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# Does Foreign Ownership Matter forFirmPerformance? The Moderating Role ofRisk Taking Behavior andLeverage inEmerging Economy

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***Abstract***
***Background And Purpose*:** *In General, Previous Studies Are Found That Foreign Ownership Is Studied Via Ownership Structure And Firm Performance. For This Reason, Foreign Ownership And Firm Performance Were Biased. But This Research Goal Is To Determine How Foreign Ownership Affects A Company's Financial Performance With ROA, ROE., And Tobin's Q. Further Research Is Needed To Determine If Risk-Taking Behavior And Leverage In Bangladeshi Non-Financial Enterprises Alter The Association Between Foreign Ownership And Performance.*
***Materials And Methods**: From 2010 To 2021, A Total Of 1631 Observations Were Collected From 228 Listed Non-Financial Businesses On The Dhaka Stock Exchange (DSE) Utilizing The Annual Report, Closing Price, Monthly Review, And Prospectus. The Most Appropriate Model (Pooled OLS, Random Effect, And Fixed Effect) Has Been Used For This Investigation.*
***Results:** The Findings Of This Research Indicate That Tobin Q (TQ) Is Not Significant, Whereas Return On Assets (ROA) And Return On Equity (ROE) Are Adversely Significant With Foreign Ownership. The Study Also Demonstrates That Leverage, But Not Risk-Taking Behavior, Moderates The Association Between Foreign Ownership And Business Performance With ROA And ROEBut Not TQ.*
***Conclusion:**ThisStudy Expands On Earlier Research Examining The Connection Between Foreign Ownership And A Company's Success In Developing Nations Like Bangladesh That Are In A Failing Economy. Even Though There Is Little Research On Developing Countries Examining The Relationship Between Foreign Ownership And Company Performance, Those That Exist Do Not Simultaneously Look At ROA, ROE., And TQ. In Contrast, This Research Expands The Previous Studies By Including Risk-Taking Behavior And Leverage As Moderators. Infect, The Prior Research Missed Exploring The Moderating Influence Of Foreign Ownership And A Firm's Performance With Risk-Taking Behavior And Leverage. It Offers A Unique Viewpoint.*
***Key Word**:ForgienOwnership; Firm Performance; Risk &Leverage; Emerging Economy; Bangladesh.*

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## I. Introduction

According to the World Bank study, Bangladesh is a developing nation with a market economy in development, witnessed strong economic growth in FY19, led by rising exports and record remittances. Remittances to Bangladesh saw a considerable increase in FY19, rising by 9.8% to a record high of $16.4 billion. There was a clear increase in the net export contribution, which was caused by increased orders for textile exports and falling imports. Non-RMG exports, particularly those from the pharmaceutical and agricultural sectors, also contributed to the leather and leather goods exports decreased by 6%. The net foreign direct investment (FDI) increased significantly in the electricity, textile, and food sectors by 42.9%. A 5.4 percent rise in private consumption was recorded (Release, 2019).Following gaining independence in 1971, Bangladesh's government embraced socialism and seized control of every industry under its jurisdiction. Donor groups encouraged the government to switch to an open market economy as public sector firms faltered. The private sector mainly attracted personal investments.

Smaller businesses were often the targets of privatization (Uddin & Hopper, 2003), but state-owned businesses were typically acquired by private investors who wanted to maintain them family-owned. A few of the laws and rules that apply to Bangladesh include the Bangladesh Bank Order of 1972, the Securities and Exchange Commission Act of 1993, the Banking Companies Act of 1991, the Financial Institutions Act of 1993, the Bankruptcy Act of 1997, the Insurance Act of 1938 and Regulation of 1958, the Income Tax Ordinance of 1984, the DSE and CSE listing rules, the Bangladesh Accounting Standards, and the Bangladesh Standards on Auditing.Bangladesh has institutional characteristics with other developing nations, including an underdeveloped capital market, a poor capital market form efficiency, a lack of a thriving market for corporate control, a dormant managerial labor market, and few incentive agreements for management (Farooque, van Zijl, Dunstan, & Karim, 2007; Islam & Khaled, 2005; Siddik, Alam, Kabiraj, & Joghee, 2017). In recent research, the author cites issues with Bangladeshi corporate governance, such as those with highly concentrated ownership, limited shareholder involvement, family control, and weak legislation (Moudud-Ul-Huq, Zheng, Gupta, Hossain, & Biswas, 2020; Uddin, Majumder, Akter, & Zaman, 2022). The weak legal framework and lack of empowerment restrict the market's potential growth, which demands improved ownership-based oversight and market-based control as essential governance measures.

Why is the study of foreign-owned businesses most important, especially in the case of Bangladesh? Many researchers believe that Bangladesh has one of the fastest-growing economies in the world and has one of the densest populations (Badrul Muttakin, Khan, & Subramaniam, 2014; Rashid, 2020; Uddin et al., 2022; Zheng, Moudud-Ul-Huq, Rahman, & Ashraf, 2017). Previous researchers (Bose, Lim, Minnick, & Shams, 2023; Carney, Estrin, Liang, & Shapiro, 2019; Caselli, Gatti, Chiarella, Gigante, & Negri, 2023; Chakraborty & Mahakud, 2023; Gu, Cao, & Wang, 2019; Hu, 2023; Kao, Hodgkinson, & Jaafar, 2019; Krasniqi et al., 2023; Mariotti, Marzano, & Piscitello, 2023; Muttakin, Monem, Khan, & Subramaniam, 2015; Saini & Singhania, 2019; Shawtari, 2018), they investigate the foreign ownership through ownership structure but not exact foreign ownership. For that reason, their result wasmanipulated.Furthermore, they didn't investigate the relationship between foreign ownership and firm performance by using moderating factors of Risk-taking behavior and Leverage. This current study expands on earlier research examining how foreign ownership affected corporate performance. It offers a unique viewpoint by illustrating how foreign ownership directly affects company performance and how variables like Risk-taking behaviors and Leverage mitigate the link between foreign ownership and firm performance. Additionally, they sometimes used market-based measures to gauge success, and other times they used accounting ratios. To assess the firm's performance, this research simultaneously considered the accounting and market-based ratios. Due to Bangladesh's high population density, several industrialized nations, including the USA, Australia, Canada, UK, Japan, Russia, China, and India are keen to invest their money there. The present study will recover the limits of earlier research, which will also assist investors in making the right choice.The following section two, three, four, andfive,are presenting the Literature review, Research methods and Design, Result analysis and discussion, and finally Conclusions remarks respectively.

## II. Literature Review and Hypotheses Development

**Return on Asset (ROA)**

Return on assets is one of the most well-known and extensively utilized indicators of a company's financial success (Dash & Raithatha, 2019; Tangen, 2003). The ROA is a barometer that measures the company's ability to strategically deploy its assets(Agiomirgianakis, Voulgaris, & Papadogonas, 2006). Technically speaking, ROA is calculated by dividing net profit or profit after taxes by total assets. It gauges how effectively and efficiently a company uses its organizational assets to produce profits. It has been stated that a successful corporation should have an average return on assets of 10% to 12%(Majumder, Hossain, & Rahman, 2017). Khalifa and Shafii (2013) said that any ratio falling below 10% to12% suggests that an asset was used inefficiently and ineffectively during the period in question. Consequently, the return on assets is determined according to (Wang & Shailer, 2018; Yeh, 2019) in the manner shown below;

$$\text{ROA}=\frac{Net\ Income}{Average\ Total\ Assest}$$

**Return on Equity (ROE)**

Return on equity (ROE) is a performance metric that is accounting-based and is often used in earlier research to examine the relationship between ownership structure and business performance (Dash & Raithatha, 2019; Hooy, Hooy, & Chee, 2019; Hunjra, Naeem, Noor, & Saleem, 2016; Kuo, Lu, & Dinh, 2019; Vu, Phan, & Le, 2018; Wang & Shailer, 2015; Yeh, 2019). They advise using ROE as a gauge of financial success. All shareholders and investors are first concerned with ROE since they have access to the finest portfolios on the money and stock

markets. Financial incentives such as preferences and dependence on corporations producing profits exist if they keep the stock(Dash & Raithatha, 2019). A corporation may use the ROE index to determine if the risk involved in an investment is worthwhile (Yan & He, 2018). To determine the return on equity (Hooy et al., 2019) consider the following ways;

$$\text{ROE} = \frac{Net\ Income}{Total\ Shareholder's\ Equity}$$

**Tobin's Q (TQ)**

In his 1966 paper "Marginal Productivity and the Macro-Economic Theories of Distribution: Comment on Samuelson and Modigliani," Nicholas Kaldor used the terms "Kaldor's V ratio" and "Q ratio" to define Tobin's Q(Kaldor, 1966).After ten years, James Tobin popularized it in 1977 under the name Tobin's Q. The market-based performance measure Tobin's Q(Dash & Raithatha, 2019). Previous researchers have employed Tobin's Q to ascertain the connection between ownership structure and business performance(Dash & Raithatha, 2019; Hoang, Nguyen, & Hu, 2017; Hooy et al., 2019; Kuo et al., 2019; Mutlu, Van Essen, Peng, Saleh, & Duran, 2018; Outa & Waweru, 2016; Poletti-Hughes & Williams, 2019; Rashid, 2018; Shan, 2019; Wang & Shailer, 2018; Yan & He, 2018). This research used Tobin's Q to quantify firm performance to ascertain the direct and combined effects of Risk-taking behavior and Leverage on the relationship between family ownership and a business's performance. This contradicts the claim that performance is a multidimensional concept and that no one metric can satisfy all of them (Dess & Robinson, 1984; Glick, Washburn, & Miller, 2005). Therefore, TQ has been calculated in the following ways;

$$\text{TQ} = \frac{Market\ Value\ of\ shares + Book\ Value\ of\ Laibility}{Book\ Value\ of\ Total\ Assets}$$

**Foreign Ownership and Firm Performance**

Previous researchers have applied different underpin theories in their studies atvarious times to linkup their findings with theatrical solutions, for example Agencytheory(Ciftci, Tatoglu, Wood, Demirbag, & Zaim, 2019; Hooy et al., 2019; Huang & Yang, 2016; Hunjra et al., 2016; Kao et al., 2019; Kuo et al., 2019; Sakawa & Watanabel, 2019; Shan & Xu, 2012; Wang & Shailer, 2018; Yan & He, 2018; Yasser, Al Mamun, & Rodrigs, 2017), Equifinality theory (Carney et al., 2019), Legitimacy and Stakeholder theory(Millet- Reyes & Zhao, 2010; Saini & Singhania, 2019; Shawtari, 2018), Agency and Institutional theory (Muttakin & Subramaniam, 2015), Traditional theory of foreign direct investment (Chari, Chen, & Dominguez, 2012). The most well-known and oldest theory in finance that has been used to describe the principal-agent relationship is called agency theory(Bose et al., 2023; Caselli et al., 2023; Chakraborty & Mahakud, 2023; Gu et al., 2019; Hu, 2023; Krasniqi et al., 2023; Mariotti et al., 2023),and (Jensen & Meckling, 1976).Management academics have just become aware of agency, context-sensitive Western theory (Hasan, Riaz, & Nakpodia, 2023). Jensen and Meckling (1976)initially presented the Agency theory to enhance the firm's profitability by strengthening agent-principal connections.

In empirical studies, foreign ownership focuses on the influence foreign shareholders apply to the firm's performance in which they hold a financial interest. According to research by Uwuigbe and Olusanmi (2012), and Chari et al. (2012), the foreign stake-to-total stockholding ratio affects company performance, particularly in financial institutions like banks. One reason for minimizing the fiscal cost of bank restructuring is the capital contribution from foreign investors, as highlighted by Tang, Zoli, and Klytchnikova (1999). Secondly, more efficiency can be attained because foreign banks may deliver more risk management competence and superior C.G. culture (Bonin, Hasan, & Wachtel, 2005).Thirdly, there is a trickle-down effect where foreign institutions' presence may generate competition and cause a local organization to reduce costs to make them operate efficiently (Claessens & Fan, 2002). Fourthly, a corporate trustee could be built, resulting in a higher firm valuation. According to Anum Mohd Ghazali (2010), if foreign ownership is significant in a firm, it may indicate trust. Finally, better C.G. practices may be possible due to the domestic market's liberalization of foreign trade and investment (Kim & Yoon, 2007). Such open markets are ready for more private ownership and management. The foreign organization is incentivized to monitor management to assure higher returns, among other benefits (Khanna & Palepu, 2000).

Using panel data from listed companies between 1997 and 2015 using the two-stage least squares (2SLS) regression model, Kao et al. (2019) performed a study in Taiwan. According to their research, foreign ownership and financial performance indicators, including ROA, ROE., and Tobin's Q, are positively correlatedandconsistent with Agency theory. Hooy et al. (2019) performed a study in Malaysia utilizing DataStream and annual reports to examine information from listed companies between 2001 and 2012. Their research showed a non-linear (U-shape) association between foreign ownership and accounting performance indicators (ROA and ROE) as well as measures of market performance (Tobin's Q) linked with Agency theory.Using information from 36 companies between 2013

and 2017, Kuo et al. (2019)researched Taiwan's vehicle sector. According to their research and linked with the Agency idea, foreign ownership positively correlates with several performance indicators, including ROA, ROE, EPS, DPS, and Tobin's Q.Ciftci et al. (2019) conducted a study in Turkey, analyzing data from 210 firms representing 49 percent of listed firms on the BIST between 2010 and 2013. Using the panel regression model, they found a positive relationship between foreign ownership and firm performance underpinned by Agency theory. In a comprehensive study using cross-section time-series panel data from the WBES dataset, including over 120,000 firms across 130 countries from 2006 to 2016, Carney et al. (2019) found a positive relationship between exports and firm performance as well as a negative relationship between labor and productivity based on Eqifinality theory. However, in the case of foreign ownership, all performance measures, including labor productivity and exports, were positively correlated. Saini and Singhania (2019) conducted a study in India using data from 648 firms between 2008 and 2015. They employed cross-sectional time-series data and utilized the OLS and GMMApproaches. The findings revealed a positive relationship between foreign ownership and performance measures such as ROA, ROE, and Tobin's Q consistent with Legitimacy and Stakeholder theory.

Sakawa and Watanabel (2019) conducted a study in Japan using data from 14,991 firm-year observations on the Tokyo Stock Exchange (T.S.E.) between 2007 and 2016. They employed a feasible generalized least squares (FGLS) regression model and found a positive relationship between family ownership, foreign ownership, and performance measures such as dividend payouts, ROA, and sales growth underpinned by Agency theory.Shawtari (2018)studied 16 listed commercial banks in Yemen between 1996 and 2013. Using the OLS approach, the study found a positive correlation between family ownership, foreign-owned firms and performance (ROA, ROE, and Bank Margin) supported by Stakeholder theory. In their study, Iwasaki, Mizobata, and Muravyev (2018) conducted a meta-regression analysis using 29 selected previous studies out of 877. They found a positive association between managerial ownership, foreign ownership, and various performance indicators such as sales/output volume, efficiency, productivity, firm value, export, and restructuring.Yan and He (2018) conducted a study on non-financial listed firms in China's Shanghai and Shenzhen Stock Exchange from 2007 to 2013. They found a positive relationship between government ownership, foreign ownership, and firm performance indicators such as Tobin's Q, ROA, and ROE, using the fixed 2SLS-GMM approach consistent with Agency theory. Wang and Shailer (2018) used meta-analysis techniques to examine 54 prior papers from 17 different nations for their investigation. They found that family ownership, foreign ownership, and firm performance measures, including ROA, ROE, and Tobin's Q, all had favorable relationships underpinned by Agency theory.

Hunjra et al. (2016) conducted a study involving 57 listed non-financial firms from the Pakistan Stock Exchange, Bombay Stock Exchange, and Dhaka Stock Exchange. Using Ordinary Least Squares (OLS) and 2SLS regression models, their analysis revealed a negative relationship between managerial ownership and ROA.However, no relationship was found with ROE. Interestingly, in Bangladesh, foreign ownership showed a positive correlation with ROA but a negative association with ROE supported by Agency theory. Huang and Yang (2016) conducted a study on listed manufacturing industries in Vietnam from 2000-2008. Using a fixed effect regression model aligned with Agency theory, they found a positive relationship between government ownership and foreign ownership with the sales level, which served as a proxy for performance.In their study conducted in Bangladesh, Muttakin, Khan, and Subramaniam (2014) analyzed data from 141 listed non-financial firms on the Dhaka Stock Exchange from 2005-2009. They used regression analysis and discovered a positive relationship between foreign ownership and ROA and Tobin's Q lined with Agency and Institutional theory.Chari et al. (2012) conducted a study in the USA, collecting data from 1980 to 2006 using Thomson Financial datasets. They employed the Probit regression model and found a positive association between foreign ownership and firm performance, specifically ROA based on the Traditional theory of FDI. Al-Manaseer, Al-Hindawi, Al-Dahiyat, and Sartawi (2012) performed research in Jordan, focusing on the association between foreign ownership and company performance. Using the Ordinary Least Squares (OLS) estimate technique, they examined data from 15 Jordanian-listed banks between 2007 and 2009. Their research found a positive correlation between foreign ownership and ROE, ROA, PM, and EPS metrics of company performance.Twenty-eight listed Chinese companies were used in a study by Shan and Xu (2012), which examined an imbalanced dataset of 139 firm-year observations from 1999 to 2009. According to their analysis using ordinary least squares (OLS) regression underpinned by Agency theory, there was no discernible connection between foreign ownership and business performance. Shan and McIver (2011)researched 540 listed non-financial firms in the Hong Kong Stock Exchange from 2001 to 2005. They used OLS and fixed effects models and found no significant relationship between foreign ownership and firm performance, specifically Tobin's Q linked with Agency theory.Six hundred and sixty-five (665) non-financial firm-year observations, including 174 French enterprises from 28 nations were used in a research carried out in France by Millet- Reyes and Zhao (2010). The analysis covered the years 2000–2004. They used a multiple regression model;

however, the results showed no connection between foreign ownership and company performance, especially regarding ROA, OCF, and Tobin's Q aligned with Agency and Stakeholder theory.Gurbuz and Aybars (2010) conducted a study in Turkey, analyzing non-financial listed firms on the Istanbul Stock Exchange (ISE) over three years from 2005 to 2007. They used Generalized Least Squares (GLS) and Auto Regression Model (VAR) and found no significant relationship between foreign ownership and firm performance specifically regarding ROA.Al-Matari, Al-Swidi, and Fadzil (2013) highlighted the lack of empirical studies supporting the relationship between ownership form and firm performance. They suggested that foreign ownership could improve performance by aligning the interests of managers and owners and reducing agency costs. Therefore, the main objective of agency theory is to encourage daily supervision in order to minimize agency issues resulting from the interactions between owners and managers(Sunon, Islam, & Kabir, 2022; Yang, Shang, Li, & Lan, 2022; Yi, Xu, Wei, & Lin, 2023).Foreign ownership is expected to have an impact on the company's performance in terms of return on assets, return on equity, and Tobin's Q. The agency theory is appropriate for the current research efforts because it generates more views of the links between the various forms of ownership structures, which may enhance firm performance while reducing conflict between principal and agent. However, the studies in Appendix Table-A present the literature matrices of foreign ownership and firm performance. As a result, the suggested hypotheses are shown below.

**H1a:**Foreign ownership has a significant effect on ROA of non-financial institutions
**H1b:**Foreign ownership has a significant effect on ROE of non-financial institutions
**H1c:**Foreign ownership has a significant effect on TQ of non-financial institutions

**Risk-Taking Behavior**

According to Prospect Theory, portfolio investments may reduce risk (Kahneman, 1979; Kahneman & Tversky, 2013). The main worry of the commercial organization is risk (Besley & Brigham, 2013). Risk is present everywhere (Akpan, Mahat, Nordin, & Nassir, 2017). The idea of risk is an essential factor when evaluating any investigation involving business operations and its success due to the dynamism and unpredictability in the world's real business arena. Risk is the potential for financial loss (whether absolute or relative to expectations), which is inextricably linked to the chance of financial gain(Press, 2010). "The chance of financial loss or, more formally, the variability of returns associated with a given asset"(Gitman, 2009). According to Akpan (2018),Risking comparison Due to the complexity of risk from its inception, the whole discipline of risk management has attracted increasing attention in many fields—not by choice but by design. Risk management is the process of identifying and assessing all organizational risks to optimize organizational value for all stakeholders (Hoyt & Liebenberg, 2011), over the purpose of eliminating high deviation, the risk-taking behavior (CRT.), which is a standard deviation of ROA has been evaluated over every three years beginning in 2010 and ending in 2021 (i.e., 2010-2011-2012 and so on)(Moudud-Ul-Huq, 2021). The following formula is used to calculate risk-taking behavior:

CRT= $Standard\ Deviation\ of\ ROA$

The link between foreign ownership and a firm's success is thought to be moderated by risk-taking behavior. Consequently, the following are the anticipated moderating hypotheses of risk-taking behavior;

**H2a:** Risk-taking moderates foreign ownership and ROA connection of non-financial institutions
**H2b:** Risk-taking moderates foreign ownership and ROE connection of non-financial institutions
**H2c:** Risk-taking moderates foreign ownership and TQ connection of non-financial institutions

**Leverage**

Leverage, a crucial component of the capital structure, affects the ownership structure and profitability of the company(Modigliani & Miller, 1963). Modigliani and Miller (1958) established capital structure theory for the first time. However, they found no connection between Leverage and business performance. Later, however, it was said that the tax shield, a crucial component of the capital structure, is taken into account when evaluating Leverage to determine a firm's performance (Ali, Qiang, & Ashraf, 2018; Hirshleifer, 1966; Modigliani & Miller, 1963; Stewart, 1984). The mix of debt, equity, preferred stock, and retained profits is called the capital structure. Leverage is a financial strategy used by companies to increase assets, cash flows and profits, but it may also increase losses and profits. Financial and operational Leverage are the two basic types that are accessible. A business may issue bonds by offering fixed-income securities for sale or by taking out a loan directly from a lender to increase financial Leverage. By increasing revenue or profit margins, operating Leverage may also be used to enhance cash flows and dividends. Both strategies include some risks, such as bankruptcy, but may benefit a firm.UtilizingLeverage in the capital structure increases cash flow, lowers costs of capital, provides a tax shelter, and boosts profitability, all of which raise the firm's worthLeverage is thus determined as follows:

$$\text{LEV} = \frac{Total\ Debt}{Total\ Asset}$$

Leverage is believed to regulate the performance of the company's connection with foreign ownership. Consequently, the following moderating theories are proposed:

**H3a:** Leverage moderates foreign ownership and ROA connection of non-financial institutions

**H3b:** Leverage moderates foreign ownership and ROE connection of non-financial institutions

**H3c:** Leverage moderates foreign ownership and TQ connection of non-financial institutions

**Controlled Variables**

**Firm size:**Perhaps larger businesses' more robust engagement in campaigns than smaller ones is the reason for their increased demand, efficiency, and expertise (Badrul Muttakin et al., 2014). The border companies thus expect a larger board size. This research uses the natural logarithm of total assets to assess business size (Badrul Muttakin et al., 2014; Yeh, 2019).

**Board Size:**Board size affects a company's performance(Badrul Muttakin et al., 2014; Rashid, 2018). The size of the board is a significant predictor of successful governance failure(Badrul Muttakin et al., 2014; Dalton, Daily, Ellstrand, & Johnson, 1998). The benefits of hiring each member are often weighed against the expenses of reaching a consensus and the board's functioning(Badrul Muttakin et al., 2014). The study's natural logarithm of the Board of Directors accounts for board size(Badrul Muttakin et al., 2014; Rashid, 2018).

**Firm Age:**The intricacy of a corporation grows with time. The relationship between firm age and firm performance is thus likely to be ambiguous(Badrul Muttakin et al., 2014).The company's age is determined by multiplying the logarithm of the years since the firm's founding(Anderson & Reeb, 2003; Muttakin, 2012).

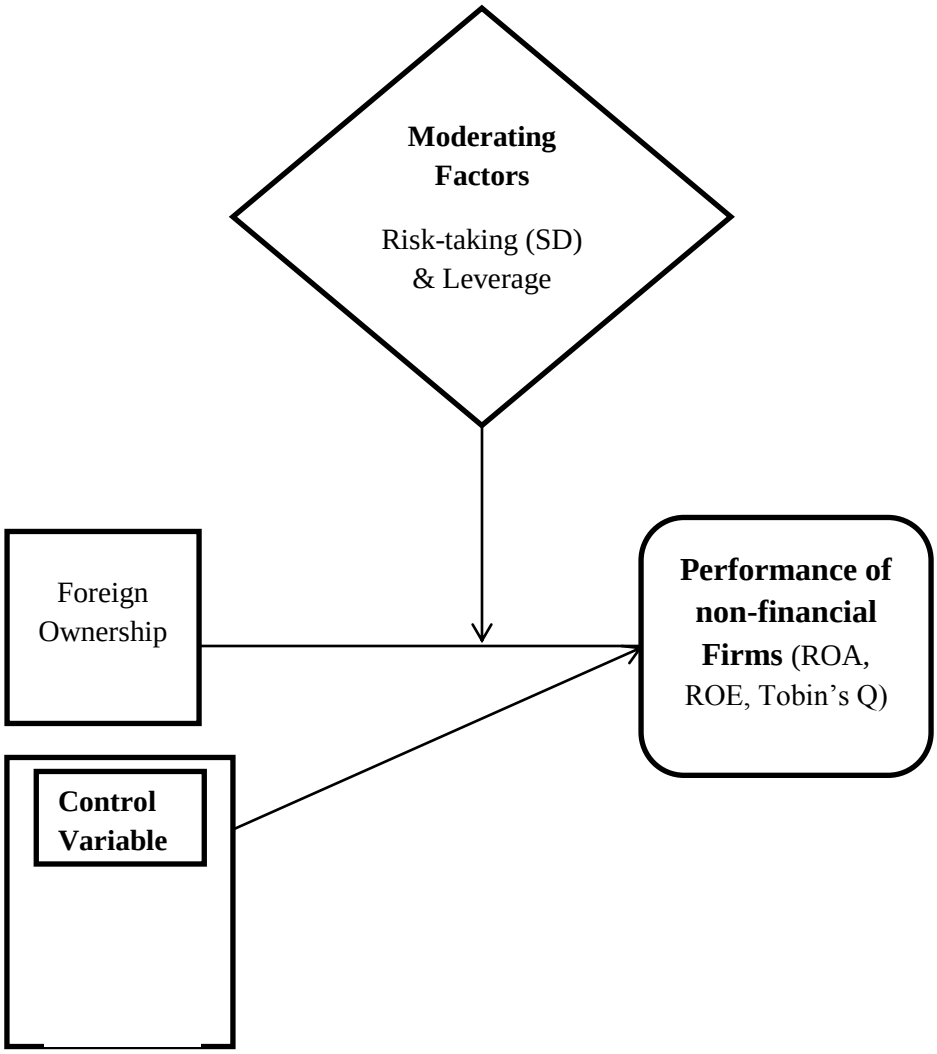


**Figure 1: Research Framework**

## III. Research Methods and Design

**Sample**

All information was gathered from secondary sources, including company websites, prospectuses, closing price reports, annual reports, and prospectuses. Of the 653 listed businesses in Bangladesh, 228 non-financial companies are listed on the Dhaka Stock Exchange (DSC). Because only companies with non-financial listed and data accessible are chosen. Bangladesh conducted its corporate operations without incident when the Cvid-19 scenario caused global economic hardship between 2020 and 2022. Due to incomplete data, very few mentioned companies and years are ignored. Due to this, we used a total of 1631 observations from the most recent 12 years of imbalanced panel data, from 2010 to 2021. The monthly review indicates the proportion of foreign owners that own their business alone. It was discovered that the data has no issue with endogeneity or multicollinearity. Because suspecting that the data may have dynamic and endogeneity problems, the GMM technique was used using STATA-17 software. The lag-dependent variable, however, was shown to be insignificant by researchers. Therefore, the Lag dependent variable insignificant indicates that the data is form of static panel and that there is no multicollinearity problem since the VIF value is less than 2 (Hayden, 2005).For this reason, the link between family ownership and performance and the moderating effects of risk-taking behaviors between them were examined as an appropriate model for this research. Pooled OLS, Fixed effect, and Random effects techniques were used. Furthermore,

Breusch-Pagan LM and Hausman test (Law, 2018) are used to determine whether the model (Pooled OLS, Random, and Fixed effect) is the best. Since the Hausman test is significant in every instance, the combined best model for the present investigation is a fixed effect model.

**Measuring Foreign Ownership**

When people or organizations who are not citizens or residents of a nation possess a percentage of its assets, such as companies, natural resources, real estate, bonds, equities, and other physical or intangible assets, this is referred to as foreign ownership (Gu et al., 2019; Hu, 2023; Jordaan, 2023; Lindemanis, Loze, & Pajuste, 2022; Liou, Ting, & Chen, 2023). It can bea foreign company investor, an individual foreign investor, or maybe a foreign nominee. In this study, observation may not be given to any specific category of foreign investor. Data will be available in different sources that may provide one data set for foreign ownership for easy computation and accessibility. Based on this, we operationalize FOROW as a percentage (%) of total shares bought and held by eitherforeign corporate investors or individuals at time t to the total number of shares of the invested institution in period t. This operationalization is revealed mathematically thus:

$$\text{FOROW}= \frac{SV\ held\ by\ foreign\ \ investor}{Total\ \ number\ \ of\ shares} \times 100$$

## IV. Results Analysis and Discussion

**Descriptive Analysis of the Variables**

All variables' means, standard deviations, minimums, maximums, and correlation analyses are included in descriptive statistics analysis. Findings from descriptive summary analyses are first intended to direct and inform further empirical research. It indicates the current state of each variable in terms of volume and how dispersed or smaller the variables have been, on an average of the businesses, across the time period under consideration. Except for the regression analysis for simplicity and specificity, focusing and non-focusing (controlled) variables are discussed statistically. The results are shown in Table 4.1.

**Table-4.1: Descriptive statistics of variables**

| Variable | Observations | Mean | Std. dev. | Min | Max |
|---|---|---|---|---|---|
| Return on assets (ROA) | 1,604 | 0.058763 | 0.186349 | -1.07296 | 4.790841 |
| Return on equity (ROE) | 1,602 | -0.77266 | 19.00057 | -694.93 | 3.76719 |
| Tobin's Q (TQ) | 1,600 | 101.9235 | 1421.228 | 0.00296 | 53281.26 |
| Foreign ownership (Forow) | 1,600 | 2.250934 | 6.627622 | 0 | 53.81 |
| Risk-taking behavior (CRT) | 1,604 | 0.16962 | 0.072107 | 0.07203 | 0.257709 |
| Leverage(LEV) | 1,604 | 0.284944 | 0.926707 | 0 | 34.94185 |
| Firm Size | 1,604 | 9.406067 | 0.751982 | 6.447461 | 11.66539 |
| Firm Age | 1,604 | 26.00686 | 13.95825 | 1 | 70 |
| BDSize | 1,603 | 7.487835 | 2.347271 | 2 | 20 |

**Source:** Non-Financial firms in Bangladesh (228) unbalanced panel data (2010-2021)

To conduct the descriptive statistics, we computed each variable's mean, standard deviation, minimum, and maximum valuesfollowing the aforementioned Table. In the case of regression analysis, we have taken a logarithm with all dependent variables (ROA, ROE, and TQ) but not in the case of descriptive statistics. In the case of descriptive statistics, the actual figure includes all variables. All statistics are shown in millions except for Firm Age and Board size. The return on assets dependent variable has a mean of 0.0588, a standard deviation of 0.1863, and a range of -1.0721 and 4.7908, respectively. Values may be up to four decimal places. The lowest and greatest values of Return on Equity are -694.93 and 3.7672, respectively, with a mean of -0.7727 and a standard deviation of 19.0006. The lowest and greatest values of Tobin's Q are 0.00296 and 53281.26, respectively, with an average value of 101.9235 and a standard deviation of 1421. The typical values of CRT, Lev, foreign ownership,and all figures have standard deviations of 6.6276, 0.0721, and 0.9267, respectively, and are expressed in millions. Except for risk-taking behavior and Leverage, the majority of the standard deviation is higher than the mean. The fact that ROE's standard deviation is much larger than ROA's suggests that this data in the data set is very volatile. The same is true for TQ, where the standard deviation is quite large as opposed to also.

Additionally, the moderating factors for Risk-taking behavior (CRT) and Leverage (Lev) have mean values much lower than those of the independent variables, suggesting that they may not significantly impact the dependent variables. Leverage has a variance that is much larger than Risk-taking behavior, indicating that this variable is more volatile in the data set.Firm size, Firm Age, and Board Size are control variables. Firm size is measured as a logarithm of total assets which is shown in 2.5 under control variables. The mean of firm size, standard deviation, minimum, and maximum are 9.4061, 0.7520, 6.4475, and 11.6654, respectively. Firm Age and Board size are shown in the actual figure in descriptive statistics. Still, they are considered with logarithms in the empirical analysis for data normalization and removing the multicollinearity issue. The Mean Firm Age indicates 26 years, while the standard deviation, minimum, and maximum are 13.96, 1, and 70 years respectively. The Mean of Board size refers to 7 directors while standard deviation, minimum, and maximum are 2, 2, and 20 board members, respectively.

Overall, descriptive statistics provide us a solid overview and may assist us in understanding the distribution of all individual variables. However, they don't provide guidance on how the variables are related or what any detected deviations mean. The relevance of these interrelations will need to be determined by more investigation, such as regression analysis.

**Descriptions of Correlation Statistics**

The correlation between the various factors is shown in Table 4.2. The convergence of row and column reflects the correlation coefficient between two variables, and each row and column displays a different variable. A statistical study known as the coefficient of correlation indicates the strength and control of the link between two variables. Its range is -1 to +1, with +1 denoting the perfect positive, -1 the perfect negative, and 0 denoting no link between the variables (Gujarati, 2022; Gupta, Gupta, & Mohan, 2022). Correlation among the explanatory factors is often sought when there is a substantial correlation between the independent and dependent variables. If the variable has a strong correlation with 80%, it is the threshold(Gujarati, 2022). Usually, such type of high correlation leads to a multicollinearity problem. Another vital issue of correlation statistics is the instruction regarding the variables with each other.

**Table 4.2 Variables of correlation statistics**

| | ROA | ROE | TobinQ | Forow | C.R.T. | Leverage | FirmSize | Firm Age | BDSize |
|---|---|---|---|---|---|---|---|---|---|
| ROA | 1 | | | | | | | | |
| ROE | 0.0902 | 1 | | | | | | | |
| TobinQ | 0.0211 | 0.0036 | 1 | | | | | | |
| Forow | 0.1478 | 0.0164 | 0.0375 | 1 | | | | | |
| CRT | 0.0154 | 0.0159 | 0.0331 | 0.0176 | 1 | | | | |
| Leverage | -0.0523 | -0.0562 | -0.0149 | -0.0338 | -0.0227 | 1 | | | |
| FirmSize | 0.0523 | -0.0208 | -0.1737 | 0.0142 | -0.0362 | -0.0252 | 1 | | |
| FirmAge | 0.0109 | -0.0262 | 0.1342 | 0.1373 | 0.0106 | -0.0261 | -0.113 | 1 | |
| BDSize | 0.0591 | 0.0118 | 0.0312 | -0.055 | 0.0006 | 0.0002 | 0.1842 | 0.1198 | 1 |

**Note: ROA=** Return on Asset, **ROE**= Return on Equity, **TQ**= Tobin's Q, **Famow** = Family Ownership, **CRT=**Risk-Taking Behavior, and **BDsize**= Board size.

According to the aforementioned finding, because all correlation coefficients are less than 80%, all variables do not meet the criterion for correlation(Almuqren, 2018; Freedman, Pisani, Purves, & Adhikari, 1991; Gujarati, 2022). The dependent variables ROA, ROE, and Tobin's Q exhibit weakly positive correlations with foreign ownership of 0.1478,.0164, and.0375, respectively. Tobin's Q (.0331), ROA (.0154), and ROE (.0159) all have weakly positive relationships with risk-taking behavior, whereas Leverage has a lowly negative association with each of these variables. Firm size also has a marginally positive association (.0523) with ROA, but a marginally negative link (-.0208) with ROE, and a marginally negative relationship (-.1739) with TQ. Firm Age has a weakly positive correlation (.0109) with ROA and Tobin's Q (.1342), but a weakly negative correlation (-.0262) with ROE. Once again, the size of the board has a weakly positive correlation with ROA (.0591), ROE (.0118), and TQ (.0312). Table 4.2's correlation coefficient is relatively low, indicating that there is no significant association with the other variables. A few flimsy connections are offered, nevertheless, and these may provide insight into future research.

**Regression Results of Family Ownership on Firm's Performance**

The first set of assumptions held that foreign ownership manipulated firm performance. This study uses the subsequent regression to support these hypotheses: Table-4.3, created using STATA-17 software, represents the pooled OLS, random effect, and fixed effect models that are most appropriate for the current investigation. The superior model from the pooling and random effect models is selected using the Breusch pagan Lagrangian multiplier (LM) test, whereas the best model from the fixed and random effect models is justified using the Hausman test. Last, the fixed effect model was chosen for this investigation since the Hausman Test shows that it is more significant for both direct and interaction links in fixed effect models than random models.

**Table-4.3 Regression between Foreign Ownership and Financial Performance**

| | **(pols)** | **(re)** | **(fe)** |
|---|---|---|---|
| | **ROA** | **ROE** | **TQ** |
| Forow | -0.019*** | -0.020*** | 0.002 |
| | (0.004) | (0.004) | (0.002) |
| FirmSize | -0.099 | -0.002 | -0.474*** |
| | (0.080) | (0.072) | (0.048) |
| FirmAge | -0.023*** | -0.019*** | 0.002 |
| | (0.006) | (0.005) | (0.003) |
| BDSize | -0.010 | -0.007 | 0.002 |
| | (0.014) | (0.013) | (0.008) |
| _cons | 0.234 | -0.539 | 4.664*** |
| | (0.682) | (0.609) | (0.406) |
| *N* | 1398 | 1417 | 1595 |

NB: Reader's inferential discretion is advised $^{*}p< 0.1$, $^{**}p< 0.05$, $^{***}p< 0.01$

The above Table describes that *, **, and *** indicate 10%, 5%, and 1% significance thresholds, respectively. We see that foreign own business is negatively correlated with ROA and ROE at 1% level of significance, while Tobin's Q is insignificant. Empirically, the regression coefficient (-.019***) indicates that a 1% increase in foreign ownership causes of 01.9% decrease in return on assets at non-financial firms in Bangladesh. This result is aligned with previous studies (Gurbuz & Aybars, 2010).Again, the regression coefficient (-.020***) means that a 1% increase in foreign ownership causes of 2% decrease in return on equity. This result is lined with previous literature(Hooy et al., 2019; Hunjra et al., 2016). Conversely, foreign ownership doesn't influence market-based performance (TQ). And this finding is consistent with previous literature (Millet- Reyes & Zhao, 2010; Shan & McIver, 2011; Shan & Xu, 2012).It means that foreign ownership influences the firm's profitability negatively with accounting performance (ROA and ROE) but not influences market value performances (TQ). Since foreign ownership affects the firm's performance (ROA and ROE), but not TQ, therefore, the proposed hypotheses H1a, and H1b, are supported, but H1c is not supported in the case of non-financial firms in Bangladesh, i.e., foreign ownership influences the non-financial firm's performance in Bangladesh from the aspect of accounting performance(ROA and ROE).

**The Regression Result of Risk-taking and Leverage Moderating Effect on Family Ownership and Firm's Performance**

To justify the second and third set of objectives, the following Table 4.4 are presented. Our second objective was; Risk-taking moderates the link-up between foreignownershipand the firm performance (ROA, ROE, and TQ) of non-financial firms in Bangladesh. We see in Table 4.4, the presence of Leverage, i.e., the coefficient of Lev×Forow is (0.033** and .037***), which is positively significant at a 5% and 1% level of significance with ROA and ROE respectively, but not significant with TQ.In other words, the presence of risk-taking behavior doesn't influence the association between foreign ownership and firm performance with all proxies.Therefore, the proposed hypotheses H3a, and H3b are supported but H2a, H2b, H2c, and H3c are not supported.

**Table 4.4: Moderating Regression Result of Risk-taking and Leverage between Foreign Ownership and Financial Performance (Best Model)**

| | (pols) | (re) | (fe) |
|---|---|---|---|
| | **ROA** | **ROE** | **TQ** |
| Forow | -0.028*** | -0.027*** | 0.006 |
| | (0.007) | (0.006) | (0.004) |
| CRT | 0.276 | 0.146 | 0.194* |
| | (0.181) | (0.166) | (0.108) |
| Crt×Forow | 0.013 | -0.003 | -0.017 |
| | (0.024) | (0.022) | (0.015) |
| Leverage | -0.014 | 0.031** | 0.029*** |
| | (0.013) | (0.012) | (0.009) |
| Lev×Forow | 0.033** | 0.037*** | -0.006 |
| | (0.013) | (0.012) | (0.008) |
| FirmSize | -0.098 | 0.084 | -0.425*** |
| | (0.085) | (0.076) | (0.051) |
| FirmAge | -0.023*** | -0.023*** | -0.001 |
| | (0.006) | (0.006) | (0.004) |
| BDSize | -0.009 | -0.006 | -0.000 |
| | (0.014) | (0.013) | (0.008) |
| _cons | 0.163 | -1.288** | 4.248*** |
| | (0.721) | (0.639) | (0.426) |
| *N* | 1398 | 1417 | 1595 |

***Note:***NB: Reader's inferential discretion is advised $^{*}p< 0.1$, $^{**}p< 0.05$, $^{***}p< 0.01$

The findings imply that foreign ownership harms the profitability (ROA, ROE) of non-financial institutions in Bangladesh, emphasizing the need for comprehensive analysis when considering investments in companies with foreign ownership. Furthermore, the lack of a substantial impact of foreign ownership on TQ raises the possibility that variables other than foreign ownership may have an impact on market value or expectations. Non-financial organizations with foreign ownership should carefully manage their capital structure choices in light of the moderating effect of Leverage, since Leverage may further affect their profitability. Risk-taking behavior, however, may not be a major factor in this context in influencing the link between foreign ownership and business performance, as seen by the non-significant moderating influence it has.

In the context of Agency theory, these results help clarify foreign ownership's financial ramifications. The economic effects of foreign ownership and the significance of capital structure choices in non-financial firms with foreign ownership should be considered by investors and stakeholders. Therefore, the study findings imply that foreign ownership harms Bangladesh's non-financial organizations' profitability. Stakeholders who are controlling the financial performance of these institutions should be aware of this influence and consider variables like capital structure choices.

## V. Conclusion

Foreign investors should evaluate how foreign ownership may affect Bangladesh's financial performance, taking into account any possible detrimental effects on profitability (ROA and ROE). Considerations for capital structure choices need meticulous due investigation. Foreign-owned non-financial institutions should prioritize increasing profitability via cost control, operational effectiveness, and expansion potential. Management of the capital structure must be done with care. Regulators and policymakers should strike a balance between local stability and the attractiveness of international investment, taking into account the effects of foreign ownership on financial performance. Risk-taking behavior doesn't moderate the association between foreign ownership and business performance. Therefore, effective risk management is crucial for non-financial enterprises. To comprehend the influence of the processes of foreign ownership and investigate other moderating variables, further study is required. In light of the foreign ownership in Bangladesh, stakeholders should utilize these insights to guide decision-making, improve financial performance, and promote sustainable development.The results indicate that foreign ownership detrimentally impacts Bangladesh's non-financial institutions' profitability (ROA and ROE) however, market based performance (TQ)is not significantly impacted. The detrimental consequences of foreign ownership must be minimized, requiring cautious capital structure choices and effective risk management. To maintain competitiveness

and long-term development, stakeholders should consider these aspects when making investment choices, monitoring financial performance, and developing policies.

**Limitations**

These findings apply only to emerging economies like Bangladesh. The inability to accurately describe and categorize foreign ownership is a significant weakness of our study. The validity of previous foreign ownership research may have been impacted by the use of various research methodologies to identify and characterize foreign ownership.For example, demonstrate how the concept of foreign ownership impacts their study's results.Finally, the firms listed on the DSE are included in our sample. We could not analyze the firms listed on the other stock market in the nation of the CSE, because annual reports were not available. Therefore, we admit that sample selection bias may have affected the results of this study.

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