

1 Ownership Trends in BSE 100-Index Companies from 2000 2 -2014: Evidence and Implications

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4 Received: 15 December 2015 Accepted: 1 January 2016 Published: 15 January 2016

5

6 **Abstract**

7 Ownership and control of corporations under the watchful stewardship and surveillance of
8 their boards have a significant influence in shaping corporate behavior and the equitable
9 management of relationships between and among themselves, the society and communities
10 they serve, and the governments of the countries they operate in. This paper tracks the
11 movements in corporate ownership in India among its top companies indexed in BSE-100 in
12 the first decade of the new millennium and moving forward in to the second. The paper is
13 organized as follows: section I provides a brief overview of the development of the corporate
14 format of business organizations; section II provides literature related to the topic and
15 describes the sample and its categorization for analysis; section III methodology; and section
16 IV sets out the findings, interpretation and conclusions.

17

18 **Index terms**— corporate governance, ownership structure, BSE, trend analysis.

19 **1 Introduction**

20 orporate governance as a subject has gained strong rise globally both in scientific and cultural community as
21 well as in organization level. The separation of ownership and control is exactly what creates the necessity for
22 corporate and business governance, which include mechanisms to ensure advisable decision making and earnings
23 maximization. Ownership structure is an important aspect of corporate governance system. Berle and Means
24 1932 call focus on the prevalence of broadly held corporations in the United States in which ownership of capital
25 is dispersed among small shareholders, but still control is concentrated in the hands of professionals. ??ensen
26 and Meckling (1976) or ??rossman and Hart (1980) indicated that the modern field of corporate and business
27 finance is rolling out around the round the same image of a broadly held corporation.

28 Looking back at the evolutionary background of the corporation as known today one could detect at least
29 three major defining trends. First was the artificial creation of the corporate entity by the legal practice, followed
30 launch of limited liability, the popularity of the corporations' to spend money on and hold stock of another firm,
31 and lastly, the switch from democratic to plutocratic voting rights leaving one vote per shareholder to one vote
32 per share and thence to even more skewed differential voting rights. The next was the introduction of the publicly
33 traded (bought and sold) corporation representing a paradigm change in the manner business could be scaled up,
34 where owners of the slice of the organization (represented by the percentage of shares hold) neither got claims to
35 the property (net of liabilities) with their company in kind nor the compulsion to be permanently connected with
36 their shareholdings; they could leave by selling their stocks disposing them off or otherwise. The developments
37 of the organization board itself and its role, accountability and responsibility is the third defining component
38 in modern corporate governance. However, the board is 'elected' by the shareholders but once so elected the
39 board is practically its own arbiter in all matters associated with the company. With the demise of the lively,
40 small time entrepreneurial investor-manager and the ascent of the generally unaggressive absentee shareholders
41 in the organization format of business generally, professional management took over that function subject to the
42 guidance and oversight of the board. The focus of this study is to analyze the trend of ownership structure for
43 the period 2001-2014.

44 2 II.

45 3 Literature Review

46 Ownership structure has important implications for corporate governance and protection of minority shareholders' interest. Concentrated ownership structures and affiliation of companies with business groups is a common feature
47 of Asian economies ??Claessens and Fan, 2002). Influential legal scholars like Adolf ??erle (1931), Merrick
48 Dodd (1932), Lynn Stout (2002 ??tout (, 2012)), Lucian Bebchuk (2005Bebchuk (, 2006)), Stephen Bainbridge
49 (2002Bainbridge (, 2005) and Leo Strine, Jr. (2006), have been debating the pros and cons of higher shareholder
50 engagement in corporate and business decision making but as of now the absentee shareholders in many
51 jurisdictions need to be satisfied largely using their (theoretical) right of having a say in the election of the directors
52 to the board and thereafter expecting their interests would be reasonably protected. Shareholder primacy is
53 influenced by the ownership structures of the organization. Within the confines of the modern corporation, both
54 accountability and responsibility are heavily influenced by ownership structure. Ownership structure can also
55 settle/intervene firm strategy and behavior (Wright, et al, 1996) and can influence boardroom dynamics and
56 stakeholder management ??Goodstein and Boecker, 1991), executive compensation (David, Kochhar and Levitas,
57 1998;Balasubramanian, et al, 2013), and R&D investment (Baysinger, Kosnik and Turk, 1991). Knowledge of
58 ownership patterns and trends can thus lead us to more nuanced knowledge of organizational behavior and its
59 own predictability.

61 4 a) Ownership Trends around the World

62 Research on firm ownership has often been controlled by studies centered on the United States and the United
63 Kingdom both with dispersed and concentrated ownership structures. Earlier studies by La Porta, et al (1999)
64 of other economies and recently by Aguilera et al (2011) of companies in emerging marketplaces have found
65 concentrated ownership as a general pattern in most other world economies. The La Porta research which included
66 companies from 27 developed countries found that only 30% of the companies showed dispersed ownership. Japan,
67 in effect qualified as concentrated ownership geography because of predominant inter-corporate holdings even after
68 they returned dispersed ownership because of direct ownership not being higher than 20% which was made the
69 study cut-off criterion. Significant ownership concentration, either in the form of holdings by corporate bodies,
70 individuals or the state in their study of corporations in South America was found by Aguilera et al (2011).

71 5 b) Classification of Shareholders

72 Data in this study is analysed under two major categories of shareholders namely (i) Promoters, (ii) Non
73 Promoters Holding sub divided into two other categories namely (iii) Non Promoters Institutional Holding,
74 (iii) Non Promoters Non-Institutional Holding.

75 6 i. Promoters Holding

76 Holdings into various categories provide insight into control in the company. Promoters are the entities that
77 floated the company and to a large extent have seats on Board of Directors or the Management. Relatives of the
78 Promoters who hold shares also fall under this class and are termed the Promoter Group. Promoter Holdings
79 show the extent of control Promoters have over running of the business.

80 7 ii. Non Promoters

81 Shareholders other than promoters are known as public shareholders. Public shareholding pattern consists of
82 institutional and non-institutional investors.

83 iii. Non Promoters' Institutional Holding Institutional investors include the pension funds, money managers,
84 mutual funds, insurance companies, investment banks and commercial trusts. They buy large quantities of shares
85 leaving high impact on the stock market's movements. They are considered knowledgeable and experienced.
86 Hence, their footprints are generally followed by small investors.

87 iv. Non Promoters' Non Institutional Holding Non institutional investors are those who carry their investments
88 through a broker, bank, and real estate agent and so on. They are generally common people or organizations
89 managing money on their own. III.

90 8 Methodology a) Results

91 In the research study, the long term trend is analyzed of the selected variables related Ownership structure. The
92 descriptive analysis of the variables is done and represented. In descriptive analysis of the variables, the measure
93 of central tendency (mean), distribution, minimum and maximum values are estimated for each variable and are
94 represented in the tables below. In the research study, it is also found that among the 100 companies selected for
95 the study in BSE 100 index, 42percent of firms in BSE 100 index are having average promoters holding of more
96 than 50 percent, 23 percent of the firms are having average promoters holding in the range of 40 -50 percent
97 of holding, 16percent of the firms are found to have average promoters holding of 30 -40 percent of holding, 16
98 percent of firms are found to have average promoters holding in the range of 20 -30 percent of holding, 0percent

99 of the firms are found to have average promoters holding of 10 -20 percent of holding and 3 percent of the firms
100 are having the average promoters holding less than less than 10 percent of holding.

101 The Frequency Distribution is also shown with the help of Graph shown in Figure ??.

102 ii. In the research study, the trends of non-promoter's holding in the 100 companies selected for the study in
103 BSE 100 index is analyzed and it is found that Housing Development Finance Corp. Ltd. is having the highest
104 non promoters holding of (100 percent) in last 15 In the research study, it is also found that among the 100
105 companies selected for the study in BSE 100 index, 57percent of firms in BSE 100 index are having average non-
106 promoters holding of more than 50 percent of holding, 22 percent of the firms are having average non-promoters
107 holding in the range of 40 -50 percent of holding, 11 percent of the firms are found to have average non-promoters
108 holding of 30 -40 percent of holding, 7percent of the firms are found to have average non-promoters holding of
109 20-30 percent of holding, 3percent of firms are found to have average non-promoters holding in the range of 10
110 -20 percent of holding and there is no holding of average nonpromoters holding less than 10percent of holding.

111 The Frequency Distribution is also shown with the help of Graph shown in Figure ?? In the research study,
112 the trends of nonpromoter's institutional holding in the 100 companies selected for the study in BSE 100 index is
113 analyzed and it is found that I D B I Bank Ltd. is having the highest average Non Promoters Institutional Holding
114 of (77.097 percent) in last 15 In the research study, it is also found that among the 100 companies selected for the
115 study in BSE 100 index, only 1percent of firms in BSE 100 index are having average non-promoters institutional
116 holding of more than 50 percent of holding, 8 percent of the firms are having average non-promoters institutional
117 holding in the range of 40 -50 percent of holding, 29 percent of the firms are found to have average non-promoters
118 institutional holding of 30 -40 percent of holding, 35 percent of firms are found to have average nonpromoters
119 institutional holding in the range of 20 -30 percent of holding, 23 percent of firms are found to have average
120 non-promoters institutional holding in the range of 10 -20 percent of holding and 4 percent of the firms are
121 having the average non promoters institutional holding less than 10 percent of holding.

122 The Frequency Distribution is also shown with the help of Graph shown in Figure ??.

123 **9 iv. Non Promoters Non Institutional Holding**

124 **10 Company**

125 Mean min max In the research study, the trends of nonpromoter's non institutional holding in the 100 companies
126 selected for the study in BSE 100 index is analyzed and it is found that M R F Ltd. (58.06 percent), is having
127 the highest average non promoters non institutional holding of (58.06 percent) in last 15 In the research study,
128 it is also found that among the 100 companies selected for the study in BSE 100 index, only 1 percent of firms in
129 BSE 100 Index are having average non-promoters non institutional holding of more than 50 percent of holding,
130 10 percent of the firms are having average non-promoters non institutional holding in the range of 40 -50 percent
131 of holding, 18 percent of the firms are found to have average nonpromoters non institutional holding of 30 -40
132 percent of holding, 42 percent of firms are found to have average non-promoters non institutional holding in the
133 range of 20 -30 percent of holding, 24 percent of firms are found to have average non-promoters non institutional
134 holding in the range of 10 -20 percent of holding and 5 percent of the firms are having the average non promoters
135 non institutional holding less than 10 percent of holding.

136 **11 Conclusion**

137 In this study, there is empirical confirmation of the predominance of concentrated ownership and control in
138 corporate India. Out of the BSE 100-Index companies the number of dominant ownership entities (promoters),
139 nearly 42percent of firms are having more than 50 percent of shareholding which indicates that there is
140 concentration of ownership in the hands of promoters. Such entrenchment and control offers immense potential
141 to the owners/controllers for tunneling and personal enrichment at the expense of absentee shareholders.

142 However, only 1 percent of firms are having more than 50 percent of average non promoters institutional
143 holding as well as average non promoters non institutional holding. 35 percent of firms are found to have average
144 non promoters institutional holding in the range of 20 -30 percent of shareholding. In case of average non
145 promoters non institutional holding it is found that 42 percent of firms are having 20-30% of shareholding. It
146 indicates that institutional as well as retail shareholders don't have the majority powers. In line with the trends
147 in other developed markets, noninstitutional retail shareholdings are on the declining mode in the country. In the
148 BSE 100-Index companies, much of these holdings were picked up by the promoters to boost their entrenchment
149 and as a defense against hostile takeovers.



Figure 1: Ownership

Ownership Trends in BSE 100-Index Companies from 2000 -2014: Evidence and Implications

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- i. Promoters Hold-
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A time series analysis of ownership structures in corporate India for the period

tendency (mean, median), distribution, minimum and maximum values are es-
paper is the publicly traded companies, it would be helpful also to recognise t

Table 1.1 : Average promoters holding of the firms in BSE 100 Index for the period 2000-2014

Company	Mean	min	max
Mangalore Refinery & Petrochemicals Ltd.	85.1514	68.2	88.58
Steel Authority Of India Ltd.	84.9886	80.0	85.82
Godrej Industries Ltd.	80.2914	68.2	88.61
Bharat Electronics Ltd.	75.8000	75.0	75.86
Oil & Natural Gas Corp. Ltd.	75.2043	68.9	84.11

[Note: s- Year 2016]

Figure 2: Table 1 .

11 CONCLUSION

Bharat Forge Ltd. Bhushan Steel Ltd.

Reliance Infrastructure Ltd. Bosch Ltd.

Atul Ltd. Bharat Heavy Electricals Ltd.

Aditya Birla Nuvo Ltd. Procter & Gamble Hygiene & Health Care Ltd.

Ramco Cements Ltd. Hindustan Zinc Ltd.

Tata Elxsi Ltd. Pidilite Industries Ltd.

Max India Ltd. Essar Oil Ltd.

Century Textiles & Inds. Ltd. Torrent Pharmaceuticals Ltd.

L I C Housing Finance Ltd. Dabur India Ltd.

Tata Motors Ltd. Tata Communications Ltd.

50.00% Oil & Natural Gas Corp. Ltd. Crompton Greaves Ltd. 40.00% J K Lakshmi Cement Ltd. Bharat

Asian Paints Ltd.

Reliance Industries Ltd.

Hindustan Construction Co. Ltd.

Kajaria Ceramics Ltd.

J S W Steel Ltd. Company

Housing Development Finance Corp. Ltd. State Bank Of India

Larsen & Toubro Ltd. Britannia Industries
Ltd.

Federal Bank Ltd. Exide Industries Ltd.

I F C I Ltd. Colgate-Palmolive (India) Ltd.

M R F Ltd. Hindustan Petroleum Corp. Ltd.

Great Eastern Shipping Co. Ltd. Bajaj Finance Ltd.

Voltas Ltd. Bata India Ltd.

Lakshmi Machine Works Ltd. Piramal Enterprises Ltd.

Mahindra & Mahindra Ltd. Ashok Leyland Ltd.

(97.04 percent). The companies with lowest percentage of non-promoters holding are Mangalore Refinery & Petrochemicals Ltd. (14.85 percent), Steel Authority Of India Ltd. (15.0014 percent). and Godrej Industries Ltd. (19.7 percent).The frequency distribution is shown below in Table 1.4.

Average Non Promoters Holding	Frequency	Percent
less than 10%	0	0.00%
10 -20%	3	3.00%
20 -30%	7	7.00%
30 -40%	11	11.00%
40 -50%	22	22.00%
more than 50%	57	57.00%
Total	100	100.00%

Figure 4:

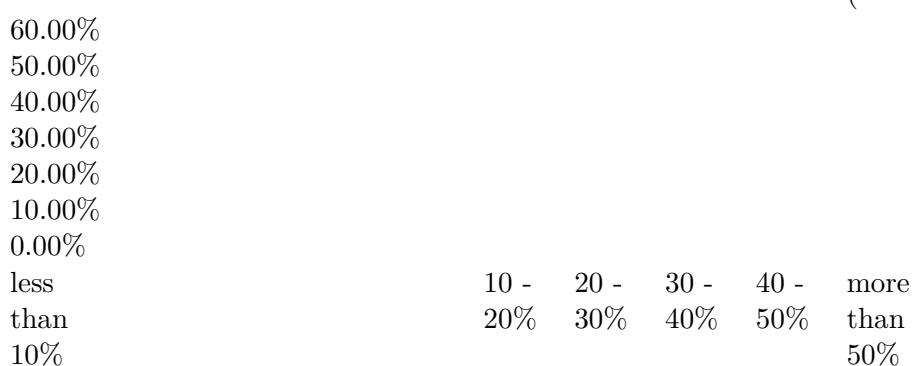
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[Note: © 2016 Global Journals Inc. (US)]

Figure 5: Table 1 . 5 :

11 CONCLUSION

Average Holding	Non Promoters	Institutional	Frequency	Percent
less than 10%	4	4.00%		
10 -20%	23	23.00%		
20 -30%	35	35.00%		
30 -40%	29	29.00%		
40 -50%	8	8.00%		
more than 50%	1	1.00%		
Total	100	100.00%		
	61			
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Figure 6:

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Year	2016	62	Volume	0.00%	5.00%	10.00%	15.00%	less	10	20	30	-	40	more
			XVI	20.00%	25.00%	30.00%	35.00%	-	-	-	-	-	-	-
			Issue II											
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Global	M R F Ltd.	Federal Bank Ltd.	tha	20%	30%	58.0586		50%	46.28				60.75	
Journal	Tata Elxsi Ltd.	Larsen & Toubro	10%		47.7364			29.22				73.14		
of	Ltd.	Lakshmi Machine Works Ltd.			47.1929			34.17				61.78		
Human	Finolex Cables Ltd.	Trent Ltd.			46.0314			41.56				55.91		
Social					45.2679			37.64				53.98		
Science					45.2238			39.04				48.75		
					44.8800	40%		30.93	than			72.84		
								50%						
I F C I Ltd.					44.3407			26.33				57.60		
Atul Ltd.					42.2721			32.49				52.10		
Bajaj Holdings & Invst. Ltd.					41.7907			33.44				51.75		
Great Eastern Shipping Co. Ltd.					41.2700			29.40				58.59		
N C C Ltd.					38.2221			20.23				61.48		
Bajaj Finance Ltd.					36.1014			19.11				53.68		
Arvind Ltd.					35.4086			19.03				62.48		
Escorts Ltd.					34.9929			25.63				48.97		
Kajaria Ceramics Ltd.					34.8071			18.44				48.87		

[Note: s -]

Figure 7: Table 1 . 6 :

Century Textiles &Inds. Ltd.	34.5229	30.31	38.31	
Amara Raja Batteries Ltd.	34.2221	21.34	46.30	
Tata Chemicals Ltd.	33.9479	24.02	44.37	
A C C Ltd.	32.3007	16.84	71.03	
Voltas Ltd.	31.6436	21.53	51.43	
J K Lakshmi Cement Ltd.	31.4550	21.52	39.98	
Bharat Forge Ltd.	31.2321	22.78	38.33	
Cipla Ltd.	31.1814	27.35	39.72	
Hindustan Construction Co. Ltd.	30.5529	18.72	42.57	
Titan Company Ltd.	30.3300	22.84	37.08	
Tata Steel Ltd.	30.2879	23.34	40.97	
Max India Ltd.	30.2821	8.37	47.47	
Rallis India Ltd.	30.0393	22.78	42.60	
Raymond Ltd.	29.6879	23.17	40.73	
Ramco Cements Ltd.	29.4143	20.80	35.11	
H D F C Bank Ltd.	29.3871	16.40	49.76	
Jain Irrigation Systems Ltd.	29.3121	11.37	62.29	
Colgate-Palmolive (India) Ltd.	29.2500	22.05	39.31	63
Steel Ltd.	28.9777	23.03	32.87	
Gujarat State Fertilizers & Chemicals Ltd.	28.7621	22.99	34.87	Volume
Tata Global Beverages Ltd.	28.4807	20.86	41.94	XVI
Mills Ltd.	28.1643	20.10	36.69	Is-
J S W Steel Ltd.	27.9286	17.37	38.27	sue
E I D-Parry (India) Ltd.	27.9021	21.41	35.13	II
Hindalco Industries Ltd.	27.8529	14.43	49.94	Ver-
Crisil Ltd.	27.3021	13.82	37.48	sion
Grasim Industries Ltd.	27.1771	13.78	43.56	I
Aditya Birla Nuvo Ltd.	26.7986	20.04	41.36	
Bata	26.7021	12.89	47.69	
India Ltd.	26.5429	16.85	37.20	
Satyam Computer Services Ltd.	25.9562	10.58	65.64	
[Merged] Dr. Reddy'S Laboratories Ltd.	25.4650	14.38	44.37	
Piramal Enterprises Ltd.	24.7393	15.94	34.50	E
)
Glaxosmithkline Consumer Healthcare Ltd.	24.4707	15.05	27.49	(
Shree Cement Ltd.	24.2200	20.30	33.47	
Tata Power Co. Ltd.	23.2671	16.01	33.51	
Ranbaxy Laboratories Ltd.	23.0486	13.80	33.58	
[Merged]				
Infosys Ltd.	22.9814	12.20	36.14	
Housing Development Finance Corpn. Ltd.	22.9029	12.33	45.38	
Kotak Mahindra Bank Ltd.	22.6564	15.51	53.21	
S K F India Ltd.	22.6036	13.93	34.28	
Reliance Industries Ltd.	22.4964	17.71	25.72	
Essar Oil Ltd.	22.2707	4.85	74.62	
Mahindra & Mahindra Ltd.	21.9821	14.55	34.06	
Crompton Greaves Ltd.	21.9707	14.64	35.46	
Tata Motors Ltd.	21.9100	7.53	44.10	
Asian Paints Ltd.	21.9043	19.88	24.70	
SesaSterlite Ltd.	21.8857	11.22	34.74	
Britannia Industries Ltd.	21.4193	18.94	24.63	
Procter & Gamble Hygiene & Health Care	21.1064	14.77	25.81	
Ltd.				
C E S C Ltd.	9 21.0957	8.33	43.80	
Bajaj Electricals Ltd.	20.6879	14.18	30.79	
Reliance Infrastructure Ltd.	20.5650	9.07	59.56	
L I G H t i n g s F i n a n c e L t d	20.3100	13.25	24.34	

11 CONCLUSION

Average Non Promoters Non Institutional Holding	Frequency	Percent
less than 10%	5	5.00%
10 -20%	24	24.00%
20 -30%	42	42.00%
30 -40%	18	18.00%
40 -50%	10	10.00%
more than 50%	1	1.00%
Total	100	100.00%

Figure 9:

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Figure 10: Table 1 . 8 :

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