THE IMPACT OF OWNERSHIP STRUCTURE ON FINANCIAL PERFORMANCE OF PUBLIC LISTED COMPANIES IN COLOMBO STOCK EXCHANGE



By

KAHALLAGE LAHIRU PATHUM BANDARA KAHAWATTA

REG NO: EU/IS/2014/COM/71

INDEX NO: COM 1841



FCM2379 Project Report Library - EUSL

A project report submitted to the Faculty of Commerce and Management, Eastern University, Sri Lanka as a partial fulfillment of the requirement for the Degree of Bachelor of commerce (B.Com)

DEPARTMENT OF COMMERCE
FACULTY OF COMMERCE AND MANAGEMENT
EASTERN UNIVERSITY, SRI LANKA

2020

PROCESSED MAIN LIBRARY, EUSL

ABSTRACT

This study investigates the impact of Ownership Structure on financial performance of public listed companies in Colombo Stock exchange. For this purpose, a sample of 167 top listed companies as on 31st March 2018 were selected. Accounting based performance measures of Return on Assets and Return on Equity are used to find the impact of Ownership structure. Ordinary Least Square (OLS) linear Regression model is used to analyze data in relation to measure the impact. The results of the study reveals that Institutional Ownership, Individual Ownership and Foreign Ownership significant impact with financial performance measures as Return on Assets and Return on equity.

The researcher can conclude that All the Ownership ratios have significant impact to the Return on Assets and Return on Equity.

Table of Content

ACKNOWLEDGEMENTi
ABSTRACTii
Table of Contentiii
List of Tablesvii
CAPTER ONEINTRODUCTION1
1.1 Background of the Study1
1.2 Problem Statement
1.3 Research Questions
1.4 Objective of the Study4
1.5 Significance of the Study
1.6 cope of the Study5
1.7 Chapter Summary5
CHAPTER TWO LITERATURE REVIEW6
2.1 Introduction6
2.2 Ownership Structure and Financial Performance
2.2.1 Ownership Structure6
2.2.2 Financial performance
2.2.3.1 Financial performance measures: Evidence from Sri Lankan firms7
2.3 Corporate Governance
2.4 Impact of Ownership Structure as an issue of Corporate Governance model9
2.4.1 Agency Theory10
2.5 The impact of Ownership Structure on Performance
2.5.1 The impact of Ownership Structure on Firm Performance
2.5.2. Impact of Insider ownership (Director/ Manager) on the performance12
2.5.3 The Impact of Individual Ownership on the Performance

	2.5.4 The Impact of Institutional Ownership on the Performance	14
	2.6 Ownership Structure and Performance in Sri Lankan context	15
	2.6.1 Background of Sri Lanka: Reference to the Ownership and perfe	ormance15
	2.6.2 Sri Lankan past studies relating to Ownership and Structure	16
	2.7 The Impact of Control variables on performance	17
	2.8. Chapter Summary	18
7	CHAPTER THREE CONCEPTUALIZATION AND	
(OPERATIONALIZATION	19
	3.1 Introduction	19
	3.2 Conceptual Framework	19
	3.3 Definitions	20
	3.3.1 Independent Variables	20
	3.3.1.1 Institutional ownership	20
	3.3.1.2 Individual ownership	
	3.3.1.3 Foreign Ownership	
	3.3.2 Dependent Variable	
	3.3.2.1 Return on Assets (ROA)	21
	3.3.2.2 Return on Equity (ROE)	22
	3.3.3 Control Variables	22
	3.3.3.1 Firm's Age	22
	3.3.3.2 Firm's Size	22
	3.4 Operational Framework	23
(CHAPTER FOUR METHODOLODY	
	4.1 Introduction	24
	4.2 Study setting, Design, and Method of Survey	24
	4.2.1 Target population	24
	4.3 Method of data collection	

.

	4.4 Sample size and Sampling frame	25
	4.5 Method of data presentation and analysis	25
	4.5.1 Method of data presentation	25
	4.5.2 Method of analysis of data	26
	4.5.2.1 Descriptive Analysis	26
	4.5.2.2 Correlation Analysis	26
	4.5.2.3 Regression Analysis	26
	4.6 Method of evaluation of data	26
	4.7 Chapter Summary	27
C	CHAPTER FIVE DATA ANALYSIS AND ANALYSIS	28
	5.1. Introduction	28
	5.2. Descriptive Analysis	28
	5.3. Correlation Analysis.	29
	5.3.1 Relationship between Ownership structure financial performance of RC	
	5.3.2. Correlation between Ownership structure and financial performance	ce of
	ROE	31
	5.4 Regression Analysis	31
	5.4.1 Regression results of ownership structure with ROA	32
	5.4.2 Regression results of ownership structure with ROE	34
	5.6 Chapter Summary	37
C	CHAPTER SIX DISCUSSION	38
	6.1 Introduction	38
	6.2 Description of variables	38
	6.2.1 Descriptive statistics for dependent variable financial performance	38
	6.3 Discussion on Relationship between Ownership Structures on Fina	ancial
	Performance	38
	6.3.1 Discussion on Relationship between Individual and Financial Perform	
		39

Appendix – 1			
List of References			
7.4 Recommendation			
7.3 Limitations of the study43			
7.2 Conclusion42			
7.1. Introduction			
CHAPTER SEVEN CONCLUSION AND RECOMMENDATION42			
6.6 Chapter Summary41			
6.5.1 Result discussion of Control variables			
6.5 Result discussion of Control variables			
Impact of on the ROA			
6.4 Impact of Ownership Structure on Financial Performance Ownership Structure			
6.3.3 Relationship between Foreign Ownership and Financial Performance39			
6.3.2 Relationship between Institutional Ownership and Financial Performance 39			