



Proprietorship Structure and Firm Performance in the Context of Tunneling: An Empirical Analysis of Non-Financial Firms in Pakistan

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Abstract

This study has investigated the majority shareholder's practice to use minority shareholders' wealth without their consent which influence the performance of firms in Pakistan from 2009 to 2020. The firm performance has been taken as an explained variable, whereas ownership concentration, inside ownership, firm size, leverage, and investment growth are considered explanatory variables. Descriptive statistics, correlation matrix, Hausman test, and random effect model have been used for empirical analysis. The study used a sample of 24 firms with a total of 288 observations to look at how ownership concentration, inside ownership, leverage, and sales growth affect firm performance. The ownership concentration, firm size, and investment growth have a positive and significant impact on firm performance, whereas inside ownership and leverage have a negative and significant influence on the performance of selected non-financial firms. The larger the gap between ownership and control, the more likely it is that company resources will be tunneled. So, it has been suggested to the securities and exchange commission of Pakistan to frame strict rules and regulations to stop the role of inside ownership because it influences firm performance adversely.

Keywords: firm performance, insider ownership, tunneling

1. Introduction

The ultimate purpose of all the rules and regulations by different institutions to monitor business entities is to secure the interest of investors in the world (Gillan & Starks, 2003). The relationship between ownership structure and corporate performance has received considerable study in the financial literature (Jiang, 2004). Compared to their American counterparts, public companies in social democracies are more likely to have concentrated ownership. The relationship between ownership structure and company success has garnered considerable study in the field of corporate governance. These researchers investigated the relationship between ownership structure and the potential conflict of interest between managers and firm owners. The performance of a business is determined by its owners' actions and strategy. The ownership structure of a firm is a crucial factor that influences its performance (Alipour, 2013). Performance evaluation is thought to have a more important function in today's corporate management than quantification and accounting (Koufopoulos et al., 2008). In essence, the company's performance during a certain time-period reveals why it has been successful. To create measures for the concept of performance as a crucial principle, researchers have put in a lot of effort.

The governance frameworks and financial performance heavily relied on accounting-based metrics as well as marketing-based measurements (Sheu & Yang, 2005). Pakistani businesses offer the appropriate environment for exploring all agency issues. Performance is an important factor. Pakistan is a developing nation with lax shareholder protection legislation. The researcher examined the function and effects of possession elements on the effectiveness and worth of enterprises. In light of Asia's expanding financial system, the researcher examined the effectiveness and productivity of family enterprises. Excellent corporate governance results in ongoing economic advancement since it boosts business performance and increases access to outside capital (Javed & Iqbal, 2007). Minority shareholders, controlling shareholders, and other stakeholders are all involved in corporate governance. Pakistan has historically had modest levels of ownership dispersion and offers minority shareholders legal protection. Outside investors may experience expropriation as a result of wealth transfers to large shareholders in this situation (Javed & Iqbal, 2007). The focus of this study is Pakistan's non-financial sector. The non-financial sector expanded by 19.23% between 2017 and 2018, according to state bank data. The primary agency issue, according to Jensen and Meckling's investigation, is majority shareholder expropriation at the expense of minority shareholders (Jensen & Meckling, 1976). The dominating shareholder's decision resulted in the expropriation of the wealth of the minority shareholder (Shleifer & Vishny, 1986). The relationship between corporate governance and ownership patterns in Pakistan hasn't received much research.

When majority owners seek their interests at the expense of minority shareholders, a conduct known as "extraction of the private benefit of control," and the company's performance suffers as a result, this is known as "extraction of the private benefit of control" (Barclay & Clifford, 1989). The failure of multinational corporations such as Tyco, WorldCom, and Enron significantly impacted investor confidence in the global equities market (Hussain et al., 2019). It is suggested that a structure be developed that aligns the interests of shareholders and management (Bendickson et al., 2016). Researchers provide non-tax explanations such as signaling theory, transaction cost theory, and pecking order theory (Ahmad et al., 2018). Because effective corporate governance protects minority shareholders' rights and interests and prevents major shareholders from expropriating minority shareholders'

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funds, Pakistani businesses need to adhere to corporate governance standards. By assessing the connection between corporate governance structures and accounting-based indicators such as Return on assets, the new study closes a gap in earlier studies (ROA). Consequently, the company's ownership structure is among the most reliable corporate governance practices. Since institutional owners have more leverage due to their majority ownership in the firms and voting rights with the management, insiders choose to keep personal benefits and favorable NPV projects above distribution to shareholders. In addition to the correlation between ownership concentration and company success, the distinction between insider and outsider ownership is considered when determining ownership identity, as it might produce intriguing results.

As a result, corporate groupings with weak minority shareholder protection exist globally, particularly in developing nations (Hussain & Safdar, 2018). As a result, the tunneling perspective reveals that the majority of family-owned enterprises have highly concentrated ownership, giving the majority or controlling shareholders considerable leverage (Hussain & Safdar, 2018). According to the paper, well-distributed shareholding is uncommon in the majority of Asian and European companies, resulting in minority shareholders being expropriated by majority shareholders and posing a significant agency problem, particularly in pyramids (Bertrand & Mullainathan, 2003). There is a stimulant for tunneling and its effect on minority shareholders, and tunneling is monitored by monitoring earnings shocks (Bertrand et al., 2002). Due to the substantial ownership gap between family-affiliated business group firms and non-group firms, tunneling is prevalent in Pakistani family business group enterprises. It is less likely for independent enterprises to steal money from minority shareholders. (Hussain & Safdar, 2018).

2. Literature Review

This part of the paper is comprised of literature review, most relevant and recent studies have been selected as literature review. Niazi et al. (2019) examined the different ways of miss appropriation of a minority shareholder in Pakistan. It also examined the relationship between these factors. Data gathering, analysis, and modeling are all part of the technique. The result shows that there are sixteen ways of miss appropriation of shareholder wealth. The finding of this article pinpoints that the factors have high driving power and key factors. ISM and MICMAC are both used in the paper's technique of this study. In Pakistan, the population under investigation is a corporation. The goal of this research is to look into the more devious ways in which minority shareholders' income is misappropriated in Pakistan. It addresses the hot issue of corporate governance. This literature's limitations include the possibility of data bias.

Abbas et al. (2013) investigated the relationship between ownership structure and firm performance, which is a hot topic for corporate finance experts. The nature of the relationship between business performance and substantial ownership was investigated by using a sample of 100 listed non-financial enterprises in Pakistan. The result of ordinary least squares reveals that big shareholders have a significant and beneficial impact on firm success, as measured by ROA and ROE, from a Pakistani perspective. It is hypothesized that large-scale ownership has private benefits. The population was based on 100 non-financial firms that were listed on the Karachi stock exchange between 2006 and 2009. Return on Asset and Return on Equity as well as Tobin's-Q are included as performance metrics. The R-square value is quite low, indicating that independent variables are only partially explained. As previously stated, when big ownership concentration exceeds the controlling level, the relationship between large owners and business value turns negative due to the expropriation of minority shareholder wealth by majority shareholders.

Wahla et al. (2012) observed the link between ownership structure and company success in non-financial companies that were publicly traded between 2008 and 2010. Variable ownership is divided into two categories: managerial ownership and concentrated ownership. As control variables, leverage and asset turnover are used, while Tobin Q is used as a proxy for corporate performance. As a result, the panel data technique is utilized to see if there is a meaningful relationship between variables. According to the data, managerial ownership has a strong negative relationship with company performance. On the other side, concentrated ownership has proven little link to corporate performance. Leverage has a high negative relationship with company performance as a controlled variable, but Assets Turnover has a negligible relationship with firm performance. According to the findings, managerial ownership has a major impact on the success of a company. The research employs panel data methodologies, and the Common Effect Model is better suited to this type of data. The proportionate share of managers in total shareholding has a considerable negative impact on firm performance, demonstrating that there is a negative relationship between firm performance and proportionate shares of managers in total shareholding. As a result, managerial ownership may be said to have a major impact on corporate performance. The capital structure and dividend policy, as well as the ownership structure and more accurate forecasts in the Pakistan stock market, will be the subject of future research.

Javed and Robina (2007) explored whether variations in firm-level corporate governance quality can explain firm-level performance in a cross-section of publicly traded enterprises. This research paper looks at the relationship between Tobin's q and the overall corporate governance index (CGI) and three sub-indices: Board, Shareholdings and Ownership, and Disclosure and Transparency for a sample of 50 businesses. According to the findings, board composition, ownership, and shareholdings, all boost firm performance, while disclosure and transparency have

no effect. The primary purpose of this study is to investigate the relationship between corporate governance and company performance for Karachi stock exchange companies that are publicly traded (KSE). The data comes from the company's annual reports from 2003, 2004, and 2005. As a result, the Tobin Q, CGI, and other control variables are produced for these three years, and an average is taken. There is a link between corporate governance and firm performance. The endogeneity problem in estimating is tackled using Generalized Methods of Moments as an estimating technique. Several control factors are employed in estimating, including asset size, leverage, and growth. The dummy variable includes foreign investment and block holding in KSE 100 businesses. Finally, there is a positive and significant association between the quality of firm-level corporate governance and firm performance. The bulk of the KSE's enterprises is held by families or institutions. According to the findings, decreasing information asymmetry by open and transparent disclosure has little effect on business performance. Corporate governance, according to the research, improves the firm's governance and decision-making. Finally, public disclosures and regulations will not be enough to mask low output and poor management practices.

3. Theoretical and Conceptual Links

Pakistan is a developing country and presently, it has become the home to macroeconomic instabilities, and corruption criminal activities (Ali, 2015; Ali & Rehman, 2015; Arshad & Ali, 2016; Ali et al., 2016; Ali & Audi, 2016; Ali & Bibi, 2017; Ali & Audi, 2018; Ali, 2018; Ali & Zulfiqar, 2018; Ashraf & Ali, 2018; Ali & Senturk, 2019; Sulehri & Ali, 2020; Sulehri & Khan, 2020; Bibi & Ali, 2021; Sulehri & Sharif, 2022; Audi et al., 2022; Audi et al., 2022). Thus, the relationship between control and ownership in large organizations is an interesting topic to study for corporate governance. When owners are too scattered to maximize value, corporate assets can be exploited to benefit managers rather than shareholders, according to this theory. Jensen and Meckling both came up with similar ideas (1976). An agency relationship is a contract in which one or more people hire an agent to perform on their behalf while providing the agent decision-making authority. The agent will not behave in the principal's best interests if the principal and the agent have opposite goals. The following loss as a result of separating ownership and control is known as agency cost, and corporate governance is viewed as a strategy for minimizing agency cost by limiting the devastation caused by agency difficulties (Sunde, 2009).

The signaling theory strives to solve the problem of under-investment induced by knowledge gaps between investors and managers while making financial decisions (Alim, 2019). It develops a model that demonstrates how information and firm value can be communicated to outside investors through a range of financing choices. The analysis of the model shows higher leverage signals, higher quality earnings, and future cash flow for investors. This highlights factors such as asset structure, debt tax shields, growth potential, distinctiveness, industry classification, size, earnings volatility, and profitability that affect a company's financing behavior (Alim, 2019).

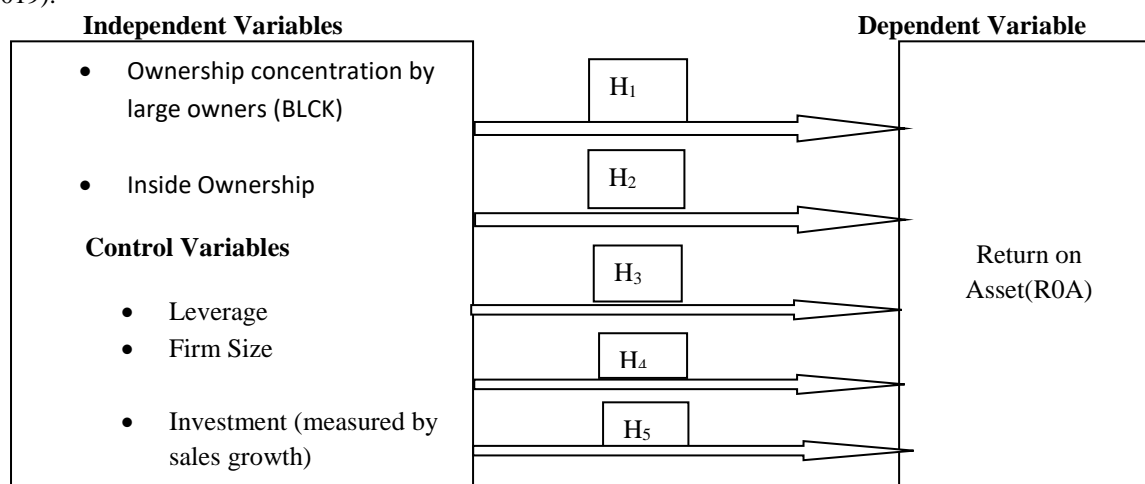


Figure-1

4. Econometric Methodology

The panel data analysis of this quantitative study implied. Descriptive information is shown in terms of counts and percentages of finding the relationship between minority shareholder wealth exploitation and firm performance. The hypothesis is tested to address the objective of the research through Pearson Correlation and simple linear regression. The research is appropriately conducted and in case of a firm visit can be taken place to keep them on the same page. Descriptive for the whole population is depicted. The correlation of all variables used in this study is taken into consideration. Regression analysis is discussed.

$$ROA_{it} = \alpha_1 + \beta_1 BLCK_{it} + \beta_2 LEV_{it} + \beta_3 INV_{it} + \beta_4 INOWN_{it} + \beta_5 FS_{it} + e_{it}$$

Table-1: Operational Definitions & Measurement Of Variables

Variable Name	Symbol	Proxy
Dependent variable Return on Assets	ROA	Net Earnings/Total Assets
Independent variable Large Owners	BLCK	<ul style="list-style-type: none"> • Significant shareholders' shares as a percentage of total shares. • At time t, the top 5 shareholders owned % of the company's stock. • A shareholder is considered large if it holds 10% or more of firm shares. • Measured by either voting or cash flow rights. • Ownership includes important ownership or managerial ownership • The most important ownership possesses a minimum of 5% of ownership.
Inside Ownership	INOWN	<ul style="list-style-type: none"> • Directors, their spouses, and their children own a certain percentage of the company's stock. • Inside ownership is a powerful instrument for aligning the interests of dominant and minority shareholders. • It helps to mitigate the agency conflict among them. • Members of the group may be persuaded to participate in resource tunneling. (Ullah, Ali, & Mehmood, 2017)
Firm Size	FS	Natural log of total assets
Leverage	LEV	Total debt/Total Assets
Investment (Sales growth)	INV	Firm sales growth is calculated as current year sales minus previous year sales divided by previous year sales.

5. Data Sources

Quantitative data is taken from a state bank financial statement study of Pakistan's non-financial sector. The information is also collected from the company's annual reports. The sample size includes 20 to 24 firms in the non-financial sector. A sample of 20 to 24 companies is chosen, which are representative of all non-financial sectors and active in their industry, accounting for more than 70% of market capitalization and listed companies (Javed & Iqbal, 2007) The companies' original was 50 for three years. The sample of 30 was taken from 2009 to 2020. The defaulters and incomplete data companies were excluded. Simple random sampling is used for available data in specific years. The market capitalization is in positive equity and the organizations are profitable which are around 210 companies. Other data source includes breccorder.com business site.

Table-2

Variable name	Data sources
Return on asset (dependent variable)	Financial analysis of state bank of Pakistan
Independent variables: Large owners	The pattern of shareholding and categories of shareholders in annual statements (source: an open door for all)
Inside ownership	Shareholder category director there, spouses, and minor children (source: an open door for all)
Control variables:	
Leverage	Pakistan's state bank conducts a financial examination.
Investment (Sales growth)	Financial analysis of state bank of Pakistan

6. Empirical Results and Discussions

The term "ROA" stands for "return on asset," and it has a range of -5.07 to 58.23. The most important feature of the sample is ownership concentration, which is the study's main emphasis to see if it affects firm value or performance. Inside ownership ranges between 2.65E-06 to 0.826. The firm's size ranges from 12.36 to 18.997, it is used as a control variable to govern firm-specific properties, as assessed by the total log of total assets. The calculation of dividing total assets by total liabilities is to calculate another control variable of leverage. It fluctuates from 0.12 and 0.42. The control variable sales growth(investment) varies from -0.43 to 0.41. The estimated result shows that return on asset, inside ownership, and log of total assets are positively skewed. While

large ownership, leverage, and sales growth are negatively skewed. Kurtosis has positive values for all of the specified factors, according to the results. Because skewness and kurtosis are substantial for most variables, the null hypothesis is rejected. All variables have a finite covariance and a zero mean, according to Jarque Bera's calculated values. This also confirms that the data for the variables in question are regularly distributed. Among 400 observations, the ROA (return on asset) had a minimum value of -32 and a maximum value of 44. The mean is 6.17, and the standard deviation is 10.8. The percentage of significant shareholders varies from zero to ninety-one percent, with a typical value of 48.9%. The firm's size ranges from 4.6 to 10.9, as indicated by the firm's log of assets. The leverage has a mean of 0.63 and a range of 0.31 to 2.6. The return on asset (ROA) has a minimum of -29.9 and a high of 13.92, with a mean of 3.34. Insider or family ownership has a zero lowest value, a 99.75 maximum value, and a 23.86 median value. The literature model specifies in (Waheed & Malik, 2019). The average concentration of ownership is 63.6 percent, with a low of 8.9 percent and a high of 98.2 percent. This means that the sample is uniformly distributed around its mean value. According to the descriptive statistics, major shareholders own on average 33% of the company's stock. Return on asset (ROA) has a mean of 5% and a standard deviation of 15.90% in terms of performance indicators, according to descriptive data. -110.14 percent and 179.42 percent, respectively, are the least and greatest numbers. The average or mean of ownership concentration is 34.5 percent, with a standard deviation of 28.35 percent. ROA has a standard deviation of 14.66, which is not particularly high. ROA has a mean value of 5.3, with a minimum of -51.62 and a maximum of 67.59. The average operational ROA is 3.35 percent, indicating that group enterprises are not particularly profitable or market valued. Inside ownership and ownership concentration are respectively 31.83 percent and 59.36 percent. The outside block holding is 0.55, implying that outside block holders comprise 55 percent of the sample of enterprises' boards of directors.

Table 1: Descriptive Statistic

	ROA	BLCK	INOWN	TA	LEV	INV
Mean	24.57500	0.468325	0.163887	15.43470	0.307965	0.040012
Median	24.92500	0.489150	0.012750	14.78261	0.318482	0.071963
Maximum	58.23000	0.850000	0.825700	18.99725	0.429404	0.418724
Minimum	-5.070000	0.071500	2.65E-06	12.35738	0.120645	-0.434286
Std. Dev.	19.03591	0.281603	0.257376	1.976942	0.103162	0.216576
Skewness	0.144804	-0.077967	1.516199	0.567134	-0.302327	-0.405730
Kurtosis	1.915602	1.427738	4.025365	2.196043	1.665209	3.027705
Jarque-Bera	15.11751	29.95589	122.9617	23.19494	25.76729	7.910812
Probability	0.000522	0.000000	0.000000	0.000009	0.000003	0.019151
Sum	7077.600	134.8776	47.19954	4445.194	88.69385	11.52352
Sum Sq. Dev.	103999.0	22.75915	19.01156	1121.682	3.054380	13.46180
Observations	288	288	288	288	288	288

Table 2 presents the correlation matrix among variables. Correlation provides the degree of association between the variables, and the degree of relationship between the explanatory variables also decides the level of multicollinearity. Large ownership has a positive and significant relationship with the total asset leverage log, according to the research. The link between large ownership and sales growth is both beneficial and insignificant. While inside ownership has a negative and substantial association with large ownership, inside ownership has a negative and major link with large ownership. The inner ownership variable is related to leverage and sales growth investment in a positive and significant way. While inside ownership has a negative and significant relationship with total asset value, outer ownership has a positive and significant relationship with total asset value. The log of the total asset has a negative and significant relationship with leverage, while sales growth has a negative and significant link with leverage. Leverage and sales growth investment have a negative and strong relationship. The correlation matrix's total output creates an original image.

The degree of association between two variables is measured by correlation, which runs from -1 to +1. As a result, there is a considerable positive relationship between majority concentrated owners and ROA (return on asset), implying that large shareholders benefit firm performance. The literature model specifies in (Jadoon & Bajuri, 2015). The correlation coefficient matrix reveals a strong link between ROA (return on asset) and the largest shareholder. The largest shareholders have a considerable positive relationship with the ROA. The ROA shows a substantial positive relationship with company size (0.2475) and a large negative relationship with leverage (-0.2411). The firm size is significantly positively associated with large shareholders (0.438).

The correlation analysis states that family firms and return on the asset are negatively correlated. The ROA and ownership concentration are also negatively correlated. According to the data, inside ownership hurts firm performance. Ownership concentration has an unfavorable relationship with firm performance. The holding of a

block is strongly linked to the performance of a company. The statistics of correlations and variance inflation factors indicate that multicollinearity among the explanatory variables is not a severe issue.

Table-2: Correlation Matrix

	BLCK	INOWN	TA	LEV	INV
BLCK	1.000000				
INOWN	-0.188521	1.000000			
TA	0.380642	-0.507591	1.000000		
LEV	-0.126918	0.229440	-0.226779	1.000000	
INV	-0.060935	0.353909	-0.017498	-0.194641	1.000000

Table 3 explores the regression results. The value of R-square is 0.46 which means all explanatory variables explain 46 percent of the dependent variable. The regressors are the most significant as indicated by the p-value. Large ownership, inside ownership, log of total assets and leverage are significant. While sales growth investment is insignificant. The F-statistic used is for the significance of independent variables on dependent variables. The p-value for F-statistics is highly significant. The sign of the coefficient is negative for insider ownership and leverage indicates the best regression model inside ownership shows misappropriation of minority shareholders. As inside ownership increases by 12 up, the return on asset decreases to 11.43. As the log of total assets increase by 1 up, the return on assets increases by 1.2. As leverage increases by 1 up, the return on asset decreases by 96.1. As sales growth increases by 1 up, sales growth investment increases by 1.67 (Abbas et al., 2013). There is a considerable association between large owners and the return on asset performance variable, according to the literature table. The finding is significant at the 1% level, with a beta coefficient of 0.25. It suggests that large-owner shares and return on assets have a positive association.

In this study, the size and leverage control elements have a significant impact on the connection. Although there is a favorable correlation between business size and performance, leverage hurts firm performance. The negative link exists because high-leverage companies are riskier because they must pay interest on a huge volume of money. In addition, the F statistics reveal a high level of value significance, indicating that the model is a fit. According to the literature table's R square, which is 25.5 percent, the equation's independent variables are responsible for 25.5 percent of the variance in ROA while unrelated components are responsible for 74.5 percent. The findings imply that ownership is linked to increased performance. There is a strong link between family ownership and corporate performance. The ownership structure and the firm's performance have a strong positive correlation. The pooled regression model, which assumes that all companies are in the same overall periods, ignores the cross-section and time series character of data. Fixed effect and random effect models, on the other hand, consider the firms' heterogeneity across time (Waheed & Malik, 2019).

Individual companies are assigned a unique intercept value in fixed effect models, which remains invariant during the chosen period. Random impact models, on the other hand, analyze data by using the selected firms' common mean intercept value. The Hausman test was also utilized in the study, as it is the best model for explaining the variables (Jadoon & Bajuri, 2018) The largest shareholder has a positive significant relationship with ROA. The result indicates the concentration of ownership increases the firm performance. The findings back up the agency theory, which argues that the major agent problem is solved by concentrating ownership. The R square has a value of 12.8 percent. When determining whether a random-effects or fixed-effects model is feasible, the Hausman test is applied. The chi-square value for this model with 5 degrees of freedom is 23.602. Furthermore, the p-value (0.0003) indicates that the fixed-effect model, not the random-effect model, was utilized. This conclusion implies that the size of a corporation has no bearing on its financial performance in terms of ROA. The coefficient value of LEV is also -0.138, showing that the size of a company is inversely related to its return on investment.

All variables are significant except SIZE and LEV. To check the contribution of this regression model, the researcher calculated the values of R-Square and Adjusted R-Square, which are 0.178 and 0.171, respectively. The R-Square number indicates that all relevant variables have a 17.79 percent influence on the value of ROA (Ullah et al., 2017) Corporate ownership appears to have the largest impact on company performance in Pakistan, according to the data. The link between inside ownership and ROA operation is skewed. Ownership concentration appears to hurt the accounting and market performance of companies. The findings highlight a major problem in the governance of Pakistani business groups' related enterprises: substantial agency conflicts exist between controlling and external shareholders. The findings reveal that the greater the gap (wedge) between ownership and control, the greater the chance for group companies' final controllers to exploit firm resources at the expense of minority shareholders. The final controllers have established themselves with little capital input and are motivated to expropriate minority investors.

Table 4 shows the Hausman test results. Panel data of selected companies have been used for empirical results, after reviewing the nature of the data set, a fixed effect or random effects model has been recommended for final analysis. For this purpose, the Hausman test has been applied. For the estimation of regression analysis, the endogenous explanatory variables are used by the Hausman test. The estimated outcomes of the Hausman test

have been given in table 4. The outcomes show that the Hausman test explains that the random effect model is appropriate for our panel analysis.

Table 3: Panel Least Square

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	32.73577	8.733516	3.748293	0.0002
BLCK	10.03417	3.205364	3.130431	0.0019
INOWN	-11.42711	4.220261	-2.707677	0.0072
TA	1.201254	0.530651	2.263739	0.0244
LEV	-96.10022	8.728362	-11.01011	0.0000
INV	1.679700	4.383713	0.383168	0.7019
R-squared	0.462749	Mean dependent var		24.57500
Adjusted R-squared	0.453223	S.D. dependent var		19.03591
S.E. of regression	14.07598	Akaike info criterion		8.147430
Sum squared resid	55873.60	Schwarz criterion		8.223742
Log likelihood	-1167.230	Hannan-Quinn criter.		8.178012
F-statistic	48.57881	Durbin-Watson stat		2.910141
Prob(F-statistic)	0.000000			

Table 4 Hausman test

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	5	1.0000

Table 5 presents the estimated outcomes of the panel random effect. The regressors are the most significant as indicated by the p-value. Large ownership, inside ownership, log of total assets and leverage are significant. While sales growth investment is insignificant. The f statistics used are for the significance of independent variables on dependent variables (Khan, 2022) The p-value for F statistics is highly significant. The sign of the coefficient is negative for insider ownership and leverage indicates the best regression. The model inside ownership shows the misappropriation of minority shareholders. As inside ownership increases by 1 percent, the return on assets decreases to 11.43. As the logarithm of total assets increases by 1 percent, the return on assets increases by 1.2. As leverage increases by 1 percent, the return on assets decreases by 96.1. As sales growth increases by 1 percent, sales growth investment increases by 1.67 percent (García-Meca & Sánchez-Ballesta, 2011)

Table 5: Random effect model

Dependent Variable: ROA

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	32.73577	9.113051	3.592186	0.0004
BLCK	10.03417	3.344661	3.000056	0.0029
INOWN	-11.42711	4.403662	-2.594910	0.0100
TA	1.201254	0.553711	2.169460	0.0309
LEV	-96.10022	9.107673	-10.55157	0.0000
INV	1.679700	4.574217	0.367210	0.7137

7. Conclusions

This study observed at how ownership concentration, insider ownership, firm size, leverage, and growth in sales influence the performance of non-financial firms in Pakistan. For empirical purposes, data from 2009 to 2020 was chosen. Data on ownership concentration, insider ownership, firm size, leverage, sales growth, and firm performance are taken from the State Bank analysis sheet and the companies' annual financial reports. It has been employed in the panel data test. The Hausman test shows that the random effect model is good for this study of different factors. The study examines the impact of ownership concentration, inside ownership, firm size, leverage, and sales growth on return on assets by using a sample of 24 firms with a total of 248 observations. The firm performance is positively influenced by ownership concentration, business size, and sales growth. Insider ownership, as well as leverage, have a negative relationship with return on asset. When majority ownership concentration exceeds a controlling level, insider ownership takes over. It could be the result of resource expropriation and exploitation of minority owners by major stockholders. The impact of corporate governance can be taken as a policy implication to monitor the exploitation of resources by large shareholders. This research of non-financial firms that are listed on the stock exchange employs correlation analysis and ordinary least square (OLS) regression analysis. The correlation matrix demonstrates the relationship between dependent, independent, and control variables, as well as why multi-co-linearity isn't an issue. The panel data technique was employed for

regression analysis. Because of Pakistan's inadequate legal structure, the majority of businesses have concentrated ownership, either in the hands of the manager or in the hands of financial institutions. This study sought to fill in the gaps and concentrated on the issue of wealth belonging to minority shareholders being wrongfully taken. The larger the gap between ownership and control, the more likely it is that company resources will be tunneled for the ultimate controller. Internal monitoring becomes critical for the protection of external shareholders in countries with poor institutional environments. Concentrated ownership shareholders are crucial tools for monitoring management actions, and they are also the basis of controlling agency disputes between controlling and minority shareholders. The findings have significant policy and practical implications. This emphasizes the necessity for a robust monitoring system in Pakistan to protect minority shareholders. The findings of this study will be valuable to policymakers, regulators, and investors interested in determining shareholder power and its impact on internal governance mechanisms. Future research could include a larger sample size, a longer sample period, or worldwide firms.

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