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OWNERSHIP CONCENTRATION AND FIRM PERFORMANCE: EVIDENCE FROM THE BANKING SECTOR OF PAKISTAN

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ABSTRACT

In this research the researcher investigatedrelationship between ownership concentration and performance, of the banking sector in Pakistan. This study analyzed 19 commercial banks listed in the Pakistan stock exchange (PSX), for a time period of 10 years (2006-2015). The selection of 19 listed commercial banks was of the reason mainly due to fill the financial literature gap of the Pakistani banking sector regarding ownership concentration. Since not enough previous research has been done on the ownership concentration with respect to the Pakistan's banking sector. Furthermore, out of the total 21 listed banks, only 19 were selected due to the availability of data. The study used secondary data on the bank ownership and financial performance. These secondary data was obtained mainly from limited commercial banks financial statements.The ownership concentration was measured with three indicators, percentage of largest shareholder (LSH), percentage of five largest shareholders (FIVELSH) and percentage of ten largest shareholders (TENLSH). The shareholder (LSH), which is measured by the percentage of largest single shareholder of a company, is the narrowest.

Firms performance was measured by market based measure Tobin's Q (TQ), and accounting based measures Return on equity (ROE) and Return on assets (ROA). Analysis was done by multiple regression models. The findings were that largest shareholder (LSH) had a statistically significant positive relationship with accounting based performance measure, Return on assets (ROA), whereas the rest of the ownership indicators were insignificant. Furthermore, all the

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ownership concentration indicators also were in insignificant relationship with the performance measures, Return on equity (ROE) and Tobin's Q (TQ). With understanding the relationship of the ownership concentration with the performance of the commercial banks in Pakistan, the policy makers, management and investors helps them to increase the firm value.
Key Words: Ownership Concentration, Return on assets, Return on equity and Tobin's Q

CHAPTER 01

INTRODUCTION

1.1Introduction

Commercial bank is a financial institution that provides various services such as receiving deposits, advancing loans, mortgage and other basic services like savings accounts, current account etc. The commercial banks have a significant part in the development of a sound economy of any country. The commercial banks can keep on working if they generate the necessary profit or income which can meet their operational costs. In order to meet their operational costs, the commercial banks need to improve their financial performance. The performance of the commercial banks can be affected by numerous factors there are internal and external factors that usually affect the banks working performance. These internal and external factors can be further specified into bank specified and macro-economic indicators. However there are also other important factors that have an influence on the overall financial operations of the commercial banks, such has the share ownership. The effects of ownerships on the financial performance of the firms have been of great interest to researchers during the previous decades.Berle and Means were the pioneers who documented an association between the firm's performance and share ownership, in their book which was published in 1932.

In a recent study, Jadoon and Bajuri (2015), studied the effects of ownership concentration's on the performance of the listed firms in Pakistan. The dependent variables that were used were, return on assets (ROA), return on equity (ROE) and Tobin'Q (TQ) as proxies for the firm performance. On the other hand, the independent variables were largest shareholder (LSH), five largest shareholder (FIVELSH) and ten largest shareholder (TENLSH) used as a proxies for ownership concentration. It was founded that ownership concentration did have a positive effect on the firm's performance.

The share ownership is defined by the distribution of shares with regard to their voting rights and the structure of the capital of the company. Further, it's also definedby the characteristics of the shareholders. These structures are of major importance in corporate governance because they determine the working of managers and thereby the financial efficiency of the firms that they manage. A classic reference is (Jensen and Meckling 1976). An excellent newer reference on the topic is by(Holderness et al 1999, Miwa& Ramseyer 2001).

The concentrated ownership has received significant consideration in financial literature. It has been generally accepted by the previous empirical evidence that the ownership concentration is an important component of the corporate governance of the firms, (Shleifer & Vishny, 1986).

Moreover, as per the empirical evidence, (Jensen & Meckling, 1976), the problem of principal agent problem as said by some can be reduced, if the ownership is more concentrated,which leads to increase of firm value , (Shleifer & Vishny 1997). In this regards, in proportion to the agency theory, firm managements tendency or inclination to increase firm value normally depends upon the ownership structure. In accordance with the empirical evidence by,(Amihud and Lev 1981), confirming that firm managers with firms having large shareholders were less likely to invest in unnecessary acquisitions, mergers or takeovers.In Pakistan the companies and capital markets are regulated through the state owned authority known as Securities and Exchange Commission of Pakistan (SECP). Changes in the capital markets are due to the measures taken by SECP. The investors maintain their confidence also due to SECP. Investments can be easily done due to the availability of financial information.

Ownership concentration is an important part of the organization. Shareholders elect directors through voting and they can also remove a director through resolution. Shareholders' approval is mandatory for any major corporate asset sale, change in the Article of Association (AOA) or increasing authorized capital (SECP, 2005). So in this regard the shareholders importance and their contribution to the firm's value cannot be denied.

In this study, financial data of the nineteen listed commercial banks were analyzed from 2006 until 2015. The variables in this study are ownership concentration indictors, largest shareholder (LSH), five largest shareholder (FIVELSH) and ten largest shareholder (LSH) as independent variables whereas firm performance as dependent variables which uses three proxies; return on equity (ROE), return on assets (ROA) and Tobin's q (TQ), the first two are accounting based financial performance measures, while the latter is market based financial performance

measure. Furthermore, the controlling variables employed in this study are firm age (FAGE), firm size (FSIZE) and leverage (Lev).

1.2Statement of the problem

Ownership concentration and its effects on the firms performance, has been a topic of interest for many researchers. Previous studies have been made regarding the impact of concentrated ownership on the financial performances of the banking sector, e.g. (Dressa, 2013). Previous research studies have founda statistical significant relationbetween;concentrated ownership and the performances of the firm, e.g. (Chen 2012).

In many countries, the listed firms have large or concentrated ownership as concentrated ownership has been proved an important mechanism to support the interests of management and ownership to remove agency problems. Like many other countries concentrated ownership is also usually present in the developing World. Especially in Pakistan that mostly almost half of the ownership is owned by concentrated owners, (Abbas et al 2013). So ascertaining the effects of this concentrated ownership on performance can be very helpful and useful for the efficiency of the corporate sector of Pakistan.

In Pakistan the banking sector has been in profit for the last several years, even with tough fiscal measures imposed by the State Bank of Pakistan. However, there are some banks, which are still in loss as compared to other banks in Pakistan. In this regard, there are also other things that influence thebanks loss and profitability. One of the important components of any firm is the ownership concentration.Little research has been done on the relationship between concentrated ownership and performance of the listed firms in Pakistan. As per previous research studies, (Jadoon & Bajuri 2012), it was confirmed that ownership concentration is a significant part of the governance which effects the firms performance.

Nevertheless, there isn't much previous research done on the ownership concentration and its effects on the firms in Pakistan. Mostly, regardless of how, not enough research has been done on concentrated ownership and its impacts on thelisted banking firms in Pakistan. So this study

covers the mentioned problem, and conducts an investigation of the concentrated ownership and its effects on the performance of the listed banks in Pakistan.

1.3Research questions

In this research study, there are several research questions concerning the statement of the problem. These research questions are:

- Does largest shareholder (LSH) affect the returns on assets (ROA) of banks in Pakistan or not?
- Does shareholding of largest five owners (FIVELSH) affect the returns on assets (ROA) of banks in Pakistan or not?
- Does shareholding of largest ten owners (TENLSH) affect the returns on assets (ROA) of banks in Pakistan or not?
- Does largest shareholder (LSH) affect the returns on equity (ROE) ofbanks in Pakistan or not?
- Does shareholding of largest five owners (FIVELSH) affect the returns on equity (ROE) of banks in Pakistan or not?
- Does shareholding of largest ten owners (TENLSH) affect the returns on equity (ROE) of banks in Pakistan or not?
- Does largest shareholder (LSH) affect the Tobin's Q (TQ) of banks in Pakistan or not?
- Does shareholding of largest five owners (FIVELSH) affect the Tobin's Q (TQ) of banks in Pakistan or not?
- Does shareholding of largest ten owners (TENLSH) affect the Tobin's Q (TQ) of banks in Pakistan or not?
- Does firm size (FSIZE) affect the returns on assets (ROA) of banks in Pakistan or not?
- Does firm size (FSIZE) affect the returns on equity (ROE) of banks in Pakistan or not?
- Does firm size (FSIZE) affect the Tobin's Q (TQ) of banks in Pakistan or not?
- Does leverage (LEV) affect the returns on assets (ROA) of banks in Pakistan or not?
- Does leverage (LEV) affect the returns on equity (ROE) of banks in Pakistan or not?
- Does leverage (LEV) affect the Tobin's Q (TQ) of the banks in Pakistan or not?
- Does firm age (FAGE) affect the returns on assets (ROA) of banks in Pakistan or not?
- Does firm age (FAGE) affect the returns on equity (ROE) of banks in Pakistan or not?

- Does firm age (FAGE) affect the Tobin's Q (TQ) of banks in Pakistan or not?

1.4Research objectives

This study investigates the influence of the ownership concentration on the performance of the banking sector in Pakistan. Following are the research objectives of this study:

- To find out the association of largest shareholder (LSH) and returns on asset (ROA) of the banks in Pakistan
- To find out the association of shareholding of largest five owners (FIVELSH) and returns on asset (ROA) of the banks in Pakistan
- To find out the association of shareholding of largest ten owners (TENLSH) and returns on asset (ROA) of the banks in Pakistan
- To find out the association of largest shareholder (LSH) and returns on equity (ROE) of the banks in Pakistan
- To find out the association of shareholding of largest five owners (FIVELSH) and returns on equity (ROE)of the banks in Pakistan
- To find out the association of shareholding of largest ten owners (TENLSH) and returns on equity (ROE) of the banks in Pakistan
- To find out the association of largest shareholder (LSH) and Tobin's Q (TQ) of the banks in Pakistan
- To find out the association of shareholding of largest five owners (FIVELSH) and Tobin's Q (TQ)of the banks in Pakistan
- To find out the association of shareholding of largest ten owners (TENLSH) and Tobin's Q (TQ) of the banks in Pakistan
- To find out the association of firm size (FSIZE) and returns on asset (ROA) of the banks in Pakistan
- To find out the association of firm size (FSIZE) and returns of equity (ROE) of the banks in Pakistan
- To find out the association of firm size (FSIZE) and Tobin's Q (TQ) of the banks in Pakistan
- To find out the association of leverage (LEV) and returns on asset (ROA) of the banks in Pakistan

- To find out the association of leverage (LEV) and returns on equity (ROE) of the banks in Pakistan
- To find out the association of leverage (LEV) and Tobin's Q (TQ) of the banks in Pakistan
- To find out the association of firm age (FAGE) and returns on asset (ROA) of the banks in Pakistan
- To find out the association of firm age (FAGE) and returns on equity (ROE) of the banks in Pakistan
- To find out the association of firm age (FAGE) and Tobin's Q (TQ) of the banks in Pakistan

1.5Significance of the study

The current study has its broad significance for the investors, commercial banks and students. Firstly, the significance for the investors is immense. The investors by understanding the key concepts of the concentrated ownership through this research investigation are not only able to make better financial decisions, but also will play a key role in formulating a positive attitude towards investment in the banking sector of Pakistan.When they will develop a deep insight into the ownership structure of the banking sector, they can easily maximize their stock return, which will not only increase their purchasing power, but also will provide a source of taxation for the Government.

The study also has its wide range of significance for the banking sector in Pakistan. For an instance, the banking sector, by having an understanding of the concentrated ownership structure; the banks could improve their financial performance.

Not to mention, that this study is also helpful for the SECP, which while formulating new code of governance and policies, could devise such a financial policies which also considers the concentrated ownership structure.Also for the shareholders and directors, it's helpful through this study by having a better insight of the concentrated ownership structure and its influence on the banking performance.

Similarly, the study provides an opportunity for the students and researchers to better understand and develop their knowledge of the concentrated ownership and its influence over the performance of the banking sector of Pakistan.

CHAPTER 02

LITERATURE REVIEW

2.1Introduction

This section includes different reviews of literature that is included in this research study. It contains all the previous empirical studies and concepts regarding Ownership Concentration, and the performance measures indicators such as return on equity, return on asset and Tobin's Q. Furthermore, results and outcomes of the previous studies are also discussed.

2.2Ownership concentration and return on assets

Xu & Wang (1997) investigated the effects of the ownership structure .e.g. mixed and concentrated on the working of the listed companies of China. Results showed that there existed astatistically significant positive relation between ownership concentration and the listed companies' performance. Return on assets (ROA) was employed to measure firm performance.

Gürsoy & Aydogan (1999) examined the effects of the ownership concentration on the performance of firms in Turkey. They also studied the behavior of the firms in form of risk taking.Firm performance was measured by using a proxy of Return on assets (ROA), which is an accounting form of performance measure.It was concluded that there is a statistically significant impact of concentrated ownership on the performance and risk taking behavior of the Turkish firms. It was founded that higher ownership concentration leads to better performance. However, firms with family ownership concentration tend to have lower profitability with lower risk. Furthermore, the foreign ownership of the Turkish firms in the study displayed better financial performance; as compared to the state owned ownership concentrated firms which displayed less accounting but higher market performance, with more risk. The study data set of the sample was taken from the listed firms in the Istanbul stock exchange.

Gedajlovic & Shapiro (2002) examined the effects of ownership concentration on theprofitability of 334 Japanese firms during the time span in years 1986-91 periods. The results showed that ownership concentration had a statistically significant positive relationship with the performance of the Japanese firms. The positive relationship between concentrated ownership and the performance of the Japanese firms existed due to the reason that large concentrated

ownership was able to better foresee and control the management of the organization. The firm's profitability was measured through a proxy of Return on assets (ROA).

Shahid (2003) in his research studied the impact of the structure of the ownership on the value of the Egyptian firms in the Egyptian stock market. The results and findings were that ownership influence's the accounting based performance indicators (ROA) of the firm up to a certainlevel.

Damijan et al (2004) in their research investigation studied the effects of the ownership concentration on theperformances of the listed large and medium sized firms in Slovenia. It was concluded that there isn't significant influence of the ownership concentration (measured by the largest owner) on the performance on the Slovenian listed firms. Furthermore this could be further explained that the worst performance of the Slovenian firms, due to the controlling of the investors with the less than majority shareholders, in order to fight for the control of the block holders, affects the overall profitability of the firms negatively, thus reduces the firm's productivity.

Lskavyan & Spatarenau (2005) studied the effects of concentrated ownership's on the performances of the different listed companies in UK, Poland and Czech Republic.In order to measure the company performance, Return on assets (ROA) was used as a proxy.The results of the study showed that the concentrated ownership is insignificant for explaining the mentioned countries performances. However, it further documents that according to the results the principal ownership problem can be alleviated through ownership concentration, as it gives the owners more power to monitor the managers.

Bolbol et al.(2005) in their research investigation studied the concentrated ownership and its effects on the performances of three hundred and four companies from different Arabian countries such as Oman, Tunisia, Egypt and Jordan. The firms were selected from different business sectors. The results of the studyshowed that concentrated share ownership has no significant effect on the return on assets (ROA), which is an accounting form of a company's performance measure.

Shiab & Tapanjeh (2005) in their research investigation studied thestructure of the ownership and its impact on the performances of the listed companies in the stock exchange of Amman. The data set consisted of 50 of the largest listed companies of Jordan. MBV and ROA were used as proxies for the firm's performance. The investigation founded a nonlinear but

significant effect of the structure of ownership on the market based measure (MBV),which was used as a proxy for performance. However the statistical relationship between concentrated share ownership and return on asset (ROA) was found to be negative.

Steijvers et al (2006) studied the share ownership and its effects on the performance of the small and medium size family firms, from the 1998 NSSBF. The results showed that there exists a relation, which is positive, betweenownership share dispersion and performance of the family firms, when the family firm is in the cousin pool. The Return on asset (ROA) was used, as a form of performance measure.

Klaauw (2009) investigatedconcentrated ownership and its impact on the performance of the firms in the Netherlands. It was concluded that there exists a bell form of relation between the concentrated ownership and Return of assets (ROA). Furthermore, the Dutch banks and financial institutions have a much more bright influence on the performance of the firms.

Ma & Tian (2009) founded that the tradable share ownership had a favorable influence on the working operations of the firms. On the other hand, the majority ownership concentration represented U shapes. Furthermore, it was also found that the firms with having both highest tradable share ownership concentration and majority of the shares ownership concentration have greater firms value than the firms which have single type of ownership concentration.

Zhou (2009) took a sample of 95 Chinese listed companies .The results showed that the five largest shareholders had a significant positive influenceon Return on assets (ROA).

Arosa et al (2009) in their study, the sample data set was taken from 586 non listed Spanish firms. Return on assets (ROA) was used as an indicator for accounting based performance measure. The results showed that there isn't any relationship between concentrated ownership and behavior of the investors. Furthermore, the paper was not able to confirm the relationship between concentrated ownership and performance of the firms. However, as for the family owned businesses, the results differ, depending upon the generation of the family which manages the business. As for the first generation family business, there existed a positive relationship between ownershipand business performance.

Heugens et al (2009) investigated to find if there existed any statistical relationship between ownership concentration and the performance of the Asian firms. A small but significant relationship was found between them.

Zeitun (2009) found a negative relation ofconcentration of ownership and return on asset. The study was done of the one hundred and sixty seven listed firms in Jordan, during the time span of 1989 to 2006.

Fazlzadeh et al (2011) examined the effectiveness of the concentration of ownership on the profitabilityamong the listed firms of the stock exchange of Tehran. In the investigation, it was foundthat concentration of ownershiphad insignificant influence on the profitability of firms.

Alimehmeti & Paletta (2012) found that from the year 2008 the relationship of the concentrated ownership and firm value changed from positive to negative relationship. According to them, the 2008 financial crisis might have influenced the change of the relationship. The study was conducted on the Italian firms, from the time period 2006 to 2009.

Ahmed at el (2012) found that the firm's concentrated ownership had insignificant relationship with its performances. The sample consisted of hundred non-financial listed in the Pakistan stock exchange, from the period 2005 to 2010.

Pathirawasam & Wickremasinghe (2012) found that the ownership concentration, firm size, quick ratio and inventory investment to assets has significant positive influenceon the return of assets. However the debt ratio has effect on return of assets which were negative. The firms were selected from the Colombo stock exchange in Sri Lanka.

Usman and Yero (2012) found negative relationship between concentrated ownership and earnings management. As for the others, the return on assets was also significant. Firm size (FSIZE) and Leverage (LEV) were not significant. The study was conducted on the listed Nigerian conglomerates.

Overlanda et al (2012) foundthat the effectiveness of the concentrated ownership on the company's performance was subject to type of concentration measures. The sample was taken from the 240 listed companies in the Stockholm stock exchange, Sweden.

Manawaduge & Zoysa (2013) found the existence of a significant positive relation of the concentration of the ownership with the firm's performance. The return on asset was used as a basis for performance. The sample was collected from the listed firms in Sri Lanka by series of regression.

Cástek (2013) foundthat the more the ownership concentration is, the higher the growth of assets is. The firm size, foreign direct investment and industry did not affect the results.Evidence was taken from the 400 firms based in the Czech Republic. The corporate

performance was calculated by taking the proxy of the ratio, return on assets (ROA). Ownership concentration was measured by taking the percentage of the single owner, majority owner and other large owners

Pathirawasam (2013) found that there existed not a positive significant association between ownership and return on assets (ROA).On the contrary, the size of the firm, inventory and quick ratio do have anaffirmative relationship with the ratio, return on asset (ROA). Furthermore, debt ratio had a negative relation with the firm's performance. It was further mentioned that however that the explanatory power of the overall model was below average and a further research is required. The evidences were taken from 102 listed companies on the stock exchange of Colombo, between the time span of 2008 – 2009. Regressions were used to derive the results

Boonyawat (2013) found that high ownership concentration, especially if the ownership is in the hand of the families; it has a positive effect on the firm's performance.

Scholten (2014), foundthat return on assets (ROA), increased, when at first the inside ownership concentration increases. After some point, the firm performance decreases, and later on it again increases. Sample, collected was from 80 Dutch listed companies in Netherlands, from the annual sample data of 2011 and 2012.

Brendea (2014) investigated how the ownership concentration affected the performance of the Romanian listed firms from the period, 2007-2011. The dependent variable was measured by Return on assets (ROA). The research founded that there were no consequences of concentrated ownership on the performances of the Romanian firms.

GutiÈrrez & Tribo (2014) in their investigation studyformed the conclusion that performance of Spanish companies improves, when the ownership stake is higher. The study used the ratio, return on asset as a measurement for corporate performance.

Sheikh & Kareem (2015) found that the concentration of the share ownership had no significant relation with the Islamic commercial Banks performances in Pakistan. Return on equity (ROE) and return on asset (ROA) were used as indicators of the firm performance. The sample collected were from, Islamic commercial banking firms in Pakistan, from 2004 to 2014.

Mokaya & Jagongo (2015) documented that there is an affirmative relationship between ownership concentration and the performances of the differentlisted companies in the Nairobi stock exchange. The firm performance was measured by, return on assets (ROA). The study also concluded that the concentration of ownership of Kenyan firms is one of the main systems

of the lawful control of the company that influences the company's agency cost scope. It was further concluded that the investors who want to take the stake of the companies; they should also govern the activities of the managers. Moreover it is important for the investors, when making an investment decision, to consider the size of the companies in terms of tangibility. On the other hand, the study documented that the combination of significant number of shareholders, who control the majority of the shares of the firm, they induce more productivity, which leads to the better performance of the firm. The presence of owners in the board of directors did matter for profitability.

2.3Ownership concentration and return on equity

Shahid (2003) in his research studied the effects of the structure of the ownership on the firm's profit of the Egyptian stock market. The results showed that dispersed ownership structure affect the accountancyform ofperformance indicators, return on equity (ROE)on the firm's up to some degree; however it hasn't any effect on the stock market based performance indicators (P/B and P/E).

Earle et al (2004) in their research investigation, it was concluded that the large ownership concentration, when it lies with theone investor is associated with the better business performance; however as the investor ownership block holders increases, the corporate performance decreased. The study was conducted on the listed firms in the Budapest stock exchange, Hungary.

Jiang (2009) documented three essays on theconcentration of ownership and its affect in New Zealand. The results, of one of the essays revealed that concentrated ownership is related to information asymmetry positively. Furthermore, the concentrated ownership was related to return on equity (ROE), an accounting based performance measure, negatively.

Heugens et al (2009) conducted a meta-analysis research, to discover the association between share ownership concentration and the corporate performances of the firms in Asia. A small but significant relationship was founded in the studyof ownership concentration with theperformance of the firm.They also used, return on equity (ROE) as an indicator for the firm's performance.

Omran (2009) identified effect of ownership concentrations on thecorporate performances of the 52 newly privatized firms from Egypt from1995 to 2005. It was found that ownership

concentration has animpact on the performance of the privatized firm positively. Return on equity, was also used as an indicator for the firm performance, which showed that the concentrated ownership had a positive relation with it. Furthermore, the ownership which is foreign had much more bright influence over the firm's performance. Moreover, ownership concentration of the company employees had effects on the performances of the firms, which were negative. In this, results have some policy implications, that by adding foreign investors, the firm's value would increase, on the other hand by selling the state owned firms to the employees is not recommendable.

Nor et al. (2010) found that large equity owned by investors, governments and corporations directly influence the performance of the firms.Evidence was taken from the Kuala Lumpur stock exchange, Malaysia

Chalaki & Tanideh (2010) investigated the concentrated ownership and its influence on the performance of the one hundred and twenty one listed companies of the stock exchange of Tehran, during the years 2006 to 2010. Return on equity (ROE), and the market/book ratio (MBR) were used as proxies for the performance of the company's. The empirical results did not find any statistical relationconcentrated ownership withtheperformance of the company's significant. Therefore the findings clearly indicate that in Iran the ownership concentration doesn't have any influence on the firm value.

Din & Javaid (2011) evaluated the family ownership's concentration on the value of the firm, by taking, a sample of twenty nine companies that were listed in the stock exchange of Karachi, from the year, 2004 to 2009. The dependent variable, firm performance was measured through proxies of ROE, ROA, TQ and the independent variable by family ownership. Linear regression model was used for analysis. The study showed aninterrelation between family concentrations of ownership and the value of firm positively.

Zouari & Taktak (2012) investigated the impact of ownership concentration on the performance of the fifty three Islamic banks located across 15 countries for a 5 year period. Return on equity (ROE), was also used as an indicator for the firm's performance. After regression analysis, it was founded that the ownership concentration is not related to the firm's performance.

Raji (2012) examined the relationship between ownership concentration and performance of the listed firms in the stock market of Ghana. He carried out the investigation, which had two findings, the first findings showed about theexistence of a negative but significant relationof the

concentrated ownershipwithvalue of the company. The second finding showed a relation, which were significant andaffirmativebetween insider concentrationownership and the value of the firm. Study recommended a requirement to further have the division of the pattern of the shareholders, in order to bring more skills and knowledge among the shareholders.

Golmohammadi et al (2012) foundthe results that there isn't a relationof the concentrated ownerships and the value of the 311 listed companies in the stock exchange of Tehran, during the time in years, 2006 - 2011 Here in this research study, the value was also calculated by using return on equities as the basis.

Reddy et al (2012) found concentration of the shares did affect the performances of companies listed in the Newland. Furthermore, companies with the higher ownership concentration revealed less market based performance but much more performance of the accountancy form. The public listed companies were selected during the period of 2003 to 2009. Performance was measured by using the proxies of ROE, ROA, TQ and MB

Mule et al. (2013) foundfrom results of the panel regression, the concentration of the ownership is negativelyinterrelated withthe measure, returns on equity.The study consisted of balanced panel data of 53 listed firms in the Nairobi the stock exchange, from the years 2007 to 2011

Kiruri (2013) found that state owned ownership concentration had a negative influence on the profits of the banks of Kenya, while the foreign owned ownership concentration had positiveinfluences on the profits of banks in Kenya. Bank profitability was measured by using return on equity (ROE).

Soliman (2013) in their investigation found that as the concentrated ownership'sincrease the corporate financial value also increases positively. It was also found that there existed a curve form of relation of firm's performance and ownership concentration. Evidence was taken from the firms in Saudi Arabia, between 2006 and 2008.

Manawaduge & Zoysa (2013) their results indicated a positive relation, which was significant between the concentration of the ownership's and the performance of the listed companies. The study collected the data from the listed companies in the Sri Lanka, by series of regressions.

Matari et al (2013) documented that the association of the institutional ownership and performance of the company, which was foundpositive. The evidence was taken from the developed and developing countries.

Cl& Itodo (2014) investigatedshare concentration's effectiveness on the value of the Nigerian banks listed from the years 2002 to 2011. The return on equity (ROE) was also used as a basis for the valuation of the firm. By analyzing the data, through pooled regression, it was found that there exists not a significant association between share concentration and the valuation for the firm.

Kalezić (2015) found that concentrated shares ownershiphad a relation with the performance of the companies, positively. Thus, it induces the dominant investors to protect their interest, which leads to better managerial monitoring; hence this causes better performance of the firms. Return on equity (ROE) was taken in account in the investigation as a measure of the performances of the companies. Evidence was taken from the firm in Montenegro, within the period 2004 – 2008.

Golec (2015) concludedthat there isn't an association of the concentrated ownership withthe company'svalue. Furthermore, research findings didn't support the hypothesis that higher ownership concentration induces better firm performance. The current study employed, as for value indicator, returns on equity. The evidences were collected from the listed companies in the Polish stock market during the period 2005-2013

Son et al. (2015) their results and findings indicated that the block holders of share hadaninfluence on the bank's performance. Evidence was taken from the 44 banks in the Vietnam, from 210-2012. In this study, the return on equity was used as a basis for bank performance measurement.

Rahman & Reja (2015) documented that different types of ownership structure have different types of influences on the working operations of the Malaysian banks. Furthermore it was founded that organizational ownershipsare related to the ratio, returns on equity,significantly,which is the bank's basis for the working operations.

Jadoon & Bajuri (2015) found the association of the performance of the company with the shareholders block to be positively significant.

2.4Ownership concentration and Tobin's Q

Önder (2003), their findings showed that there existed a quadratic relationship between the largest share concentration and Tobin's Q, which is a basis of measure of the performances of

the companies. Furthermore size and risk are also positively correlated with ownership concentration. The evidence was taken from the Turkish companies.

Bolbol et al. (2005), theirfindings were thatlargest share concentration does significantly raise performance measure, Tobin's Q. The data was collected from three hundred and four companies of the Arab states of Egypt, Tunisia, Oman and Jordan.

Kapopoulos & Lazaretou (2006), their findings indicated that largest share concentrationhave significant influence on the company performance indicator, Tobin's Q (TQ). The evidence was taken from the 175 Green listed companies.

Grosfeld (2006) investigated the association of thelargest share concentrations on the panel of the different companies that were listed in the stock exchange Warsaw, Poland. Theform for the markets based performance measure, Tobin's Q was used. The impact of largest share concentrations on Tobin's Q (TQ) was positive.

Javid & Iqbal (2008) investigated the impact, ownership's concentration on the 60 companies working performances of Pakistan. In which sample was taken from the periods 2003 to 2008. The results revealed that in Pakistan, the firms have more concentrated ownership. Tobin's Q (TQ) was taken in the study as an indicator for the firm performance. The findings showed effectiveness which was positive of the concentrated ownership with the performances of the companies. Similarly, research also founded that more opportunities in the investments provides greater opportunities for the ownership concentration.

Zhou (2009) examined the association of thelargest block of shareholders and company performances, from the listed Chinese companies. In this, sample of 95 Chinese listed companies was selected. The company performance's was measured using, Tobin's Q. The findingsrevealed that the concentration of five largest shareholders has an influence /impact on Tobin's Q, positively.

Hu & Izumida (2008) found that inEast Asian and European countries, higher ownership concentration had effectson the operating of the companies positively. The, Tobin's Q was also taken as an indicator for the market based performance indicator, which had a positive effect of the ownership concentration.

Zeitun (2009) investigated the ownership's structure &concentration on the performances of the 167 Jordanian firms. Interrelation was found to be negative, between the concentration of the ownership and performance of the companies, with proxies of Tobin's Q (TQ). Meanwhile,an

affirmative correlation was found of the concentration of ownership with the MBVR. Moreover, according to the study, up to some extent, the concentrationof the ownerships is required to increase the company value.

Vito & Laurin (2010)argued that ownership concentration will have an effect on the R&D activity, which will then affect the firm's performance in the Canadian context.The, Tobin's Q was used as a formforperformances of company. The findingswereconcentrated ownership had negative influence on the R&D activity. Furthermore, R&D activity has a positive influence on the company's performances. As per the research, since the concentration is negatively related to the R&D activity, due to this it could have a harmful effect on company's performances.

Hamadi (2010) studied the interrelation of the concentrated ownerships and performance of the Belgian listed companies. Thus, company performance wascalculated by, Tobin's Q. Findings showed, largest shareholder had interrelation with the company's performance, negatively.

Dzanic (2011) by takingdata sample from the firmslisted in Zagreb stock exchange, between the periods of 2003-2009. The results obtained showed a negative relation between the large block holders of shares with the value of the company's Tobin's Q. Furthermore, it showed that foreign ownership isn't better than domestic ownership.

Laiho (2011) examined concentration ownership and performances of the listed Finish companies, during the years 2007 to 2009. The results from the panel data set indicated that the ownership concentration had aninfluence on the company performances, positively. For calculating company performances, Tobin's Q was used.

Riewsathirathorn et al. (2011), their findingsshowed,high ownership concentration is associated with poor performance of the banks in East Asia. Furthermore, an increase of ownership concentration by one standard deviation unit reduces the bank's profitability by 17 percent. It was also founded that bank's with more ownership concentration face more operating costs. Evidences were taken from the banks based in East Asia. Return on assets (ROA) was used as a basis of firm's performance

Cheng & Tzeng (2011), their results and finding were that concentrated ownership is linked withperformances and leverage of electronics and textile industries in Taiwan. Secondly the linkage of the concentrated ownerships on theperformances of the firm's tending to be lower when moderated with leverage. Thirdly, the positive effects,of the concentrated ownership on the leverage tend to be lower when moderated with the company performances. Furthermore,

family concentrated firm ownerships tend to have positive influence on the company performances. The data was collected from companies in Taiwan, from 2000 – 2009.

Strik (2011) examined the large shareownership, and its effectiveness on the operations of the companies in the USA. Tobin's Q (TQ) was used as a proxy for firm performance. , concluded, about the nonexistence ofany linkage betweenlarge share ownership and company performances. Furthermore, the research results indicated that large blockage of shareholders, are a variable (endogenous) which is changed and has to be described within the model. Moreover, the USA companies benefitted most, from the group of large shareholder and dispersed shareholders.

Abdolkahni & Jalali (2013), their findings were that the large shareholder blockage had an interrelation with firm's value, which was negative and significant. There was also an interrelation found between the firm size and firm's values. When the firm size increases, the firm performance decreases. Moreover, other findings were that the relationship depends a lot upon the type of the industry.The sample consisted of companies listed in the stock exchange of Tehran (TSE), between the period of 2007 and 2009.

Kao et al (2013) documented about, relationship between large shareholders blockand firm value, which was found to be negative. Evidence was taken from the firms in Thailand.

Caixe & Karuter (2013), as according to their results, a quadratic relationship was found of the shareholder, of largestwith firm market valuation. Evidence was taken from 237 listed firms in Brazil. Tobin's Q (TQ) was used as an indicator for corporate market value

Phung & Hoang (2013) found that the domestic and foreign ownership had a U shaped relationship with the performances of the company. Furthermore, when it's concentrated, the owned state concentrated ownership has a negative impact on the performances of the company. Secondly, foreign concentrated ownership enhances the company performances. Evidence was taken from the stock exchange of Hanoi.

Ventila et al (2014), in their findings, the first largest shareholder doesn't have much influence on the firm value. However, the percentage third largest shareholder positively influences the firm value. However in the conclusion it was noted that the findings are based upon the underdeveloped Romanian capital market at that time. Evidence was taken from the stock exchange of Bucharest, Romania.

Huan et al. (2014) analyzed the impact of share ownershipconcentrations on the 94 public listed property company's performances in Malaysia, between the periods 2011 to 2013. Tobin's Q was chosen for the measurement of firm's performance. Three models were used to check the results. According to the model 1, which implied fixed effects model, the results obtained showed that the firm size, board size and leverage have a impact on the performances of the firms, significantly, whereas the shares ownership concentrations and firm growth have insignificant impacts on the performances of the firms. On the contrary, model 2 which was formed on pooled regression showed that board size, firm growth and firm's size have an influence on the firm's performance. However insignificant was leverage. As for model 3, which was based upon fixed effect model, the results were quite similar to that of model 1.

Saidi & Shammari (2014) their results indicated that largest blockage of shareholders had insignificant relationship with the company performance, by regression. However, on the basis of second least square, regression, there association was found to be negative.The study took data of the 121 listed firms in the Kuwait stock exchange, collected from 2010 to 2012.

Najjar (2015), analyzed data through regression, the findings were that large blockage of shareholders relation, which was significant and positive with the firm performance indicator, Tobin's Q (TQ). The sampling consisted of 31 listed Palestinian firms, during the time span 2008 to 2013.

San Martin et al (2015) their findings showed that there existed an interrelationbetween the family ownerships concentration and performances of the firms positively, proxy of performance calculated by using Tobin's Q (TQ). Evidence was taken from the Mexican companies.

Yasser & Mamun (2015) found insignificant associationoflarge share blockage and firm performances of firms, from the Pakistani evidence. However, it was also found that the firm's measure of performances, Tobin's Q (TQ), was significantly positively related with the single largest share ownership (LSH).

2.5 Conclusion of the review

All the previous financial literature regarding the ownership concentration and its effects on the performance of the firms have revealed different results and findings. There were mixed results. It has been understood that based upon the previous evidence's the ownership concentration had

effects on the firm's performance differently, all based upon the geographical location, nature of the firm, type of ownership etc. Based upon the previous researches, it can be said that mostly somehow the share ownership did have its effects on the firm's performance. However, these previous studies were based on data from other countries and firms, their findings may not be applied to the local banking sector of Pakistan. Furthermore, not enough research has been done regarding ownership concentration and its effects on the firms in Pakistan. Especially, the banking sector, which is one of the most important financial sectors in Pakistan, has been neglected mostly. Thus, the literature revealed considerable gaps in research pertaining to the ownership concentration and its effects on the commercial bank's performance in Pakistan. In light of this knowledge shortage, the present paper studied the ownership concentration and its effects on the banking sector of Pakistan. The current study differs from the previous studies in the way, that it fills the literature gap, by studying the effects of the ownership concentration on the bank's performance in Pakistan.This study also differentiates from previous research studies, which focuses on the banks of Pakistan's, giving more insight how their overall performance is affected with respect to the share ownership. Moreover, the current study consists of the secondary data; the secondary data was collected from the listed commercial banks in the Pakistan stock exchange (PSX) of ten years period, 2006 to 2015. The current study gives understanding about the share ownership of Pakistan's banking sector's perspective.It is also hoped that this paper will add to the literature and increase the understanding of the subject by providing evidence from an Asian country's perspective.

2.6Delimitation

The research study is delimited to the 19 commercial banking sector of Pakistan, listed in the Pakistan stock exchange (PSX).

2.7Hypothesis

The below hypothesis are formulated and derived from the review of previous research studies regarding the ownership concentration.These below mentioned hypothesis are the foundation of empirical tests.

$H0_A$: There isn't significant/vitalimpact of largest shareholder(LSH) on returns on assets (ROA)

$H1_A$: There is significant/vitalimpact of largest shareholder (LSH) on returns on assets (ROA)

$H0_B$: There isn't significant/vitalimpact of shareholding of largest five owners (FIVELSH) on returns on assets (ROA)

$H1_B$: There is a significant/vitalimpactof shareholding of largest five owners (FIVELSH) on returns on assets (ROA)

$H0_C$: There isn'tsignificant/vitalimpact ofshareholding of largest ten owners (TENLSH) on returns on assets (ROA)

$H1_C$: There is a significant/vital impact of shareholding of largest ten owners (TENLSH) on returns on assets (ROA)

$H0_D$: There isn'tsignificant/vitalimpactof firm's age (FAGE) on returns on assets (ROA)

$H1_D$: There is a significant/vitalimpact offirm's age (FAGE) on returns on assets (ROA)

$H0_E$: There isn't significant/vitalimpact of firm's size (FSIZE) on returns on assets (ROA)

$H1_E$: There is a significant/vitalimpact of firm's size (FSIZE) on returns on assets (ROA)

$H0_F$: There isn't significant/vitalimpact of firm leverage's (LEV) on returns on assets (ROA)

$H1_F$: There is significant/vitalimpact of firm leverage's (LEV) on returns on assets (ROA)

$H0_G$: There isn't significant/vitalimpact of largest shareholder (LSH) on returns on equity (ROE)

$H1_G$: There issignificant/vitalimpactof largest Shareholder (LSH) on returns on equity (ROE)

$H0_H$: There isn't significant/vitalimpact ofShareholding of largest five owners (FIVELSH) on returns on equity (ROE)

$H1_H$: There issignificant/vitalimpact of shareholding of largest five owners (FIVELSH) on returns on equity (ROE)

$H0_I$: There isn'tsignificant/vitalimpact of shareholding of largest ten owners (TENLSH) on returns on equity (ROE)

$H1_I$: There is significant/vitalimpact of shareholding of largest ten owners (TENLSH) on returns on equity (ROE)

$H0_J$: There isn't significant/vitalimpact offirm's age (FAGE) on returns on equity (ROE)

$H1_J$: There issignificant/vitalimpact offirm's age (FAGE) on returns on equity (ROE)

$H0_K$: There isn't significant/vitalimpact of firm's size (FSIZE) on returns on equity (ROE)

$H1_K$: There is significant/vitalimpact of firm's size (FSIZE) on returns on equity (ROE)

$H0_L$: There isn't significantimpact of firm leverage's(LEV) on returns on equity (ROE)

$H1_L$: There is significant/vitalimpact of firm leverage's (LEV) on returns on equity (ROE)

$H0_M$: There isn't significant/vitalimpact of largest shareholder (LSH) on returns on equity (ROE)

$H1_M$: There is significant/vitalimpact of largest shareholder (LSH) on Tobin's Q (TQ)

$H0_N$: There isn'tsignificant/vitalimpact of shareholding of largest five owners (FIVELSH) on Tobin's Q (TQ)

$H1_N$: There is significant/vitalimpact of shareholding of largest five owners (FIVELSH) on Tobin's Q (TQ)

$H0_0$: There isn't significant/vitalimpact of shareholding of largest ten owners (TENLSH) on Tobin's Q (TQ)

$H1_0$: There is significant/vitalimpact of shareholding of largest ten owners (TENLSH) on Tobin's Q (TQ)

$H0_P$: There isn't significant/vitalimpact offirm's age(FAGE) on Tobin's Q (TQ)

$H1_P$: There issignificant/vitalimpact of firm's age (FAGE) on Tobin's Q (TQ)

$H0_Q$: There isn't significant/vitalimpact offirm's size (FSIZE) on Tobin's Q (TQ)

$H1_Q$: There is significant/vitalimpact of firm's size (FSIZE) on Tobin's Q (TQ)

$H0_R$: There isn't significant/vitalimpact of firm leverage's (LEV) on Tobin's Q (TQ)

$H1_R$: There is significant/vitalimpact of firm leverage's (LEV) on Tobin's Q (TQ)

CHAPTER 03

METHODOLOGY OF RESEARCH

3.1Introduction

In this, section/chapter, theexplanations and discussionsare regarding the methodology of the research thatis used in this currentstudy to achieve the research objectives. In this chapter, the research design, collection of data and its analysis, population data, sample size data, instrumentation, and the different techniques to collect the data are discussed. There are 578 total listed companies in stock exchange of Pakistan (PSX); out of them 21 are banks of commercial status. Hence this study only considered nineteen listed commercial banks in Pakistani stock exchange. The current study took data from the time span of 2006 until 2015, taken fromannuals/financial reports of the listed, commercial banks in the stock exchange of Pakistan (PSX). Ownership concentration and firm performance data variables were alsotaken

from annual/financials reports of the commercial banks. A quantitative research was used in this research paper which is based upon the secondary data. The quantitative data istakento test the significance of association between, the variables, dependent and independent.

3.2 Population

There are total 21 listedcommercial banks in the Pakistan stock exchange (PSX).Hence, the population of this research study is twenty commercial banks.

3.3Sample selection criteria

The aim of this research is, to study the impacts of the concentrations of ownershipon the listed commercial bank's performances. The sample includes 19 listed commercial banks of Pakistan for the years 2006-2015. The selection of time and duration of the analysis of data is mainly due to reasons of financial information's existence and availabilities. All the listed Pakistani commercial banks are considered into this study. However those banks which ceased to perform operations or ended are not taken into consideration. Furthermore, the selection of the banking sector is due to the reason that its objects are to cover the absence in the literature of banks by centering on the Pakistanibanks which are commercial. However the banks which discontinued their operations or got delisted during the specified period are not included into the sample.

Micco et al. (2004) examined the interrelationamongst theownerships of banks and their performance's. They recommended a further research study. There is also other empirical evidence on ownership concentration, in which the sample was taken from the specific banking sector.

Zhao & Shi (2011) also investigated the effects of ownership's effectiveness on performances of the commercial banks in China.

Deressa (2013) investigated ownership'seffectiveness on commercial banks performances in Kenya.

Boussani & Karmani (2015) also analyzed concentration ownership's impact/contact on the performances of banks of the countries, included in MENA.

3.4Sample size

The sample size includes 19 commercial banks listed in Pakistani stock exchange (PSX) between the years 2006 until 2015. The table 1 shows the list of commercial banks of whom the data has been taken for the current study as a sample.

Table 1

Shows listed commercial banks of Pakistan

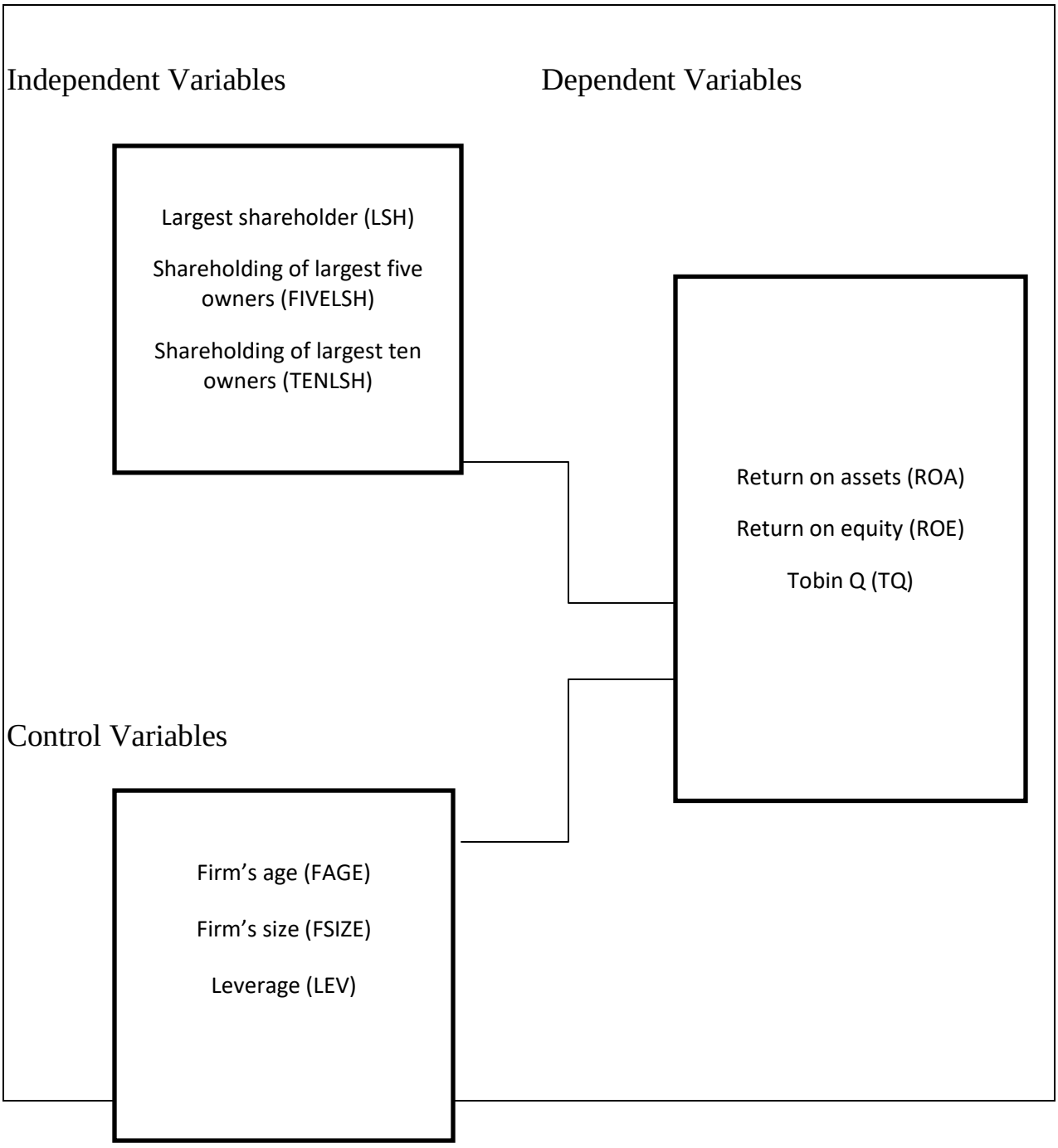
	Name of Bank	**Symbols**
1	Allied Bank	ABL
2	Askari Bank	AKBL
3	Bank Al-Falah	BAFK
4	Bank Al Habib Ltd	BAHL
5	BankIslami Pakistan	BIPL
6	Bank of Khyber	BOK
7	Bank of Punjab	BOP
8	Faysal Bank	FABL
9	Habib Metropolitan Bank Ltd	HMB
10	Jehangir Siddiqui Bank Ltd	JSBL
11	MCB Ltd	MCB
12	Meezan Bank	MEBL
13	NIB Bank	NIB
14	Samba Bank	SBL
15	Standard Chartered Bank	SCBPL
16	Silk Bank ltd	SILK
17	Soneri Bank Ltd	SNBL
18	Summit Bank	SMBL
19	United Bank	UBL

3.5Theoretical framework

The theoretical framework shows the variables of the study, dependent and the independent. The figure 1 shows the relationship.

Figure 1

Shows the Theoretical framework



3.6 Multivariate regression model

This current study employed three regression models to check, ownership's concentration relationship withperformances of the bank's, which are given as follows:

Model 1

Model 1 is used to determine the effect of ownership concentration on ROA

$ROA_{it} = \alpha + \beta 1\ LSH_{it} + \beta 2\ FIVELSH_{it} + \beta 3\ TENLSH_{it} + \beta 4\ FAGE_{it} + \beta 5\ FSIZE_{it} + \beta 6\ LEV_{it} + \varepsilon_{it}$

Where,

ROA = Return on asset

α = constant term

LSH= Largest shareholder

FIVELSH= shareholding of largest five owners

TENLSH= shareholding of largest ten owners

FAGE= firm age

FSIZE= log of total asset

LEV= leverage of firms

ε= error term

β= coefficients

i= cross sections

t= time period

Model 2

Model 2 is used to determine the effect of ownership concentration on ROE

$ROE_{it} = \alpha + \beta 1\ LSH_{it} + \beta 2\ FIVELSH_{it} + \beta 3\ TENLSH_{it} + \beta 4\ FAGE_{it} + \beta 5\ FSIZE_{it} + \beta 6\ LEV_{it} + \varepsilon_{it}$

Where,

ROE = Return on Equity

α = constant term

LSH= Largest shareholder

FIVELSH= shareholding of largest five owners

TENLSH= shareholding of largest ten owners

FAGE= firm age

Size= log of total asset

LEV= leverage of firms

ε= error term

β= coefficients

i= cross section

t= time period

Model 3

Model 3 is used to determine the effect of ownership concentration on Tobin's Q

$TQ_{it} = \alpha + \beta 1\ LSH_{it} + \beta 2\ FIVELSH_{it} + \beta 3\ TENLSH_{it} + \beta 4\ FAGE_{it} + \beta 5\ FSIZE_{it} + \beta 6\ LEV_{it} + \varepsilon_{it}$

Where,

TQ = Tobin's Q

α = constant term

LSH= Largest shareholder

FIVELSH= shareholding of largest five owners

TENLSH= shareholding of largest ten owners

FAGE= Firm age

FSIZE= log of total asset

LEV= leverage of firms

ε= error term

β= coefficient

i= cross sections

t= time period

3.7 Variables

Following are the variables, independent and dependent which are used in this research investigation.

Independent Variables;

Ownership concentration

This study employed ownership concentration as an independent variable. The ownership concentration is calculated/formulated by takingpercentages (%) of the shares ownerships of the shareholders which is largest, of the firm, (Alimehmeti & Paletta, 2012), percentage of largest

five shareholders (Earle et al, 2005) and percentage of largest 10 shareholders (Yasser& Mamun, 2015).The ownership concentration includes the following three proxies.

Largest shareholder (LSH)

The largest shareholder (LSH) is the percentage of the maximum shareholder ownership of one single investor in a company. (Alimehmeti & Paletta, 2012) used largest share ownership as an independent variable in their research study. It is measured by taking the percentage of the largest shareholder from the shareholders pattern.

Shareholding of largest five share owners (FIVELSH)

The shareholding of the largest five share owners (FIVELSH) is the percentage of the maximum shareholder ownership of five investors in a company. (Earle et al, 2005) used five largest shareholders as proxy for ownership concentration. It is calculated/formulated by using the largest shareholders percentage (%).

Shareholding of largest ten share owners (TENLSH)

The shareholding of the largest ten share owners (TENLSH) is the percentage of the maximum shareholder ownership of ten investors in a company. (Yasser& Mamun, 2015) used ten largest shareholders as a form of measure for, concentrative ownerships. It's measured by taking the percentage of ten largest shareholders.

Dependent variables;

Firm performance

Performances of the firms,is used as a variable which is dependent in this study. Based upon Daily and Johnson (1997), therefore three proxies are used for measure of firm performance that are; returns on equity (ROE), returnson assets(ROA) andTobin's Q (TQ).Following are the three proxies for firm performance.

Return on Asset (ROA)

It is measured by the division of net income of firm by total asset(Kumar, 2004; Silva & Leal, 2006; Tam & Tan 2007; Wiwattanakantang, 2001,ANTONIADIS I. et al 2010). It is measured/formulatedby following;

Return on asset= (Net Income's/Total Asset)

The ROA ratio tells us how well the assets of the firm are utilized in the production process of an organization. The higher values of returns of ROA show that the company is utilizing its assets much more effectively and has a much productive position. Thus the higher value indicates that the company business is in profitability.

Returns on Equity (ROE)

It is calculated/formulated by dividing firms operating incomeswith total equity's, (Ibrahim et al, 2010; Javed & Iqbal, 2008; Kumar, 2004; Lam & Lee, 2008, ANTONIADIS I. et al 2010). It is calculated as follows;

ROE = (net Incomes /total Equity)

ROE foresees the corporation's profitability by showing how much the company has earned profit with respect to the money invested of the shareholders into the company. ROE is also an indicator which portrays howeffective, management manages the equities of the shareholders of the company's operations and growth. Higher ROE indicates that the company is managing the shareholders equity much effectively; hence the company is in growth.

Tobin's Q (TQ)

It is, calculated/formulated by dividing, firm's market values of equity and bookvalues of liabilities to total assets (Jadoon &Bajuri, 2015). It's calculated as follows;

Tobin Q = (MV of equity's + B. V of liability's / Total Asset)

If the value of Tobin's Q is lower than 1 ($q < 1$), it means that, earning of the firm is lower than required rate of return. However if the value is more than 1 ($q > 1$), it indicates that earning of the firm is greater than the required rate of return. The profits generated exceed the price of the assets of the firm.

Control variables

This study also employed controlling variables such as, firm's size, firms age and firms leverages, as according to the previous empirical studies.

Firm Size (FSIZE)

The firm size (FSIZE) is calculated/formulated by taking the log of the book value(B.V) of the firm assets(Al-Smadi et al, 2013) and (Jadoon & Bajuri, 2015) .It is measured as follows:

Firm size= [log (firm asset book values)]

The higher values shows, the firm hasmuch more level of capital resources, in which it can generate higher market value, (Demsetz & Lehn, 1985)

Firm age (FAGE)

The firm age is measured by years since firm incorporation (Choi et al, 2012) and (Jadoon & Bajuri, 2015). It is,calculated/formulated by the years of numbering since the corporation of firms. According to (Eisenberg et al, 1998) older firms are associated with much more dispersed ownership structure compared to the newly established firms.

Firm leverage (LEV)

The firm leverage is calculated/formulated by the division of total debts to total equity's (Hutchinson & Gul, 2004) and (Jadoon & Bajuri, 2015).

Firm Leverage = Total Debts /Total Equity.

It indicates the amount of debt to finance the asset of the firm. A firm which has more debtsthan itsequity's is said to be very high in terms of leverage.

The reason with whichfirm leverage has its inclusion is as the control variable into this research study is that the financial leverage of the firm may lead to increase over its external control, due to the reason that its financers, creditors would check thestructure of capital of firm much more, in order to safeguardthe interests of their own, (Hutchinson & Gul (2003).

3.8Data sources

Thiscurrent, researchis based upon data of secondary. Collection and gathering of the data is done from the financials statements of the nineteen listed commercial banks listed in the Pakistan stock exchange, from 2006 until 2015. The current study collected data from firm's annuals reports, state bank of Pakistan and SECP's data. The data regarding the variables was collected from the financial analysis of the balance sheets of the nineteen listed commercial banks.

3.9Data analysis techniques

The secondary data obtained from sources was analyzed. The variables obtained were analyzed by using descriptive statistics, correlation's and multiple regression's analysis. The analysis was taken by using the Eviews, which is statistical software.

CHAPTER 04

RESULTS AND DISCUSSIONS

4.1Data analysis

The current sectiongives details of the empirical results and analysis of the sample data collected from the listed commercial banks of Pakistan. In this section, the results and analysis of the concentrated of ownerships and its particular effectiveness on firm performances are given. Hence, analysis was done by using the statistical software Eviews.

4.2 Descriptive statistics

Descriptive statistic deals with concepts and methods concerned with summarizing and description of the important aspects of numerical data. Descriptive statistics is applied to search out the character of the information. Below (table 2) are the stats of descriptive;

Table 2

Showsthe value of Descriptive statistics;

	Mean	Maximum	Minimum	Std.Dev.
LSH	45.1086	98.9863	6.9587	24.925
FIVELSH	69.3922	99.2996	17.1629	19.9716
TENLSH	77.1968	99.3063	21.1349	17.7030
ROA	0.5029	3.9819	-7.5126	1.8091
ROE	2.3796	29.7282	-270.551	34.7743
TQ	2.3037	18.6826	1.0638	1.8834
LEV	89.1690	98.4245	46.0573	7.5737
FAGE	20.1842	68.0000	0.0000	18.3972
FSIZE	8.2383	9.1720	6.6047	0.4886

The descriptive statistics of the study are provided in the above table 2. The largest shareholder (LSH) has a mean of 45.1086%, which means that on average the largest shareholder owns 45.108% shares of the banking firms. The largest shareholder (LSH) has the 98.986% value of maximum, and 6.958%, which is minimum. Its 24.925 is the standard deviation value.Similarly; the five largest shareholders (FIVELSH) have a mean value of 69.392%, which indicate that on average five largest shareholders own 69.392% shares in the banking firms. The largest five shareholders (FIVELSH) have maximum and minimum value of 99.299% and 17.162% respectively. Five largest shareholders (FIVELSH) have a standard deviation of 19.971%. Furthermore, as for the ten largest shareholders (TENLSH), they have the mean value of 77.196%, indicating that on average the ten largest shareholders own 77.196% shares in the banking firms. The 99.306% value is its maximum, whereas 21.134% value is its minimum. Thus, the standard deviation of ten largest shareholders (TENLSH) is17.703%. Additionally,return on assets (ROA) has its .502 % mean value, and, 1.809175%, standard deviation value. Further, 3.9819 is its maximum value and -7.512 is its minimum value respectively. Moreover, the return on equity(ROE) has 2.379% value of meanand 34.774% standard deviation. Moreover, it has a maximum and minimum value of 29.728% and -270.551 respectively.Tobin's Q (TQ) has 2.3037% mean value and 1.883% of standard deviation value. Tobin's Q (TQ) has maximum and minimum value of 18.682% and 1.063% respectively.As for leverage(LEV), it has a mean value of 89.169% and standard deviation of 7.573%. It has maximum and minimum value of 98.424% and 46.057% respectively. Firm size (FSIZE) has mean of 8.238% and standard deviation value of 0.488%. It has a maximum and minimum value of 9.172% and 6.604% respectively. Firm age(FAGE) has mean of 20.184% and standard deviation value of 18.397%. It has a maximum and minimum value of 68 and 0 respectively.

4.3Correlation analysis

The correlation measures the association of strengthamongthe two variables. The following table.3 shows the correlation's matrix:

Table 3

Shows Correlation matrix

	LSH	FIVELSH	TENLSH	ROA	ROE	TQ	LEV	FSIZE	FAGE
LSH	1								
FIVELSH	0.7529	1							
	0.0000								
TENLSH	0.6141	0.9451	1						
	0.0000	0.0000							
ROA	- 0.1088	-0.1064	-0.1184	1					
	0.1348	0.1438	0.1037						
ROE	-0.0973	-0.1116	-0.1239	0.7534	1				
	0.1816	0.1252	0.0885	0.0000					
TQ	0.1628	0.1094	0.0916	0.0559	0.0575	1			
	0.0248	0.1328	0.2087	0.4435	0.4299				
LEV	0.3415	-0.2830	0.2615	0.0681	-0.0852	-0.6389	1		
	0.0000	0.0001	0.0003	0.3501	0.2421	0.0000			
FSIZE	0.1763	-0.2262	0.2781	0.4692	0.2631	-0.3055	0.6036	1	
	0.0149	0.0017	0.0001	0.0000	0.0002	0.0000	0.0000		
FAGE	0.3521	-0.1624	0.1703	0.4698	0.2666	0.0296	0.1978	0.6348	1
	0.0000	0.0251	0.0188	0.0000	0.0002	0.6848	0.0062	0.0000	

Table 3shows, correlations of matrix of sample that is taken in the current research. In this,Pearson correlations (Table 3) show number of associations between the variables, with the significance level.ROA has statistically non-significant correlation coefficient with LSH(-0.1088), FIVELSH (-0.1064) and TENLSH (-0.1184). Similarly, ROE also has statistically non-significant correlation coefficient with LSH (-0.0973), FIVELSH (-0.1116) and TENLSH (-0.1239). Furthermore, TQ has significant positive correlation with LSH (0.1628) at 0.05% and statistically non-significant correlation with FIVELSH (0.1094) and TENLSH (0.0916).

Moreover, ROA has a non-significant correlation with Leverage (0.0681), however it ishighly significant, positively correlatedwith firm's size (0.4692) of 0.01% and has high correlation of significantly positive with firm age (0.4698) of 0.01%. Moreover, ROE has a non-significant correlation with Leverage (-0.0852), but has highly significantly positive correlation with firm size (0.2631) at, 0.01% and firm age (0.2666) at 0.01%. Furthermore, TQ has high correlation

of significance which is negative with leverage, (-0.6389) at 0.01% and firm size (-0.3055) at 0.01%. However, TQ has non-significant correlation with firm age (0.684).

4.4Regression analysis

In this current research, regression's analysis of panel was used. Previous research studies, such as Ahmed et al (2012) also used regression's analysis, of panel data.The regression's of panelis useful inanalysis of both the time's series and cross sectional data. Hence regression was carried out to examine the effects of the ownership concentration indicators i.e. LSH, FIVELSH and TENLSH, along with the control variables .i.e. LEV, FSIZE and FAGE on the firm's performance indicators, .i.e. ROA, ROE and TQ.Three multivariate regression models were employed, for checking the implications of ownership concentration on the performances of the bank's. Furthermore, analysis of the gathered data was done through theuse of software, Eviews. The following tables show the results of the three multivariate regression models employed to check the implications of concentrated ownerships on the financial performances of the listed 19 commercial banks in PSX.

Table 4

Showsthe value of random effect Hausman test:

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	17.891992	6	0.0065

Pooled least square method was used due to the structure of the data, Ahmed et al (2012) and Shah and Hijazi (2004) also used pooled regressions. When regression was employed, Fixed effect model was used for analysis, due to the fact that fixed effect test was significant furthermore, Hausman test (Table 4) showed a probability of 0.0065 which is also less than 5% indicating that the null hypothesis should be rejected (random model appropriate) , and the alternative hypothesis should be accepted (fixed effects model appropriate). Hence in this regard, the model used was, fixed effects model. This model has the assumption regarding individual heterogeneity, which is explained by distinct intercepts.

Table 5

Shows the value of fixed effect model (ROA)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.430825	5.784279	-0.938894	0.3492
FSIZE	0.713894	1.015287	0.703145	0.4830
FAGE	0.036439	0.074508	0.489067	0.6254
LEV	-0.052624	0.025716	-2.046387	0.0423
LSH	0.048125	0.014636	3.288154	0.0012
FIVELSH	-0.028038	0.047355	-0.592076	0.5546
TENLSH	0.049021	0.050062	0.979188	0.3289
R-squared	0.558069			
Adjusted R-squared	0.493788			
F-statistic	8.681729			
Prob(F-statistic)	0.000000			

Above, table .5displays the results of the regression of the ownership concentration indicators along with the control variables, with respect to the firm's financial performance indicator, return on assets(ROA) as the dependent variable. In table 5, fixed effect model shows the results that as for the ownership concentration indicators, the largest shareholder (LSH) has a relation of positive significance with the performances of firm's indicator, Return on assets (ROA). LSH has aProbability value of 0.0012 which is less than 0.05%; it indicates significant relationship with ROA. Its coefficient value is 0.048125, which indicates that one unit increase of the largest shareholder (LSH) leads to 0.048125 units increase of return on asset (ROA), holding other things constant. In other words, with the percentage increase of the value of largest shareholder (LSH), the return on asset(ROA) which is used as the proxy for financial performance of the banking firms increases. This result supports the previous research studies (Claessens & Djankov 1999; Antoniadis I 2010; Alimehmeti &Jadoon 2012; & Bajuri 2015).Meanwhile, the other ownership concentration indicators .i.e. FIVELSH and TENLSH have insignificant relationshipwith the firm performance indicator, returns on assets (ROA). With P-values of FIVELSH and TENLSH are 0.5546 and 0.3289 respectively, which are greater than the significance level 0.05.The previous research study (Earle et al 2014) also found that the largest block increases firm performance, while the total block holdings remain statistically insignificant. Moreover as for the control variables, the leverage (LEV), which is an

independent variable, has a relationof negative significance with Return on assets (ROA). Its probability is 0.0423, which is less than 5%. While coefficient is-0.052624, which indicates that one unit increase of the leverage leads to the decrease of -.052624 units of, return on assets (ROA), holding other things constant.This shows that with the increase of leverage Return on asset decreases.As for the other variables of control's, Firm's size, (FSIZE) and Firm's age, (FAGE) have insignificant relationship with returns on assets,(ROA), with the P –valuesof 0.4830 and 0.6250 respectively. At the end of the table 5 we can see the value of R square is 0.558, which means that 55% of dependent variable's changes can be considered and explained by using the estimated model. The adjusted R square is a modified type of R square. Its value is 0.493 or 49%. The probability of F statistics is 0.00, which is significant. It means that the independent variables can jointly influence the dependent variable. The reason that only two independent variables were significant in the model could be because of the data quality and heterogeneity in population of the banking firms.

Table 6

Shows the value of random effect – Hausman test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.821964	6	0.8308

The above table6 illustrates the finding/results of the Hausman tests. The Hausman testsshowed indicationfor the alternative hypothesis's rejection and the null hypothesis's acceptance. The reason was that the Hausman test showed Probability value of 0.8308, which is greater than 5%, indicating that null hypothesis cannot be rejected (random effect modelappropriate), hence the alternative hypothesis (fixed effect model appropriate) was rejected. In this regard random effect model was used. In the random effect model the value of the intercepts are random drawn from cross section unites of larger populations. Below, results of the random effect model are illustrated in table. 7.

Table 7

Shows the value of random effects model (ROE);

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-107.3125	73.55933	-1.458857	0.1463
FSIZE	35.74150	11.70730	3.052924	0.0026
FAGE	0.049904	0.330793	0.150860	0.8803
LEV	-1.986466	0.499343	-3.978158	0.0001
LSH	0.018983	0.255208	0.074384	0.9408
FIVELSH	-0.491344	0.716675	-0.685588	0.4938
TENLSH	0.318728	0.699486	0.455661	0.6492
R-squared	0.122739			
Adjusted R-squared	0.093976			
F-statistic	4.267294			
Prob(F-statistic)	0.000475			

As for the table 7, the dependent variable is return on equity (ROE), while the independent variables are ownership concentration indicators. Random effect model was used, on the basis of Hausman test (Table 6), which indicated that the alternative hypothesis to be rejected (fixed effects model appropriate) and accept null hypothesis (Random effects modelappropriate). As for results(Table 7) we can see that all three ownership concentration indicators are insignificant. The Return on equity (ROE) has insignificant relationship with largest shareholder (LSH) which has a probability value of 0.9408, five largest shareholders (FIVELSH) with the probability value of 0.4938 andten largest shareholders(TENLSH) with the probability value of 0.6492. The increase or decrease of the concentrations of ownership indicators has not any effect on the returns on equity. These results support the previous studies results (Chalaki & Tanideh 2010;Deressa 2013, Yasser& Mamun 2015), which found no concentration of ownerships relationwith, indicator and returns on equity, (ROE). Furthermore, for control variables, Firm Size (FSIZE) hasrelation with the returns on equity, (ROE) of positive significance. Hence, probability of Fsize (FSIZE) is 0.0026, and coefficient is 35.74. This indicates that when there is one unit increase in Firm Size (FSIZE), the Return on equity (ROE) increases by 35.74 units

holding other things constant. It complies with the previous study (Pathirawasam&Wickremasinghe 2012).Furthermore, Leverage (LEV) is highly related with returns on equity, havingnegative significance. Leverage (LEV) has a probability of 0.0001 and coefficient value of -1.986. This indicates that one unit increase of leverage (LEV) causes Return on equity (ROE) to decrease by -1.986 units, holding other things constant. It means that the banking firms shouldn't have a higher leverage if they want to increase the financial performance, as provided by the proxy Return on equity (ROE). These findings/results are in compliance of (Ahmed et al 2012, Bolbol et al 2005). Moreover, Firm Age (FAGE) has an insignificant relationship with the Return on equity (ROE), having a probability value of 0.8803, which is greater than 5%. The value of Rsquare which is, 0.12, shows that 12% dependent variable's changes can be illustrated by using the estimated model. The adjusted R square is 0.093. The probability of F statistics is significant at 0.0004. The reason that most of the variables were found insignificant could be that the data of the population of the banks is heterogeneous.

Table 8

Shows the value of Random effects- Hausman test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	29.321013	6	0.0001

The above, Table 8 illustrates the results/findings of the Hausman's test. Hausman test was used after the fixed effect test, which was significant. The Hausman test (Table 8) was applied to choose between fixed effect or random effects, the probability value was significant at 0.0001, showing that the null hypothesis (Randon effect model appropriate) should be rejected , and accept the alternative hypothesis (fixed effect model appropriate). In this regard, since the Hausman results were significant, fixed effect model was chosen. The below, Table 9 illustrates the results/findings of the fixed effects model, withrespect to the dependent variableTobin's Q (TQ).

Table 9

Showsthe value of fixed effect model (TQ);

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	23.22881	5.756573	4.035181	0.0001
FSIZE	-0.873624	1.010424	-0.864611	0.3885
FAGE	-0.066677	0.074151	-0.899204	0.3699
LEV	-0.171509	0.025593	-6.701494	0.0000
LSH	0.020691	0.014566	1.420548	0.1573
FIVELSH	-0.046851	0.047129	-0.994116	0.3216
TENLSH	0.067736	0.049823	1.359544	0.1758
R-squared	0.596115			
Adjusted R-squared	0.537368			
F-statistic	10.14716			
Prob(F-statistic)	0.000000			

In Table 9, the dependent variable is Tobin's Q (TQ), a form of measure for financial performance. Fixed model was used, because of Hausaman's test, (Table 8). The result/findings in the fixed effect model (Table 9) show that all the ownership concentration indicators are insignificant. The probability value of largest shareholder (LSH) is 0.1573, five largest shareholders (FIVELSH) 0.3216 and ten largest shareholder (TENLSH) is 0.1758. The ownership concentration indicators do not have any effect on Tobin's Q. These results support the previous study (Huan et al 2014), in which no relation of significance was found of the concentrated ownerships indicators with theTobin's Q (TQ). As for the control variable, only leverage (LEV), which is independent variable, has a significant negative relationship with the Tobin's (TQ). Its probability value is 0.0000 and coefficient value is -0.1715. Indicating that if leverage (LEV), increases by one unit, the Tobin's Q (TQ) decreases by 0.1715 units, holding other things constant. This shows that banking firms, who wants to increase their firm performance, shouldn't rely on too much leverage. This supports the previous study(Cheng and Tzeng 2011).While the other two control variable, Firm Size (FSIZE) and Firm age (FAGE) are insignificant at 0.3885 and 0.3699 respectively. Furthermore, value of R square is 0.5961 or 59%. This has a meaning that 59% variation of the dependent variable's explanation can be done using estimated model.Furthermore, adjusted R square's value is 0.5373 or 53%. Moreover the value of probability F statistics is 0.0000, which is significant. This is a showing

that, our model is significant. Most of the variables are also insignificant in this model; the reason could be of the heterogeneity in the population of the banking firms.

4.5Discussion of results

In the principal agent problem or theory of agency, it has been argued by some, that this principal agent problem can be reduced if the ownership is concentrated,asit gives more authority to the ownersover the affairs of the organization, which leads to the increase of firm's performance. In this investigation of research, there exists a statisticallysignificantrelation which is positive amongst the largest shareholder (LSH) and the, returns on assets (ROA), which is used as a form of indicator for firm's performances. Hence, this result complies with the alleviation of principal agent problem. However, as for the rest of the ownership concentration indicators, five largest shareholder (FIVELSH) and ten largest shareholders (TENLSH), the results show that they have insignificant relationship with the Return on assets (ROA). These results are in accordance with the previous study (Earle at al 2004), which found that the shareholders of largest size increases profitability's of the companies, on the other hand the effects of the size of the total shareholders is insignificant on the profitability of firms.. Furthermore, the relationship of ownership concentration indicators with the other two firm performance proxies, Tobin Q (TQ)& returns on equity's (ROE) were insignificant. In this,results/findings support the previous studies of (Aburime 2009;Chalaki & Tanideh 2010;Deressa 2013, Yasser & Mamun 2015). The previous empirical studies reveal that more concentrated ownership is linked with a bank's poorer financial performance. The reason behind the poorer financial performance suggests that, as share ownership becomes more concentrated; the controlling shareholders exploit the minor shareholders which is associated with agency conflicts and results in the banks low financial performance (Shleifer and Vishny, 1986; Faccio and Stolin, 2006). Furthermore, there is financial literature which clearly indicates that there are also many other factors that contribute to the profitability and good financial performance of the banks (Berger, 1995: Brock and Suarez, 2000).The profitability of the banks is also influenced by the micro and macro factors of the economy. In micro level, the bank's financial performance is directly influenced by internal factors. Moreover, well stable sound macroeconomic surroundings helpachieve economic stability which is associated with the financial wellbeing of the banking sector (Angbazo, 1997;Kosmidou & Zopounidis 2008).

Hence, the insignificant relationship of the ownership concentration indicators with Tobin's Q (TQ) and the returns on equity (ROE), they are within the accordance of the previous literature, which clearly stated insignificant relationship. As for the control variables, there exists a negative relation of significance of the firm leverage's (LEV) with all the performance of firms indicators, which includes returns on equity (ROE), returns on assets(ROA) and Tobin's Q (TQ) ; these findings support the former researches (Ahmed et al, 2012, Bolbol et al, 2005). In this regard, banking firms should try to have a lower leverage, which won't affect their financial performance.Furthermore, firm size (FSIZE) has a relation with returns on equity (ROE) which is significant; it is as accordance with (Pathirawasam & Wickremasinghe 2012). Moreover, firm age (FAGE) remained insignificant, supporting previous study(Yasser& Mamun 2015).In the regression models, most of the variables are insignificant partly this may be due tothe variation of data quality, with the estimation method applied, and due to heterogeneity in the population of banking firms. Furthermore, the banking firms in Pakistan, have a monopolistic characteristics in some ways, it can be argued that due to these monopolistic characteristics, the results are different.

Test of hypothesis have been held at 5% level of significance based upon the results of the regression analysis. The accepted and rejected hypotheses of this research is mentioned in the below table 10.

Table 10

Shows Hypothesis summary

Hypothesis	**Accept/Reject**
$H0_A$: There isn't significant/vitalimpact of largest shareholder (LSH) on returns on assets (ROA)	Reject
$H1_A$: There is a significant/vitalimpact of largest Shareholder (LSH) on returns on assets (ROA)	Accept
$H0_B$: There isn't significant/vitalimpact of shareholding of largest five owners (FIVELSH) on returns on assets (ROA)	Accept
$H1_B$: There is a significant/vitalimpact of largest five owners (FIVELSH) on returns on assets (ROA)	Reject
$H0_C$: There isn't significant/vitalimpact of shareholding of largest ten owners (TENLSH)on returns on assets (ROA)	Accept
$H1_C$: There is a significant/vitalimpact of shareholding of largest ten owners (TENLSH) on returns on assets (ROA)	Reject

$H0_D$: There isn't significant/vitalimpact of firm age (FAGE) on returns on assets (ROA)	Accept
$H1_D$: There is a significant/vitalimpact of firm age (FAGE) on returns on assets (ROA)	Reject
$H0_E$: There isn't significant/vitalimpact of firm's size (FSIZE) on returns on assets (ROA)	Accept
$H1_E$: There is a significant/vitalimpact of firm's size (FSIZE) on returns on assets (ROA)	Reject
$H0_F$: There isn't significant/vitalimpact of firm'sleverage (LEV) on returns on assets (ROA)	Reject
$H1_F$: There is a significant/vital impact of firm's leverage (LEV) on returns on assets (ROA)	Accept
$H0_G$: There isn't significant/vital impact of largest shareholder (LSH) on returns on equity (ROE)	Accept
$H1_G$: There is a significant/vitalimpact of largest shareholder (LSH) on returns on equity (ROE)	Reject
$H0_H$: There isn't significant/vitalimpact of shareholding of largest five owners (FIVELSH) on returns on equity (ROE)	Accept
$H1_H$: There is a significant/vitalimpact of shareholding of largest five owners (FIVELSH) on returns on equity (ROE)	Reject
$H0_I$: There isn't significant/vitalimpact of shareholding of largest ten owners (TENLSH) on returns on equity (ROE)	Accept
$H1_I$: There is a significant/vitalimpact of shareholding of largest ten owners (TENLSH) on returns on equity (ROE)	Reject
$H0_J$: There isn't significant/vitalimpact of firm's age (FAGE) on returns on equity (ROE)	Accept
$H1_J$: There is a significant/vital impact of firm's age (FAGE) on returns on equity (ROE)	Reject
$H0_K$: There isn't significant/vitalimpact of firm's size (FSIZE) on returns on equity (ROE)	Reject
$H1_K$: There is a significant/vitalimpact of firm's size (FSIZE) on returns on equity (ROE)	Accept
$H0_L$: There isn't significant/vital impact of firm's leverage (LEV) on returns on equity (ROE)	Reject
$H1_L$: There is a significant/vitalimpact of firm's leverage (LEV) on returns on equity (ROE)	Accept
$H0_M$: There isn't significant/vitalimpact of largest shareholder (LSH) on Tobin's Q (TQ)	Accept
$H1_M$: There is a significant/vitalimpact of largest Shareholder (LSH) on Tobin's Q (TQ)	Reject
$H0_N$: There isn't significant/vitalimpact of largest five owners (FIVELSH) on Tobin's Q (TQ)	Accept
$H1_N$: There is a significant/vitalimpact of largest five owners (FIVELSH)	

on Tobin's Q (TQ)	Reject
$H0_0$: There isn't significant/vitalimpact of shareholding of largest ten owners (TENLSH) on Tobin's Q (TQ)	Accept
$H1_0$: There is a significant/vitalimpact of largest ten owners (TENLSH) on Tobin's Q (TQ)	Reject
$H0_P$: There isn't significant/vitalimpact of firm's age (FAGE) on Tobin's Q	Accept
$H1_P$: There is a significant/vitalimpact of firm's age (FAGE) on Tobin's Q	Reject
$H0_Q$: There isn't significant/vitalimpact of firm'ssize (FSIZE) on Tobin's Q (TQ)	Accept
$H1_Q$: There is a significant/vitalimpact of firm's size (FSIZE) on Tobin's Q (TQ)	Reject
$H0_R$: There isn't significant/vitalimpact of firm's leverage (LEV) on Tobin's Q (TQ)	Reject
$H1_R$: There is a significant/vitalimpact of firm'sleverage (LEV) on Tobin's Q (TQ)	Accept

CHAPTER 05

CONCLUSION AND RECOMMENDATION

5.1Conclusion

The ownership's concentration and its effectiveness on financial performance has been a topic of interest for many researchers. In this study, the ownership concentration indicator, largest shareholder (LSH), its relation with the returns on assets (ROA), accounting based firm performance indicator, is positively significant. This clearly is an indication that, banking firms who have large single share ownerships tend to have much higher firms value, represented by return on assets (ROA). Whereas, all five largest shareholder (FIVELSH) and ten largest shareholder (TENLSH), were insignificant, indicating no effect on the banking firms value with respect to ROA. Furthermorein the current study, most of the ownership concentration indicators are insignificant with respect to the performance indicators; the findings/results support the previous study, (Yasir & Mamun 2015). It should be understood, that ownership concentration does have its prosand cons. Further, if the concentration level varies in strength and association differently, the possible indication can be that the relationship could be non-monotonic as stated by(Morck et al 1987). Estimates may also vary due to heterogeneity in the data.

Nevertheless, the current research study provides the guidelines for understanding the ownership structure pattern with respect to the banking structure, providing evidence from an Asian country.

In Pakistan with respectto the ongoing financial reforms of the organizations through the mechanisms of corporate governance, the ownership concentration can be used as a tool of corporate governance to enhance performance of the banks, where conventional corporate governance instruments have been unsuccessful, (Tam and Tan, 2007). Thus, in this regard this study could be used for better fostering the corporate governance mechanism of the commercial banks in Pakistan.This research study would help policy makers, researchers and bank management to understand the, ownership's concentration and its implications on banking performancesat the governance of the Pakistan business environment context.

5.2 Recommendations

The study recommends that the policy makers should create a healthy financial environment that is suitable for the commercial banks in Pakistan. With a stable macroeconomic surrounding the banks would be able to increase their financial performance. Furthermore, single large share ownership should be preferred in the banks, which can help as argued by some to reduce the principal agent problem. Since single large shareholders also as according to the previous empirical studies, monitors the managers of the firms much more effectively. Moreover, leverage should be discouraged. The commercials banks should avoid too much borrowing of loans for their banks. Since, leverage decreases firm's value as per this study.

On the other hand, firm size should be increased, necessary increase of firm size increase firm's value.Also the commercial banks should adopt a good corporate governance mechanism that enhances the banks performance.

This research also indicates that when devising different policies, the heterogeneity of the banking industriesand nature of their ownership structure should be taken in account, when developing new fiscal and economic reform programs.

5.3 Future research

Further research should be conducted, based upon also individual, institutional and family types of ownership. Moreover, as the study was limited to the banking sector of Pakistan only, the future research should also be done on other sectors. Hence, the current study opened interesting aspects for future research which can be usedto check the dimensions of the impact of ownership concentration along with other factors on the company performances. Therefore, this study also recommends that the future study should also take into accountcomplete model of corporate governance tools and its effect on firm performance to better understand the ownership concentration.

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APPENDICES

Appendix 1: Descriptive statistics

	Mean	Maximum	Minimum	Std.Dev.
LSH	45.1086	98.9863	6.9587	24.925
FIVELSH	69.3922	99.2996	17.1629	19.9716
TENLSH	77.1968	99.3063	21.1349	17.7030
ROA	0.5029	3.9819	-7.5126	1.8091
ROE	2.3796	29.7282	-270.551	34.7743
TQ	2.3037	18.6826	1.0638	1.8834
LEV	89.1690	98.4245	46.0573	7.5737
FAGE	20.1842	68.0000	0.0000	18.3972
FSIZE	8.2383	9.1720	6.6047	0.4886

Appendix 2: Correlation matrix

	LSH	FIVELSH	TENLSH	ROA	ROE	TQ	LEV	FSIZE	FAGE
LSH	1								
FIVELSH	0.7529	1							
	0.0000								
TENLSH	0.6141	0.9451	1						
	0.0000	0.0000							
ROA	- 0.1088	-0.1064	-0.1184	1					
	0.1348	0.1438	0.1037						
ROE	-0.0973	-0.1116	-0.1239	0.7534	1				
	0.1816	0.1252	0.0885	0.0000					
TQ	0.1628	0.1094	0.0916	0.0559	0.0575	1			
	0.0248	0.1328	0.2087	0.4435	0.4299				
LEV	0.3415	-0.2830	0.2615	0.0681	-0.0852	-0.6389	1		
	0.0000	0.0001	0.0003	0.3501	0.2421	0.0000			
FSIZE	0.1763	-0.2262	0.2781	0.4692	0.2631	-0.3055	0.6036	1	
	0.0149	0.0017	0.0001	0.0000	0.0002	0.0000	0.0000		
FAGE	0.3521	-0.1624	0.1703	0.4698	0.2666	0.0296	0.1978	0.6348	1
	0.0000	0.0251	0.0188	0.0000	0.0002	0.6848	0.0062	0.0000	

Appendix 3: Multiple regression models

3.1 Random effects Hausman test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	17.891992	6	0.0065

3.2 fixed effect model (ROA)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.430825	5.784279	-0.938894	0.3492
FSIZE	0.713894	1.015287	0.703145	0.4830
FAGE	0.036439	0.074508	0.489067	0.6254
LEV	-0.052624	0.025716	-2.046387	0.0423
LSH	0.048125	0.014636	3.288154	0.0012
FIVELSH	-0.028038	0.047355	-0.592076	0.5546
TENLSH	0.049021	0.050062	0.979188	0.3289
R-squared	0.558069			
Adjusted R-squared	0.493788			
F-statistic	8.681729			
Prob(F-statistic)	0.000000			

3.3 Shows Random effects – Hausman test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.821964	6	0.8308

3.4 Random effect model (ROE)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-107.3125	73.55933	-1.458857	0.1463
FSIZE	35.74150	11.70730	3.052924	0.0026
FAGE	0.049904	0.330793	0.150860	0.8803
LEV	-1.986466	0.499343	-3.978158	0.0001
LSH	0.018983	0.255208	0.074384	0.9408
FIVELSH	-0.491344	0.716675	-0.685588	0.4938
TENLSH	0.318728	0.699486	0.455661	0.6492
R-squared	0.122739			
Adjusted R-squared	0.093976			
F-statistic	4.267294			
Prob(F-statistic)	0.000475			

3.5 Random effects- Hausman test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	29.321013	6	0.0001

3.6 Fixed effect model (TQ)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	23.22881	5.756573	4.035181	0.0001
FSIZE	-0.873624	1.010424	-0.864611	0.3885
FAGE	-0.066677	0.074151	-0.899204	0.3699
LEV	-0.171509	0.025593	-6.701494	0.0000
LSH	0.020691	0.014566	1.420548	0.1573
FIVELSH	-0.046851	0.047129	-0.994116	0.3216
TENLSH	0.067736	0.049823	1.359544	0.1758
R-squared	0.596115			
Adjusted R-squared	0.537368			
F-statistic	10.14716			
Prob(F-statistic)	0.000000			