Impact of Shareholders' Activism on Governance Practices and Firm Performance in Pakistan: A Response for Family Controlled Firms

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ARTICLE INFO

ABSTRACT

By taking a sample of 150 non-financial firms listed on PSX, this study has empirically examined the impact of ownership structure on firm performance while considering multiple dimensions. This study employed the system GMM econometric technique to examine the association between ownership structure and firm performance. According to the computed results of the study, family ownership puts a positive and highly significant impact on the market performance of the firm. It has also found a strong and significant relationship between family control and the market value of a firm. Similarly, group affiliation and market performance of the firm have a strong and significant association but in a negative direction. Institutional ownership is significantly related to the accounting and market performance of the firm. Moreover, the joint impact of institutional and family ownership is positively and significantly related to the accounting performance of the firm. Finally, institutional activism is positively and significantly related to the accounting performance of the firm.

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Corresponding Author's Email: ayeshasalman916@gmail.com
Citation: Amjad, A., Ehsan, S., Amjad, M., & Gillani, S. (2021). Impact of Shareholders' Activism on Governance Practices and Firm Performance in Pakistan: A Response for Family Controlled Firms. *IRASD Journal of Economics*, *3*(1), 1–12. https://doi.org/10.52131/joe.2021.0301.0021

1.   Introduction

In the 20th century, an intensive growth in the serious attitude of management towards restructuring the policies of firms has been noted. For this purpose, existing theories regarding organizations are redesigned but still board of directors remained missing on the organizational charts. Strategic management made many advancements but it rarely mentioned the contributions of Boards. Major theories have been developed for the management of finance, operations, and marketing but these theories have been slightly concerned with Boards' role. The whole period of the 20th century was occupied by

management, including the development of management theories, an emerging trend of management gurus and consultants, and above all teaching of management in academia.

However, if management was the concentrated area of the 20th century, then corporate governance has been said to be a focal point of the 21st century. All developed and developing economies set their codes of governance and enacted their corporations according to laws and rules especially in the United States followed by the scandal of Enron. The global crisis which started after 2007, added further steps towards the advancement of corporate governance. The groundwork of corporate governance can be extracted from the research work of Berle and Means (1932) who investigated that "as the modern firms are growing larger they must have established some system which may separate the control from ownership of firm". Their study gave a base to the behavioral aspect of the firms and created interest in researchers. The major drivers behind the development of corporate governance practices are financial crises and the failures of corporations. During these periods, many scholars have pointed out the Anglo-Saxon style of governance which was recommended by global policy for adhesion. From those scholars, Bebchuk and Hamdani (2009) emphasized that academia and shareholders' consultants must design such methodologies according to the specificities of firms. They argued that firms having controlling or dominant shareholders require quite different governance mechanisms as compared to firms with a dispersed ownership structure.

By taking into account agency conflicts, Bebchuk and Hamdani (2009) contended to divert the concentration of researchers towards the need for various monitoring and controlling devices. For example, firms containing discrete ownership structures must have a Board independent from management whereas firms having central shareholders must possess a board independent from those dominant shareholders. Responsively, Canadian Coalition for Good Governance (CCGG) has issued recommendations regarding the governance of firms having ownership concentration in 2011. CCGG has emphasized on firms with ownership concentration that dominant or controlling shareholders must have a legitimate interest while involving the Board of the firm. However, CCGG recommends limiting the representation of dominant shareholders on the Board according to the proportion of their equity ownership. Some similar guidelines were presented by the Institute for Governance of Private and Public Organizations (IGPPO) in 2008. The opponents of the Anglo-Saxon style were supported by the empirical evidence of studies of La Porta, Lopez-de-Silanes, and Shleifer (1999) that have shown that ownership structure in the world is not supposed to be similar with the United States and the United Kingdom.

Plenty of studies devoted their entire attention towards contrasting, the corporate ownership of other world with United States (US) and United Kingdom (UK). But only a few studies have empirically claimed that control mechanisms must account for differences of ownership. Still, shreds of evidence related to moderating effects of ownership structure are quite conflicting regarding the relationship between governance and performance of the firm as the prior studies have faced some limitations. The main limitation was the prior researchers devoted their all attention to a single dimension that is ownership concentration. The ownership structure in the corporations of South Asian markets is highly concentrated. A high level of ownership concentration leads towards large cash flow rights and more control of block holders (Drobetz, Schillhofer, & Zimmermann, 2004). In the context of SAARC regions, most of the big corporations are owned by large family-controlled business groups backed up by families. According to accounting measures, business groups generate more profit than non-business groups but the market value of such firm are lower than non-business group firms. The reason behind it is that external investors think that firms which are affiliated with business groups are less transparent in case of revealing firm-related information to the public and have weak governance practices. Therefore, external investors discount the value of such

firms even though these firms generate more accounting profits. They perceive group affiliated firms as a channel for the expropriation of the wealth of minor shareholders.

By overviewing past literature and covering the academic gap in the research area of corporate governance, this study is presented to explore the hidden value of corporate governance which come through the activism of institutional shareholders which is a quite new and emerging phenomenon in SAARC regions where ownership concentration prevails and families are dominant not only on boards but also on minority shareholders' rights. This study is elaborated on how institutional shareholders by using their powers can cover the monitoring gap of the weak legal system which is previously backed up by dominant family shareholders. It also reveals if the nomination of institutional shareholders can provide the same monitoring or some better one than family members on board and thus enhance the performance of the firm. This study is also provided how the performance of the firm is increased by the elimination of agency conflict between large and minor shareholders through the interference of institutions.

2. Literature Review

Agency theory proposes the potential solution for mischief-makers (managers) (Dalton, Hitt, Certo, & Dalton, 2007) and has been studied extensively in business researches (Eisenhardt, 1989; Gomez-Mejia & Wiseman, 1997). In early 1980, the theory appeared widely in the managerial and accounting dominions for settling optimal contracts among management and for the establishment of active control mechanisms to monitor the actions and behaviors of insiders (Baiman, 1982; Demski, 1980; Namazi, 1985). In an organizational setup, agency theory deals with the lack of alignment of interest, choices, and acts of the principal (owner) and its agent (manager) (Berle & Means, 1932). This alignment gap brings agency costs including monitoring costs, shirking costs, residual costs, consumption of perquisites, and other opportunistic costs by managers (Fama & Jensen, 1983b). Previous studies of (Fama & Jensen, 1983a) reported the potential solution of this agency problem by restructuring the compensation method and giving equity shares to agents (Jensen & Meckling, 1976).

Agency conflict between owner and manager has been long debated in the previous literature of governance (Jensen & Meckling, 1976). As these conflicts were recognized, many researchers had been put in place for giving governance solutions to mitigate these conflicts between principal and agent (Sutton, Veliyath, Pieper, Hair Jr, & Caylor, 2018). However, all those mechanisms were designed to lessen agency conflicts between principal and agent by the independence of the Board of Directors to prevent shareholders' interests from those of managers but this one-sided effort tended to increase conflicts between principals (Ward & Filatotchev, 2010). Young, Peng, Ahlstrom, Bruton, and Jiang (2008) have reported a potential increase in publications addressing agency conflicts between principals in the last 2 decades. By reviewing the recent researches, literature revealed three governance areas where agency conflict II exists: (1) when ownership unequally distributed among shareholders; (2) when all shareholders have different levels of power and control; and (3) when Board of Directors have some connections with block holders (Sutton et al., 2018). Although agency conflict II exists almost in all firms with different levels irrespective of governance structure, it is fierce in firms having concentrated ownership and weak legal protection of minor shareholders' rights (Young et al., 2008).

In the area of the ownership structure of corporate governance in Pakistan, Ghani, Haroon, and Ashraf (2008) have piloted a research study to examine the impact of ownership of business groups on the performance of the firm for the period 1998-2002. A study by

Cheema, Bari, and Saddique (2003) has observed the nature of the ownership structure of the firms in Pakistan. Yasser (2011) conducted the study by taking a sample of 132 firms of both kinds (family-owned and family-controlled) for the period 2002-8; K. Khan, Nemati, and Iftikhar (2011) examined the association between corporate governance mechanisms and performance of the firm in tobacco sector of Pakistan and Jabeen, Kaleem, and Ehsan (2012) observed the effect of family ownership on performance of the firm. Afza and Nazir (2015) have conducted a study for examining the impact of institutional shareholding on the performance of the firm. Latif, Latif, and Abdullah (2017) have found a positive relationship between institutional ownership and quality of earnings which ultimately impacts a firm's performance by taking a sample of 200 non-financial listed firms. Rathnayake and Sun (2017) have done research work for exploring relationships among corporate ownership, corporate governance, and performance of the firm by taking Asian countries including China, Pakistan, Sri Lanka, Malaysia, Singapore and India. The following sections elaborate effect of major types of ownership structure on the performance of the firm in the context of Pakistan.

A study by Bhagat and Bolton (2008) has provided in their findings that family ownership concentration and institutional shareholding keep better monitoring and control on management and Board of the firm and pressurize them to invest in profitable projects for future value. According to Mirza and Javed (2013), shareholders with a limited stake in firms are not encouraged for long-term investments and are interested in short-term benefits by ignoring the growth of the firm. Ibrahim, Rehman, and Raoof (2010) have found a significant impact of ownership concentration upon return on equity by taking a sample of firms of the Chemical Sector in Pakistan. A study by Abbas, Naqvi, and Mirza (2013) has investigated the association between large family shareholders and firm performance of 100 non-financial firms listed on KSE for the period 2006-2009. Results have shown a positive relation between large shareholding and performance of the firm while ownership beyond 50 percent reverses this relationship. Moreover, Burkart, Panunzi, and Shleifer (2003) reported that management of family-owned firms is considered less efficient as compared to non-family owned firms having managers with more professionalism and expertise. Similarly, the hiring of family members in firm management gives a negative signal towards the market. The hiring of family members in management makes it less efficient and puts a bad impression on outside investors.

H₁: Family ownership concentration puts a positive impact on firm performance.
H₁ₐ: Family ownership increases performance and thus profitability of the firm.
H₁ᵦ: Family control firms are negatively related to the market performance of the firm.

In the context of business groups, there have been conducted several studies exploring the pros and cons of group affiliated firms and their impact on firm performance in Pakistan. A study by Ghani et al. (2008) uncovered some positive aspects of business groups by stating that these groups bring multiple resources such as expertise, skills, labor, capital, goodwill, and market-related information in associated firms. Ullah, Ali, and Mehmood (2017) have reviewed the findings of (Khanna & Yafeh, 2005; Kim, Hoskisson, & Wan, 2004) which have shown that group affiliated firms possess diverse features that positively influence the firm performance with greater strength. In contrast with the above findings, various studies including Gohar and Karacaer (2009) and Ghani et al. (2008) concluded that group affiliated firms are caused to decline the performance of the firms. A recent study by Ullah et al. (2017) inspected the impact of ownership structure on firm performance by taking a sample of 184 non-financial group firms listed on KSE and concluded that greater divergence among ownership and control allows the ultimate controllers to adopt entrenched behavior in group firms. Another study by F. Khan and Nouman (2017) has investigated the effects of ownership structure upon firm performance by taking a sample of all non-financial firms listed on PSX and Tobin's Q as a performance indicator. They have reported in their findings that group

4

affiliation, institutional shareholding, concentrated shareholding and block holding positively increase the firm performance but the involvement of family ownership reverses the relation. In contrast with the above findings, Ahmad, Oláh, Popp, and Máté (2018) have recently conducted research work for observing the impact of business group affiliation on firm performance by taking a sample of 284 non-financial listed firms. Their finding revealed that business group affiliation significantly and positively impacts the accounting and market performance of the firm. In Pakistan, there is a lack of clear evidence regarding family group affiliation which is a widely held phenomenon nowadays.

H₂: Group affiliation is negatively related to firm performance.

For the last two decades, due to the liberalization of stock markets of developing countries, there comes a great increase in portfolio capital especially from mutual funds and institutional investments. While "Shareholders' Activism" has become a most important characteristic of financial markets. According to Brickley, Lease, and Smith Jr (1988), Institutional investors are more active to vote on anti-takeover adjustments and they contribute more to the interest of shareholders as compare to other investors. Pound (1988) reported that institutional investors are well informed about the concerned corporation and they have more expertise and resources than private shareholders. Accordingly, they can better monitor the performance of management with lower costs (Sajid, 2012). Previous research based upon empirical evidence is ambiguous about the effects of activism of shareholders on the performance of a firm (Hadani, Goranova, & Khan, 2011). Thomas and Cotter (2007); Wahal (1996) reported insignificant reaction of the market towards an announcement of shareholders activism while Prevost and Rao (2000) reported negative abnormal returns against shareholders proposals. Diverse shareholders bring heterogeneous proposals with having varying ownership, monitoring expertise, and know-how about concerned organizations (Thomas & Cotter, 2007). Although these shareholders' proposals get limited support and encouragement, yet they could target the executives through publicized activism attempts (Hadani et al., 2011). David, Bloom, and Hillman (2007) reported that activists' attempts could challenge the legitimacy of management through public scrutiny. Earnings management is also a form of agency problem which is based upon the motivation that managers attempt to manipulate reported earnings of the concerned firm for their private benefits such as increase their compensation or reputation. Regarding the relationship of Institutional shareholding and firm performance, McConnell and Servaes (1990) have presented results revealing the positive impact of institutional shareholding on firm performance by taking a sample of 1173 and 1093 firms for the periods 1976 and 1986 respectively. Han and Suk (1998) have reported positive stock returns with shareholdings of institutions by taking 301 firms for the period 1988-92. In contrast with the above findings, the results of a study by Craswell, Taylor, and Saywell (1997) do not identify any significant relation between institutional shareholding and the performance of a firm by employing Tobin's Q in the context of Australia. Shah, Kouser, Aamir, and Hussain (2012) presented a positive association between institutional shareholding and the performance of the firm. In Pakistan, there is a shortage of academic literature regarding institutional shareholders' activism and the performance of the firm. Afza and Nazir (2015) have conducted a study for examining the impact of institutional shareholding on the performance of the firm. Latif et al. (2017) have found a positive relationship between institutional ownership and quality of earnings which ultimately impacts a firm's performance. There is a lack of research in the area of institutional shareholding and their activism role for uplifting performance of the firm in the scenario of Pakistani market. This study examines the monitoring and controlling role of institutional shareholders' activism and its overall impact on performance by testing following hypothesis:

H₃: Shareholder's activism of institutions improves the performance of the firm.

3. Research Methodology

In accordance with the research objective of the current research, this study adopts the positivist paradigm and deductive approach because quantitative research methods are essential for the achievement of the research objective mentioned before. It is recommended that quantitative research methods are highly suitable for testing the hypotheses which are deducted from agency theory. The data for this study is collected from the annual reports of listed firms in Pakistan from the period 2010 to 2017. The population of the current study comprises all non-financial firms listed at Pakistan Stock Exchange (PSX) which are 409 in numbers according to 11th March 2019 (PSX, 2019). While study takes the sample of 150 non-financial firms excluding all financial and miscellaneous firms with the study period ranging from 2010 to 2017. The current study has employed the purposive technique of sampling which is previously applied by prior scholars in their research on corporate governance in various countries (Anis, 2013; Fuzuli, Pahala, & Murdayanti, 2013; Mariri & Chipunza, 2011) by selecting listed companies in their samples. However, this study imitates endogeneity (Abdallah, Goergen, & O'Sullivan, 2015). This study highly contains endogeneity and omitted variable biases. To effectively deal with existing endogeneity, this study has employed the System Generalized Method of Moments (GMM) (Blundell & Bond, 1998).

3.1. Econometric Models

The current study has the following models:

$$Perf_{it} = \beta_0 + \beta_1 IOS_{it} + \beta_2 FOS_{it} + \beta_3 GA_{it} + \beta_4 Size_{it} + \beta_5 Leverage_{it} + \beta_6 Age_{it} + \beta_7 Growth_{it} + \varepsilon_{it} \quad (1)$$

$$Perf_{it} = \beta_0 + \beta_1 IOS_{it} + \beta_2 FC_{it} + \beta_3 GA_{it} + \beta_4 Size_{it} + \beta_5 Leverage_{it} + \beta_6 Age_{it} + \beta_7 Growth_{it} + \varepsilon_{it} \quad (2)$$

$$Perf_{it} = \beta_0 + \beta_1 IOS_{it} + \beta_2 FOS_{it} + \beta_3 GA_{it} + \beta_4 (IOS \times FOS)_{it} + \beta_5 Size_{it} + \beta_6 Leverage_{it} + \beta_7 Age_{it} + \beta_8 Growth_{it} + \varepsilon_{it} \quad (3)$$

$$Perf_{it} = \beta_0 + \beta_1 Inst\_ACT_{it} + \beta_2 FOS_{it} + \beta_3 GA_{it} + \beta_4 Size_{it} + \beta_5 Leverage_{it} + \beta_6 Age_{it} + \beta_7 Growth_{it} + \varepsilon_{it} \quad (4)$$

Here,
Perf= Performance of the firm $_i$ for the time $_t$;it represents Tobin's Q and return on assets (ROA) for the firm $_i$ for the time $_t$;
IOS= Institutional Ownership of the firm $_i$ for the time t;
FOS= Family Ownership of the firm $_i$ for the time t;
GA= Group Affiliation of the firm $_i$ for the time t;
FC= Family Control of the firm $_i$ for the time t;
Inst_Act= Active Institutional Ownership of the firm $_i$ for the time t;
t = 2004-17
ε= Error term for the firm i for the time t;

4. Empirical Results and Discussion

Table 1 contains a descriptive analysis of the variables of the study. Performance of the firm is the dependent variable measured through two proxies: (ROA) and Tobin's Q. The study has taken ownership structure of corporate governance as an independent variable having five proxies. FOS is in form of percentage while IOS, FC, GA and Inst_Act are in form of dummies. A frequency distribution table has been generated for these binary variables. (ROA) has an average mean value of 0.0607874 which is deviated (S.D.) by 0.1063575 from the mean value, while having a minimum value of -0.5742819 and a maximum value of 0.7197288. Tobin's Q has an average mean value of 1.365015, deviated (S.D.) by 1.38939 from the mean value. Minimum and maximum values are -3.890249 and 17.75141. FOS has an average mean value of 0.1861745, deviated (S.D) by 0.2376265 from the mean value,

while minimum and maximum values are 0 and 0.9839311. Age has an average mean value of 38.1075, deviated (S.D.) by 20.22128 from the mean value, while minimum and maximum values are 4 and 156. Size is the natural log of Total Assets and total assets has an average mean value of 15.6981, deviated (S.D.) by 31.6024 from the mean value, while minimum and maximum values are 0.2658 and 232.7285. Leverage has an average mean value of 0.5018912, deviated (S.D.) by 0.2563988 from the mean value, while minimum and maximum values are 0.0001 and 1.7144. Growth has an average mean value of 0.302634, deviated (S.D.) by 3.125396 from the mean value. Minimum and Maximum values are value -1 and 96.33755, respectively. In the case of binary variables, every variable contains 1200 observations. IOS shows that approximately 50 percent non-financial listed firms have institutional ownership in Pakistan. FC depicts 31 percent non-financial listed firms have family control in Pakistan. GA shows that approximately 75 percent non-financial firms in Pakistan have group affiliation. Similarly, Inst_Act shows that approximately 26 percent non-financial listed firms have institutional activism in Pakistan.

Table 1
Descriptive Analysis

Panel A:				
Variables	**Mean**	**S.D.**	**Min**	**Max**
ROA	0.0607	0.1063	-0.5742	0.7197
Q	1.3650	1.3893	-3.8902	17.7514
FOS	0.1861	0.2376	0.0000	0.9839
Age (In years)	38.1075	20.2212	4.0000	156
Total Assets (Billion PKR)	15.6981	31.6024	0.2658	232.7285
Leverage	0.5018	0.2563	0.0001	1.7144
Growth	0.3026	3.1253	-1.0000	96.3377

Panel B:			
Variables	**Frequency Case = 1**	**%age**	**Std. Deviation**
IOS	602	50.17	.5002
FC	368	30.67	.4613
GA	894	74.50	.4360
Ins Act	312	25.94	.4384

Table 2
Regression Results of FOS, IOS and GA with perf

Variables	DV=ROA		DV= Q	
	Coef.	**Z**	**Coef.**	**Z**
L1.	0.3861	8.24	.2127	11.67
L2.	.1312	4.19	-.2875	-32.68
FOS	.0432	0.79	1.2892	2.93***
IOS	-.0130	-1.62*	-.4054	-2.59***
GA	-.0445	-0.68	-2.7898	-4.88***
B	-.0120	-2.25**	-.0604	-0.85
Age	.0053	4.11***	.1288	6.66***
Size	-.0057	-1.45	-.0279	-0.60
Leverage	-.0536	-2.51***	.2562	1.97**
Growth	-.0017	-7.93***	-.0074	-2.33**
Wald chi2(10)	210.46***		1821.03***	
N	895		895	

***p <0.01; **p <0.05; *p <0.10

Table 2 describes the statistics of Model (i) of this study. In the case of ROA, the value of Wald chi2(10) = 210.46 and the value of Prob. > chi2 = 0.0000, which shows that at least one of the coefficients of regression of this model is not equal to zero. While in the case of

independent variables, FOS has an insignificant impact in this model. IOS has a significant impact. GA has an insignificant impact in this model, while the coefficient has a negative value. Similarly, Age is highly significant. Size has no significant impact. Leverage has a highly significant impact at 1 percent level of significance. Growth has a highly significant impact in this model. In the case of Tobin'Q, the value of Wald chi2(10) = 1821.03 and the value of Prob. > chi2 = 0.0000, which shows that at least one of the coefficients of regression of this model is not equal to zero. While FOS, IOS and GA have a highly significant impact in this model, the coefficient of IOS and GA have negative values. Similarly, Age is highly significant while Size has no significant impact. Leverage and Growth have also a highly significant impact in this model.

Table 3
Regression Results of FC, IOS and GA with perf

Variables	DV=ROA		DV= Q	
	Coef.	Z	Coef.	Z
L1.	.3928	8.45	.2023	10.99
L2.	.1344	4.36	-.2913	-37.22
FC	.0194	1.39	.3655	2.40**
IOS	-.0130	-1.62*	-.4301	-2.77***
GA	-.0476	-0.74	-2.7114	-4.78***
B	-.0126	-2.35**	-.0639	-0.92
Age	.0051	3.95***	.1307	6.95***
Size	-.0052	-1.33	-.0262	-0.57
Leverage	-.0543	-2.54***	.2746	1.98**
Growth	-.0017	-8.75***	-.0076	-2.30**
Wald chi2(10)	241.38***		2368.74***	
N	895		895	

Table 4
FOS, IOS, FA and Joint Effect of (IOSxFOS) with perf

Variables	DV=ROA		DV= Q	
	Coef.	Z	Coef.	z
L1.	.3782	7.89	.2169	12.13
L2.	.1322	4.25	-.2865	-30.13
FOS	.0171	0.31	1.5573	2.84***
IOS	-.0211	-2.05**	-.3148	-1.72*
GA	-.0508	-0.79	-2.6649	-4.47***
IOSxFOS	.0546	1.86*	-2.8074	-0.88
B	-.0123	-2.36**	-.0683	-0.97
Age	.0058	4.56***	.1213	6.38***
Size	-.0061	-1.53	-.0186	-0.40
Leverage	-.0526	-2.48***	.2480	1.93*
Growth	-.0017	-7.91***	-.0070	-2.16**
Wald chi2(10)	258.67***		1596.07***	
N	895		895	

Table 3 describes the statistics of Model (ii) of this study. In the case of ROA, the value of Wald chi2(10) = 241.38 and the value of Prob. > chi2 = 0.0000, which shows that at least one of the coefficients of regression of this model is not equal to zero. FC has an insignificant impact. IOS has a significant impact, while the coefficient of IOS has a negative value. GA has an insignificant impact. Similarly, Age has a highly significant impact. Size has no significant impact in this model while leverage and growth have a highly significant impact in this model. In the case of Tobin's Q, the value of Wald chi2(10) = 2368.74 and the value of Prob. > chi2 = 0.0000, which shows that at least one of the coefficients of regression of this model is not equal to zero. FC, IOS and GA have a highly significant impact in this model,

while the coefficient of IOS has a negative value. Similarly, Age has a highly significant impact. Size has no significant impact in this model while leverage and growth have a highly significant impact in this model.

Table 4 describes the statistics of Model (iii) of this study. In the case of ROA, the value of Wald chi2(10) = 258.67 and the value of Prob. > chi2 = 0.0000, which shows that at least one of the coefficients of regression of this model is not equal to zero. FOS and GA have an insignificant impact in this model while the coefficient of GA has a negative value. IOS and IOS×FOS have a significant impact, while the coefficient of IOS has a negative value. Age is highly significant while Size has no significant impact in this model. Leverage and growth have a highly significant impact in this model. In the case of Tobin's Q, the value of Wald chi2(10) = 1596.07 and the value of Prob. > chi2 = 0.0000, which shows that at least one of the coefficients of regression of this model is not equal to zero. FOS and GA have a highly significant impact in this model, while the coefficient of GA has a negative value. IOS has a significant impact, while the coefficient of IOS has a negative value. IOS×FOS has an insignificant impact. Similarly, Age is highly significant while Size has no significant impact. Leverage and growth have a significant impact in this model.

Table 5
FOS, Inst_Act and GA with perf

Variables	DV=ROA		DV= Q	
	Coef.	z	Coef.	z
L1.	.3882	8.30	.1892	10.30
L2.	.1294	4.17	-.2829	-33.30
FOS	.0688	1.26	1.6045	3.74***
Inst_Act	.1014	2.56***	-.4190	-0.74
GA	-.0146	-0.21	-3.066	-4.57***
B	-.0131	-2.52***	-.0548	-0.82
Age	.0050	3.83***	.1352	6.95***
Size	-.0090	-2.02**	-.0365	-0.76
Leverage	-.0555	-2.63***	.3007	2.31**
Growth	-.0015	-7.65***	-.0054	-2.08**
Wald chi2(10)	261.47***		1920.14***	
N	895		895	

Table 5 describes the statistics of Model (iv) of this study. In the case of ROA, the value of Wald chi2(10) = 261.47 and the value of Prob. > chi2 = 0.0000. FOS has an insignificant impact in this model. Inst_Act has a highly significant impact, while the coefficient of Inst_Act has a negative value. GA has a highly insignificant impact in this model, while the coefficient has a negative value. Similarly, Age is also highly significant, while Size has no significant impact. Leverage and growth have a significant impact in this model. In the case of Tobin's Q, the value of Wald chi2(10) = 1920.14 and the value of Prob. > chi2 = 0.0000, which shows that at least one of the coefficients of regression of this model is not equal to zero. FOS and GA have a highly significant impact, while the coefficient of GA has a negative value. Inst_Act has an insignificant impact in this model. Age is highly significant, while Size has no significant impact in this model. Leverage and growth have a significant impact in this model.

5.   Conclusion and Policy Recommendation

According to computed results, family ownership puts a positive and highly significant impact on the market performance of the firm. Similarly, there exists strong and significant relation among family control and the market value of the firm. There is a highly significant association between the group affiliation and market performance of the firm but in a negative

direction. Institutional ownership is significantly related to the accounting and market performance of the firm. Moreover, the joint impact of institutional and family ownership is positively and significantly related to the accounting performance of the firm. Resultantly, institutional activism is positively and significantly related to the accounting performance of the firm. This study has set out to empirically inquire the impact of one of the monitoring mechanism of corporate governance on the overall performance of the firm. The call of previous researches stimulates this study to respond by taking a sample of 150 non-financial firms listed on PSX to investigate the impact of ownership structure on the performance of the firms while taking into account multiple dimensions. The study has taken firm performance as its dependent variable which is measured through two proxies: Return on Assets and Tobin's Q. The independent variable of the study is the Ownership Structure of corporate governance measured through five proxies: Institutional Ownership, Family Ownership, Family Control, Group Affiliation and Institutional Activism. The study has employed System GMM econometric technique to investigate the relationship.

The current study has suggested policymakers and top management make assurance regarding the execution of governance practices in the best interest of all stakeholders. The aim of the present study can be achieved through giving the nomination of Board Directors to institutions having stakes in the firm. A debatable result of this study is that if the institutional shareholders are appeared on the Board positively and significantly impact firm performance. However, policymakers and management of the firm need to inquire while reviewing the resulting outcomes that if the nomination of institutions on Boards positively impacts the performance of the firm. Moreover, institutions hold more resources and expertise which uplift the monitoring of the Board. Policymakers and management may also notice their monitoring while comparing with family on Boards.

Conflict of Interests/Disclosures
The authors declared no potential conflicts of interest w.r.t the research, authorship and/or publication of this article.

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