

OWNERSHIP STRUCTURE AND FINANCIAL PERFORMANCE: EVIDENCE FROM EMERGING COMPANIES

Mohammed Ashiqur Rahaman¹

Maksudur Momin Khan²

Kanta Chowdhury³

Mofijul Hoq Masum^{4*}

University of Dhaka^{1,2,3}

United International University^{4*}

masum@bus.uiu.ac.bd

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ABSTRACT

The purpose of this study is to explore the impact of ownership structure on corporate performance from the context of an emerging country, Bangladesh. This empirical study is based on a dataset of 200 observations from the annual reports of twenty Dhaka Stock Exchange (DSE) listed pharmaceutical and chemical companies from the tenures of 2013 to 2022. Here, a multiple regression model has been executed to explore the influence of ownership attributes on financial performance. Research has shown that director ownership, institutional ownership, general ownership, and foreign ownership all have a significant impact on corporate performance. These findings suggest the current understanding of ownership structure and its relationship with financial success. This study also provides valuable insight for businesses and management to set their long-term vision and goals in terms of ownership and equity matters. External financiers and legislators can also benefit from this study in making investment decisions and new policies. Future researchers can expand the reach of their studies by including more years of data, other relevant variables from the ownership structure field, macroeconomic variables, and data from different industries, thereby serving the needs of a wide range of users.

INTRODUCTION

The objective of the corporate governance function is to establish ownership and governance frameworks for organizations, ensuring that managers behave ethically and make choices that prioritize the best interests of shareholders. The design of corporate governance that facilitates optimal decision-making is a subject that garners significant attention in both scholarly literature and the business press (Hassan, Masum, & Sarkar, 2022). It indicates that the market value of a corporation is not solely driven by its investment projects, but is also influenced by additional aspects, such as its financial structure, dividend policy, governance and

control, and ownership structure. These elements contribute to the overall worth of the firm. Ownership structure is typically regarded as one of the primary corporate factors that affect business value in some theoretical and empirical research. However, there is an absence of consensus within academia regarding the effect of ownership structure on performance. Over the past two decades, the relationship between business performance and ownership structure has been a significant focus of research in the broader field of corporate governance (Ahmed, Uddin, Masum, & Uddin, 2021). Berle and Means (1932) were among the first academics to recognize the unfavorable correlation between a company's

performance and the increasing complexity of its ownership structure. Scholarly studies that came after have either confirmed or refuted this claim. Jensen and Meckling (1976) illustrated how the value of a company could be influenced by the allocation of shares among insiders and outsiders. Since then, ownership and corporate performance have received considerable emphasis. Nevertheless, Demsetz and Villalonga (2001) found no correlation between a firm's performance and its ownership structure. They propose that the ownership structures of enterprises differ as a result of the disparities in the circumstances they encounter, particularly in terms of economic size, regulations, and stability of the operating environment.

The ownership function consists of two components: the asymmetric information approach and the agency approach. The former approach utilized ownership structures to balance the disclosure of insider and outsider information in capital markets (Leland & Pyle, 1977; Bergström & Rydqvist, 1990). Jensen and Meckling (1976) introduced agency theory, asserting that the distinction of ownership (principal) and management (agents) in many modern firms can result in agency issues such as excessive consumption and underinvestment. In efficient markets, agency costs are incurred; however, in poorly managed markets, principals may expropriate shareholder wealth (Haldar & Rao, 2011). The wealth of shareholders is tied to the company's success; therefore, a downward trend in shareholder wealth may lead to an increase in bankruptcies. Present shareholders may replace management if they deem it inefficient, or propose incentives or benefits for effective management. Additionally, before investing, potential shareholders evaluate managerial efficiency (Talebnia et al., 2010; Masum, Latiff, & Osman, 2020). Additionally, there is finance theory, which posits that a company's shareholders may be represented as a monolithic, undifferentiated block of passive investors.

It is assumed that managers must follow capital market signals to serve their investors (Easterbrook, 1984). It is also assumed that shareholders are not interchangeable and that the ownership split between insiders and outsiders is what primarily determines the firm's success. Corporate governance instruments, such as ownership structures, can minimize agency costs by aligning management and shareholder interests, which should enhance the firm's value. Morck et al. (1988) proposed that the convergence of purposes between managers and owners, as well as the market value of the firm, may be significantly influenced by the position of managers in firm ownership when they possess a substantial amount of shares. Furthermore, Villalonga (2019) found that ownership structure evolves internally and is influenced by shareholders' choices, as reflected in stock value. Researchers have reached conflicting conclusions on which ownership structure is optimal for a company's success. Jensen (1993) and Chew (1997) have sought to demonstrate that substantial shareholders with long-term interests in enterprises tend to improve performance in market-based economies. Others, including Rajan and Zingales (1999), have blamed the East Asian Debacle on the relational model of ownership structure. Therefore, arguments differ depending on the current market system.

With global market integration, domestic and international agencies are becoming increasingly aware of the importance of corporate governance practices in developing nations, which differ from those in established economies in terms of institutional, legislative, and legal frameworks (Prowse, 1999; Hassan et al., 2022; Rahman & Masum, 2021). Global market pressure on these economies to decrease investment risks and lower capital costs is rising to attract foreign financial resources (World Bank, 1999). Better corporate governance can significantly reduce waste and misallocation, aligning with investor expectations (Abdullah,

Masum, & Alam, 2024; Iskander & Chamlou, 1999; Masum, Alam, & Alam, 2024). Bangladesh, a growing market economy, seeks growth. Globalization has presented corporate governance as a significant challenge for Bangladesh, as enterprises strive for international competitiveness (Hossen, Roy, & Masum, 2023). So far, economic liberalization has allowed for foreign direct, portfolio, and local institutional investment. Therefore, we must review the governance structure to assess its effectiveness and suggest necessary modifications. Given the contrasts between the governance structures of developing and mature nations, the study question is whether ownership and performance in an established economy apply to Bangladesh.

LITERATURE REVIEW

Managerial Director Ownership and Financial Performance

Director Managerial ownership is the proportion of a company's common shares that are possessed by its management (directors and managers) who take part in making strategic decisions for that company (Masum et al., 2023; Saleh et al., 2017). According to agency theory, Jensen and Meckling (1976) propose that the interests of shareholders and managers converge as directors' ownership increases, thereby reducing agency costs and enhancing business performance. Ownership of shares by directors increases the likelihood that they will make choices that maximize wealth, and share-based incentives are efforts to align managers' interests with those of shareholders, according to Hill and Snell (1988). Again, Ngui et al. (2008) claim internal management boosts corporate value. They claim that insiders' valuable knowledge outweighs that of outsiders, leading to insider dominance and superior performance. Morck et al. (1988) found a positive correlation between Tobin's Q and board ownership in their study of 500

Fortune businesses. They employed piecewise linear regression and directors' shareholding as indicators of ownership concentration, while using Tobin's Q and accounting earnings as performance indicators. Yammeesri (2003) investigated the data of four years prior to Thailand's 1997 financial crisis and identified a positive correlation between corporate performance and directorial ownership. Seifert et al. (2005) credit the positive correlation between insider (directorial) ownership and performance to the alignment of stockholder interests in management, which leads to the maximization of shareholder value. A study by Kapopoulos and Lazaretou (2007) found that the proportion of shares held by directors also has a beneficial impact on performance; however, the coefficient is statistically significant at considerably lower levels of significance (10% or 15%). However, Loderer and Martin (1997) used endogenous insider shareholding to quantify ownership and Tobin's Q to measure performance. The simultaneous equation model indicated that ownership was not a significant predictor of performance. Also, no correlation was found between directors' ownership and performance by Eelderink (2014). The empirical findings of Wahla et al. (2012) in Pakistan, which examined the relationship between ownership structure and firm performance, suggest that directorial ownership is inversely related to firm performance. Cho's (1998) research similarly demonstrates a negative correlation.

Hypothesis 1.a: Director Managerial ownership has a significant positive influence on ROA

Hypothesis 1.b: Director Managerial ownership has a significant positive influence on ROE

Hypothesis 1.c: Director Managerial ownership has a significant positive influence on EPS

Institutional Ownership and Financial Performance

According to Colpan and Yoshikawa (2012), institutional shareholders possess a higher degree of influence compared to individual shareholders. Furthermore, institutional shareholders have huge stakes in companies and a motive to preserve their interests (EDMANS, 2009, Masum et al., 2024). However, if institutional shareholders are dissatisfied with the performance of the firm in which they have invested, they may sell their shares. Heavy selling by institutional shareholders might also lower share values. Additionally, it may transmit an unfavorable signal and prompt other shareholders to sell their holdings, thereby lowering share prices (Hutchinson et al., 2015). Therefore, their active oversight can mitigate the agency problem and enhance the organization's performance (Colpan & Yoshikawa, 2012). According to Ferreira and Matos' (2008) findings, companies with a significant presence of institutional shareholders demonstrated superior company value and operational performance. Similarly, according to research conducted by Kao et al. (2004) on Taiwanese publicly traded companies, an increase in the percentage of shares owned by institutional shareholders has a positive effect on the organization's financial performance. Institutional ownership also has an adverse relationship with financial performance. A study by Ali et al. (2022) utilized panel data from 2010 to 2016 for 70 firms listed on the Pakistan Stock Exchange, and the study found that institutional ownership has an adverse and statistically significant relationship with Return on Assets (ROA). They also conclude that high institutional ownership reduces financial performance because institutional investors exploit their relationship with management in decision-making, causing agency conflict. Talebnia et al. (2010) used a statistical population of firms listed on the Tehran Stock Exchange, and their findings indicate a substantial and adverse

relationship between Tobin's Q and the ownership structure of institutional investors. Another study of the Iranian Stock Market by Fazlzadeh et al. (2011) examined panel data (2001–2006) from 137 firms and concluded that institutional ownership has a significant and negative impact on firm performance. Wei et al. (2005) examined the correlation between firm value and ownership structure in China's partially privatized former state-owned enterprises (SOE) over a sample of 5,284 firm years from 1991 to 2001. Their findings show that institutional shares are adversely and significantly connected to Tobin's Q. Additionally, the research of Berrone et al. (2007) also indicates that institutional ownership has a negative impact on firm performance.

Hypothesis 2.a: Institutional ownership has a significant negative influence on ROA

Hypothesis 2.b: Institutional ownership has a significant negative influence on ROE

Hypothesis 2.c: Institutional ownership has a significant negative influence on EPS

General People (External) Ownership and Financial Performance

According to Ferreira and Matos (2008), domestic external investors (in general) are recognized for their significant contributions to the governance and management functions of investee companies through their proactive and methodical monitoring endeavors. The absence of equitable ownership guarantees for minority shareholders may deter investors from maintaining long-term stockholdings, thereby constraining the firm's ability to consistently obtain sufficient funds (La Porta et al., 1999; Masum et al., 2020), which can hinder the firm's growth and negatively impact its financial performance. In a study, Kapopoulos and Lazaretou (2007) examined the impact of ownership on business performance using data from 175 Greek listed firms. Their test results show that external investor shareholding has a beneficial and

substantial influence on Tobin's Q. In another study, Wei et al. (2005) examined 5,284 Chinese firms with data spanning from 1991 to 2001. They found a positive and statistically significant relationship between external ownership and Tobin's Q (a measure of firm performance). Nevertheless, Ferreira and Matos (2008) argued that the presence of domestic external investors does not always imply a favorable impact on the firm's performance.

Hypothesis 3.a: General people ownership has a significant positive influence on ROA

Hypothesis 3.b: General people ownership has a significant positive influence on ROE

Hypothesis 3.c: General people ownership has a significant positive influence on EPS

Foreign Ownership and Financial Performance

Foreign investors who assume the financial risk associated with relocating their capital internationally are typically exceptionally attuned to the performance of the companies in which they hold investments. Thus, by engaging in activist-like governance activities, foreign investors effectively strengthen their influence over firm management, leading to a subsequent enhancement in the investee businesses' performance. Foreign investors also provide their firms with modern manufacturing technology, managerial expertise, and other implicit knowledge, which contributes to improved firm performance, especially in developing market countries (Iwasaki & Mizobata, 2017). Kimura and Kiyota (2007) stated that foreign-owned businesses exhibit superior performance in Japan compared to domestically owned businesses. They noted that foreign ownership enhances business performance and provides sophisticated firm-specific assets. In his study, Ongore (2011) examined the influence of various forms of ownership on the performance of firms in Kenya. He

concluded that foreign ownership has a substantial and beneficial impact on a company's functioning, whereas state ownership has a detrimental effect. He argued that foreign investors contribute to the improvement of management systems and grant access to vast resources. The connection between corporate ownership and firm performance in Croatia was investigated by Pervan et al. (2012), who found that listed companies under foreign investor control outperform their domestic counterparts. In Sri Lanka, Wellalage and Locke (2012) examined the effect of ownership structure on business financial performance using panel data from listed firms. They similarly found that foreign ownership has a positive impact on corporate performance. Iwasaki et al. (2022) conducted a meta-analysis to investigate how ownership structure affects the performance of companies in Eastern Europe, Russia, and China. They achieved this by compiling a total of 4,425 estimates from 204 previous studies. Their presence has a positive impact on the success of the companies in which foreign investors invest. However, in instances where there is a high proportion of foreign ownership, the objectives of these owners may deviate from those of regular shareholders, and consequently, they may use their influence to compel management to prioritize their own interests, disadvantaging minority shareholders (Abdullah et al., 2024; Phung & Mishra, 2015). Turkish data from 2005 to 2007 was examined by Gurbuz and Aybars (2010), who discovered an inverted U-shaped relationship between foreign ownership and firm performance. This implies that an increase in foreign ownership temporarily boosts firm performance, but that the relationship turns detrimental after a certain point. Similarly, using panel data from 8185 Egyptian companies between 2006 and 2010, Azzam et al. (2013) found that foreign ownership enhances business performance—but only to a certain degree, beyond which it has a negative impact.

Hypothesis 4.a: Foreign ownership has a significant positive influence on ROA

Hypothesis 4.b: Foreign ownership has a significant positive influence on ROE

Hypothesis 4.c: Foreign ownership has a significant positive influence on EPS

Government Ownership and Financial Performance

Other investors simply seek to earn a profit, while the government may wish to decrease unemployment, enhance tax collection, or stabilize the economy in addition to profit (Ahmed & Hadi, 2017). Government ownership has other benefits too, as Borisova et al. (2012) state that the presence of government ownership in a business favorably impacts performance due to the ability to promptly request information via regulatory measures that mitigate information asymmetry. Yu (2003) utilized panel data to study the effect of state ownership on the performance of Chinese publicly traded companies from 2003 to 2010. He divulged that the ownership of a company by the government can have a U-shaped effect on financial performance. Initially, government ownership had an unfavorable impact on firm performance; however, once the ownership is concentrated, it is expected to improve the performance of the firm. A study by Jiang et al. (2008) on 2004 Shanghai Stock Exchange (SSE)-listed companies found that government ownership has a favorable effect on ROE. But Ongore (2011) argued that state ownership in Kenya results in inefficiency and bureaucracy, both of which have a negative effect on performance. Also, in Iran, findings of an empirical study by Talebnia et al. (2010) on the connection between ownership structure and financial performance recommend that there is a statistically substantial inverse correlation between the structure of state ownership and Q Tobin. A similar significant and negative connection between state ownership and firm performance was found by Wei et al. (2005) in their study in China,

which contained a sample of 5,284 firm years from 1991 to 2001. Jiang (2004) discovered a negative association between state shares and performance after researching the association between ownership structure and business performance in the Chinese province of Heilongjiang. Andres (2008) discovered that government shareholding had substantial negative regression coefficients with the accounting dependent variables using panel data on 275 German exchange-listed enterprises.

Hypothesis 5.a: Government ownership has a significant negative influence on ROA

Hypothesis 5.b: Government ownership has a significant negative influence on ROE

Hypothesis 5.c: Government ownership has a significant negative influence on

RESEARCH METHOD

Sample, Variable and Data Source Design

This study tries to find out how ownership structure influences the financial performance of pharmaceuticals and chemicals companies listed on the Dhaka Stock Exchange (DSE) in Bangladesh. This study aims to evaluate a period of 10 years, spanning from 2013 to 2022, of ownership structure within the pharmaceuticals and chemicals industry, which is one of the 22 industries listed on the DSE. Our study used a sample of 20 firms out of 34 pharmaceutical and chemical firms listed on the DSE; the rest were excluded for not having proper and necessary data for the previous 10 years. Our study mainly used secondary data, which was collected from audited financial statements, annual reports, and the DSE website. In this study, return on assets (ROA), return on equity (ROE), and earnings per share (EPS) are used as proxy for financial performance, and directorship, institutional ownership, general people ownership, foreign ownership, and government ownership are used as proxy for ownership structure. Moreover, company size and company age are used as

control variables. Table 1 below presents all variables and their measurements.

Table - 1
Variable measurement

Variable type	Name of variables	Sym bol	Measur ement	Source
Dependent	Return on Assets	ROA	Net profit after tax divided by total assets.	Abdulsamad et al. (2018)
	Return on Equity	ROE	Net profit after tax divided by total equity.	Kaur and Vu (2017)
	Earnings Per Share	EPS	Net profit after tax divided by total outstanding shares.	Al-Absy and Hasan (2023)
Independent	Director Ownership	O_DIR	Percentage of total shares are held by directors.	Kapopoulos and Lazaretou (2007)
	Institutional Ownership	O_IN	Percentage of total shares are held by institutions.	Kao et al. (2004)
	General People Ownership	O_GP	Percentage of total shares are held by general people.	Wei et al. (2005)
	Foreign	O_FR	If holds foreign national	Ongore (2011)

	Ownership		If hold shares of the company, then the score is 1; otherwise, the score is 0.	
	Govern ment Ownership	O_GOV	If govern ment hold shares of the company, then the score is 1; otherwise, the score is 0.	Ongore (2011)
Control	Company Size	C_SIZE	Log of total assets.	Ali and Shaik (2022)
	Company Age	C_AGE	Total number of listing years at Dhaka Stock Exchange (DSE).	Wahba (2013)

Model Specification

The influence of ownership structure on the financial performance of listed chemical and pharmaceutical businesses was examined using panel data analysis, and three models were created for the study.

$$\text{Model 1: } ROA_{it} = \alpha + \beta_1 O_{DIRit} + \beta_2 O_{INit} + \beta_3 O_{GPit} + \beta_4 O_{FRit} + \beta_5 O_{GOVit} + \beta_6 C_{SIZEit} + \beta_7 C_{AGEit} + \epsilon_{it}$$

Model 2: $ROE_{it} = \alpha + \beta_{1O_DIRit} + \beta_{2O_INit} + \beta_{3O_GPit} + \beta_{4O_FRit} + \beta_{5O_GOVit} + \beta_{6C_SIZEit} + \beta_{7C_AGEit} + \epsilon_{it}$

Model 3: $EPS_{it} = \alpha + \beta_{1O_DIRit} + \beta_{2O_INit} + \beta_{3O_GPit} + \beta_{4O_FRit} + \beta_{5O_GOVit} + \beta_{6C_SIZEit} + \beta_{7C_AGEit} + \epsilon_{it}$

RESULT AND DISCUSSION

Descriptive Statistics Analysis

The descriptive statistics results are shown in Table 2. It shows the number of observations for each variable and their mean, minimum, and maximum value, along with the standard deviation. All profitability measurements—ROA, ROE, and EPS—show good returns of 9.54%, 21.28%, and 15.87%, respectively. But all three variables have high negative minimum and positive maximum values, which suggest not all companies are performing at the same level. Moreover, a high standard deviation of 34.07% in ROE and 27.42% in EPS shows significant fluctuation among the observations. Director ownership has a mean value of 39.92%, which is higher than the mean value of institutional and general people ownership and a maximum value of 90%. This suggests directors have more control over firm decision-making in most firms. Also, both director ownership and institutional ownership have a minimum

value of 0 and a standard deviation of 22.21% and 24.18%, respectively. So, no firm exists without a director or institutional ownership. General people have the second highest mean value of 32.45% with a standard deviation of 18.47% and a maximum value of 94.1%, showing at least one firm without a director or institutional controlling stakeholder. Institutional ownership has a mean value of 27.63% and a maximum value of 95.39%, which means institutions have strong control over company decision-making. Government and foreign ownership are measured with a dummy variable, so the result shows a minimum and maximum value of 0 and 1 for both, with an almost similar standard deviation and a mean value of 0.39% and 0.49%, respectively. Of the two control variables, company size is measured by the log of total assets, and it has a mean value of 9.60, a minimum value of 8.18, a maximum value of 10.99, and a standard deviation of 0.68. Another control variable, company age, is measured by the number of years the company has been listed on the Dhaka stock exchange, and the minimum value of 1 means a company has been listed on the DSE for 10 years as of 2022. The average number of years a company has been listed on DSE is 22.07 years, and the maximum is 48, with a standard deviation of 13.53. Masum et al., (2024) also found the similar things in their study.

Table - 2
Descriptive Statistics

Variable	Observation	Mean	Standard Deviation	Minimum	Maximum
ROA	200	9.54	12.34	-81.67	53.65
ROE	200	21.28	34.07	-140.01	190.7
EPS	200	15.87	27.42	-9.24	171.03
O_DIR	200	39.92	22.21	0	90
O_IN	200	27.63	24.18	0	95.39
O_GP	200	32.45	18.47	.65	94.1
O_FR	200	.49	.50	0	1
O_GOV	200	.39	.49	0	1
C_SIZE	200	9.60	.68	8.18	10.99
C_AGE	200	21.07	13.53	1	48

Table 3
Correlation Analysis

VARIABLES	ROA	ROE	EPS	O_DIR	O_IN	O_GP	O_FR	O_GOV	C_SIZE	C_AGE
ROA	1.000									
ROE	0.826*	1.000								
EPS	0.550*	0.715*	1.000							
O_DIR	0.158**	0.120***	-0.193*	1.000						
O_IN	0.056	0.180**	0.450*	-0.686*	1.000					
O_GP	-0.263*	-0.379*	-0.357*	-0.304*	-0.484*	1.000				
O_FR	0.274*	0.289*	0.291*	0.007	0.278*	-0.372*	1.000			
O_GOV	-0.064	0.028	0.267*	-0.370*	0.486*	-0.191*	0.191*	1.000		
C_SIZE	0.023	-0.064	0.124***	-0.192*	0.295*	-0.155**	0.238*	0.059	1.000	
C_AGE	0.035	0.106	0.338*	-0.362*	0.377*	-0.058	0.079	0.548*	0.023	1.000
* 1% significant level, ** 5% significant level, *** 10% significant level										

Correlation Coefficient Analysis

Table 3 shows the correlation coefficients of all variables. Among the three dependent variables (ROA, ROE, and EPS), there are positive and significant correlations at p values < 1%. Director ownership has a negative and significant (p-value<1%) correlation (-0.193) with EPS but positive significant (p-value<5% and <10%, respectively) correlation with both ROA and ROE with r-value 0.158 and 0.120, respectively. Institutional ownership has a positive significant (p-value at <5% and <1%, respectively) correlation with both ROE (r-value 0.180) and EPS (r-value 0.450) but is not significant with ROA. General people's ownership is negatively and significantly (p-value <1%) correlated with all three dependent variables: ROA (r-value -0.263), ROE (r-value -0.379), and EPS (r-value -0.357). Meanwhile, foreign ownership is positively and significantly (p-value <1%) correlated with all three dependent variables: ROA (r-value 0.274), ROE (r-value 0.289), and EPS (r-value 0.291). Government ownership has a significant (p-value <1%) correlation only with EPS, with a r value of 0.267. Both the control variables, company size and company age, are significantly (p-value <10% and <1%, respectively) positively correlated with only EPS, with a r-value of 0.124 and 0.338, respectively.

Regression Coefficient Analysis

Table 4 displays this paper's regression coefficient results. In this research, we examined how ownership structure impacts the financial performance of pharmaceutical and chemical industry companies listed at DSE. We used panel data analysis to investigate the impact on all three dependent variables. To analyze the panel data, we used pooled OLS, fixed panel data effects, and panel data random effects. The Breusch and Pagan Lagrangian multiplier test for random effects was used to find the appropriate model among pooled OLS and random effects. And the test result shows a p-value of less than 1% for all three dependent variables, suggesting a random effect model is appropriate, not a pooled

OLS. Subsequently, the Hausman test was performed to find an appropriate model among the random effect model and the fixed effect model. Hausman test results showed a p-value of more than 10% for all three dependent variables, again suggesting that a random effect model is appropriate for this study. This study finds that director ownership, institutional ownership and general people ownership have a positive and significant relationship with ROE at 10% significant level, supporting hypothesis 1.b and 3.b. And foreign ownership also shows a positive and significant relationship but with ROA at 1% significant level. Meanwhile both the control variables company size and company age have a positive and significant association with dependent variable EPS at a significant level of 5% and 1% respectively. Though government ownership shows a negative association with all three dependent variables, the associations are insignificant.

Table - 4
Regression Analysis

Variables	ROA	ROE	EPS
Constant	4826.98 (0.75)	-31151.54 (-1.88)	-279.46 (-0.02)
O_DIR	-48.183 (-0.75)	312.135*** (1.89)	1.816 (0.02)
O_IN	-48.367 (-0.76)	311.969*** (1.88)	1.700 (0.01)
O_GP	-48.368 (-0.76)	311.807*** (1.88)	1.845 (0.02)
O_FR	8.087* (2.98)	9.898 (1.51)	5.984 (1.21)
O_GOV	-1.435 (-0.55)	-2.256 (-0.35)	-.701 (-0.15)
C_SIZE	.787 (0.32)	-3.719 (-0.66)	9.872** (2.16)
C_AGE	.046 (0.33)	.294 (0.92)	.884* (3.43)
R-Squared	0.0968	0.2055	0.0997
Observations	200	200	200

* 1% significant level,

** 5% significant level,

*** 10% significant level

CONCLUSIONS

In this study we tried to find how ownership structure of pharmaceutical

companies listed on DSE impact the financial performance of the company. This study finds that, of the five ownership structure variables, four variables director ownership, institutional ownership, general people ownership and foreign ownership are significantly and positively associated with financial performance and rest one variable government ownership is negatively associated with financial performance. Government ownership's negative association with financial performance raises question how it functions differently than rest of the variables. Ownership structure is about effective and timely decision making which brings efficiency and financial performance. But government in Bangladesh is known for inefficient management (Hossen et al., 2023) and other bureaucratic problem and of the many reasons this can be one causing negative association between ownership structure and financial performance (Ahmed et al, 2021; Bhuiyan and Masum, 2010). So, it can be recommended that firms do not opt for government ownership to raise funds or other benefits. And companies should look for other types of equity example; director, institution, general people or foreign, which it's significant to positive performance of the company. It should be also mentioned that a company should maintain adequate proportion of each type of equity depending on its vision and mission. Over the years scholarly works have proved how important ownership structure is in deciding financial performance (Masum et al., 2024). Our finding also shows that ownership structure significantly impacts financial performance. But this finding may differ from other studies depending on industry characteristics and micro and macro-economic environment of the country. Still, our findings can provide managers with insights to make decisions in shaping its ownership structure. Also, investor and lenders can consider findings of this study in making decision where they would like to invest or lend their money on.

Our study provides some valuable insight related to ownership structure. Future researchers can broaden their research scope with more years of data to work with, other variables that were not covered in this study, different models or different industry and make new developments in ownership structure related issues.

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