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Ownership Structure on Firm Performance: Special Reference to Manufacturing Companies in Colombo Stock Exchange

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Abstract: *Any country, the use of effective corporate governance is significant towards its economic development. Therefore, designing of corporate governance mechanisms for effective decision-making is dominant. The concept of corporate governance covers large number of distinct economic relations and among them, corporate ownership structure plays a vital role at corporate level. In line with that, this study investigates the effect of ownership structure on firm performance of listed manufacturing companies in Sri Lanka. The study was used secondary data for conducting this research at the time of 2017 to 2018. Ownership structure consists with three variables namely block ownership, institution ownership and managerial ownership. The Return on Assets (ROA), Return on Equity (ROE) and Tobin's Q were used as accounting measurements to measure the firm performance. This study was used 45 companies for the analysis to achieve the set objectives. The Descriptive statistics, Correlation analysis and Regression analysis were used in this study to analysis the data. The study found that block ownership and managerial ownership is having both significant positive as well as negative relationship on firm performance. At the consideration of institutional ownership,it seems to be having positive relationship on firm performance at listed manufacturing sector in Sri Lanka. Therefore, it is evident that there was no any positive relationship between ownership structure and firm performance in manufacturing sector in Sri Lanka.*

Key Words*: Ownership Structure, Firm Performance, Corporate Governance*

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I. Introduction

Business entities that owned by individuals or groups mainly engaged in business operations to generate profit through decision making abilities. The profit maximization causes the efficient allocation of resources under the competitive market conditions, and profit is considered as the most appropriate measure of a firm's performance (Pandey, 2010). The ownership structure can be defined as the distribution of equity with regard to votes and capital, as well as the identity of the equity owners. At there, the equity interest is considered as an ownership interest in a business entity. Shareholders who own shares have equity interest as they purchase the ownership right of an entity. The most basic form of business ownership is the sole proprietorship which owned by one person without separating the ownership from the business and the owner himself is responsible for all the obligations of the organization personally. But large scale businesses, most commonly like companies are not run by the people who own them. On behalf of the owners they appoint agents to manage the business. Therefore, the separation of ownership and control of Modern Corporation naturally reduces management incentives to maximise corporate efficiency (Berle & Means, 1932). Ownership structures are also one of major determiner in Corporate Governance because they affect the incentives of managers, and thereby the efficiency of organizations. Corporate Governance is one of the most important controlling mechanisms which essentially involves balancing the interests of many stakeholders in current organization. The stakeholders may be the shareholders, managers, customers, suppliers, financial institutions, government and the community. In line with that corporate governance can be defined as the "system by which companies are directed and controlled" (Cadbury Report, 1992). Moreover OECD principle of Corporate Governance (2004) emphasized that corporate governance involves a set of relationship between a company's management, its board, its shareholders and other stakeholders also the structure through which objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. A debate among the companies and policy makers regarding Corporate Governance on firm performance aroused with the concept of Corporate Governance which developed globally through current economic circumstances. Gradually the concept developed by Jensen and Meckling (1976) in line to build up the theory called agency theory, which has been characterized as "a theory of the ownership structure". Agency theory emphasized the agency problem as one of major issue that organizations face and on account of that their attention has driven towards the Corporate Governance as a mechanism to mitigate the agency problem. The ownership structure is deemed to be one of the characteristics of Corporate Governance that differing from firm to firm. Normally it consist with institution ownership, block ownership, manager's and director's ownership.

The Chartered Accountants of Sri Lanka (ICASL) firstly introduced the Corporate Governance for companies listed in Sri Lanka in 1997 and issued the first Code of Best Practices on the matters related to financial aspects of Corporate Governance. The ICASL jointly issued revised Code of Best Practices on Corporate Governance (CBP) with Securities and Exchange Commission of Sri Lanka (SEC) in October 2008, to be complied voluntarily by companies in conjunction with the mandatory rules. At present, the Corporate Governance practices of Sri Lankan listed companies are governed by the mandatory Corporate Governance rules included in the Colombo Stock Exchange (CSE) rules. Further, these mandatory rules developed through a joint initiative of ICASL and SEC in consultation with the CSE to have best practices into practice precisely.

Firm performance is significantly impacted by corporate governance and if the functions are appropriately established for the corporate governance system, it attracts investment and helps in maximizing the company's funds, reinforcing the company's pillars and this will result in the expected increase in firm performance. In other words, an effective corporate governance protects against probable financial challenges and facilitates remarkable growth and therefore, corporate governance plays a key role in the growth of the firm performance (Ebrahim, Abdullah & Fadzil, 2014). Firm performance basically explained the success of the firm over a certain period of time and it can be measured through various mechanisms with different perspectives. Some measurement of performance are Return on Assets (ROA), Return on Equity (ROE), Tobin-Q, Profit Margin (PM), Earnings Per Share (EPS), Divided Yield (DY), Price-Earnings Ratio (PE), Return on Sales (ROS), Sales to Assets (STS), Operating Cash Flow (OCF), Return on Capital Employed (ROCE), Labor productivity (LP), Cost of Capital (COC), Operation Profit (OP), Return on Investment (ROI), Market-to-book value (MTBV) etc. Performance implications of ownership concentration have been examined empirically byvarious scholars and have produced mixed results. For example Leech and Leahy(1991) found a negative relationship between the ownership concentration and firm's value andprofitability. On the other hand, Zeitun and Gary (2007) revealed a significant positive relationshipbetween ownership structure and the accounting performance measure of return onassets (ROA) and return on equity (ROE).Yet, most research on ownership concentration and performance has been taken place in developed countries due to the availability of increasing awareness on that theories which originated based on the evidence collected on developed countries such as the USA and the UK. Due to the vast differences in political, socio-cultural and business contexts between the developed and developing countries, the applicability of corporate governance mechanisms to emerging economics like Sri Lanka still remained questionable. Eventually, this study mainly focused to examine the impact of ownership structure on firm performance with reference to manufacturing sector in Sri Lanka in most recent years for 2017 to 2018. All the 41 companies which are listed in Colombo Stock Exchange would be the sample of study to derive a better conclusion for the study.

II. Literature Review

2.1 Theoretical Review

- Corporate Governance

Corporate governance involves a set of relationship between a company's management, its board, its shareholders and other stakeholders and also the structure through which objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined (Organization for economic Co-operation and Development - OECD Principle of corporate Governance-2004). It can be simply defined as "the system by which companies are directed and controlled" (Cadbury report1992-UK). Moreover there are four pillars of corporate governance in the practice namely transparency, fairness, accountability and independence. The transparency is in the sense of more than the duty to inform, it is the desire to provide interested parties with information that is of interest, and not merely those imposed by laws or regulations. An adequate transparency results in an atmosphere of trust, both internal and external, in third-party relationships. It should not be restricted to the economic and financial performance, but also consider other tangible and intangible factors that guide managerial action and lead to the creation of value. Fairness refers to a fair treatment of all shareholders and other stakeholders while discriminatory attitudes or policies, under any pretext, are entirely unacceptable. Accountability means the agents of governance which should be accountable for their actions, undertaking the full consequences of their acts and omissions while independence reflects procedures and structures are in place so as to minimize or avoid completely conflicts of interest. All together with these four pillars it emphasized the good governance at the practice in any level of organization precisely.

The elements of corporate governance can be identified as good board practice, control environment, transparent disclosure, well-defined shareholder rights and board commitment. The evolution of these corporate governance practices have been started with the Cadbury report – 1992 and then gradually developed until to Higgs report – 2003 by passing iconic roots. In line with that there are some theories that are related with corporate governance as follows.

- **Agency Theory**

Agency theory raises a fundamental problem in organization self-interest behavior. A corporation's managers may have personal goals that compete with the owner's goal of maximization of shareholder wealth. Since the shareholder authorizes managers to administrate the firm's assets, a potential conflict of interest exists between the two groups.

- **Stewardship Theory**

Steward is a person who manage other's property and financial affairs and is entrusted with the responsibility of proper utilization and development of organization's resources.

- Stakeholder Theory

Stakeholder theory suggests that the purpose of a business is to create as much value as possible for stakeholder. In order to succeed and be sustainable over time, executives must keep the interest of customers, suppliers, employees, communities and shareholders aligned and going in the same direction. A conceptual framework of businessethics and organizational management which addresses moral and ethical values in the management of a business or other organization have been developed in relation with stakeholder theory.

When consider about the Sri Lanka context on corporate governance, the main governing body would be the Colombo Stock Exchange (CSE) which provides the rules and regulations on business entities at their operations. At present the corporate governance practices of Sri Lankan listed companies are governed by the mandatory corporate governance rules which are included in the CSE listing rules. These rules on corporate governance have been incorporated into the CSE listing rules from 2007 and made mandatory for listed companies from April 2008. Further these mandatory rules have been developed through a joint initiative of ICASL and SEC in consultation with the CSE. The section 7 of the listing rules deals with the rules on Corporate Governance that prescribes. Later on ICASL jointly with SEC issued revised (1997, 2003) code of best practices in October 2008 to be complied voluntary by companies in conjunction with the mandatory rules. It is comprehensive code that covers many aspects on corporate governance including the areas not addresses in the listing rules namely appointments to the board, selection of directors, performance evaluation of the directors, separation of rules of chairmen and CEO, board and board committee meeting and internal controls.

- **Ownership Structure**

The ownership structure is defined as "the distribution of equity with regard to votes and capital but also by the identity of the equity owners. These structures are of major important in corporate governance because they determined the incentive of managers and thereby economic efficiency of the corporation they manage" (Jensen & Mekling, 1976). The ownership structure can be in two modes as institutional ownership and block ownership. Institutional ownership refers to the ownership stake in a company that is held by large financial organization, pension funds or endowments. Institution generally purchase large block of a company's outstanding shares and can exert considerable influence upon its management. Meanwhile block ownership means a shareholder with an exceptionally large amount or value of stock. While there is no specific definition of how many shares constitute a block, most people using the term refers to holding or trading more than 10,000 shares and/or shares worth more than $200,000. Almost invariably, block holders are institutional investors (Financial Dictionary).

- **Firm Performance**

There are different mathematical measures to evaluate how well a company is using its resources to make a profit. Common examples of financial performance include operating income, earnings before interest and taxes and net assets value. It is important to note that no one measure of financial performance should be taken on its own. Return on equity is one of profitability ratio based on the investments, also referred to as return on net worth and it is expressed as a percentage. Return on equity measures the profitability of equity funds invested in the firm. This ratio calculates the profitability of the owners funds invested in the firm and it measures the amount of profit earned out of shareholder's invested capital. Return on assets is the ratio of annual net income to average total assets during a financial year. It measures efficiency of the business in using its assets to generate net income under a profitability ratio.

2.2 Empirical Review

- Relationship between Corporate Governance and Firm Performance

The study by Mollah, Faroogue and Karim (2012) examined the impact of corporate governance on the firm performance of African context. The study used 9 banks as sample apace and ten years annual reports of selected sample while using multi -variant analysis for data analysis. The result of this study showed that the corporate governance positively effect on firm performance in banks. Wahla, Shah and Hussain (2012) conducted a study to provide result of whether or not the corporate governance and firm performance indicators of the Pakistan industrial firm listed at Karachchi Stock Exchange are impact by variable that were suggest and to provide the important evidence for the relationship of corporate governance and firm performance. This study used 44 companies as sample and revealed that there is a significant direct positive relationship between profitability ratios either by earning per share (EPS) or return on assets and corporate governance and also positive significant and direct relationship between each of liquidity, dividend per share and the size of the firm with corporate governance. Ultimately this study found that there is a positive direct relationship between corporate governance and firm performance.

- Relationship between Ownership Structure and Firm Performance

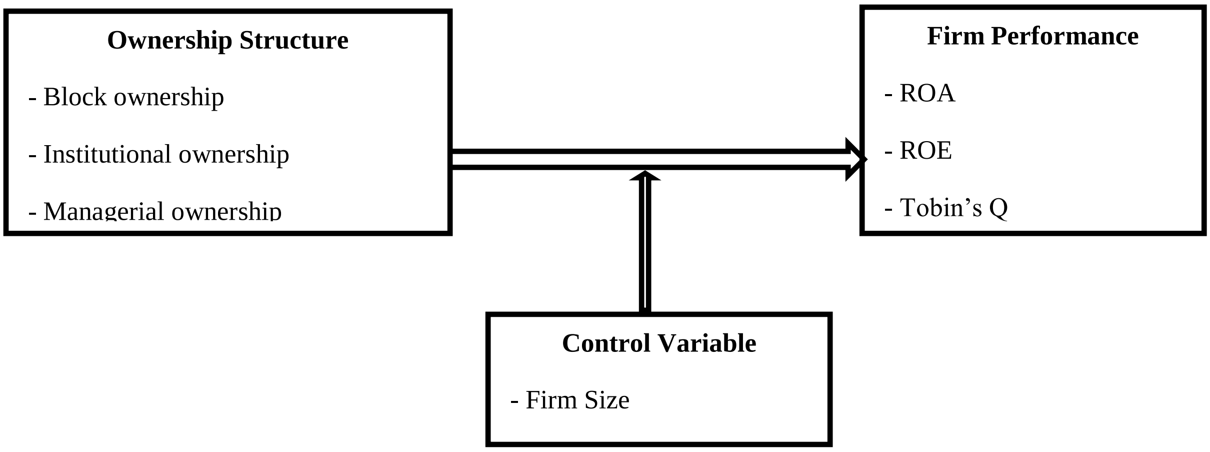
Telebenia, Valipour and Shahramshafiee (2004) investigated the relationship between ownership structure and firm performance while firm performance was measured by using Tobin's Q. The result of this study suggested that there is a significant relationship between performance of Tobin's Q and the ownership structure of investment organization and also they find out the there is no any significant relationship with minor shareholders of the firm and the firm performance. Finally the study find out the there is significant relationship between firm performance and institutional ownership structure. Alipour and Amjadi (2011) observed the relationship between ownership structure and firm performance of listed companies in Tehran Stock Exchange (TSE). The study used different firms as sample and collected the data for five years period from 2005 to 2009 while using panel data for data analysis. The study used ROA, ROE, Tobin's Q and return on book value ratio as performance measurements. The finding of this study showed that there is a significant and negative relationship between the amount of ownership of biggest shareholders and firm performance. And also the finding indicated there is a positive and significant relationship between the number of ownership of five greater shareholders and firm performance. And the amount of ownership of institutional shareholders and number of managerial shareholders and the number of ownership of individual shareholders was significant and negative relationship with firm performance. In line with that Pathirajawasam and Wickramasingha (2012) examined the impact of ownership concentration and the other related factors on the firm performance of companies listed on CSE in Sri Lanka. And also this study investigated the impact of ownership portion of the largest owner and other controlled variables on the firm performance of selected listed companies in Sri Lanka. ROA has been used as the performance measurement while the sample included 102 companies from the five largest sector, excluding bank, finance and insurance sector. The selected period of this study was from 2008 to 2009. The result of this study showed that ownership concentration has a positive relationship on the firm performance, but it is not a statistically significant determinant of firm performance.

Warokka, Abdullah and Duran (2012) examined the relationship between ownership structure and firm performance in East Asian Companies and Tobin's Q was used as a performance measures. The results of this study shows that the there is a positive and significant relationship between ownership concentration and firm performance. And also there is a positive and significant relation between impact of external block holder ownership (EBO) and Tobin's Q. The results of this study describe the large owners are more capable of controlling the management and it thereby contribute to the corporate performance. And also a negatively and significantly influence of managerial ownership at low level bears the entrenchment argument. It describes that managerial ownership at low – level has a strong and negative impact on performance. The negative relationship between firm performance and block owners ownership change increases with the level of initial holdings. This evidence suggested that block owners increase their ownership following poor performance to protect their initial holdings by providing liquidity to small institutional investors. In addition, the negative relationship only holds for firms with a priori interventionist block owners. Moreover, by elaborating the previous study Pathirawasam (2013), examined the impact of ownership concentration on company financialperformance, by considering 102 listed companies, representing the 5 largest sectors in theColombo Stock Exchange (CSE), Sri Lanka, for the period 2008 and 2009. At the findings the study concluded thata significant relationship was not detected between concentrated ownership results inimproved financial performance, which was measured through Return on assets (ROA). Abdolkhani and Jalal (2013) have conducted a study to investigate the relationship between corporate governance and firm return. It exams the effect of managerial ownership concentrated on firm performance in Iran Stock Exchange. The study results showed that there is a significant and negative relationship between managerial ownership concentration and firm value. And also it described there was a significant and negative relationship between ownership of executives or board directors and firm value.

III. Methodology

The study aims at identifying the relationship between ownership structure and firm performance at manufacturing sector in Sri Lanka. Accordingly, the sample included 41 companies which were having complete data of corporate governance structures and financial data for the period from 2017 to 2018. With the combination of block ownership, institutional ownership and managerial ownership; ownership structure considered as independent variable while profitability measure through return on assets (ROA), return on equity (ROE) and Tobin's Q would be the independent variables, with firm size as the controlling variable as shown in Figure 3.1.

Figure3.1 – Conceptual Framework



Hypothesis

Following the studies of Telebenia, Valipour and Shahramshafiee (2004), Pathirajawasam and Wickramasingha (2012) and many others assumed that there is a positive relationship between ownership structure and firm performance. According to this study the hypotheses are:

H_1 - There is a positive relationship between ownership structure and firm performance.
H_{1a} - There is a positive relationship between block ownership and firm performance.
H_{1b} - There is a positive relationship between institutional ownership and firm performance.
H_{1c} - There is a positive relationship between managerial ownership and firm performance.

Population and Sampling

The population of this study included all listed companies in CSE in Sri Lanka. It has 297 listed Companies representing 20 business sectors. The sample space was consisted with all manufacturing companies that were listed on the CSE in Sri Lanka. In this study sample included 41 companies which were having complete data of corporate governance structures and financial data for the period from 2017 to 2018.

Data Collection

In this study data has been collected through secondary sources most commonly from published financial statements of selected companies in the Manufacturing sector in 2017 to 2018. The related data was collected from the Comprehensive Income Statement and Statement of Financial Position of individual companies.

Data Analysis

Descriptive Statistic, Correlations and Regression Analysis were conducted to test the hypothesis of this study. As the main analysis tool, three linear multiple regression models which have been developed as follows:

Firm Performance (ROA) = $\alpha + \beta_1 BO + \beta_2 IO + \beta_3 MO + \beta_4 FS + \varepsilon$ Model 01
Firm Performance (ROE) = $\alpha + \beta_1 BO + \beta_2 IO + \beta_3 MO + \beta_4 FS + \varepsilon$ Model 02
Firm Performance (Tobin's Q) = $\alpha + \beta_1 BO + \beta_2 IO + \beta_3 MO + \beta_4 FS + \varepsilon$ Model 03

Where,

ROA = Return on Assets	BO = Block Ownership
ROE = Return on Equity	IO = Institutional Ownership
α = Constant	MO = Managerial Ownership
$\beta_1, \beta_2, \beta_3, \beta_4$ = Co –Efficient	FS = Firm Size
ε = Error term	

IV. Result Discussion

The descriptive analysis of Table 1 shown below depicting the descriptive statistics of all selected variables in the study including Mean and Standard Deviation of the data set to measure the central tendency values. The average values of data set indicating by means while standard deviation values imply whether those mean values are concentrated around the mean or scattered far and wide with respective mean values.

Table 1 – Descriptive Statistic

	Mean	Std. Deviation
BO	0.8343	0.12526
IO	0.7005	0.23345
MO	0.0922	0.16639
Firm Size	0.0000	1.00000
ROA	0.1208	0.08070
ROE	0.1932	0.20698
Tobin's Q	1.7944	1.45436

Source: Research Data

As it showed, majority of companies have lower level of managerial ownership by indicating the dispersion around 9% while companies have higher institutional ownership with the mean value of 70.05%. Mean value of companies' block ownership has dispersion around 83% with the implication that majority of companies have large number of share owners in manufacturing sector. When considering the standard deviation values in each variable; return on assets, return on equity and Tobin's Q deemed to be concentrated around the mean and all other variables seemed to be scattered far with its mean values respectively.

Correlation analysis is a tool to analyze the relationship between independent and dependent variable and in this scenario, three models have been developed to separately analyze the relationship of ownership structure on firm performance. Below Table 2 is depicting the summery of the correlation between independent variables and dependent variable of the study at 5% and 1% significant level. According to the results of correlation analysis, institutional ownership and managerial ownership have negative and insignificant relationship with ROA, while block ownership has negative but significant relationship with ROA. Also firm size has positive and significant relationship with firm performance. When considering ROE, there is a negative and insignificant relationship between block ownership and managerial ownership. The institutional ownership with ROE 9% indicates that institutional ownership increase firm performance and there is an insignificant relationship. There is a positive relationship between institutional ownership with Tobin's Q. The block ownership and firm size have negative and insignificant relationship with Tobin's Q, and also managerial ownership has negative correlation with Tobin's Q without significant relationship on each other.

Table 2 - Correlations

	BO	IO	MO	Firm Size	ROA	ROE	Tobin's Q
BO	1						
IO	.050	1					
MO	-.064	-.561**	1				
Firm Size	-.009	-.329*	.489**	1			
ROA	-.260*	-.032	-.153	.342*	1		
ROE	-.030	.090	-.151	.090	.640	1	
Tobin's Q	-.797**	.189	-.089	-.082	-.020	.052	1

* Correlation is Significant at the 0.05 Level (1-Tailed).
**. Correlation is Significant at the 0.01 Level (2-Tailed).

Since there are three separate measures on performance measurement, Regression analysis has been used in three times with independent variables on ROA, ROE and Tobin's Q distinctly as follows:

Table 3 – Results of Regression Analysis on ROA

Model 1:	**$ROA = \alpha + \beta_1 BO + \beta_2 IO + \beta_3 MO + \beta_4 FS + \varepsilon$**			
$\alpha\beta_1$	β_2	β_3	β_4	
4.006	0.004	0.432	0.034	0.001
R Square:0.343	Adjusted R-Square: 0.277	Sig: .002[a]		

a. Dependent Variable: ROA

When considering ROA separately as a measurement of firm performance, which denoted that co-efficient between dependent and independent variables were 27.7%., indicated a good level of explanatory power of dependent variable by independent variables. All independent variables plus with firm size positively impact on ROA and institutional ownership deemed to be the only one variable which showed insignificant impact.

Table 4 – Results of Regression Analysis on ROE

Model 1: ROE = $\alpha + \beta_1 BO + \beta_2 IO + \beta_3 MO + \beta_4 FS + \varepsilon$				
$\alpha\beta_1$	β_2	β_3	β_4	
0.289	-0.151	0.090	-0.030	0.090
R Square:0.061	Adjusted R-Square: 0.033	Sig: .000[a]		

a. Dependent Variable: ROE

Explanatory power of dependent variable ROE by independent variables of this study, was 6.1% indicated that a very low level in line with the adjusted R-square of 3.3%. Furthermore, block ownership and managerial ownership negatively impact of ROE while institutional ownership and firm size positively. Managerial ownership is alone significantly impact on firm performance.

Table 5 – Results of Regression Analysis on Tobin's Q

Model 1: Tobin's Q = $\alpha + \beta_1 BO + \beta_2 IO + \beta_3 MO + \beta_4 FS + \varepsilon$				
$\alpha\beta_1$	β_2	β_3	β_4	
8.634	0.910	0.048	0.000	0.914
R Square:0.688	Adjusted R-Square: 0.657	Sig: .000[a]		

a. Dependent Variable: Tobin's Q

According to the results of Table 5, the 65.7% variation of firm performance measured through Tobin's Q can be explained by the three components in ownership structure of this study. As a control variable, firm size is depicting an insignificant and positive relationship. Finally, the results found that ownership structure positively impact on firm performance but only institutional and managerial ownership impacts significantly. Consequently, by observing the results of regression analysis it can be concluded that block ownership and managerial ownership is having both significant positive as well as negative relationship on firm performance. At the consideration of institutional ownershipit seem to be having positive relationship on firm performance at listed manufacturing sector in Sri Lanka. The ultimate result which reflected on this study was that there was no any positive relationship between ownership structure and firm performance in manufacturing sector in Sri Lanka.

The findings of many other scholars in this field also revealed that the firm performance is highly affected by the ownership structure in Sri Lanka and following studies can be considered as comparable investigations with current study, which have been conducted in same geographical area favor in comparing. Manawaduge, Zoysa and Rudkin (2009)examined the impact of ownership concentration and ownership structure onfirms' performance of a sample of public listed companies in Sri Lanka in the premise of an agency theoryframework. The study first investigated the nature of ownership structure andconcentration and then examined whether there is strong evidence to support the observation that thevariations of ownership structure across firms result in systematic variations in firm performance. Thiswas tested by assessing the impact of ownership structure and concentration on firm performancemeasured firm performance in terms of accounting profitability namely ROA, ROE and Tobin's Q using data for 45 Sri Lankan listedcompanies.The main finding indicated that there was a significant relationship between ownershipconcentration and the performance of Sri Lankan companies measured in terms of an accountingperformance measure of Return on Assets (ROA). However, no significant relationship was found betweenthe Herfindahl index (HERF), which is a measure of ownership concentration, and any of the performancemeasures tested in the study. The insignificance of the HERF suggests that there could be a nonlinearrelationship between ownership concentration and a firm's performance. This study also did not find arelationship between market-based performance measures of companies and ownership concentration or theownership structure of the Sri Lankan companies. Most recent finding on this regard by Chandrasena and Kulathunga (2018) have designed the study with the objectives into twofold; to investigate whether ownership structure has an impact on firm performance and to examine whether concentrated ownership has an impact on firm performance, in companies listed in Sri Lanka. The sample of seventy six (76) non-financial listed companies in CSE during the period of 2008 to 2014 have been considered to the study. A time fixed effect model was applied into the panel regression analysis and a Generalized Least Squares (GLS) regression model was chosen as the analysis techniques. At the end, findings of the study suggested that there was a significant relationship exists between ownership structure and firm performance; which is quiet opposite with the findings of the current consideration.

V. Conclusion

The present study has investigated the relationship between ownership structure and firm performance of listed manufacturing companies Sri Lanka. The ownership structure comprised with block ownership, institutional and managerial ownership while return on assets (ROA), return on equity (ROE) and Tobin's Q used as a proxy of dependent variable of firm performance. The key objective of this study was identifying the relationship between ownership structure and firm performance of listed manufacturing companies in Sri Lanka. The sample space included all 41 companies which were having complete data of corporate governance structures and financial data for the period from 2017 to 2018. All the data and information for this study are gathered from secondary sources using financial statements. Descriptive statistic and multiple regression statistical technique with three separate models at dependent variable as return on assets, return on equity and Tobin's Q, have been used to draw conclusions and test the empirical relationships in data. Coefficient of correlation is used to check the causal relationship between the dependent and independent variables. The results highlighted that only there is a positive correlation between institutional ownership and firm performance (only with ROE and Tobin's Q) while in between all other components of ownership structure and performance measurement are having negative correlation. Multiple regression statistical technique which used to achieve the objectives of the study found that independent variables such as block ownership and managerial ownership both are not having positive relationship on firm performance in manufacturing sector in Sri Lanka. This result would cause to reject the developed hypothesis at the consideration. When referring to the institutional ownership, it is the only one component in ownership structure which indicated a positive relationship with all three performance measurements (ROA, ROE, Tobin's Q) at manufacturing sector in Sri Lanka. The ultimate result which reflected on this study was that there was an absence of positive relationship between ownership structure and firm performance in manufacturing sector in Sri Lanka at the period of study. The study contributes to the body of knowledge of ownership structure and firm performance in listed manufacturing companies in Sri Lanka. However, in view of the limitations that constrained in this study, it can be provided with suggestions for subsequent studies in future. As the current study aimed to identify the relationship between ownership structure and firm performance in listed manufacturing companies in Sri Lanka which can move for another sample segments such as diversified holding sector, construction sector in CSE etc. The concepts of ownership structure can be incorporated as well as extended to border areas of capital structure theories namely net income theory, net operating income theory as well as Modigller and Miller theory which would be moreover facilitated not only for accounting performance measurements but also other measures of entities at large for better decision making on finance decisions.

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