

Relationship between Ownership Concentration and Company Performances: Empirical Evidence from Colombo Stock Exchange

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Abstract

The objectives of this research are to find out degree of Ownership concentration and to identify the relationship between Ownership Concentration and company performance using data of 62 listed companies in Colombo stock exchange (CSE) over the period of 2013 – 2014. This research has used only secondary data and main source of data include the annual report of the selected companies. Empirical research was conducted based on the 130 observations and findings base on the. Data are analyzed by using ordinary least square (OLS) regression as pooled data analysis with year dummy variable. Herfindal index (HHI) variable, percentage shares held by the largest shareholder (SH 1) variable and percentage shares held by top 10 largest shareholders (SH 10) variable to measure the Ownership concentration are the independent variable. Return on assets (ROA) use as a dependent variable to the model and other than to the Concentration variables, Liquidity, Leverage, and Age of the company, Total assets and Total sales use as a control variable to the model. Based on the Ownership concentration variables – HHI, SH(1) and SH(10) identified that Sri Lankan companies are having a high degree of ownership concentration and this high degree of ownership concentration does not have statistically significant relationship with company performances i.e. listed firms which having high degree of ownership concentration does not have any relationship with achieving company performance. However the explanatory power of the overall model (R^2 value) is below the average and further research are necessary to increase the explanatory power of the overall model.

Key words: *Colombo Stock Exchange, ROA, HHI, SH 1, SH10*