). Considering a practical case of NIFTY or Indian registered NIFTY-50 companies where the shareholders of publicly held corporations are multiple and consequently can't be effective to control varied decisions of the management team efficiently. On the other hand, the interest of conflicts across the organization might lead or cause certain complex situation thus putting cap over growth trajectory or business process. The large scale stakeholders and respective interest requires providing certain efficient protocol for monitoring and control. In addition, in last few years controlling misbehave of the minority shareholders by the large scale shareholder's has also surfaced that requires avoiding such incidents to attract more investors. These evidences states that the Indian listed firms require following up corporate governance rules and policies suggested from Security and Exchange Board of India (SEBI).

Majority of the researches done so far focuses on the impact of corporate governance on the firm performance; however the relationship between stakeholder patterns, corporate governance and firm performance is not well studied, especially for NIFTY-50 companies of India. On the contrary, assessing various stakeholders and their cumulative impact on the firm performance in compliance with the corporate governance can play vital role in understanding future prospects of the allied firm. The contemporary analysis of the impact of shareholding pattern on the firm performance can play vital role for investors to understand organizational business process and associated performance. It can help investors to make ROI oriented business decision etc. In this study, we aimed at investigating various key constructs characterizing relationship between the shareholding pattern and the form performance. To perform a case study, NIFTY-50 companies are considered where the annual data of the selected population or sample companies are taken for five years (i.2., from 2011 to 2016). Using the data from annual reports of Indian NIFTY-50 companies from 2011 and 2016, we examined the extent to which insider shareholding may have impact on the firm performance. In addition, the impact of governance in creation of shareholders value has also been studied in this paper. Our empirical results provide evidence that insider shareholding is positively and significantly related to the firm performance as measured by market capitalization; market value by book value and Tobin's Q. However, it has been also observed that ownership structure impact on shareholders' value creation and firm patterns.

The other section of the presented manuscript contains the following: Section II discusses the literature survey and the research methodology discussing research questionnaires, objectives, hypothesis, data analysis etc are presented in Section III. Section IV discusses the conclusion and recommendation. The references used in this study are presented at the end of the manuscript.

II. LITERATURE SURVEY

This section primarily presents some of the key literatures discussing shareholding pattern and corporate governance to create stakeholder value and firm's performance. As definition, Abel and Okafor (2010) expressed ownership structure as the percentage of shares held by managers (managerial ownership), institutions (institutional ownership), government (state ownership), foreign investors (foreign ownership), and family (family ownership). In addition, Bansal (2005) stated that ownership structure is the committee of investors and shareholders (proprietors) is created by individual peoples, groups and institutions whose have different goals, interests, investment horizons and capabilities. Considering the impact of ownership pattern on firm performance a number of studies have been done. Realizing its direct impact on the firm performance, it is included as one of the key attributes of corporate governance. While assessing the link between the ownership pattern and firm performance, in major studied the managerial ownership, large shareholders ownership, and the concentration (or dispersion) of ownership structure are taken into consideration.

Ang *et al.,* (2000) exhibited through empirical study that there exist a negative relationship among the agency cost and managerial ownership. Benson et al (2009) also found that there exist a relationship between managerial ownership and firm performance. This relation was also affirmed by the study of Coles, Lemmon and Felix Meschke (2012). Lemmon & Lins (2003) stated that the influence of insider ownership on the firm performance can be easily visualized by observing the fact that insiders might expropriate other shareholders by redirecting the firm cash flow for their benefit since they are the one who having the authority over the firm assets. Recently, McConnell et al. (2008) examined insider ownership and its impact on firm performance, where authors found that insider ownership can effects on the firm value, whereas this relationship is non-linear. Interestingly,

Jensen (2000) stated that the ownership structure is one of the most influensive factors having impact on the corporate control and eventual firm performance. Loderer and Martin (1997) stated that from the contractual settings among the company and associated stakeholders, the interest of other investors can be secures significantly. They also stated that the shareholders are left as the residual applicants whose interests can sufficiently be secured only through took shareholding by the insiders (i.e., director's ownership) as an ownership measures. A similar result was obtained through an empirical study made by Cho (1998).

Jürgen Weigand (2000) through his empirical study revealed that the profitability of the firm does not essentially enhance in the presence of large shareholders. In addition he stated that the large range of ownership concentration appeared as the sub-optimal choice for many of the tightly held German corporations. Interestingly, his research found that ownership concentration negatively affected on profitability.

In contrast to the above discussed hypotheses, applying the Ordinary Least Squares (OLS) and Two-stage Least Squares (2 SLS) regression approach, Demsetz and Villalonga (2001) found that there is no significant relationship between the ownership structure and the firm performance. Berle and Mean (1932) too intended to identify the relationship between the ownership structure and form performance. Studying the United State corporate law, authors hypothesized that there should be inverse correlation exist between the diffuseness of shareholdings and firm performance.

According to Li and Sun (2014), managerial ownership which refers the percentage of equity held by the directors can have the influence on the operations and hence overall business performance. Authors also found that the conflict of interest usually can have the impact on the firm performance (Berle and Means, 1932). The impact of the ownership concentration on firm performance was studied by Pathirawasam (2013).

Considering profitability as the indicator of the firm performance, Hill and Snell (1998) assessed the impact of ownership structure on the firm performance, where they found positive relationship. Considering various types of investors or stakeholders and their respective impact over firm performance, Zakaria et al (2014) found that to compete dynamic market investors play vital role in innovation and hence their impact on firm performance can't be ignored (Zakaria, Purhanudin and Palanimally, 2014).

A similar relationship between institutional shareholder and market competitiveness and firm performance was found by Bush (1998), Fazlzadeh *et al.,* (2011) and Nuryanah et al. (2011). A positive relationship between the stockholders and the institutional investors was found by Cornett et al (2003). On the contrary, Bethel et al. (1998), block shares purchased by the institutional investors are in poor profitability since they are involved in the highly diversified firms.

McConnell & Servaes (1990), Han *et al.,* (1998) and Tsai & Gu (2007) too observed in their research work that there is the positive relationship between the institution ownership on firm performance. Hand (1990), explained that comparing to other shareholders institutional investors are more complicated since they are operating in more professional way with respect to capital markets, industries and businesses and hence they are better informed. Researchers also found that the institutional investors possess higher authority to induce and execute actions and hence can monitor the managers more effectively and with minimum cost. This as a result can influence firm performance.

In contrast, the negative relationship between the institution ownership and firm performance was found by Pound (1988) and Hand (1990). Wahal (1996) analyzed that institutional ownership only focuses on the short term positive influences rather than long term. They observed that the investing stakeholders often emphasize on short term gain and hence churn firm performance to achieve the intended objective by incorporating major operational measures.

Recently, Wang and Wang (2014) found that foreign ownership impacts directly the company performance due to its targeted objectives and better corporate governance enhanced monitoring and control. In contrast to Want (2014),

Barbosa *et al.,* (2003) found that there is no validated outcome that the performance of the multinational business is better than the domestic corporations in Greece and Portugal which is measured in terms of ROA. Exploiting Indian firm level data of 2002, Douma, George, and Kabir (2003), investigated how ownership structure including varied roles played by foreign individual investors and foreign corporate shareholders impacts the firm performance. Authors found that the domestic corporate shareholding authority has non-deniably direct impact on the firm performance.

Thus, observing above mentioned literatures it can be found that observing corporate governance the internal as well as external shareholding patterns of stakeholder structure can have the impact on form performance. Since the ownership structure and stakeholders do have direct impact or involvement over decision, management, monitoring and control and hence its impact over firm performance can’t be ignored. However, following up the corporate governance regulation for ownership pattern, a positive relation can be hypothesized. Exploring major literature, it can be found that a few efforts have been made on exploring the relationship between the ownership pattern and the firm performance; however there is no significant effort done so far for Indian economy. Considering this research gap as motivation, in this paper the impact of ownership structure on the Indian listed NIFTY-50 companies have been studied.

III. RESEARCH METHODOLOGY

This section primarily discusses the research methodology and associated key discussions.

Before discussing the methodologies and associated efforts made to perform empirical study, the following sub-section discusses the overall research objectives, research questions and hypothesis. It has been then followed by the discussion of the methodologies applied and results obtained through empirical assessment method. The overall research objective of the presented study is given as follows:

A. Research objective

The key research objectives are given as follows:

1. To examine the extent to which insider shareholding may be related to firm performance
2. To study the ownership structure impact on shareholders’ value creation

B. Research questions

The predominant research question in this study is whether shareholding pattern or the ownership patter of an Indian listed firm impacts its (i.e., firm’s) performance. Here, it should be noted that in this study Indian listed NIFTY-50 companies are considered for analysis. The presented study intends to achieve the answers for the following research questions:

1. Does the Insider ownership have a positive significant impact on firm performance?
2. Does Institutional ownership have its significant impact on firm performance?
3. Does Concentrate ownership have a positive significant impact on firm performance?
4. Does shareholding of Private corporate bodies and domestic companies have positive significant impact on firm performance?
5. Does shareholding of NRI/ OCB/ Foreign institutional investors have a positive significant impact on firm performance?
6. Does shareholding of general public have a positive significant impact on firm performance?
7. Does shareholding of government have a positive significant impact on firm performance?

As research hypothesis, the prime hypothesis under consideration is that “*There is relationship between shareholding pattern and firm performance*”

Thus, taking into consideration of the above mentioned research objectives, questions and hypothesis the presented study employs a mixed research paradigm, including qualitative as well as quantitative research methods. The discussion of the applied research methodologies and respective statistical assessment (for the retrieved data) are discussed in the sub-sequent sections.

IV. RESEARCH DESIGN

The presented study signifies an empirical research effort where to perform quantitative assessment the primary data has been collected from the annual reports of the NIFTY-50 companies for a defined period of time (from 2011 to 2016). To perform study, the shareholding pattern of each company is computed, where the annual reports of the considered NIFTY-50 companies are examined for years 2011- 2016. In addition, as explorative study paradigm we have considered data from the different published articles, economic or financial magazines or news-papers, annual reports etc which are accessible online as well as offline. In addition, considering reliability of data collection, the annual report of the companies has been obtained from companies own websites as well as Prowess data repository. Considering performance assessment we have market capitalization, market value by book value (MVBV) and Tobin's Q parameters to measure firm's performance. To further examine the inter-relation between these independent variables (shareholding patterns) and firm performance various statistical tools and techniques are used such as mean, medium, standard deviation, Chronbach alpha, Pearson correlation, ANOVA etc. A well known statistical tool named Statistical Package for Social Study (SPSS) has been applied to perform statistical assessment for each variable.

A. Sample Selection

The presented study intends to examine the inter-relation between shareholding pattern and the firm performance, where the NIFTY-50 companies are selected as the sample for analysis. To perform research or study a total of 50 companies (Indian listed NIFTY0-50 Companies) as listed below are considered. In the presented case study, the data has been collected for a period of 5 years that was from 2011 to 2016. Noticeably, since the organizational structure of the financial companies is different from the other industries and therefore, in this study, we have avoided financial companies listed with NIFTY-50 such as State Bank of India. Thus, a total of 40 NIFTY-50 companies are considered for the case study.

TABLE I NIFTY 50 COMPANIES

Rank	Name of the company	Sector	CGS
1	Reliance Industries Ltd.	Private	84.0
2	Oil & Natural Gas Corporation Ltd.	Public	82.0
3	Dr. Reddy's Laboratories Ltd.	Private	79.5
4	Tata Motors Ltd.	Private	79.0
5	Grasim Industries Ltd.	Private	78.0
6	Mahindra & Mahindra Ltd.	Private	76.5
7	Hindustan Unilever Ltd.	Public	76.5
8	Coal India Ltd.	Public	76.0
9	Tata Power Co. Ltd.	Private	75.0
10	Hero Moto Corp Ltd.	Private	75.0
11	Tata Steel Ltd.	Private	74.5
12	I T C Ltd.	Private	73.0
13	Bharti Airtel Ltd.	Private	71.6
14	Wipro Ltd.	Private	71.0
15	Asian Paints Ltd.	Private	71.2
16	ACC Ltd.	Private	71.0
17	Ambuja Cements Ltd.	Private	70.6
18	Infosys Ltd.	Private	70.5
19	Sun Pharmaceutical Industries Ltd.	Private	70.5
20	Idea Cellular Ltd.	Private	70.0
21	Hindalco Industries Ltd.	Private	69.0
22	Bharat Heavy Electricals Ltd.	Public	69.0
23	NTPC Ltd.	Public	68.5
24	Tata Consultancy Services Ltd.	Private	68.5
25	HCL Technologies Ltd.	Private	68.0
26	Cairn India Ltd.	Private	67.8
27	UltraTech Cement Ltd.	Private	67.5
28	Zee Entertainment Enterprises Ltd.	Private	67.5
29	Bosch Ltd.	Private	66.5
30	Bajaj Auto Ltd.	Private	65.6
31	Lupin Ltd.	Private	65.5
32	Larsen & Toubro Ltd.	Private	65.5
33	Bharat Petroleum Corporation Ltd.	Public	65.4
34	Power Grid Corporation of India Ltd.	Public	64.5
35	Tech Mahindra Ltd.	Private	64.0
36	Adani Ports and Special Economic Zone Ltd.	Private	62.8
37	Maruti Suzuki India Ltd.	Private	62.5
38	GAIL (India) Ltd.	Public	62.0
39	Cipla Ltd.	Private	60.0
40	Vedanta Ltd.	Private	44.0

*Source-Primary

V. DATA COLLECTION

In this work, both the primary as well as secondary data are considered; however we have emphasized over the data collected from secondary sources. Since the data under study is the annual reports of the sample companies (NIFTY-50 companies) we have collected data from directly company's website and Prowess data repositories. In our study, we have taken two kinds of secondary data, financial data and the nonfinancial data, which have been collected from prowess repositories, financial data base repositories for Monitoring Indian Economy (CMIE) and www.equitymaster.com web-platform. As stated, the annual data of the each company has been obtained for the duration of five years, ranging financial year 2011-16. To examine the impact of shareholding pattern on firm performance of NIFTY-50 companies, some of the key variables such as inside director Ownership, Institutional Investors (or) Mutual funds, UTI and insurance companies, Banks, financial institutions and venture capitalists, Private corporate bodies and domestic companies, NRI/ OCB/ Foreign institutional investors, general public, government and others are considered as a independent variables. On the other hand, the firm's performance parameters, such as market capitalization, Tobin's q value, market value by book value etc are considered as the dependent variables.

To identify the relationship between the stakeholder patterns or the organization structure and the firm performance, we have applied regression test technique, which is suitable to provide a precise and optimal outcome. Before discussing the statistical outcomes, the identification of the independent and dependent variables is given as follows:

A. Independent Variables

This section briefs the independent variables and their organizational significance (as per corporate governance).

1. Inside director Ownership: It signifies the percentage of shares held by manager/inside directors in the firm.
2. Shareholding of Non-promoters.
3. Institutional Investors (or) Mutual funds, UTI and insurance companies: It refers the percentage of shares held by Institutional Investors (or) Mutual funds, Unit Trust of India (UTI) and insurance companies.
4. Banks, financial institutions and venture capitalists: It states the percentage of shares held by banks, financial institutions and venture capitalists.
5. Private corporate bodies and domestic companies: It presents the percentage of shares held by private corporate bodies and domestic companies.
6. NRI/ OCB/ Foreign institutional investors: It states the percentage of shares held by NRI/ OCB/ Foreign institutional investors.
7. Indian public: It presents the percentage of shares held Indian public
8. Government: It refers the percentage of shares held Government
9. Others: It signifies the percentage of shares in transit (NSDL and CDSL), GDR's, non-domestic company, international finance corporate, foreign companies, non-promoter director, trust, foreign national, foreign bank etc.

B. Dependent Variables

In this study, the firm performance index or parameters are considered as the dependent variables. To assess the impact of the ownership structure or stakeholder structure (say, independent variables) on the firm performance (dependent variable), we have considered different performance parameters or variables as the dependent variables. Some of the key performance variables applied with respective mathematical formulation in this study is given as follows:

– Tobin's q

$$(Tobin's\ q)it = \alpha + \mu i + \lambda t + \beta 1\ (\text{Inside director Ownership})\ it + \beta 2\ (\text{ Institutional Investors})\ it + \beta 3\ (\text{Banks, financial institutions })\ it + \beta 4\ (\text{Private corporate bodies})\ it + \beta 5\ (\text{Foreign institutional investors})\ it + \beta 6\ (\text{Indian public})\ it + \beta 7\ (\text{Government})\ it + \beta 8\ (others)\ it - 1 + \varepsilon\, it$$

– MVBV

In addition to the Tobin's q parameter, we have considered market value book value (MVBV) as another performance index to assess the impact of corporate governance on firm's performance. The mathematical formulation of the MVBV is given as follows:

$$(MVBV)it = \alpha + \mu i + \lambda t + \beta 1\ (\text{Inside director Ownership })\ it + \beta 2\ (\text{ Institutional Investors})\ it + \beta 3\ (\text{Banks, financial institutions })\ it + \beta 4\ (\text{Private corporate bodies})\ it + \beta 5\ (\text{Foreign institutional investors})\ it + \beta 6\ (\text{Indian public})\ it + \beta 7\ (\text{Government})\ it + \beta 8\ (others)\ it - 1 + \varepsilon\, it$$

– Market capitalization

The mathematical formulation of the market capitalization performance parameter is given as follows:

$$(Market\ capitalization)it = \alpha + \mu i + \lambda t + \beta 1\ (\text{Inside director Ownership})\ it + \beta 2\ (\text{ Institutional Investors})\ it + \beta 3\ (\text{Banks, financial institutions })\ it + \beta 4\ (\text{Private corporate bodies})\ it + \beta 5\ (\text{Foreign institutional investors})\ it + \beta 6\ (\text{Indian public})\ it + \beta 7\ (\text{Government})\ it + \beta 8\ (others)\ it - 1 + \varepsilon\, it$$

Thus, retrieving the data for the above mentioned independent variables, the dependent variables have been obtained and respective data analysis is performed. The discussion of the data analysis and resulting inferences is presented in the sub-sequent section.

VI. DATA ANALYSIS

This section primarily discusses the data analysis of the presented study by processing the collected sample data. As already stated, in this study the sample data are collected for the Indian listed NIFTY-50 companies for the duration of the financial years 2011-2016. Here, from the collected annual reports and allied significant data, different independent variables and respective values are obtained. Percentage share-holding of different investors: Inside director, Institutional Investors, Banks, financial institutions and venture capitalists, Private corporate bodies and domestic companies, NRI/ OCB/ Foreign institutional investors, Indian public, govt. holding, and general public and others are correlated, because, these shares, along with the shares of other top shareholders adds up to `100' and if one of them increases then at least one of the others have to decrease. Being one of the developing countries, not surprisingly, Indian companies appears as the having highly concentrated ownership structure by means of inside directors, which is attributable to majority of the family-owned businesses. In this paper, the concept of ownership structure is split into promoters and non-promoters in order to segregate the effect of inside ownership on the firm performance. Hence it is necessary to combine both the Indian domestic and foreign owners into the one category of ‘Promoters’. ‘Non-promoters” category is further split into seven categories as provided by expertise database. Shares of the promoter and non-promoter groups are in the percentage format and are considered yearly basis average of equity ownership by respective categories of owners. Where, NRI stands for Non-Resident Indians while OCB is the Overseas Corporate Bodies. The information is directly taken from annual reports of the Nift-50 companies. The summary of the descriptive statistics relating to the data used in the analysis are presented in Table II.

TABLE II YEAR WISE DESCRIPTION ANALYSIS OF THE OWNERSHIP VARIABLES

Variables	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Shareholding of promoter and promoter group					
Inside director Ownership	38.636	40.870	41.1641	41.584	37.177
Shareholding of Non-promoters					
Institutional Investors (or) Mutual funds, UTI and insurance companies	3.724	3.428	3.0427	3.414	4.0907
Banks, financial institutions and venture capitalists	8.007	7.627	7.5805	7.0735	7.379
Private corporate bodies and domestic companies	4.555	3.091	3.028	2.8182	2.628
NRI/ OCB/ Foreign institutional investors	19.329	21.034	23.177	22.924	19.247
General public	6.0435	6.523	6.361	6.626	6.5405
Government	3.375	6.418	4.684	6.086	4.6507
Others	2.878	2.892	2.983	4.0492	4.7402

*Source-Primary

Observing Table I, it can be observed that in Indian listed NIFTY-50 companies majority of the large shareholders are promoters and promoter group (Inside director ownership) fallowed by Non-promoters shareholders such as NRI/ OCB/ Foreign institutional investors, and banks, financial institutions and venture capitalists.

A. Shareholdings of promoter and promoter group

The average score of shareholding of promoter and promoter group during 2011-12 is 38.636%. For the financial year 2012-13, 2013-14, 2014-15 it was increased to 40.87%, 41.16% and 41.58%, which implies that companies distributed maximum shares in promoter and promoters group. But for financial year 2015-16 it is decreased to 37.17%. It has been observed that coal India limited has assigned highest share for promoter and promoter group.

B. Shareholdings of Institutional Investors (or) mutual funds, UTI and insurance companies

In this study it has been found that for the considered sample companies, the institutional investors are the government-owned mutual fund such as the UTI. The Shareholdings of mutual funds, UTI and insurance companies is 3.724 % during the financial year 2011-12 and it is increased to 4.09% during 2015-16. It signifies that the companies increased the shares of institutional investors to make business more perceptible and increase market share by inducing more innovative products or services. The Shareholdings of mutual funds, UTI and insurance companies was found highest in ITC Ltd that provides an array of products and services in various businesses horizon.

C. Shareholdings of banks, financial institutions and venture capitalists

This study found that the average score of the shareholdings of banks, financial institutions and venture capitalists is 8%, 7.627%, 7.5805%, 7.0735% and 7.379% during the financial year 2011-12, 12-13, 13-14, 14-15 and 2015-16, respectively. It signifies that the shareholding of the banks, financial institutions and venture capitalists is decreased from year to year. The shareholding of banks, financial institutions and venture capitalists is highest in Larsen & Toubro Ltd.

D. Shareholdings of Private corporate bodies and domestic companies

Private corporate Bodies are mostly substantial block holders in private companies within the business groups. The Shareholdings of Private corporate Bodies and domestic companies is the highest during the financial year 2011-12, i.e. 4.55%. Interestingly, it was decreased to 2.628% during the financial year 2015-16. In this study, the associated independent variables too signified that the shareholding of body corporate and domestic companies is has highest shares in Oil & Natural Gas Corporation Ltd. company.

E. Shareholdings of NRI/ OCB/ Foreign institutional investors

The shareholdings of NRI/ OCB/ Foreign institutional investors during financial year 2011-12 was found 19.329% that increased by 21.034%, 23.177% in sub-sequent financial years (i.e., during the financial year 2012-13, 2013-14, respectively). However, in the following year (i.e., 2015-16) it was decreased to 19.247%. The statistical outcomes too stated that Dr. Reddy's Laboratories Ltd. had the highest shares for NRI/ OCB/ Foreign institutional investors during the years of assessment.

F. Shareholdings of general public

In our study, we found that the shareholdings of general public has an average score of 6.04% during the financial year 2011-12 which was increased to 6.626% during the sub-sequent financial year 2014-15. In this study, it was also found that the shareholding of general public was the highest in Larsen & Toubro Ltd. Company.

G. Shareholding of Government

In our study, we found that the shareholding of Government was 3.375% during the initial financial year 2011-12 that in sub-sequent year (i.e., 2012-13) increased to 6.418%. It has been observed that many companies do not assigning government shareholding. Among the Indian listed NIFTY-50 companies the Power Grid Corporation of India Ltd. has highest shares in government shareholding.

H. Others

Others' include shares in transit (NSDL and CDSL), GDR's, non-domestic company, international finance corporate, foreign companies, non-promoter director, trust, foreign national, foreign bank etc. It has been observed that 2.878% of shares is assigned for others during 2011-12 which is increased to 2.892%, 2.983%, 4.0492 and 4.74% during the financial years 2012-13,13-14,14-15 and 2015-16 respectively. It has been observed that others share is highest in the ITC Ltd.

Table III exhibits the descriptive statistics of ownership pattern of the Indian listed NIFTY-50 companies. From the table it can be found that that the maximum i.e. 40.281 % of shares held by promoter and promoter group and 21.150% of shares are held by NRI/ OCB/ Foreign institutional investors. Approximately, 3.53% of shares are held by institutional investors or Mutual funds, UTI and insurance companies and an approximate of 7.522% shares are held by the banks, financial institutions and venture capitalists. In addition, a significant 6.409% of the shares are held by general public. The government of India as well as the federal state governments constitutes 5.042% of ownership in the listed companies.

Since R2 is larger in Tobin's q value as seen in Table IV, our final multiple regression model is Tobin's q value. The model explains 52.1% of the variability in the dependent variable. The regression is described in the following model:
The Table V presents the regression analysis outputs for the inside ownership pattern and its impact on the firm performance. The results obtained state that inside director ownership has the positive relation with the Tobin's q value and MVBV. On the contrary, it has also been found that the ownership patter or the stakeholder patterns has the negative relation with the market capitalization. However, realizing the significant outcome for the direct relation between the ownership patter or the interval stakeholder patterns and the firm performance it can be stated that the hypothesis stating "Ownership pattern has the direct impact on firm performance" is accepted.

Referring some existing researches such as Khanna and Palepu (1999) and Pattanayak (2008) where authors found that the insider ownership has positive and significant influence on firm value, our results too back up their research outcomes. Sarkar (1999, 2005); Saravanan (2009) examined the relation between promoters' shareholding and its impact on firm values.

TABLE III PRESENTS THE DESCRIPTIVE STATISTICS OF THE OWNERSHIP PATTERN OF THE INDIAN LISTED NIFTY-50 COMPANIES.

Variables	Mean	Std. Dev	Max	Min	Median
Shareholding of promoter and promoter group					
Inside director Ownership	40.281	25.334	85.79	0	43.03
Shareholding of Non-promoters					
Institutional Investors (or) Mutual funds, UTI and insurance companies	3.530	3.448	17.22	0	2.28
Banks, financial institutions and venture capitalists	7.522	6.409	30.63	0	5.30
Private corporate bodies and domestic companies	3.194	3.310	14.00	0	2.165
NRI/ OCB/ Foreign institutional investors	21.150	12.385	52.11	0	17.96
General public	6.409	6.196	22.30	0	3.65
Government	5.042	15.113	55.79	0	0.00
Others	3.498	5.981	30.37	0	0.90

TABLE IV REGRESSION ANALYSIS OF OWNERSHIP PATTERN AND FIRM PERFORMANCE

Variables	Market Capitalization	Tobin's q ratio	Market to Book value ratio (MV/BV)
Shareholding of promoter and promoter group			
Inside director Ownership	-0.204 0.103	0.047 0.387	0.214 0.092
Shareholding of Non-promoters			
Institutional Investors (or) Mutual funds, UTI and insurance companies	-0.021 0.449	0.371 0.009	-0.069 0.335
Banks, financial institutions and venture capitalists	0.006 0.486	-0.006 0.485	-0.122 0.246
Private corporate bodies and domestic companies	0.055 0.367	-0.052 0.375	-0.131 0.210
NRI/ OCB/ Foreign institutional investors	0.403 0.005	0.043 0.398	-0.004 0.490
General public	-0.123 0.225	0.191 0.118	0.219 0.088
Government	0.168 0.150	-0.221 0.085	-0.163 0.157
Others	0.208 0.099	0.490 0.001	0.030 0.427
R	0.582	0.722	0.507
R square	0.338	0.521	0.257
Adjusted R square	0.167	0.397	0.066
Standard error of the estimation	7.198	2.195	5.559

*Source-Primary

TABLE V REGRESSION RESULTS OF SAMPLED COMPANIES

Model	Unstandardized Coefficients		Standardized Coefficients	t	p-value
	B	Std. Error	Beta		
(Constant)	.671	1.568		.428	.672
Inside director Ownership	.025	.020	.223	1.273	.213
Institutional Investors (or) Mutual funds, UTI and insurance companies	.233	.129	.284	1.805	.081
Banks, financial institutions and venture capitalists	-.246	.079	-.558	-3.115	.004
Private corporate bodies and domestic companies	.042	.111	.050	.382	.705
NRI/ OCB/ Foreign institutional investors	-.028	.030	-.121	-.904	.373
General public	.225	.081	.493	2.786	.009
Government	-.023	.032	-.125	-.729	.472
Others	.277	.072	.587	3.842	.001

*Source-Primary

Sarkar *et al.*, (1999) found that relationship between promoters' holding and firm values is non-linear. In contrast, in their second study (2005), they reported that for the low growth firms there is no impact of promoters' holding on firm values, whereas it has positive impact on firm values for high growth firms. The hypothesis which states institutional shareholders has a significant impact on market capitalization, Tobin's value and market value by book value has accepted in this study. The government ownership influences on the firm performance is significant at 5% and is negatively related since governments are mainly concentrates on political goals or certain targeted objectives (Pedersen and Thomsen, 1998). In fact, non-profit making is the foundation for government ownership in welfare economics (Arrow, 1969, Shephard, 1989).

Accordingly it is accepted that there exists a significant relationship between the government ownership and market capitalization, Tobin's q and MVBV. The shareholdings of NRI/ OCB/ Foreign institutional contribute positively related to Tobin's q as well as MVBV and the effect is significant at 5% level. Hence hypothesis is accepted. Researchers (Aydin, Sayim and Yalama, 2007) have illustrated that on normally performance of the multinational corporations better than the domestically owned firms. It is due to two major reasons. First is, foreign owners are more capable in monitoring the managers and also provide them performance based incentives, and avoids the attitude that damages the wealth creation inspiration of the firm owners. The second reason is due to the implementation of new technology and universally tested management practices to the firm that helps in improving the efficiency through minimization of the operating expenses and generating savings for the firm (Ongore, K'Obonyo and Ogutu, 2011). Hence hypothesis is accepted which implies there is significant impact of shareholdings of NRI/ OCB/ Foreign institutional investors on firm performance. In this study, it has been found that in last few years the FDI/NRI/OCB investment rate has increased because of the government policies and investment flexibility. The change in government policies with various programs such as Skill India, Make in India, Digital India etc have also grabbed a major fraction of investment. This as a result has reflected with increased national performance index where India has been recognized as the most (say fastest) developing economy globally. The corporate ownership coefficient such as Shareholdings of private body corporate and domestic companies has positive relationship with the market capitalization and statistically significant. This influences that inter-corporate ownership has a positive impact on firm profitability. Share holding of the companies mainly focuses on getting the strategic interest. In addition, the investment of inter-corporate lending and investment significantly reduces the financial pressure. Sometimes such kinds of pyramidal ownership and cross-holdings transport divergence in cash flow and control rights. Inter-corporate shareholding may facilitate inter-corporate transfer of resources to the detrimental of minority shareholders. In addition, due to the conspiracy between the top management of companies, the threat of takeover becomes weak. In this study, the positive estimation of corporate ownership signifies the performance enhancing role played by the corporate shareholder. From this study it has been found that the shareholding of general public has positive influence on firm performance and also found that shareholding of others such as shares in transit (NSDL and CDSL), GDR's, non-domestic company, international finance corporate, foreign companies, non-promoter director, trust, foreign national, foreign bank etc has positive impact on the firm performance.Thus, the overall research outcome has revealed that there is the direct impact of shareholder patterns or the organizational structure on the firm performance.

Observing the overall research outcomes and the statistical results significances, this study summarizes the following:

1. Insider ownership has a positive significant impact on firm performance.
2. Institutional ownership has its significant impact on firm performance.
3. Concentrate ownership have a positive significant impact on firm performance.
4. Shareholding of Private corporate bodies and domestic companies has positive significant impact on firm performance.
5. Shareholding of NRI/ OCB/ Foreign institutional investors has a positive significant impact on firm performance?
6. Shareholding of general public has a positive significant impact on firm performance?
7. Shareholding of government has a positive significant impact on firm performance?

VII. CONCLUSION

This paper has examined the impact of shareholding pattern on firm performance of Indian NIFTY-50 indexed companies. Ownership structure and its effects on firm performance are considered as one of the significant fundamental issues in corporate governance. The literatures related to the effect of ownership structure have concentrated more on firm performance. The objective of this paper is to examine the influence of shareholding pattern on firm value. In typical Indian firms it is well known fact that more than fifty percent of the total shares are held by the insiders (promoters). Hence it clearly neglects the separation of cash flow rights and control rights and that affirming the agency problem. On the other hand, it causes other new issues which is very common in Asian economies called as 'large investor activism'. In this paper, it is attempt to extract the performance and entrenchment effect of dominant shareholder in Indian firms. During analysis of the impact of ownership concentration and firm performance, our study supports the positive relation between promoter (insider) shareholding and firm value. The interest arrangement effect performs at very low and extreme high level of insider shareholding, while entrenchment effect is functioning in medium range of insider shareholding. We dispute that until the family shareholding is not extensive; they are unable to enrich themselves. However, if the promoter's stake increases in the range of 20 to 49 percent, then the strength of market mechanism becomes weak and permits the insiders to apply their optional power. Hence, their incentive to consume at office or divert capital to the entity where they have elite ownership increases. However, for the question, what happens when insiders become the major shareholder in the firm? We find the answer as realignment of the interest with the firm is performed when insiders' stake exceeds 49 percent. In addition, being a majority stake holder in the firm, promoters stand to accept the maximum loss for each dollar forgone. Based on the examining hypothesis, as a larger ownership, insiders' monitoring other constituents of the firm, hence the firm gets rid of the free rider problem associated with dispersed ownership. Therefore, our inference is that unlike other Asian countries, so far concentrated ownership in Indian firms has not created systemic major challenges. This study also confirms another hypothesis that is shareholdings of NRI/ OCB/ Foreign institutional investors in a firm and their amount of shareholding has a positive impact on firm value. In this it is also observed that the shareholding of general public has positive impact on firm performance and also found that shareholding of others such as shares in transit (NSDL and CDSL), GDR's, non-domestic company, international finance corporate, foreign companies, non-promoter director, trust, foreign national, foreign bank etc has positive impact on the firm performance. However, it is significant to taken into account that even if numerous research have been done in developed countries or developing countries, but there is a limited experimental research has done in India to examine the impacts of shareholding patterns on firm performances. Because the ownership structure leaves consequences on firm performance, frequent studies should be conducted in future with a robust framework.

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