

# The Impact Of The Ownership Diversification On The Financial Performance An Empirical Study On Financial Companies In Qatar

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## ABSTRACT:

This study aims to determine the relationship between ownership's diversification and financial performance of financial companies listed in the Qatari financial market during the period 2012-2019. The study focuses on 13 banks and insurance companies and uses the Panel Data method.

The study uses Foreign ownership and individual ownership as dimensions of ownership diversification. Return on assets measures financial performance. In addition, the study uses the size of the company and the earnings per share as control variables.

The study found that individual ownership and company size have positive effects on financial performance. However, foreign ownership and earnings per share have negative effects on financial performance.

## Keywords:

Diversification of Ownership, Financial Performance, Financial Sector, Qatar.

JEL Classification: C23, G20, G32

## INTRODUCTION

The relationship between ownership structure and financial performance enjoys a great interest in financial literature. As many studies have examined the difference in corporate ownership and its effects on various aspects of the company's performance, especially concerning the corporate governance issue, (Vishny, Shleifer1986).

*Berle and Means (1932) and Jensen( 2000) discussed the ownership structure extensively. According to them, diversity of ownership is one of the aspects that emerges in the context of accounting policies, the behavior of managers and the action undertaken by them, and reduce agency problems and conflict of interest between different parties. Because when ownership is diversified, shareholder control tends to be weak, as small shareholders will not be interested in controlling due to the high costs ( Yousef, 2012, p. 252)*

Many studies, among others; (Majluf, 2008), (Omran et Al, 2008), and (Chau and Gary, 2010) have clarified the importance of the ownership diversification in companies in the emerging and developed economies, and its role in improving the quality of the accounting disclosure, profitability, and the companies' performance. Generally, ownership diversification represents a strategy that businesses adopt to maintain their competitiveness and enhance their profitability (Reza and Banafsheh, 2015). It is a strategy followed by companies to create value through the economic scope, financial economics, or market power in general (Imeobong, 2018, p. 23)

This study aims to investigate the relationship between ownership diversification and financial performance of financial companies listed on the Qatari financial market. The study sample is about 8 banks and 4 insurance companies during the period 2012-2019, and seeks to test the following hypotheses:

**H01: The level of individual ownership does not affect the companies' financial performance.**

**H02: The level of foreign ownership does not affect the companies' financial performance.**

**H03: Earning per share does not affect the companies' financial performance.**

**H04: The size of the company does not affect the companies' financial performance.**

### 1. PREVIOUS STUDIES:

There are many studies that have discussed the ownership structure, its determinants consequences, and its effect on financial performance. We will try to mention the most important previous studies in both fields:

**Goddard, Mckillop, wilson (2008):** the study aimed to highlight the impact of change in revenues and ownership diversification on the financial performance in the American Credit Union during the period 993-2004. The cross-sectional regressions model was adopted. the study found that the direct exposure to diversification in ownership has negatively affected the ROE and ROE measures.

**Hess, Gunasekarage, Hovey (2010):** This study aimed to examine the relationship between the ownership structure and the performance of listed Chinese companies for the years 2000-2004. They sought to

discover the influence of government and private equity holders on the performance of companies in the private sector.

The study used the financial leverage and the size of the company as controlling variables, state ownership and ownership concentration as an independent variable, and financial performance as a dependent variable. The result concluded that the ownership concentration has the potential to mitigate market manipulation at the lowest level.

**Brahmana.R.K, Setiawan.D & Hooy.CH.W, (2014):**

This study aimed to examine the diversification value and ownership structure of companies listed in Indonesia during the period 2006-2010. The study used the panel method using the fixed effects model. It concluded that diversification in ownership, especially family ownership and foreign ownership, may lead to an increase in the value of companies. Unlike, the governmental companies with large ownership's concentration suffer from cash surplus and increasing the agency cost.

**Rafique Yasser, Al Mamun (2015):** This study aimed to analyze the relationship between ownership structure and companies' performance in Pakistan from 2007 to 2011. The correlation and regression were used to determine the relationship between ownership structure and corporate performance. The study found no significant correlation between ownership concentration, accounting performance, market performance, and economic profits. It also found that the largest individual's contribution rate is the only variable that has a positive correlation with market-based performance measures.

**Al-Shammari (2015):** The study examined the relationship between the ownership structure and performance on a sample of 103 companies listed on the Kuwait Stock Exchange from 2005 to 2010. Multiple regression was used to test the hypotheses of the study. The results showed that ownership concentration does not significantly affect the company's performance. Contrary to what the agency theory advocates. When the ownership structure was examined, the study found that the diversity of government and family ownership positively affects corporate performance.

The results also show that the institutional investors in the companies listed in Kuwait does not affect the company's performance. Whereas, the debt ratio and the age of the company have a statistically significant effect on the company performance and the company size has no significant effect.

**Shen, Au, Yi (2017):** This study examined the relationship between diversification and the performance of companies in light of the economic crises that have occurred frequently in recent years. The study used the data of nearly 4000 private Chinese companies collected in a survey conducted in 2010 by the United Front Work Department of the Central

Committee of the Communist Party of China. The results found that, during the last period of the global financial crisis, the companies with diversified ownership performed better than companies with concentrated ownership. Thus, the level of diversification is positively related to the companies' performance.

- Based on the previous studies, we observed that the effect of the diversity of ownership on financial performance differs between positive and negative effects. The results' difference is due to the difference in the financial market data, the investment environment, and the difference in the corporate ownership structure.

## 2 LITERATURE REVIEW:

### 2.1 Ownership Structure:

**2.1.1 Definition of ownership structure:** The structure of corporate ownership is a complex system regarding the legal, institutional, and market powers issues related to the companies. The emergence of large-scale enterprises in the world has led to the separation of ownership from management on the one hand, and the separation of ownership from control on the other hand. The large dispersion of the capital ownership has resulted in the emergence of two types of shareholders: the majority shareholders who own the majority of the corporation share capital and a high voting rate in the board of directors and thus have greater ability to monitor the corporate and influence the decision-making in it, and the minority shareholders who own a small part of the corporate capital that does not allow them to control it, which could affect the company performance and the wealth of the shareholders (**Desoky & MOUSA, 2013, p. 165**)

According to (**Mintzberg 1983**) the ownership structure is defined through two basic dimensions:

**First: Ownership diversity:** It differs according to the nature of the owners, as the gap widens between the control of the owners and the company's management supervision we find:

(**Magrabi, 2016, p. 8**)

1. **Foreign ownership:** We mean by foreign ownership the percentage of shares owned by foreign investors in the corporation, foreign investors tend to invest in institutions that enjoy good institutional governance, because effective governance reduce the agency problem. Foreign ownership of banks might have an impact on the degree of competition in the banking system and an effect on financial stability. It is therefore important to control for the degree of foreign ownership of the banking system. (**Claessens, Demirgüç-Kunt and Huizinga (2001)** found that in the long run foreign bank entry improves the performance of the domestic banking system. (**Claessens, Kunt, & Huizinga, 2001, p. 895**)

**2. Institutional Ownership:** Some researchers believe that the investment of these institutions for a large volume of their funds in these companies qualifies them to control the company and reduces the incentives of management to manipulate earnings. The influence of the institutions' owners in companies is usually "latent", as management control usually tends to be in the hand of company executives, which have the authority to control major decisions related to products, markets, and investments. The inherent power in return is the ability to restrict a certain decision (Herman, 1981), thus it places the owners of enterprises in a strategic position, and provides them with an opportunity to adjust strategic options in the company management activity. In addition to their ability to apply their authority in the market by buying or selling securities. Moreover, they can influence the company by other means such as the attempt to directly control the internal decision-making process, and their membership in the company's board of directors (CHaganti & Damanpour, 1991, p. 480)

**3. Individual ownership:** Individual ownership is characterized by its limited power to exercise any supervisory role except in case of owning high percentages of company shares and thus moving to another ownership structure, which is concentrated ownership (Alnaty & Alshhed, 2017, p. 19)

**Second: Concentrated Ownership:** Concentrated ownership means the presence of a minority of owners who control some incentives and resources and thus controlling management decisions that enable them to achieve the largest gains (Shleifer & Vishny, 1997, p. 754). Concentration of ownership creates conflict between majority shareholders and minority shareholders, where majority shareholders seek to maximize their benefits at the expense of minority ones, known as the agency problem. (Sanghoon, 2008, p. 9)

**2.1.2 Corporate financial performance:** Financial performance is an important issue for managers and researchers. The success of any organization is linked to the effectiveness of its performance and its ability to achieve long-term established goals with the required efficiency and effectiveness. This is shown through financial theories that aim to maximize the value of the corporation by making good use of the materials available to it while achieving the established goals (Hafsi, Bilichi, & Halimi, 2019, p. 203) Financial performance expresses maximizing results through improving profitability, and this is achieved by reducing costs and maximizing revenues continuously over the medium and long term to accumulate wealth and stability in the level of performance (Zergoun, Hajjaj, & Hajjaj, 2018, p. 217) Mishra and Phung(2016), see that the company's performance is an

indicator of the company's Operations' efficiency during the conduct of its business, and this, in turn, has led to the adoption of return on assets (ROA) as a tool to measure the companies' financial performance in many previous studies. The higher ROA indicates the higher efficiency of management in using its assets to maximize profits. (ALAMRI, 2018, p. 154)

**2.1.3 Financial Performance Indicators:** There are many indicators that corporates use to measure the financial performance. Many researchers agree that they are divided into two types; traditional and modern. Traditional indicators are usually based on the accounting data derived from the financial reports. Financial performance indicators focus on the profitability indicator, which is a sign of the company's overall efficiency, and is usually used as a tool to measure the profits achieved by the company over a period; return on assets, return on ownership, sales income, and profits per share. (Siehl & Martin, 1989, p. 7)

1- **Earnings per share (EPS):** It is the net return ratio for each share, and it is the part of one share from the profits made by the corporation during a certain period of time before its distribution. The earnings per share is calculated for the following reasons: (Muhtadi, 2014, p. 45)

- The corporation does not distribute all the profits it has achieved. There are deductions from the profits that the corporation makes under a legal text.
- The corporation may realize profits and the board of directors decides not to distribute them to shareholders.
- The corporation may incur losses and dividends are distributed to shareholders using its retained reserves.

2- **The return on assets ratio (ROA):** An indicator measures the effectiveness of the corporations' use of its assets to generate profits. It is an indicator of the corporation's profitability in relation to its total assets, and it measures the efficiency of performance in using assets to generate profits. It is calculated by dividing the net profit after tax by the total assets (Saifi & Amara, 2015, p. 12)

3- **Return on Equity Ratio (ROE):** it is a measure of financial performance. It is a measure of how effectively the company's assets are used to create profits. (Zouari & Taktak, 2012, p. 7)

#### **2.1.4 The relationship between ownership diversification and corporate performance**

The study of Motgomery (1984) shows that the diversification strategy is mainly used to increase the value of companies and to reduce risks thanks to the role of diversity and the effectiveness of using the companies' cash surplus. Lubatkin and Chatterjee (1991, 1994), Palich et al,( 2000) found that, when measuring diversification strategy in terms of performance, it provides sufficient performance criteria



that detects the cases of manipulation and mismanagement. In other words, the diversity realizes the effectiveness of supervision, which in turn helps to reduce agency costs and this affects positively the financial performance, market share, and shareholders' value (Shen, AU, & YI, 2018, p. 5)

Consequently, when we study the relationship between ownership diversification and financial performance, we find that the owners are the principal actors defined as the main stakeholders. Therefore, shareholders are considered as owners only according to their contribution to the share capital. Researchers define them as collectors of funding sources, observers, people with a strategic view, owners of important resources, managers of family enterprises, and responsible (Dadin, 2007, p. 26)

Van Horne (2001), believe that maximizing the market value of the share means maximizing the wealth of owners (owners' wealth = the market value of the share), which is the most appropriate criterion for measuring the financial performance of the corporation. ( (Horne, Twelfth Edition, p. 3)

## 2.2 Costs of Agency and Ownership Structure:

**2.2.1 The concept of agency costs theory:** The roots of agency costs theory go back to (Berle, Means, 1932) when they concluded that the separation of management from ownership is necessary because managers seek always to achieve their interests at the expense of shareholders' interests. The agency theory emerged as an attempt to resolve the conflict that may occur in the company between owners and management because each party seeks to maximize its benefits ( (Dukhan, 2018, p. 33)

- (Jensen & Meckling, 1976) indicates that the owner can, at the same time, create appropriate incentives

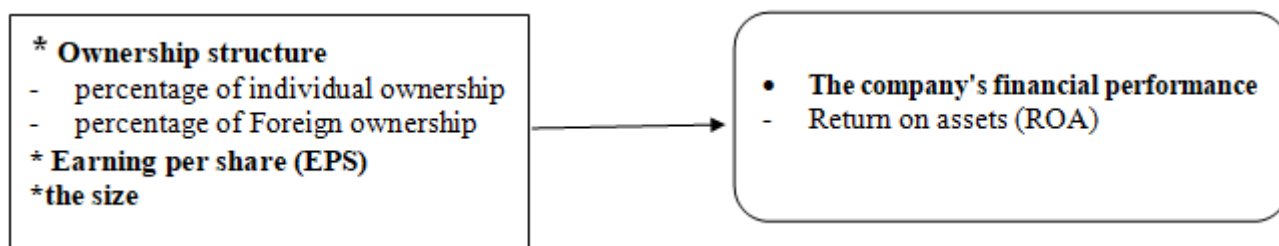
for the agent and serve his interest through creating a system capable of controlling the of agent activities' costs and thus emerged the term "agency costs" that shareholders incur to ensure higher control over managers (Boukrouma & Abidatte, 2019, p. 134)

**2.2.2 Assumptions of agency theory:** Agency theory is described as a set of contractual relationships between parties with common interests. To study those relationships, two approaches have been adopted: ( (Mouaid & Harbi, 2010, p. 131)

- The first approach: depends on the company's performance hypothesis, which states that the company's high profitability is an inevitable result of the effective mechanisms in monitoring performance.
- As for the second approach: it examines the relationship through the implications of the role of corporate governance mechanisms in monitoring the company's performance on the future prices of its shares.

The results of these two approaches have led to two opposite trends. The first represents an optimistic evaluation of the corporate governance system, and thus there is an important role for corporate governance mechanisms on the company's performance and hence on its market value. Among the first supporters of this trend are (Jensen and Meckling, 1976). The second trend, it believes that the value of the company is not affected by the problem of agency, and therefore there is no relationship between the value of the company and the mechanisms of corporate governance. Among the early supporters of this approach are (Demstet and Lehn, 1985) ) (Harada & Nguyen, 2011, p. 364)

Figure (1): The Study Model



## 3. STUDY METHODOLOGY

### 1.1 Study population and sample

This study attempts to analyze the relationship between ownership diversification and financial performance of a sample of companies listed (banking and insurance sector) in the Qatari financial market during the period 2012-2019. The study model depends on ownership diversification (as an independent variable) and financial performance (as a dependent variable), In addition to the control variables represented in the size of the company and the earnings per share.

To examine the study problem, the study will analyze the data of the sample composed of 09 banks and 04

insurance companies. Data were collected from the annual reports from the Qatar Stock Exchange website, Qatar Central Securities Depository, investing.com. The Study model will be estimated using the Panel Data method.

The companies shall meet the following conditions to include in the study sample

- They have not been excluded from circulation for more than 6 months.
- They have not been integrated during the research period.

- They have not split its market value or distributed its shares.
- We aim through this study to estimate the following model to test the relationship between ownership diversification and financial performance in Qatari companies, represented in the following model:

$$\text{FNDP}_{it} = \beta_0 + \beta_1 \text{FOR}_{it} + \beta_2 \text{IND}_{it} + \beta_3 \text{EPS}_{it} + \beta_4 \text{SIZE}_{it} + \varepsilon_{it}$$

Where:

**i:** represents the company in the Panel method

**t:** represents the year in the Panel method

**FNDP:** Financial Performance expressed as Return on Assets.

**FOR, IND:** Includes variables that measure ownership diversification.

**Size:** Company Size

**Eps:** Earnings per share

**ε:** random error.

**1.2 Study variables:** The study employs a set of measures to calculate the study's variables based on the following studies (King and Santor, 2008) and (Martin Hovey, 2010).

**Ownership diversification:** we use the following indicators:

1. Foreign ownership: measured by the (percentage) of the ownership of non-Qataris
2. Individual ownership: measured by the (percentage) ownership of Qatari individuals

**Financial performance:** we use the following indicators

**Return on Assets (ROA):** It is defined as; the net income on the total assets and it reflects the company's return and the ability to transfer assets to generate profits. It is calculated as follows:

Return on assets = Net result / total assets

**Earnings per share (EPS):** Also called the net return ratio per share. It is calculated by the following relationship:

Earnings per share = the returns achieved by the corporation / the number of ordinary shares constituting the capital

Or,

Earnings per share = Net profit after taxes / Number of subscribed ordinary shares

**Company Size:** expressed as the logarithm of market capitalization. It represents the asset's market value (closing price of a company's share in the market at the end of the period).

### 1.3 Overview of the Qatar Financial Market:

- The Qatar Stock Exchange was established in 1995 and officially started its operations in 1997 under the name of the Doha Stock Exchange with 17 listed companies. Since then, the market has developed to become one of the most important stock markets in the Gulf region.
- In the year 2001, the Qatar Stock Exchange launched its first automated trading system ( the Horizon system).
- In 2002, the first website for the Qatar Stock Exchange was launched.
- An Emiri Decree was issued in 2005 allowing foreign investors to own shares in listed companies of up to 25% of tradable companies' shares.
- In 2010, the Qatar Stock Exchange introduced a new trading platform based on the latest trading technology used in the NYSE Euronext Stock Exchange
- In the year 2015, the Qatar Stock Exchange was upgraded by FTSE to the classification of an emerging market.
- The year 2018 witnessed great achievements, as the Qatar Stock Exchange was ranked as the best performing stock exchange in the world, and listed the first exchange-traded funds in Qatar and the largest on level of the Gulf Cooperation Council. The Qatar Stock Exchange launched the first platform for sustainability reporting (ESG) in the region and thus being a leading stock exchange in the world in achieving environmental, social, and corporate governance standards.

**Figure (2): A graphical curve showing the evolution of the Qatar Stock Exchange index since 2011**



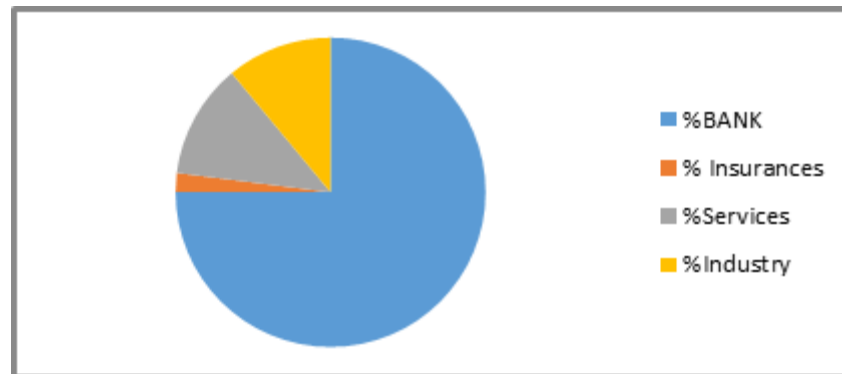
Source: www. Investing.com (12/03/2020)

The Qatar Stock Exchange index has fluctuated over the years and this is due to the activity of the financial market because of the economic conditions that the Qatar Stock Exchange is going through. It reached high rates from 2013-2015 that can be attributed to the fact that in 2013 the Qatar Stock Exchange witnessed a great achievement in its history after being promoted by MSCI to the status of the emerging market as of May 2014.

Likewise, S&P Dow Jones upgraded the Qatar Stock Exchange to the rank of emerging markets. The year

2013 also witnessed other great successes for the Qatar Stock Exchange. It has got full membership in the World Federation of Exchanges, and the CEO of the Qatar Stock Exchange became a member of the Board of Directors of the World Federation of Exchanges. In addition to the banking sector's activity that was distinguished by its high sectoral ranking in terms of the traded shares value compared to other sectors, as stated in the monthly bulletins of the Stock Exchange.

**Figure (3): The sectoral ranking of the Qatar Stock Exchange in term of market capitalization**



**Source: Prepared by the researchers based on Qatar Stock Exchange monthly bulletins.**

The Qatari financial market is one of the markets that has realized significant achievements over the past years in terms of performance, transparency, investor relations, accounting disclosure, and disseminating information according to the international best practices. The authorities in Qatar strived to attempt to

make Qatar Stock Exchange a platform for the diversification of the national economy and achieve sustainable development. Talk a little about the evolution of the financial sector in Qatar in terms of numbers and volume of assets.

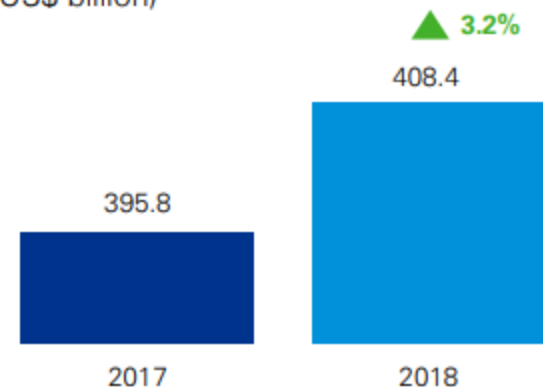
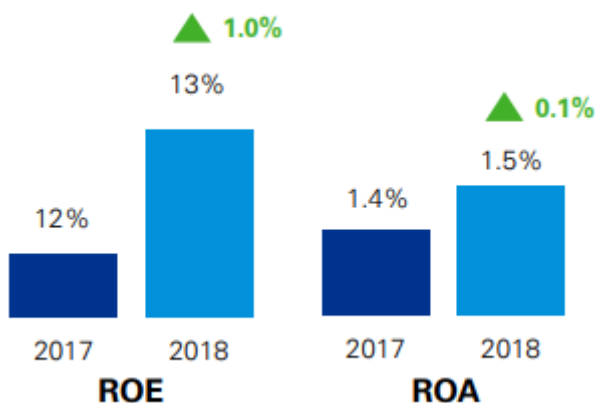
**Figure (4):The Evolution of the financial sector(Bank) in Qatar in period:2017-2018**

**1- Return on equity/return on assets**

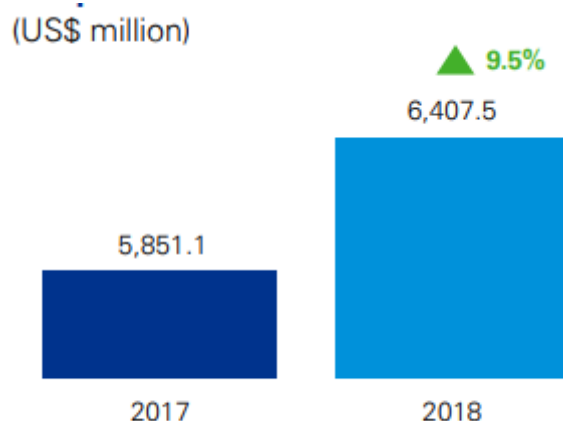
**2-Total Asset (Qatar bank)**

(Qatar Bank%)

(US\$ billion)



**3-Net Profit(Qatar Bank)**



Source: Qatar Bank Prespectives 2019(KPMG)

The banking sector is constantly evolving and to successfully navigate 2018 has been a positive year for listed banks in Qatar, with an average 9.5% growth in net profit and 3.2 % growth in total assets, which demonstrates strength and opportunities in the sector.

## 2. RESULTS AND DISCUSSION

### 2.1 Statistical description of the study variables

The following table presents the descriptive statistics of the study variables

Table (1): Statistical description of the study variables

	ROA	IND	FOR	EPS	CAPL
Mean	0.032571	0.412743	0.088558	0.047613	22.88442
Median	0.020100	0.420150	0.082000	0.037700	22.94010
Maximum Value	0.299000	0.637300	0.294100	0.222800	25.97123
Minimum Value	0.003000	0.162400	0.003000	0.001300	20.21244
Standard Deviation	0.037554	0.116499	0.067526	0.042695	1.387874
Skewness	4.259484	-0.305003	0.746092	1.624916	-0.075835
Kurtosis	28.00183	2.866340	2.975465	5.716819	2.879532
Sum	3.126800	39.62331	8.501520	4.570800	2196.904
Observations	96	96	96	96	96

Return on asset ROA average is 0.032571 and the standard deviation reaches 0.037554. Concerning the independent variable the individual ownership ratio (IND) mean is 0,412743, while the standard deviation is estimated at 0, 116499. Regarding the foreign ownership percentage (FOR) average is 0,088558 and the standard deviation is 0,067526. Control variables; the company's profitability (EPS) mean is 0,047613, while the standard deviation is estimated at 0,042695.

The size of the company (CAPL) mean is 22, 88442, while the standard deviation reaches 1, 387874.

#### 4.1 Stationarity

The stationarity of the variables will be measured by Lin & Chu test of the Panel data with respects to the following hypothesis:

H0: the series is nonstationary (presence of unit roots).

H1: The series is stationary (absence of unit roots).

Table 2: Stationarity of the study variables

Variables	Statistics Levin, Lin & Chut	Probability
IND	2.95027	0.0016
D(FOR)	52.5627	0.0000
EPS	2.24034	0.0125
CAPL	6.60073	0.0000
ROA	3.13739	0.0009

D: means the first difference

The results of the analysis indicate that the probability value of the ROA variable is less than the value of 0.05.

Therefore, the null hypothesis is rejected, and we conclude that there are no unit roots and the series is stationary at the level.

The results of the analysis indicate that the probability value of the IND variable is less than the value of 0.05. Therefore, we reject the null hypothesis and conclude that there are no unit roots and the series is stationary at the level.

The results of the analysis indicate that the probability value of the FOR variable at the first difference is less than the value of 0.05. Therefore, we reject the null hypothesis and conclude that there are no unit roots and the series is stationary at the first difference.

The results of the analysis indicate that the probability value of the EPS variable at the first difference is less than the value of 0.05. Therefore, we reject the null hypothesis and conclude that there are no unit roots and the series is stationary at the first difference.

The results of the analysis indicate that the probability value of the CAPL variable is less than the established significant value of 0.05. Therefore, we reject the null hypothesis and conclude that there are no unit roots and the series is stationary at the level.

#### 4.2 Model Estimation:

##### First: Hausman Test

To determine the nature of the effect, the study conducted the Hausman test to choose between the fixed effects model and the random effects model by testing the following hypothesis:

H0: The random effects model is the appropriate model.

H1: The fixed effects model is the appropriate model.

**Table 3: The Hausman Test to determine the effect**

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	16.352131	4	0.0026

reject the null

The results indicate that the Chi-Sq statistic value is 16.352131 and the probability value is 0.0026, which is less than the established value of 0.05. Therefore, we

hypothesis and the appropriate model is the fixed effects model.

##### Second: Estimating the Model:

**Table 4: Fixed Effects Model:**

Method: Panel Least Squares : Fixed Effects				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.441008	0.151156	-2.917560	0.0051
IND	0.224472	0.080015	2.805354	0.0069
EPS	-0.158559	0.040820	-3.884305	0.0003
FOR	-0.070795	0.034216	-2.069079	0.0433
CAPL	0.016428	0.006312	2.602734	0.0119
AR1	0.249577	0.048671	5.127834	0.0000
R2: 0.883709				
S.E.R: 0.010195				
F-statistic: 26.12201				
Prob (F-statistic): 0.000000				
D.W: 2.053339				

The results show that the coefficient of determination (R-square) equals 0.883709, meaning that the ROA variation is explained by 88.37% of the study variables, while the remaining value 11.63% is attributed to other factors.

The F-statistic is equal to 26.12201 with an estimated probability value of 0.00000, which is less than the value 0.05, which confirms that the model is appropriate and statistically significant.

As for the Durbin-Watson statistic, its value represents 2.053339, and this indicates the absence of the Autocorrelation problem.

##### Diagnostic of the model:

We will examine the model residuals using a set of tests. we will rely on Breusch-Pagan LM, Pesaran scaled LM, Bias-corrected scaled LM, Pesaran CD.

**Table 5: cross-sectional dependency test**

Test	Statistics	Probability
Breusch-Pagan LM	80.32578	0.1105



Pesaran scaled LM	1.246899	0.2124
Bias-corrected scaled LM	0.046899	0.9626
Pesaran CD	0.279871	0.7796

The results of the analysis indicate that the probability value of all tests is greater than the value of 0.05, which means that there is no cross-sectional correlation in the residuals.

#### 4.3 Hypothesis Testing Results:

##### **H01: The individual ownership level does not affect the financial performance**

The results indicate that the individual ownership ratio (IND) has a positive effect on the return on assets (ROA) with coefficient equals to 0.224472, which reveals that the companies with a high individual ownership rate realize high return on assets. The probability value is 0.0069, less than 0.05. Therefore, we reject H0 and accept the alternative hypothesis. Thus, there is a statistically significant effect of individual ownership on the performance of the Qatari companies.

##### **H02: Level of foreign ownership does not affect financial performance:**

The results of the statistical analysis indicate that there is a negative effect of the foreign ownership rate (FOR) on the rate of return on assets. This is proved by the negative value estimated at -0.07. This implies that the higher foreign ownership rate leads to a decrease in the return on assets.

The probability value reached 0.0433 less than 0.05. Therefore, we reject H0 and accept the alternative hypothesis. Thus, there is a statistically significant effect on the level of foreign ownership on the performance of the Qatari companies.

##### **H03: Company profitability does not affect financial performance**

The results of the statistical analysis indicate that there is a negative relationship between the profitability of the company (EPS) and the rate of return on assets, this is proved by the negative relationship between them represented by the negative value estimated at -0.158559, which indicates that the higher Company profitability increases, the less return on assets achieved. As for the T-test,  $\alpha = 5\%$  (0.05) and the probability value is 0.0003, so  $\alpha > \text{prob}$ . Therefore, we reject H0 and accept the alternative hypothesis. Thus, there is a statistically significant relationship between the company's profitability and the performance of Qatari companies

##### **H04: Company size does not affect financial performance:**

The results of statistical analysis indicate that there is a positive effect of the size of the company (CAPL) on the rate of return on assets, with a coefficient equals to 0.016428. This suggests that the more the company size the greater the return on assets achieved.

The probability value 0.0119, less than 0.05. Therefore, we reject H0 and accept the alternative hypothesis. Thus, there is a statistically significant effect of the size of the company on the performance of Qatari companies.

#### **RESULTS INTERPRETATION**

1. The positive effect of the individual ownership on the return on assets can be attributed to the effect of reducing the cost of the agent (agency theory) and good management oversight (Wei and Varela, 2003 Huang and Song, 2005; Wang, 2005) in the lights of the improvement of the corporate governance.
2. The result of the negative effect of foreign ownership on financial performance is consistent with the theory of asymmetry of information and distance. The theory suggested that the foreign investor cannot play well the supervisory role (Shahid and Anati, 2016), and this negatively affect the financial performance of the companies. On the other hand, this result does not go in line with the knowledge theory, which assumes that the knowledge and experience of foreign investor surpass that of the local investors, and that prevents the managers to manipulate the profits. (Hamdan, Al-Sorayai, Anasawah, 2016)
3. The profitability has a negative impact on the financial performance, so the increase in the profitability of one share leads the management to an increase in investment to employ these profit and to maximize shareholder returns, and with the increase of total assets, the return on assets value decreases in the short term but it will rise in the long term after the investment returns are collected
4. The positive effect of the company's size measured by the market value on the return on assets can be attributed to the degree of correlation between the size of the company and financial performance. This indicator proves to be a general indicator to measure the external performance of the company and that there is an effect on the return on assets size, in the sense that the returns of large-sized companies are greater than those of small-sized ones, regardless of the risks that these companies are exposed to, which reflects positively on the performance.

#### **5. CONCLUSION:**

This study has tried to address the impact of the ownership diversification on the financial performance in a sample of companies listed on the Qatar Stock Exchange during the period (2012-2019). The study uses the rate of individual ownership and that of foreign

ownership to measure the ownership diversification, and the return on assets to measure financial performance and control variables (earnings per share and company size) are introduced at the same time.

- The results revealed that there is a positive effect of individuals' ownership on the Qatari companies' performance. This can be attributed to the ability to reduce the cost of the agent and good management supervision. However, the effect of foreign investor ownership is negative mainly due to the difference in the investment environment (distance) and to the asymmetry of the information.

- The profitability has a negative impact on the financial performance. This result can be explained by The fact that increasing the profitability leads the managers to increase the investment spending to maximize shareholder returns. This decision leads to increase in the value of the total assets, and in turn, decreases the ratio of the return on assets in the short term but it will raise in the long term when the investments generate returns.

- However, the size of the company has a statistically significant positive effect, because as the company grows in the size, it can realize high profits and returns, and this reflects positively on financial performance.

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## Appendix :

**Table 1: Main financial indicators of companies listed on the Qatar Stock Exchange 2020**

Company	Stock Price (QR) 30-01-2020	Book Value /Share (QR)	EPS (QR)	Price index To yield	Price index To Book Value	Dividend Yield (%)
<b>QNB</b>	18.84	7.97	1.55	12.13	2.36	3.18
<b>Qatar Islamic Bank</b>	15.60	7.25	1.29	12.06	2.15	3.37
<b>Commercialbank</b>	4.53	4.39	0.50	9.06	1.03	4.42
<b>Doha Bank</b>	2.32	3.01	0.24	9.54	0.77	0.00
<b>Ahli Bank</b>	3.33	2.58	0.29	11.42	1.29	4.50
<b>International Islamic</b>	8.50	4.01	0.61	13.88	2.12	5.00
<b>Masraf Al Rayan</b>	4.07	1.86	0.29	13.95	2.19	5.53
<b>Al Khaliji</b>	1.25	1.67	0.18	6.96	0.75	6.00
<b>.Qatar Ins</b>	2.70	2.59	0.20	13.55	1.04	5.56
<b>.Doha Ins</b>	1.15	2.15	0.10	11.78	0.54	6.94
<b>.General Ins</b>	2.07	7.15	0.21	9.87	0.29	4.84
<b>.Islamic Ins</b>	6.32	2.52	0.48	13.04	2.51	5.93

Source : *Monthly Bulletin February 2020,Qatar stock exechange*

**Table 2: Main characteristics of the study's sample**

Company	ROA		ROE		Number OF SHARE	Market capitalisation
	12 months (%)	average of 5 years (%)	12 months (%)	average of 5 years (%)		
<b>QNB</b>	1,57%	1,79%	16,37%	17,47%	9,236,428,570	174,014,314,258.80
<b>Qatar Islamic Bank</b>	1,84%	1,72%	14,56%	12,99%	2,362,932,000	36,861,739,200.00
<b>Commercialbank</b>	1,37%	0,95%	8,68%	5,34%	4,047,253,750	18,313,823,218.75
<b>Doha Bank</b>	0,76%	1,12%	4,40%	6,10%	3,100,467,020	7,193,083,486.40
<b>Ahli Bank</b>	1,60%	1,83%	11 ,78%	13,86%	2,313,964,780	8,098,876,730.00
<b>International Islamic</b>	1,62%	1,85%	12,35%	12,50%	1,513,687,490	12,866,343,665.00
<b>Masraf Al Rayan</b>	2,09%	2,24%	17,40%	16,42%	7,500,000,000	30,525,000,000.00
<b>Al Khaliji</b>	1,22%	1,02%	10,04%	8,59%	3,600,000,000	4,500,000,000.00
<b>.Qatar Ins</b>	0,54%	2,48%	1,09%	8,73%	3,266,101,330	8,818,473,591.00
<b>.Doha Ins</b>	1,87%	3,58%	4,55%	6,28%	500,000,000	576,500,000.00
<b>.General Ins</b>	2,88%	2,08%	5,45%	3,89%	875,067,030	1,807,013,416.95
<b>.Islamic Ins</b>	6,50%	7,65%	21,42%	19,72%	150,000,000	948,000,000.00

Source: WWW.Investing.COM