

Ownership and Capital Structure of Pakistani non-Financial Firms

立命館アジア太平洋大学 鈴木 泰
立命館アジア太平洋大学 大学院生 ショアイブ・カーン

Despite very significant discussions in the literature on the relationship between ownership structure and capital structure choices, less has been done to investigate the mechanism of the relationship. This study aims to contribute to this controversial argument by examining the impact of internal ownership (managerial ownership) and external ownership (external large shareholders / blockholder) on corporate financing preferences using the cases of non-financial listed firms on Karachi stock exchange during the period of 2008-2012. We shed an analytical light on their capital structure choices under different ownership patterns, particularly looking at the proportion of managerial ownership and the presence of large and dominant external shareholders.

Our results suggest that the external ownership has a significant effect on financing choices of firms in accordance with the presence of blockholders who may retain relatively strong corporate governance power. On the other hand, the internal ownership has a complicated effect it shows significant positive relationship to leveraging in the cases of firms with lower proportion of managerial shareholdings, while it shows negative relationship in the cases of firms with a certain higher level of managerial ownership. Besides, the combined analysis suggests that the presence of blockholders negates the impact of managerial ownership on capital structure. This implies that the presence of large and dominant shareholders of Pakistani firms, due partly to weak institutional and legal framework, may have caused a bias for debt financing in order to protect their voting power and returns on equity.