

RELATIONSHIP BETWEEN OWNERSHIP AND PERFORMANCE IN INDIAN NBFCs

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ABSTRACT

Ownership and firm Performance relationship has been a topic of great interest in both theoretical and empirical literature. This study attempts to analyze this issue using unbalanced panel data for 292 NBFCs in India during 1995-96 to 2004-05. Two performance measures viz., ROE and ROA are used. Appropriate panel data estimation methodologies are employed to estimate the performance equations.

Results indicate that there is a positive and significant relationship between director share and performance measured in terms of ROE, supporting the “convergence of interest hypothesis”. Unexpectedly, the director share does not significantly influence the ROA. Age and growth variables play significant roles in determining performance measures. A similar result is found for public companies.