

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

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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 includes the annual report of the selected companies. Empirical research was conducted based on the 130 observations and findings are based on the pooled regression analysis with year dummy variable. Data are analyzed by using ordinary least square (OLS) regression. Herfindal index (HHI), percentage shares held by the largest shareholder (SH 1), and percentage shares held by top 10 largest shareholder (SH 10) to measure the ownership concentration. Return on assets (ROA) is used as dependent variable to the model. Further, Liquidity, Leverage, Age of the company, Total assets and Total sales are used as control variables to the model. The research finds 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 are having high degree of ownership concentration does not outperform counterparts. However the explanatory power of the overall model (R^2) is low and further research are necessary to increase the explanatory power of the overall model.

Keywords: *Colombo Stock Exchange, ROA, Herfindal Index, Ownership Concentration, Liquidity, Leverage*