

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

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Abstract

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

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

1 Introduction

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

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

2 II.

3 Literature Review

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

4 a) Ownership Trends around the World

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

5 b) Classification of Shareholders

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

6 i. Promoters Holding

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

7 ii. Non Promoters

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

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

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

8 Methodology a) Results

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

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

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

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

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

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

9 iv. Non Promoters Non Institutional Holding

10 Company

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

11 Conclusion

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

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

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Figure 1: Ownership

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

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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	68.22	88.58
Steel Authority Of India Ltd.	84.9886	80.00	85.82
Godrej Industries Ltd.	80.2914	68.22	88.61
Bharat Electronics Ltd.	75.8000	75.02	75.86
Oil & Natural Gas Corpn. Ltd.	75.2043	68.94	84.11

s

[Note: s-Year 2016]

Figure 2: Table 1 .

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 Corpn. 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 Corpn. 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 Corpn. 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.

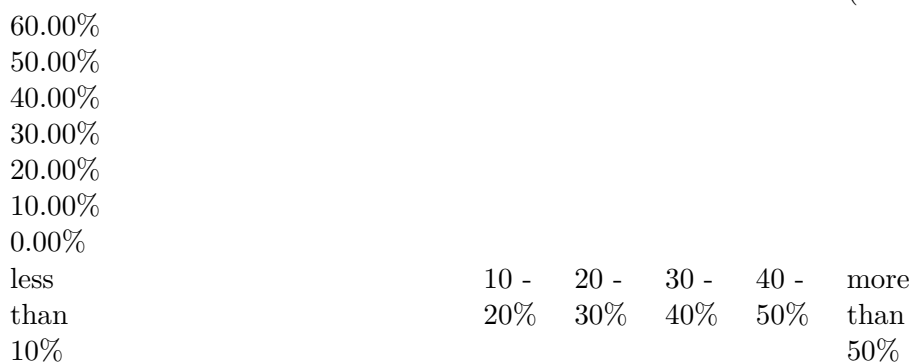
(97.04 percent). The companies with lowest percentage of non-promoters holding are Mangalore Refinery & Petrochemicals Ltd. (14.85 percent), Steel Authority Of India Ltd. (15.0014 percent). and Godrej Industries Ltd. (19.7 percent).The frequency distribution is shown below in Table 1.4.

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 Non Promoters Institutional Holding	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%

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Figure 6:

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Volume	0.00%	5.00%	10.00%	15.00%					
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Global	M R F Ltd.	Federal Bank Ltd.	that	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. BalrampurChini	28.4807	20.86	41.94	XVI
Mills Ltd. J S W Steel Ltd. E I D-	28.1643	20.10	36.69	Is-
Parry (India) Ltd. Reliance Capital Ltd.	27.9286	17.37	38.27	sue
Hindalco Industries Ltd. Crisil Ltd. Grasim	27.9021	21.41	35.13	II
Industries Ltd. Aditya Birla Nuvo Ltd. Bata	27.8529	14.43	49.94	Ver-
India Ltd. Satyam Computer Services Ltd.	27.3021	13.82	37.48	sion
[Merged] Dr. Reddy'S Laboratories Ltd.	27.1771	13.78	43.56	I
	26.7986	20.04	41.36	
	26.7021	12.89	47.69	
	26.5429	16.85	37.20	
	25.9562	10.58	65.64	
	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. [Merged]	23.0486	13.80	33.58	
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	
U L S H. Finance Ltd.	20.3123	13.35	34.24	

Average Non Promoters Non Institutional Hold- ing	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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