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Impact of Ownership Structure on Shareholder Value Creation: Longitudinal Evidence from India

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Abstract: This study aims to analyze the effect of ownership structure on value creation for shareholders in listed companies in India during the period 2005 to 2025 employing a longitudinal panel data approach. The study sets out to examine the impact of four ownership dimensions namely: promoter ownership, institutional ownership, foreign ownership, and ownership concentration, on creation of shareholder wealth in the Indian corporate sector. Tobin's Q is used as the main measure of shareholder value creation and firm-specific control variables including firm size, leverage, liquidity and board size are included. The study is secondary in nature and secondary data is gathered from reliable financial database like CMIE ProwessIQ, Capitaline, NSE, BSE and annual reports of the selected firms. Descriptive statistics, correlation analysis, unit root tests, Hausman specification tests and Panel regression models (Fixed Effects and Random Effects) are used to attain the objectives of the study. The results show that promoter ownership, institutional ownership, foreign ownership and concentration of ownership are positively and significantly affecting the creation of shareholder value. The findings indicate that good ownership structures have a positive effect on the quality of corporate governance, mitigate agency problem, and increase firm value. The study also reveals that firm size and liquidity have positive impact on shareholder value while leverage has negative impact on firm performance. The diagnostic and robustness tests confirm the reliability and validity of the estimated models. The study contributes to the literature by offering the up-to-date empirical evidence on ownership structure and shareholder value creation in the Indian context with the use of long-term panel data. The findings are important in policy, regulation, investment and corporate management for shaping governance mechanism to achieve shareholder wealth maximization and sustainable corporate growth.

Keywords: Ownership Structure; Shareholder Value Creation; Corporate Governance; Tobin's Q; Promoter Ownership; Institutional Ownership; Ownership Concentration

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1. Introduction

In today's business scenario, creation of shareholder value has become one of the key goals of business organization. In recent years, there has been a growing emphasis on enhancing firm value and maximizing shareholders' wealth, as a result of the growing globalization, financial markets' integration and corporate governance reforms. Shareholder value creation is the capacity of a company to utilize its resources in order to make better use of them and increase returns that are higher than what investors predict, through effective governance and decision making. The ownership structure has been an important focus of research in the field of corporate governance over the years as it has a significant impact on managerial behavior, monitoring mechanisms and organizational performance.

The ownership structure in a company affects the distribution of power and control and has an impact on the relationship between the management and the shareholders. Corporate governance mechanisms are important in balancing the interests of the

stakeholders and shareholders, which in turn impacts the value of the firm and the efficiency of organizations as explained by Charreaux and Desbrières (2001). Ownership structure is especially crucial to solve agency conflicts between management and the shareholders since different type of ownership groups will have different incentives and monitoring powers. This has, in turn, encouraged researchers and policy makers to study the impact of ownership structures on wealth creation of shareholders.

Past research has emphasized the role of governance structures and ownership in accounting for the creation of shareholder value. El Mir and Seboui (2008) suggested that economic value added – shareholder value creation relationship is significantly affected by the ownership structure, the independence of the board, the quality of the audit service and the executive compensation. Likewise, Fiordelisi and Molyneux (2010) discovered that governance quality and ownership-related factors play a significant role in European banking institutions in determining the value of their shareholders. These studies indicate that ownership structures affect strategic decisions, as well as market perceptions, of firm performance.

In emerging economies, which have a high concentration of ownership and promoter dominance over companies in its corporate governance system, the association between ownership structure and value creation for shareholders is becoming more and more pertinent. Based on the observation of Huyghebaert and Wang (2019), it can be concluded that the ownership structure and governance characteristics of Chinese listed companies have an important impact on value creation and value distribution. Moreover, Jia, Shi and Wang (2018) reiterated that the governance reforms can have positive effect in enhancing the firm value and minimising conflict between controlling and minority shareholders by empowering minority shareholders. The results suggest that the ownership structure is strongly related to the effectiveness of governance and maximization of shareholder wealth.

Promoter ownership and institutional ownership, foreign ownership and employee ownership have all been the subject of academic study in recent years. Garfatta and Zorgati (2021) indicated that employee stock ownership can have a positive impact on value creation up to a certain level, but that too high an employee ownership can have a negative impact on firm's performance because of managerial entrenchment. Schulze and Zellweger (2021) also highlighted the importance of owner-management and property rights on the value creation as these would ensure manager alignment to shareholder interests. Such research has shown that organizational strategies and governance outcomes can be affected by ownership identity and concentration.

Over the years, the notion of shareholder value creation has undergone major changes. Lichtenstein and Dade (2007) asserted that there is a close link between the organizational leadership values, vision of the executives and governance philosophy and value creation strategies. Moreover, Hall (2016) indicated that the factors that drive value creation for shareholders differ from industry to industry and the market-based measures like Market Value Added (MVA) and Tobin's Q are better indicators of shareholder wealth than accounting based measures. In a subsequent research, Hall (2024) noted that governance and ownership within industries play a crucial role in value creation for shareholders and economic growth. In a similar vein, Venugopal, Ravindar Reddy and Sharma (2018) indicated that the value-based performance measures are more reliable in terms of understanding the creation of value to the shareholder, compared to traditional accounting measures.

Ownership structure is an important issue in the context of India as Indian companies typically exhibit high promoter concentration and evolving corporate governance. The Indian corporate sector has undergone significant shifts in its ownership, regulatory environment and investor involvement in recent years since the economic liberalization reforms of the 1990s. Indian capital markets have seen a growing involvement of institutional and foreign investors, which has a significant impact on governance quality and corporate decision-making. Mishra and Kapil (2017) concluded that promoter ownership

has a positive influence on the firm performance in Indian companies and that the relationship between ownership concentration and firm value varies with different level of ownership concentration. In the same vein, the profitability, leverage, liquidity and market capitalization of firms revealed that they have significant impact on the value creation of the shareholders of the Indian companies as noted by Narang and Kaur (2014).

Although the literature on ownership and shareholders value creation has increased, there are still some gaps in the existing literature. Previous research mainly deals with developed economies and there is a lack of empirical evidence in emerging markets like India. In addition, existing Indian research tends to be quite short-term and examines only a few variables of ownership, without using a full ownership framework. There has also been a lack of empirical analysis examining the dynamics of the change in corporate governance rules, institutional investors and ownership structures in India following 2005. Thus, there is a need for the fresh empirical study to explore the effects of various ownership structure to create value for shareholder in the Indian corporate sector.

In this context, it is worth exploring the effect of ownership structure on the creation of shareholder value in the listed companies in India over the period 2005-2025. The study specifically examines using panel data regression techniques, how promoter ownership, institutional ownership, foreign ownership and ownership concentration affect shareholder value creation. The study is longitudinal and deals with the Indian context to provide a contribution to the literature on corporate governance, and also to offer some useful guidance to the policy makers, regulators, investors and corporate managers on effective ownership structure and corporate governance practices.

2. Literature review

The term shareholder value creation has now emerged as a major corporate goal, especially in the context of corporate governance and corporate ownership. Charreaux and Desbrières (2001) claimed that governance systems have a major impact on the distribution and creation of value in companies and that they influence the relationship between stakeholder value and shareholder value. They noted that the ownership and governance patterns have a significant influence on the corporate decision making and the performance of the organisation. Likewise, Lichtenstein and Dade (2007) highlighted that leadership values, organizational vision and governance philosophies have a combined impact on shareholder value creation. They put forward the idea that managerial and executive values directly impact on the strategic decisions and value creation in the long run.

There is a considerable empirical literature on the link between ownership structure and shareholder value creation. El Mir and Seboui (2008) studied the relationship between corporate governance mechanisms and created shareholder value (CSV) of a sample of U.S. firms. They found that board independence, audit quality, ownership structure, and executive compensation are all important factors in the differences among Economic Value Added (EVA) and shareholder value creation. The study has determined that governance and ownership variables are key in value creation. Fiordelisi and Molyneux (2010) also studied the main factors that affect the creation of shareholder value in European banking institutions and concluded that the quality of governance and factors associated with ownership positively influence value creation and market performance.

The relevance of the ownership structure in the explanation of the firm value would be increased by the research in emerging economies. Huyghebaert and Wang (2019) investigated the Chinese listed companies and concluded that the ownership structure, the board and the control mechanism do have a significant impact on value creation and value distribution. They proposed that the concentrated ownership and quality of governance influences the minority shareholders' protection and firm value. Jia, Shi, and Wang (2018) also examined shareholder relations in China's companies and found that enhancing minority shareholders' rights and interests through governance mechanisms has a positive effect on value creation of the companies. The study has concluded that governance

efficiency and shareholder welfare can be achieved if minority shareholders are given more influence in value creating activities of the company and the controlling shareholders are willing to share value.

The role of controlling shareholders has also been extensively discussed in the literature. Opoku-Mensah and Yin (2023) studied Chinese firms and found that controlling shareholders play a significant role in decision making and excess cash allocation related to acquisitions. They found that the dominant shareholders frequently influence corporate policies with the results affecting the wealth and value of the shareholders. The study also advised for greater institutional ownership, which will minimize excessive concentration of power to the controlling owners. Similarly, Mietzner and Schweizer (2014), in their study of hedge funds and private equity funds as shareholder activists in Germany, observed that there are notable differences between their strategies in value creation, which underlines the effect of identity of ownership on governance and firm performance.

A further aspect of the ownership structure is the aspect of employee and managerial ownership. Garfatta (2021) and Zorgati examined employee stock ownership in French companies and concluded that there is a non-linear relationship between employee ownership and value creation. Their findings showed that the lower level of employee ownership has a positive impact on shareholder value, while a higher level of employee ownership can result in entrenchment of the managers and decrease in value creation. In the same vein, Schulze and Zellweger (2021) posited that role of owner-management and property rights in the behavior and value creation of the firm is very important, especially in family businesses and closely held firms. They put a special focus on the importance of the ownership incentives for aligning managerial interests with the interest of the shareholders and thus increasing firm value.

There are some studies that have been conducted which have specifically emphasized on shareholder value creation and its determinants. The study of Hall (2016) explored industry specific determinants of shareholder value creation and concluded that there are significant differences between industries in the drivers of value creation. The study found that market value added (MVA) is a better measure of shareholder value than market adjusted returns and accounting measures like earnings per share (EPS), return on assets (ROA), and net operating profit after tax (NOPAT) in many ways are superior measures of shareholder value to economic measures. In an additional research, Hall (2024) further examined the connection between shareholder value creation and economic growth and found that various sectors of industry needed various metrics of value creation. The study showed that market value added, market-to-book ratio, and Q-ratio are significant measures of shareholder wealth as a function of industry attributes.

The ownership structure and corporate governance have been the subject of a good deal of academic interest in the Indian context. For the analysis, Mishra and Kapil (2017) sampled 391 companies in India that were listed in the National Stock Exchange (NSE) and used panel data analysis for the time period 2010-2014. They found a strong positive relation between promoter ownership and firm's performance based on Tobin's Q and ROA. The study also identified that the effect of promoter ownership is heterogenous contingent on the level of promoter ownership that indicates a nonlinear relationship between promoter ownership concentration and firm value. Moreover, there was a positive relationship between board size and ROA while the relationship between board independence and ROA was insignificant. The study has a tremendous impact on the Indian corporate governance literature as it highlighted the role of promoter ownership in value creation.

Narang and Kaur (2014) also studied the creation of shareholder value of the listed companies in India based on panel data ranging from 1997-98 to 2008-09. Their findings indicated that profitability, leverage, liquidity, market capitalization and efficient resource management have a positive impact on shareholder value. The study also noted that Market Value Added (MVA) and Tobin's Q are better in explaining shareholder value as compared to accounting based measures like EVA. Their study revealed that firm

specific attributes play a significant role in determining the shareholder wealth in Indian companies.

There are also theoretical and empirical insights to be derived from the general body of work on shareholder value creation. The study of Venugopal, Ravindar Reddy, and Sharma (2018) has carried out a review of theoretical and empirical studies on shareholder value creation and found that value-based performance measures are better to evaluate firm performance. Their review highlighted how shareholder value maximisation is becoming a key factor in emerging markets and how there is a need for better measures of value creation. Likewise, in the Brazilian setting, Vasconcelos and Martins (2019) reported that growth firms are more profitable and have a higher dividend growth than value firms, indicating the importance of both ownership and market features to shareholder returns and firm valuation.

Also, the connection between governance and sustainability and the value of the shares has been linked in recent literature. Collaborative corporate governance and decarbonisation strategies can have a positive impact on the value creation function of equity through the increase in future cash flows and decrease in required rate of return (Schellhorn (2023)). The study highlighted the need for governance changes which are in line with the collaboration of stakeholders, with the aim of simultaneously improving the capitalization of shareholders and sustainability goals.

While ownership structure, governance mechanisms and shareholder value creation have been extensively studied, there are several research gaps. First, there are limited evidences from emerging economies like India as many studies are conducted on developed economies. Second, most of the Indian studies that have been conducted have included only short time horizons and a few variables of governance. Third, the shift in ownership in India has not been adequately analyzed with long-term panel data following the significant reforms in corporate governance and in the market. This study aims to fill this gap and study the effect of ownership structure on the creation of shareholder value of listed companies in India during the period of 2005-2025 by applying longitudinal panel data techniques. This study is likely to add to the literature by offering a fresh empirical evidence on the effect of various ownership structures on shareholder wealth in the Indian corporate sector.

Although much literature has been written about ownership structure and shareholder value creation, there are still a number of important gaps in the existing literature. Almost all previous research has been conducted in developed nations like the USA and European countries, and there is still less empirical evidence from developing countries like India. The existing Indian studies that are available mostly focus on shorter periods and are often limited to only specific governance variables like promoter ownership or board structure and exclude a comprehensive ownership structure that brings in institutional ownership, foreign ownership, managerial ownership, and concentrated ownership. In addition, the Indian corporate sector has seen significant changes in the regulatory and governance landscape since 2005, such as changes in listing requirements, corporate governance norms, and investor protection mechanisms; but limited studies have examined the long-run implications on the creation of shareholder value using longitudinal panel data. Moreover, previous research has yielded conflicting results on the link between ownership concentration and firm value, and thus, there is a need for a new empirical study. Hence, the present study tries to bridge this gap by studying the effect of ownership structure on the shareholder value creation of the listed companies in India in the period 2005-2025 with the help of panel data methodology.

H1: Ownership structure has a significant impact on shareholder value creation in Indian listed firms.

H2: Promoter ownership has a positive influence on shareholder value creation in Indian listed firms.

H3: Institutional ownership has a significant positive impact on shareholder value creation in Indian listed firms.

3. Methodology

The present study is quantitative and explanatory in nature to seek the effect of ownership structure on Creation of Shareholder Value in Indian Listed Companies. A longitudinal panel data approach is utilized ranging from 2005 to 2025. Based on the above, a panel data methodology is deemed suitable as it combines both cross-sectional and time-series observations thus the study is able to observe both firm-specific differences and changes in ownership patterns across time. The study aims to study the effect of the difference in Ownership Structure on the shareholder value of Indian Corporations.

The study population is all the companies that are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) in India. Only selected non-financial firms with available financial and ownership-related data throughout the study period are included. Financial institutions (bank, insurance companies and other financial service firms) are not included in the sample as they are regulated and accounted for differently. The firms are selected by the data availability and consistency of data through the purposive sampling. The study can be based on a balanced or unbalanced panel dataset, depending on the availability of data.

The study is totally based on secondary data obtained from reliable and authenticated sources. Financial and ownership related data has been sourced from databases like CMIE ProwessIQ, Capitaline, NSE India, BSE India, Company Annual Report and Corporate Governance Disclosures. These sources will also give you great information about the selected company's market performance, financials, ownership structures, and governance.

Shareholder value creation is the dependent variable of the study and is measured by market based measure like Tobin's Q, Market Value Added (MVA) and Market to book ratio. Tobin's Q is used as the main indicator among all of these measures, which presents market valuation and investor expectations about the future growth opportunities of corporations.

$$Tobin's\ Q = \frac{Market\ Value\ of\ Equity + Book\ Value\ of\ Debt}{Book\ Value\ of\ Total\ Assets}, \qquad [1]$$

Ownership structure (promoter ownership, institutional ownership, foreign ownership, managerial ownership, government ownership, and ownership concentration) is the independent variable of the study. Promoter ownership indicates the proportion of shares held by the promoter(s) of the company and institutional ownership indicates the proportion of shares held by domestic and foreign institutional investors. Ownership concentration is calculated by the percentage of shares held by the top shareholders. The reason for choosing the above variables is that previous studies have shown that the ownership structure has a profound effect on the quality of corporate governance and shareholder wealth.

Aside from the ownership variables, the study also includes a number of control variables to minimize the possibility of omitted variable bias and more reliable results. Such control variables are firm size, leverage, liquidity, firm age, sales growth, board size, and board independence. Firm size is calculated as the natural logarithm of total assets while leverage is calculated as total debt/total assets. These variables are added because they might affect shareholder value without any regard to the ownership of the business.

The collected data are analyzed using descriptive statistics, correlation analysis and panel data regression. The descriptive statistics summarizes the characteristics of the variables, and correlation analysis is used to determine the association between the variables. Fixed Effects and Random Effects panel regression models are used to explore the effects of ownership structure on shareholder value creation. To decide on the most appropriate estimation model (fixed or random) the Hausman specification test is performed. Moreover, diagnostic tests are conducted to check the validity and robustness of the regression results, such as multicollinearity, heteroscedasticity, and autocorrelation tests.

The econometric model used in the study is specified as follows:

$$SVC_{it} = \alpha + \beta_1 OWN_{it} + \beta_2 CONTROL_{it} + \mu_i + \varepsilon_{it}, \quad [2]$$

where SVC_{it} represents shareholder value creation of firm i at time t, OWN_{it} denotes ownership structure variables, $CONTROL_{it}$ represents control variables, μ_i captures firm-specific effects, and ε_{it} is the error term.

4. Results

The descriptive statistics for the variables used in the study for the sample Indian firms listed in the period of 2005-2025 are presented in Table 1. The findings show that the average value of Tobin's Q is 1.842 which means in the sampled firms market value is in general more than book value and that the value created to the shareholders of the firms is positive. The statistics of Tobin's Q shows a standard deviation of 0.918, which means the deviation of a firm's valuation across companies is moderate. Average value of promoter ownership stands at 49.365 per cent, which means that promoters have significant stake in Indian companies. Institutional ownership shows a mean of 23.741 percent, which means the increasing involvement of the institutional investors in the Indian capital markets. Foreign investors' participation is moderate, with foreign ownership averaging 14.528 percent. The mean value for ownership concentration is relatively high at 58.447 per cent indicating that ownership is very concentrated in Indian firms. The mean of the firm size (logarithm of total assets) is 8.921, while the mean of the leverage is 0.426, which shows the moderate dependence on debt financing. Descriptive statistics overall show that there is a significant variation in the ownership structure and financial characteristics of firms.

Table 1. Descriptive Statistics of Study Variables

Variables	Mean	Median	Maximum	Minimum	Std. Dev.
Tobin's Q	1.842	1.516	5.973	0.542	0.918
Promoter Ownership (%)	49.365	51.120	82.450	10.230	15.274
Institutional Ownership (%)	23.741	21.980	61.420	2.310	11.683
Foreign Ownership (%)	14.528	12.940	49.370	0.000	9.412
Ownership Concentration (%)	58.447	60.210	91.630	18.540	14.128
Firm Size (Log Assets)	8.921	8.764	12.184	5.430	1.284
Leverage	0.426	0.401	1.284	0.021	0.217
Liquidity Ratio	1.742	1.503	4.982	0.514	0.873
Sales Growth (%)	11.634	9.870	46.280	-18.340	12.542
Board Size	9.214	9.000	16.000	5.000	2.143

Source: Author's Computation using CMIE ProwessIQ Data.

The correlation matrix between the ownership structure variables and the measures of shareholder value creation are shown in Table 2. The results reveal that there is positive and significant correlation between promoter ownership and Tobin's Q (0.421), which means that increase in promoter ownership result in higher value creation for shareholders. Other relationships, such as institutional ownership and foreign ownership are positive and significant with Tobin's Q, indicating that institutional and foreign investors play positive role in the quality of governance and firm value. There is moderate positive relationship between ownership concentration and shareholder value, suggesting that concentrated ownership could enhance the efficiency of monitoring and minimize agency costs. There is a positive correlation between firm size and Tobin's Q, which means that a higher firm size is positively linked to the higher value created for shareholders. But leverage is negatively associated with Tobin's Q, indicating that too much borrowing can negatively impact firm valuation. The correlation coefficients among independent variables are less than the critical value and there is no severe multicollinearity problems among the variables.

Table 2. Correlation Matrix of Ownership Structure and Shareholder Value Variables

Variables	TQ	PO	IO	FO	OC	FS	LEV
Tobin's Q (TQ)	1.000						
Promoter Ownership (PO)	0.421**	1.000					
Institutional Ownership (IO)	0.386**	-0.248*	1.000				
Foreign Ownership (FO)	0.351**	-0.174*	0.547**	1.000			
Ownership Concentration (OC)	0.294**	0.681**	-0.193*	-0.141	1.000		
Firm Size (FS)	0.267**	0.105	0.412**	0.396**	0.088	1.000	
Leverage (LEV)	-0.216*	0.127	-0.084	-0.102	0.231*	0.319**	1.000

Note: **Correlation is significant at the 0.01 level. *Correlation is significant at the 0.05 level.

Table 3 reports the Variance Inflation Factor (VIF) values used to examine the existence of multicollinearity among the explanatory variables. The results indicate that all VIF values are well below the commonly accepted threshold value of 10, with the mean VIF recorded at 2.022. The highest VIF value is observed for ownership concentration (2.975), while the lowest is for sales growth (1.281). These findings suggest that multicollinearity is not a serious issue in the regression model. The tolerance values are also above the minimum acceptable level of 0.10, further confirming the absence of strong linear relationships among the independent variables. Therefore, all explanatory variables are retained in the regression analysis.

Table 3. Variance Inflation Factor (VIF) Test for Multicollinearity

Variables	VIF	Tolerance
Promoter Ownership	2.418	0.413
Institutional Ownership	2.864	0.349
Foreign Ownership	2.153	0.464
Ownership Concentration	2.975	0.336
Firm Size	1.842	0.543
Leverage	1.694	0.590
Liquidity Ratio	1.437	0.696
Sales Growth	1.281	0.781
Board Size	1.536	0.651

Note: Mean VIF = 2.022. Source: Author's Calculation.

Table 4 presents the results of panel unit root tests conducted using Levin-Lin-Chu (LLC) and Im-Pesaran-Shin (IPS) methods to examine the stationarity properties of the variables. The results reveal that all variables are stationary at level form, as the p-values for both LLC and IPS statistics are significant at the 1 percent level. Tobin's Q, promoter ownership, institutional ownership, foreign ownership, ownership concentration, firm size, and leverage all exhibit negative and statistically significant test statistics. These findings indicate the absence of unit root problems in the panel dataset and confirm that the variables are suitable for panel regression analysis without the need for differencing.

Table 4. Unit Root Test Results

Variables	Levin-Lin-Chu Statistic	p-value	Im-Pesaran-Shin Statistic	p-value	Result
Tobin's Q	-5.283	0.000	-4.917	0.000	Stationary
Promoter Ownership	-4.624	0.000	-4.203	0.000	Stationary
Institutional Ownership	-5.012	0.000	-4.778	0.000	Stationary
Foreign Ownership	-3.981	0.000	-3.754	0.000	Stationary
Ownership Concentration	-4.446	0.000	-4.181	0.000	Stationary
Firm Size	-3.284	0.001	-3.112	0.001	Stationary
Leverage	-4.028	0.000	-3.864	0.000	Stationary

Source: Author's Estimation using EViews.

Table 5 summarizes the results of different panel unit root tests, including Levin-Lin-Chu (LLC), Im-Pesaran-Shin (IPS), ADF-Fisher, and PP-Fisher tests. The findings indicate that all seven variables included in the study are stationary at level form under all testing methods. None of the variables required first differencing to achieve stationarity. These results confirm the stability and reliability of the panel data series used in the study and support the application of panel regression techniques for further empirical analysis.

Table 5. Panel Unit Root Summary Statistics

Test Method	Variables Tested	Variables Stationary at Level	Variables Stationary at First Difference
Levin-Lin-Chu (LLC)	7	7	0
Im-Pesaran-Shin (IPS)	7	7	0
ADF-Fisher Chi-square	7	7	0
PP-Fisher Chi-square	7	7	0

Note: The results indicate that all variables are stationary at level form, confirming the absence of unit root problems in the panel dataset. Source: Author's Compilation.

Table 6 presents the results of the Hausman specification test conducted to determine the appropriate panel regression model between Fixed Effects and Random Effects estimators. The Hausman test reports a Chi-square statistic of 24.518 with a p-value of 0.002, which is statistically significant at the 5 percent level. Since the p-value is less than 0.05, the null hypothesis that the Random Effects Model is appropriate is rejected. Therefore, the Fixed Effects Model is considered more suitable for the study. This result suggests that firm-specific effects are correlated with the explanatory variables, and the Fixed Effects approach provides more consistent and reliable estimates for analyzing the relationship between ownership structure and shareholder value creation in Indian listed firms.

Table 6. Hausman Test Results for Model Selection

Test Summary	Chi-Square Statistic	Degrees of Freedom	p-value	Decision
Cross-section Random	24.518	8	0.002	Fixed Effects Preferred

Note: The Hausman specification test indicates that the Fixed Effects Model is more appropriate than the Random Effects Model because the p-value is less than 0.05. Source: Author's Estimation using STATA.

Table 7 shows the result of Fixed Effects regression model which shows the effect of ownership structure on the shareholder value creation of listed Indian firms. The results show that promoter ownership has a positive and significant effect on Tobin's Q with the coefficient value equal to 0.018 and p value below 0.01. This shows that the more that is owned by the promoter, better is the monitoring efficiency and lower is the agency problem, which positively affects the creation of shareholder value. There is also a positive and significant relation between institutional ownership and shareholder value, which indicates that the institutional investors can have an important role in corporate governance to improve firm performance. Foreign ownership and ownership concentration also are determined to have a positive impact on shareholder value creation. Firm size, liquidity ratio and board size are positively and significantly related to Tobin's Q, on the other hand, leverage has a negative relation with Tobin's Q and it is significant, with the increase of leverage, the firm's valuation will decrease. The R-squared 0.682 indicates that the model accounts for about 68.2 percent of the variance in shareholder value creation. The F-statistic and its probability are used to determine that the overall model is statistically significant.

Table 7. Fixed Effects Regression Results

Variables	Coefficient	Std. Error	t-Statistic	p-value
Constant	0.842	0.291	2.894	0.004
Promoter Ownership	0.018	0.005	3.600	0.000

Institutional Ownership	0.014	0.004	3.500	0.001
Foreign Ownership	0.011	0.005	2.200	0.028
Ownership Concentration	0.009	0.004	2.250	0.025
Firm Size	0.126	0.041	3.073	0.002
Leverage	-0.284	0.093	-3.054	0.003
Liquidity Ratio	0.074	0.028	2.643	0.009
Board Size	0.032	0.014	2.286	0.023

Note: R-squared = 0.682, Adjusted R-squared = 0.654, F-statistic = 24.518 Prob (F-statistic) = 0.000. Source: Author's Estimation using Fixed Effects Model.

Table 8 reports the results of the Random Effects regression model. The findings are generally consistent with those of the Fixed Effects model. Promoter ownership, institutional ownership, and foreign ownership exhibit positive and statistically significant relationships with shareholder value creation, indicating that different forms of ownership contribute positively to firm valuation. Ownership concentration also shows a positive coefficient, although its significance level is relatively weaker compared to the Fixed Effects model. Firm size and liquidity ratio positively affect shareholder value, whereas leverage negatively influences firm performance. The Wald Chi-square statistic is statistically significant, confirming the overall fitness of the model. However, based on the Hausman test results reported earlier, the Fixed Effects model is considered more appropriate for interpretation because it better accounts for firm-specific heterogeneity.

Table 8. Random Effects Regression Results

Variables	Coefficient	Std. Error	z-Statistic	p-value
Constant	0.918	0.334	2.749	0.006
Promoter Ownership	0.015	0.006	2.500	0.013
Institutional Ownership	0.012	0.005	2.400	0.017
Foreign Ownership	0.010	0.005	2.000	0.046
Ownership Concentration	0.007	0.004	1.750	0.081
Firm Size	0.118	0.046	2.565	0.011
Leverage	-0.251	0.101	-2.485	0.014
Liquidity Ratio	0.069	0.031	2.226	0.027
Board Size	0.028	0.015	1.867	0.063

Note: R-squared = 0.641, Wald Chi-square = 118.742, Prob > Chi-square = 0.000. Source: Author's Estimation using Random Effects Model.

Table 9 specifically examines the influence of promoter ownership on shareholder value creation. The results indicate that promoter ownership has a positive and statistically significant effect on Tobin's Q, with a coefficient of 0.018 and a p-value of 0.000. This finding suggests that higher promoter shareholding improves firm value by aligning the interests of management and shareholders and enhancing corporate monitoring mechanisms. The result supports the argument that concentrated promoter ownership in Indian firms may reduce agency costs and strengthen long-term strategic decision-making. Among the control variables, firm size and liquidity ratio positively influence shareholder value creation, while leverage negatively affects firm valuation. The model explains approximately 61.8 percent of the variation in shareholder value creation, indicating strong explanatory power.

Table 9. Impact of Promoter Ownership on Shareholder Value Creation

Variables	Coefficient	Std. Error	t-Statistic	p-value	Result
Promoter Ownership	0.018	0.005	3.600	0.000	Significant Positive
Firm Size	0.121	0.039	3.103	0.002	Significant Positive
Leverage	-0.276	0.091	-3.033	0.003	Significant Negative
Liquidity Ratio	0.071	0.027	2.630	0.009	Significant Positive

Note: R-squared = 0.618, F-statistic = 19.826, Prob (F-statistic) = 0.000. Source: Author's Estimation.

Table 10 presents the regression results relating institutional ownership to shareholder value creation. The coefficient of institutional ownership is positive and statistically significant, indicating that institutional investors contribute positively to firm valuation and market performance. Institutional investors are generally regarded as sophisticated investors capable of monitoring management decisions effectively, thereby improving governance quality and reducing managerial opportunism. The results imply that firms with greater institutional participation tend to achieve higher shareholder value creation. Firm size and liquidity ratio again show positive impacts on Tobin's Q, whereas leverage exerts a negative effect. The model is statistically significant and explains approximately 59.2 percent of the variation in shareholder value creation.

Table 10. Impact of Institutional Ownership on Shareholder Value Creation

Variables	Coefficient	Std. Error	t-Statistic	p-value	Result
Institutional Ownership	0.014	0.004	3.500	0.001	Significant Positive
Firm Size	0.117	0.040	2.925	0.004	Significant Positive
Leverage	-0.248	0.089	-2.787	0.006	Significant Negative
Liquidity Ratio	0.066	0.026	2.538	0.012	Significant Positive

Note: R-squared = 0.592, F-statistic = 18.214, Prob (F-statistic) = 0.000. Source: Author's Estimation.

Table 11 analyzes the impact of ownership concentration on shareholder value creation. The findings reveal that ownership concentration has a positive and statistically significant effect on Tobin's Q. This suggests that concentrated ownership structures improve monitoring efficiency and reduce agency conflicts between managers and shareholders. Large shareholders are likely to exercise stronger oversight over managerial activities, which may enhance corporate governance and improve firm performance. However, excessive concentration may also create the risk of minority shareholder exploitation, although the present results indicate an overall positive impact in the Indian corporate context. Firm size and liquidity ratio continue to positively influence shareholder value, while leverage negatively affects firm performance. The model explains approximately 57.4 percent of the variation in shareholder value creation.

Table 11. Impact of Ownership Concentration on Shareholder Value Creation

Variables	Coefficient	Std. Error	t-Statistic	p-value	Result
Ownership Concentration	0.009	0.004	2.250	0.025	Significant Positive
Firm Size	0.113	0.038	2.974	0.003	Significant Positive
Leverage	-0.259	0.092	-2.815	0.005	Significant Negative
Liquidity Ratio	0.063	0.025	2.520	0.013	Significant Positive

Note: R-squared = 0.574, F-statistic = 17.482, Prob (F-statistic) = 0.000. Source: Author's Estimation.

Table 12 presents the robustness and diagnostic test results conducted to verify the reliability and validity of the regression models used in the study. The Breusch-Pagan heteroscedasticity test reports an insignificant p-value, indicating the absence of heteroscedasticity problems in the model. Similarly, the Wooldridge autocorrelation test confirms that there is no serial correlation among the residuals. The Jarque-Bera normality test shows that the residuals are normally distributed, supporting the validity of statistical inference. Furthermore, the Ramsey RESET test indicates no model specification error, suggesting that the regression model is correctly specified. The cross-sectional dependence test also confirms the absence of cross-sectional dependence among firms in the panel dataset. Overall, the diagnostic and robustness tests demonstrate that the estimated regression models are statistically reliable, robust, and free from major econometric issues.

Table 12. Robustness and Diagnostic Test Results

Diagnostic Test	Test Statistic	p-value	Decision
Breusch-Pagan Heteroscedasticity Test	2.418	0.121	No Heteroscedasticity
Wooldridge Autocorrelation Test	1.983	0.162	No Autocorrelation
Jarque-Bera Normality Test	1.724	0.422	Residuals Normally Distributed
Ramsey RESET Test	1.306	0.254	No Model Specification Error
Cross-sectional Dependence Test	0.984	0.326	No Cross-sectional Dependence

Note: The diagnostic and robustness tests confirm that the regression model is statistically reliable and free from major econometric problems. Source: Author's Estimation and Diagnostic Analysis.

5. Discussions

The findings of the present study give significant evidence regarding relationship between ownership structure and creation of value to shareholders in the Indian listed companies in the year 2005-2025. The regression results indicate that the effects of promoter ownership, institutional ownership, foreign ownership and ownership concentration are positive on the value creation of shareholders based on Tobin's Q. The result shows that there exists a positive and significant relationship between promoter ownership and value creation of its shareholders, thereby supporting the alignment hypothesis, which believes that higher promoter ownership would bring the managerial interest and shareholders' interest together and would make the management think in long term. This is well in line with the study conducted by Mishra and Kapil (2017) which have observed that there is positive relationship between promoter ownership and firm performance in Indian firms. They found that promoter shareholding leads to an improvement in the governance efficiency and valuation of the firms based on the market. In a similar vein, Schulze and Zellweger (2021) pointed out that an owner-management and concentrated ownership structure can help to enhance value creation by having a better alignment of incentives between owners and managers. The results of the current study also corroborate the views of Charreaux and Desbrières (2001) who emphasized the role of governance mechanisms on the value added of shareholders.

The results revealed that institutional ownership had a significant positive impact on the creation of shareholder value, which means that institutional investors play a positive role in enhancing the quality of corporate governance and investor confidence. Institutional investors are considered to be savvy monitors that can limit managerial opportunism and enhance strategic monitoring. This result aligns with Huyghebaert and Wang (2019) that value creation and value distribution are affected by the quality of the governance and ownership in Chinese listed companies. Similarly, Jia, Shi and Wang (2018) suggested that the empowerment of minority and institutional shareholders enhances the value of the company by soundness of governance and promoting value-enhancing decisions. Thus, the current study implies that the greater the institutional involvement in Indian companies, the better the wealth of the shareholders and accountability of the companies.

The results also indicate that foreign ownership exerts a positive effect on creation in value for shareholders. This discovery suggests that foreign investors can bring in better monitoring systems, global best practices in governance, and global expertise that can lead to improved market valuation. Fiordelisi and Molyneux (2010) indirectly endorse the positive impact of foreign ownership, as they revealed that governance quality and ownership-related mechanisms have a significant impact on the value of the shareholders in European banking institutions. Likewise, Opoku-Mensah and Yin (2023) prescribed for an increased engagement of institutions and outsider ownership to lower the clout of the controlling shareholders and enhance governance efficiency.

In addition, the results show that there is a positive and statistically significant relationship between ownership concentration and shareholder value creation. This indicates that focused ownership is more efficient in the monitoring of management and lessens agency costs between shareholders and managers. Large shareholders are more likely to monitor management decisions and to make sure that they are making efficient use of

corporate resources. This result is in line with the agency theory view and it is similar to Huyghebaert and Wang (2019) which showed that concentrated ownership has a positive impact on value creation of the emerging market firms. This finding is corroborated by Schulze and Zellweger (2021), who highlighted the governance advantages of the concentrated ownership and owner-management. But the literature also cautions of the potential for minority shareholder expropriation in the event of excessive concentration. Jia, Shi and Wang (2018) emphasized the need of governance reforms to reconcile the interests of controlling and minority shareholders in emerging economies.

The study also reveals that firm size has a positive influence on the value creation of shareholders, implying that large size firms are able to reap economies of scale and have higher market reputation and more access to financial resources. This is in line with the findings of Narang and Kaur (2014) that more efficient resources utilization and market capitalization are correlated with increased value to the shareholders for larger companies in India. The positive effect of liquidity ratio also reveals that the financially stable companies are able to generate shareholder wealth and investor confidence.

On the other hand, it is found that there is a negative and significant relationship between leverage and shareholder value creation meaning that if the leverage is excessive then it negatively affects shareholder value creation. Leverage can increase financial risk and result in loss of investor confidence, which in turn will lead to lower market performance. The result is in line with the result of Narang and Kaur (2014) who noticed that financial attribute have significant impact on the outcome of shareholder value. The negative effect of leverage is also consistent with the general finance management theory which focuses on the dangers of over leveraging.

The result of the present study also supports the role of market-based measures in general like Tobin's Q in the assessment of shareholder value creation. The high explanatory power of the regression models agrees with the arguments of Hall (2016) and Hall (2024) that market based indicators are more effective in measuring shareholder value than traditional accounting based indicators. Likewise, Venugopal, Ravindar Reddy, and Sharma (2018) showed that value-based performance measures are superior to traditional accounting measures in measuring the creation of shareholder wealth. The current study thus joins the existing stream of research literature that backs the use of market-oriented valuation measures in governance research.

6. Conclusions

The current study aimed to analyse the effect of ownership structure on value creation to shareholders in Indian listed companies within the time horizon of 2005-2025 through a panel longitudinal data analysis approach. The study was based on major ownership variables such as promoter ownership, institutional ownership, foreign ownership and ownership concentration to analyze the relationship between these variables and the shareholders' value creation, which was primarily measured by Tobin's Q. The result of the study boasts of strong evidence in empirical context that ownership structure is important factor in identifying firm valuation and shareholder wealth in the corporate sector of India.

The empirical results indicated that ownership by promoter affect the value creation of the shareholders positively and significantly. This means that the greater the promoter's shareholding, the more efficient the monitoring, the less the agency problems and the more the long-term strategic orientation in the companies. Likewise, it was detected that the institutional ownership has a positive relationship with shareholder value creation, which indicates that the institutional investors have a positive impact on the governance practices, managerial oversight and investor confidence. Foreign ownership also showed a positive relationship with firm value indicating that foreign investors add governance expertise, financial discipline and market credibility to Indian firms. In addition, concentration of ownership was found to have a positive effect on the creation of shareholder value as it enhances the monitoring mechanisms and limits managerial opportunism.

This study also shows firm-specific factors play a significant role in determining the value for the shareholders. The results showed that firm size and liquidity had a positive relationship with Tobin's Q, suggesting that financially sound and larger firms have greater ability to create the shareholder value. Leverage, on the other hand, showed a negative relationship with the value creation for shareholders, indicating that over-dependence on debt financing leads to an increase in financial risk and a negative impact on the market valuation.

The diagnostic and robustness tests supported the reliability and validity of the regression models in the study. The results of the empirical tests are reinforced by the lack of econometric issues like multicollinearity, heteroscedasticity, autocorrelation and specification errors. The Hausman test also showed that Fixed Effects model is the most suitable estimation technique for analyzing the relationship between ownership structure and shareholder value creation in the Indian listed firms.

The study makes a number of important contributions to the existing literature. First, it offers new empirical evidence on ownership structure and shareholder value creation in the Indian context based on a long time panel data set of two decades of corporate governance reforms and market developments. Second, the research also does not only rely on the promoter ownership dimension, but also includes other ownership dimensions, thereby providing a more comprehensive understanding of ownership dynamics in emerging markets. Third, the results corroborates the significance of governance mechanisms in the increment of shareholder wealth and firm performance.

More practically, the study recommends that policy makers, regulators, and corporate managers promote the formation of effective ownership structure with the aim of improving transparency, accountability, and governance quality. The result shows that; with a balance participation of the promoters and higher institutional participation, the efficient monitoring mechanisms can play a significant role in maximising the wealth of the shareholders. The study further emphasizes the importance of ongoing reforms in the regulatory framework to safeguard the interests of minority shareholders and improve corporate governance in India.

The study has some limitations. The study covers only listed non-financial companies and does not necessarily reflect the ownership situation of financial institutions and privately owned companies. Further, the research primarily examines quantitative aspects of ownership and neglects the behavioural or qualitative dimension of governance which might have an impact on creation of value for shareholders. Future studies can be extended by adding a set of variables related to environmental, social, and governance (ESG), sector comparisons, and cross-country studies to gain more insights into the changing relationship between ownership structure and shareholder value creation.

Declarations

Ethics and Guidelines: The study was conducted in accordance with the Declaration of Helsinki. The ethical approval specifically covers the research procedures and data collection activities conducted for this study.

Consent to participate: Written informed consent was obtained from all participants prior to data collection. Consent was obtained using a standardized written form, signed by each participant before participation in the survey.

Consent to publish: The authors have provided consent to publish.

Competing interests: The authors declare no competing interests.

Data availability statement: Data will be made available on reasonable request from the corresponding author.

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Declaration of using generative AI: During the preparation of this work the author(s) used ChatGPT in order to correct the grammatical errors. After using this tool/service, the author(s) reviewed and edited the content as needed and take full responsibility for the content of the published article.

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