The Impact of Institutional Ownership on the Performance of Companies Listed In the Egyptian Stock Market

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Abstract: *This study investigates the relationship between institutional ownership and company performance of listed companies in Egypt. The study used the multiple regressions and a sample data of Eight years panel data of 73 Egyptian companies listed in the Egyptian Stock Market were examined. The results showed that institutional ownership had positive and significant relationship with firm performance. Therefore, the involvement of institutional ownership in monitoring and controlling activities reduced agency conflict and enhanced corporate performance in the emerging economy. While for the effect of different institutional ownership patterns on the performance of companies in term of ROE, It has been shown that the ownership of holding companies (HC), that represent the government ownership, had positive significance effect on firm performance. Besides, each of the following Institutional ownership patterns has positive effect on companies' performance: Bank ownership, insurance ownership, mutual funds ownership (even that the effect is insignificant for banks and investment funds). in aspect of questionnaire of the indicator characteristics of institutional ownership shares, It has been shown that each of the following characteristics have positive role on institutional ownership: company size, law type (the company legal classification according to the law governing it), and the number of board members representatives of institutions , which indicate that institutional owners care about these variables when determining their participations and contributions in joint stock companies.*

Keywords*: Institutional ownership, firm performance, Stock Exchange, Developing countries and Egypt.*

I. Introduction

With separation of ownership from management, the escalation of professional managers group and of securities markets was introduced an innovative approach with name of the company as a social phenomenon. This is initiated a conflict of interest between owners and managers. Structure of shareholders might be different in numerous countries. However, shareholders can have a main role in corporate governance; hence their altered mixture ownership has different effects on performance and corporate policies, along with the reproduction of the company information.

Technique of observing management performance of companies can also differ in line with the type of property. In the meantime, what best draws consideration is the rising existence of institutional investors in the circle of owners of State owned Enterprises(SOEs) and effect that the dynamic participation of the group can also have on the governance and a trustee of the enterprises and their performance. Institutional shareholders have directly the possibility to impact the activities of managers throughout ownership and indirectly throughout their stock exchanges. It is supposed that the existence of institutional investors might lead to a transformation in corporate behavior. This resulted from improved monitoring investors. In other words, institutional investors regarding the ownership of a considerable percentage of the company's shares had significant impact in the investee companies and have the ability to impact the policies and activities implemented by the managers. Consequently, one can expect there is rationally relationship between ownership of this form of investment and financial performance of companies.

In the meantime, institutional investors are vital stakeholder of financial market and seemed as essential force in equity market. They are dominant actor not only in the developed market but also in the developing countries. The volume of funds held by them can be estimated from the statistics that above 50% of stocks in London stock exchange are occupied by institution investors in U.K. Likewise in US these institutions owned about 67% of total shares of listed companies in 2010 and their shareholding increasing unremittingly (Blume and keim, 2012). In 2013, these proficient investors cope with financial assets exceeding US$45 trillion including over US$20 trillion in equities. Thus, these institutional investors are playing exact active monitoring role and hence improving firm performance. On the other hand, in developing countries like Egypt institutional investors are not dynamically sharing in business decision making because of large shareholding by groups and family business.

Institutional investors are not profound entrenched in the business sector of Egypt and the core reason of this is lack of interest by the institutional owners and unavailability of suitable environment in the corporate governance of the country. The first matter that the Egyptian code requisite for operative corporate governance was the separation of the top two positions of the board (Chairman and CEO).These rules would be deliberated an addition to the corporate-related provisions stated under various laws - particularly the Law on Partnerships, Shareholding Joint Stock Companies, and Limited Liability Companies issued by virtue of Law #159/1981; the Capital Market Law issued by virtue of Law #95/1992 and the executive and decrees principles concerning their application. So far, what makes these rules unique and different from all others specified beneath the aforementioned laws is that the rules prevailing corporate governance in Egypt are neither officially nor compulsory binding; rather, they control and encourage clear and accountable behavior in running organisations along with international best practices and resources that aims to equilibrium between several party interests (Masry, 2015b).Therefore the role of institutional investors is improving in Egyptian stock market in recent years and they have started to disclosure of voting policy, monitor management affair, appointment of external auditors, non-executive directors and other affairs of the companies.

However, there appears to be a lack of literature on the impact of institutional ownership on firm performance in developing countries. This research has observed that there appears to be a significant gap in the literature in that it does not adequately clarify how expected firm performance changes as a result of institutional ownership occur from a LDCs perspective. The expectations with respect to the results of institutional ownership are founded on studies conducted in the West, but these studies fail to consider the influence of contextual factors at play in LDCs when it comes to firm performance. These factors are generally speaking market and country conditions. Even though it is commonly acknowledged that institutional ownership has an impact on firm performance, the studies undertaken so far do not offer an adequate analysis of the changes taking place. Past contingency-based studies have tried to explain the way in which some factors shape firm performance, but they neither related these factors to institutional ownership, nor placed them in the context of LDCs. By choosing a third world country as a research setting, this study aims to make a contribution to filling this gap in the research area.

Institutional ownership play important role in improving firm performance by reducing agency problem and monitoring firm management. The corporations with low shareholdings of institutional owners have weak governance structure and show poor performance. Despite efforts made to improve ownership structure, the level of institutional ownership is still low in Egypt. This is a serious obstacle in improving firm performance in developing countries especially in Egypt. Many researchers have studied the institutional ownership and their relationship with firm performance and showed mixed results. This study tries to clarify the relationship of institutional investors and firm performance. Moreover, a very few researchers have conducted on the role of institutional investors in Egyptian firms, hence this study reduce the knowledge gap of institutional investors.

The aim of the study is to test the impact of institutional ownership pattern on firm performance in the Egyptian stock market. Identifying determinants of institutional ownership stakes in companies in an attempt to clarify the relationship that each of the institutions underlying in the selection of their direct ownership stakes participation in the joint stock firm's capital funds. This in the light of many former foreign studies expectations that have been applied to other markets abroad, which indicated that institutions owners have monitoring ability on companies bigger than individual owners, where institutions owners have more information and a greater ability on the interpretation of such information. Therefore, they have a powerful and direct effect on firm performance. The rest of the study is organised as follow, subsequent to this section, section 2 is devoted to critically discuss the literature review of the study, followed by section 3, which deals with the research methodology, and provides a description of the data collection and analysis methods used. While section 4 present the analysis of the study and finally section 5 concludes the study by presenting the conclusions and implications of the study. It discusses analysis in combination with the findings of the literature review section, and providing recommendation that might help practitioners and policy makers in dealing with similar situations in future reforms, including perhaps those aimed at the creation of an environment suitable for institutional investors.

II. Literature Review

As stated by Yuan et al. (2008), there are two opinions amongst the relationship between firm performance and institutional ownership: *the performance reduction argument* and *the performance improvement arguments*. The performance improvement argument designates that institutional ownership improve sound corporate governance consequently can help to enhance firm performance. Initially, institutional investors intend to have greatest return on their investments (ROIs), thus, the investors are very cautious in recognising the efficient companies for investment and they are considerably more cautious about good firm performance management. Besides, this performance improvement argument also support by dynamic

monitoring interpretation which clarifies that institutions owners have more ability and incentives to monitoring management since they have greater capability to monitor mangers at minor transaction costs (Elysiani and Jia, 2010).

The performance reduction argument claims that institutional ownership has negative impact on firm performance (Yuan et al., 2008). Institutional investors who typically are short termism, in other words they want their ROI in a short period this may not suitable for the long-term development of organisations (David and Kochhar, 1996). Drueker (1986) also state that institutional owners are passive investor, because they will sell their holding if the enterprise experiences inferior performance rather than monitoring the firm or providing more resources to enhance their performance. Additionally, the strategic alignment view states that institutional investor may develop strategic connection with manager, thus to obtain self-advantages at the expense of other shareholders' interest (Cornett et al. 2007). For instance, enterprises might needs to improve strategic connection with banks since they need to borrow from banks, however, the business relations may prevent banks from being effective and active corporate monitors (Yuan et al, 2008)

The role of institutional ownership in economy is a doubtful matter. As one of the owners of firms, institutional shareholders have specified rights, containing the right to elect the board of directors (BODs). The BOD has the responsibility to observe corporate managers and their performance. If institutional shareholders are disappointed with the firm performance they will either decide to hold their stocks, sell their stocks and voice their disappointment otherwise they may hold their stocks and do nothing. Hirschman (1971) characterised these choices as voice, exit and loyalty.

Institutional investors typically hold greater equity ownership. Thus, institutional investors have the ability to impact management's actions directly throughout their ownership and indirectly by means of trading their stocks (Gillan and Stark, 2003). Several authors claimed that the participation of big shareholders in controlling or monitoring activities possibly limiting agency problems (Admati, Pfleiderer, and Zechner, 1994; Huddart, 1993; and Noe, 2002). A study by Jiang and Yamada (2011) realised that stock return has a positive correlation with institutional ownership. They further claimed that only big shareholders have the incentives to observe firm actions. This invention will result in improvement in the firm performance. Moreover, Demestz (1983) indicated the effective monitoring role done by the institutions owners reducing the agency costs. These results conform to vision of (Black, 1992) about the institutions owners' negative role if there ownership is dispersed and fragmented so that reduces their voting rights.

A study by Hartzell and Starks (2003) delivered practical evidence signifying that institutional investors serve a monitoring function regarding executive compensation contracts. Firstly, they discovered a positive relationship between institutional ownership and the pay-for-performance sensitivity of managerial reward. Secondly, they stated a negative correlation between concentrated institutional ownership and extra salary. Additional study by Chung, Firth, and Kim (2002) anticipated that there will be fewer unscrupulous earnings management in institutional owned firm for the reason that they will be compelled to implement superior accounting policies. Within the same regard, Shelifer, and Vishny (1986) believe that the existence of institutional owners in company ownership structure leads to a better monitoring of managers, in consider that the institutions act like well- informed investor in understanding, high awareness, and high ability to interpret information. In addition to that, Cheng, Elyasiani, Jia, (2009) indicated that institutions investors with big shares have bigger motive to monitoring the companies which they invest in, more than the rivals with small shares. This result could be explained by reducing the managers' risks and improving company performance, because monitoring gains relay on ownership size. Moreover, they found that the variables related to the institutional ownership connected with the low volatility stocks, investment risk, and underwriting in insurance policies risks.

Companies with significant institutional ownership are expected to have more reliable financial information. Signalling theory proposed that additional possible role of institutional investors is to deliver a reliable mechanism for sharing information between investors. Since the insiders have different information compared to the outsiders. This information gap requires the company to provide signals regarding its performance to the investors and among the market. Signalling theory supposes that investors can determine information regarding the future position of the company via a signal which comes from any signalling mechanisms including dividend or leverage announcements, and ownership changes. Hence, the institutional investors are considered as one of the company signalling tools. The existence of large shareholders or institutional investors lessens the necessity for further tools to signal superior performance. As stated by Gillan and Starks (2003), the institutional investors play a considerable role in transmitting information in financial markets. A further study by Chidambaran and John (2000) indicated that institutional shareholders can transfer private information that they attain from the management to other stockholders. Therefore, the information asymmetric cost would be decreased and the transparency level of the financial market could be enhanced.

The effectiveness and incentives of monitoring differ amongst the institutional ownership community. Pound (1988) indicated that institutional ownership has the propensity to evade deep-seated managers by voting for the management team. In addition to that, Brickley, Lease, and Smith (1988) categorised institutional ownership into two sets: pressure-insensitive and pressure-sensitive. They mentioned that pressure-sensitive stockholders might prefer to go in consort with management decisions. This is for the reason that the pressure-sensitive stockholders might have business relations with the firm. They added that firms with larger holdings by pressure-sensitive stockholders, for instance insurance and bank companies have more proxy votes promoted by the management. In contrast, firms with larger holdings by pressure-insensitive stockholders, for example mutual funds and pension funds have more proxy votes contrary to the management's recommendations.

Finally, as stated by Thomsen and Pedersen (2000), institutional ownership is expected to provide advantages in terms of relatively long-time horizon finance and a low risk aversion. Thus, institutional investors are characterised by investments portfolio and usually they have solid relationship with the company that they invested in. Thomsen and Pedersen (2000) further added that for institutional ownership that is rather specialised as the owner, their performance is regularly measured in terms of financial success, and their objectives can be designated as stockholder value liquidity. In conclusion, it is believed that institutional investors have positive effects on firm performance. Consistent with the above mentioned critical reviews, following hypotheses are proposed:

H1: There is a statistically significant relationship between the institutional ownership in a company and the company performance.

H2: There is a statistically significant relationship between the institutional ownership in a company and the company performance according to different institutional ownership pattern form (Banks, holding companies, insurance companies, and investment funds).

H3: There is a statistically significant relationship between the institutional ownership in a company and the company's characteristics as follow: company size and age, type of sector belong to, Legal classification, financial leverage, number of institution owner's representative in the Board of Directors (BODs) membership and number of Board of Directors members.

III. Research Methodology

A quantitative research methodology is generally applied by this study, which mainly reflects the scientific method of social sciences. The positivist paradigm espouses a deductive approach to the research process. It thus begins with theories and hypotheses on a particular phenomenon, collects data from the real-world site and subsequently analyses the data statistically to reject or support the initial hypotheses (Blanche and Durrheim, 1999; Veal, 1997; Welman and Kruger, 2001). Researchers who implement a deductive approach draw on theory to direct the design of the study and the subsequent explanation of their results (Neuman, 1994). The aim is to verify or test a proposed theory, rather than to construct one. Therefore, it can be seen that the identified literature review serving as an organising model for the research hypotheses and for the whole data collection process.

The whole research procedure is objectively constructed, and the results are regularly representative of the population being studied. The major advantages of the quantitative approach are control and precision. A high level of control is maintained throughout the design and sampling process and precise quantitative measurements are obtained. There is an additional advantage in relation to testing guides to statements regarding causation, given that the systematic manipulation of one variable can be revealed to have a direct causal effect on another when other variables have been controlled or eliminated (Blanche and Durrheim, 1999; Babbie, 1995). Making an applied study by using accounting data, financial, and metadata extracted from the annual financial reports of the companies included in the study sample. The researcher used several statistical models to analyse the data and test results derived from the analysis. And to judge the validity of the models that have been aligned to test the hypotheses of the study (The multiple regression, t-test, and test (P), Pearson correlation coefficient, inflation coefficient of variation, Klomujrov – Smonrov test, test Shapiro – and Welek – histogram, some graphs).

Research is limited to studying of companies represented in the sample of 73 companies of total 213 company listed the Egyptian Stock market (according to the 2015 statistics) and this companies that have institutional ownership stakes and banking ownership stakes in its ownership structure. These companies which could have its detailed data, and its ownership and financial statements data have been available throughout the time period of research. Also the research is limited to industrial, commercial and service companies, without financial companies, banks and holding companies. This is from 1/1/2007 to 31/12/2014 for around 8 years, this time is sufficient to make this research. The rest of this section is organised as follow: methods of data collection, population of the study, and measurements of study variables.

Methods Of Data Collection

The study fieldwork provides answers to the "how" and" why" of the matters under study by presenting a wide range of evidence through historical documents and official accounting statements.Secondary data were extracted from audited annual firm statements, company records, statistical reports, and publications. Data collected from sources outside the case firms included documents on ownership policies, government reports and regulations, and newspaper publications on the progress of the institution ownership process. Multiple data collection methods provide a method for triangulation, which increase the research scope, depth and consistency. In addition, the use of triangulation generates materials for discourse analytical studies, thereby improving their coherence and fruitfulness.

The quantitative data collection includes the collection of accounting data such as income statements, balance sheets and other supporting financial documents. Financial data measure the success and failures of the firm and explain how and why its financial health may have changed over time. Financial data outline the basis for planning future operations and suggest ways to improve the firm performance. The companies' income statements, balance sheets and other financial reports are prepared using Generally Accepted Accounting Principles (GAAP); staff from the Audit Service Corporation (ASC) audits the statements of each fiscal period. The financial data are reliable because the financial statements are produced and audited using accepted accounting practices used in the west. The data of selected firms were collected from two sources: (1) the Public Sector Information Centre; and (2) the Egyptian Capital Market Authority. In addition, key accounting data as well as annual reports were obtained from the following sources: Cairo and Alexandria Stock Market Exchanges (CASE) and financial year book (financial statements from 2007 to 2011).

Population Of The Study

The research based on 8 years for a sample composed of 73 Egyptian Join Company listed in the Egyptian Stock Market. Companies in the study cover several different economic activities (commercial, industrial, services), participating in its ownership structure, banking institutional ownership stakes. Where the population of the study represented in all Egyptian join company listed in the Egyptian Stock Market, which is 213 companies (according to Statistics 2015), Sample distribution according to economic activities, law type (the company legal classification according to the law governing it):

Table1: the Sample of the study legal classification according to the law governing it

Item	Distribution to the law governing it			Distribution according to activity affiliated to		
	Law n.159	Law n.203	Law n.8	Commercial	Industrial	Services
NumberofCompanies	53	7	13	11	47	15

Measurements Of Study Variables

This sub-section focuses on the study variables and the measurement used by the researcher to assess these variables to test the research hypothesises. Table 2 presents the variables and the measurements used by the study.

Table 2: Measurements of study variables

Variable	Measurement Method
Company performance	measured by Return On Equity (ROE) (Net profit after tax/ Ownership Equity)
Institutional ownership stakes	The percentage of Institutional ownership stakes to the total of company shares
Banks ownership stakes	The percentage of banks ownership stakes to the total of company shares
Holding companies ownership stakes	The percentage of Holding companies ownership stakes to the total of company shares
Insurance companies ownership stakes	The percentage of Insurance companies ownership stakes to the total of company shares
Mutual funds ownership stakes	The percentage of Mutual funds ownership stakes to the total of company shares
Company size LN SIZE	The natural logarithm of Sales
Financial leverage LEV.	The ratio of total debt to total assets
Law type	In this study will be measured by qualitative variable(fictitious / imaginary) take (1) if the company governing by law 159 of company code, take (2) if the company governing by law 203 of business sector, and take (3) if the company governing by law 8 of investment code
Company age LNAGE	The natural logarithm of Company age represented in company working duration since its establishment
SECTOR TYPE that company belongs to.	Measured by qualitative variable (fictitious / imaginary) take (1) if the company working in commerce take (2) if the company working in industry field, and take (3) if the company working in services field.
Number of institution owners' representative in the Board of Directors membership.	Total number of institution representative members who have ownership stakes in company's ownership structure
Number of Board of Directors members.	Total Number of Board of Directors members.

IV. Research Analysis

The research analysis is a systematic approach to investigations during which numerical data is collected and/or the researcher transforms what is collected or observed into numerical data. It often describes a situation or event; answering the 'what' and 'how many' questions you may have about something. The quantitative approach employed by this study is often concerned with finding evidence to either support or contradict the research hypothesises proposed by the study. The rest of this section is organised based on the research hypothesises proposed by the study.

First Hypothesis Testing

H1: There is a statistically significant relationship between the institutional ownership in a company and the company performance.

This hypothesis tests the impact of Institutional ownership on ROE of company performance, in the presence of five monitoring variables: Company size LN SIZE, Financial leverage LEV, Law type, Company age LNAGE, and SECTOR TYPE. The statistical description of statistical model variables (Multiple linear regressions) that has been adapted to test this hypothesis to take the following form:

Company performance= function (Institutional ownership stakes, Company size LN SIZE, Financial leverage LEV, Law type, Company age LNAGE, and SECTOR TYPE company belong to.)

$ROE = a + b_1\ INST + b_2\ LNSIZE + b_3\ LEV + b_4\ LAW\ TYPE + b_5\ LNAGE + b_6\ SECTOR\ TYPE + e$------------------------- (1)

Table (3) indicates results of multiple linear regression of the first hypothesis as follow:

- **Coefficient Of Determination (R^2)**

  Statistical analysis results in Table(3) indicate that the independent variables explain about (32%) of the total change in the dependent variable: company performance , and the rest of percentage (68%) due to random error in the equation or perhaps because of lack of inclusion of other independent variables should be included in the model.

- **Regression Model F Test:**

  It also shows that the value of the test (F test) reached (29,494), and it has significance at level less than (0.05) which demonstrates the impact of input independent variables in this model on the dependent variable (ROE company performance), this mean accepting the first hypothesis which say that there is a significance impact of independent variables on the dependent variable in this model.

Table (3): Results of multiple linear regression model to identify the impact of Institutional ownership

Independent variables	The estimated parametersβ_i	T. test		VIF	F. test		R^2
		Value	Significance level		Value	Significancelevel	
Constant	- 0.307	-4.096	0.000	-	29.494	0.000	0.315
INST	0.112	3.66	0.000	1.423			
LNSIZE	0.031	7.385	0.000	1.232			
LEV	0.018	-2.116	0.035	1.065			
LAWTYPE	0.037	3.817	0.000	1.567			
LNAGE	0.008	-0.832	*0.406	1.164			
SECTOR TYPE	0.009	0.574	*0.566	1.162			

* Non-significance impact, at significance level less than (0.05).

- **Significance Test Of Each Independent Variable Separately**

  In considering of the test (t. test) in Table (3) also, we find that the relation between the independent variables and the dependent variable (ROE company performance) in multiple linear regression model at the level of less than (0.05) as follow:-

  Institutional ownership stakes have positive significance impact, where its (t. test) reached (3.863) at significance level (0.000), Company size LNSIZE has positive significant impact, where its (t. test) reached (7.385) at significance level (0.000) , Financial leverage LEV has negative significant impact, where its (t. test) reached (-2.116) at significance level (0.035) , Law type has positive significant impact, where its (t. test) reached (3.817) at significance level (0.000) , Company age LNAGE has negative non-significant impact , where its (t. test) reached (-0.832) at significance level (0.406), and SECTOR TYPE has positive non-significance impact, where its (t. test) reached (0.574) at significance level (0.566).

- **Variance Inflation Factor (VIF):**

  In order to determine whether there is Multicollinearity between independent variables and each other, variance inflation factor (VIF) has been measured for each independent variable separately with rest of independent variables. According to what stated in Table (3) it shows that the accepted independent variable within the range of multiple linear regression model did not suffer of Multicollinearity problem in any of these

variables, where the VIF values are less than (5) which indicate the non-existence of serious Multicollinearity problem in the model. Correlation coefficients matrix of model variables was found, and as indicated in attachment (2), the coefficients are less than the level that Multicollinearity problem can appear with, which is (0.70 and , - 0.70)

Second Hypothesis Testing
H2: There is a statistically significant relationship between the institutional ownership in a company and the company performance according to different institutional ownership pattern form (Banks, holding companies, insurance companies, and investment funds).

This hypothesis tests the impact of following Institutional ownership pattern: Holding companies ownership, Banks ownership, Insurance companies ownership, Mutual funds ownership on ROE of company performance, in the presence of five monitoring variables: Company size LNSIZE, Financial leverage LEV, Law type, Company age LNAGE, and SECTOR TYPE. The statistical description of statistical model variables (Multiple linear regressions) that has been adapted to test this hypothesis to take the following form:

Company performance= function (Banks ownership stakes, Holding companies ownership stakes, Insurance companies ownership stakes, Mutual funds ownership stakes, Company size LN SIZE, Financial leverage LEV, Law type, Company age LNAGE, and SECTOR TYPE company belong to.)

ROE = a+b1 BANK+b2 HC+b3 INSU+b4 FUND+b5 LNSIZE+b6 LEV+b7 LAW TYPE +b8 LNAGE + b9 SECTOR TYPE +e---(2)

Table (4) indicates results of multiple linear regression of the second hypothesis as follow:

- **Coefficient Of Determination (R^2):**
Statistical analysis results Table (4) indicate that the independent variables explain about (30%) of the total change in the dependent variable: company performance, and the rest of percentage (70%) due to random error in the equation or perhaps because of lack of inclusion of other independent variables should be included in the model.

- **Quality Significance Of Regression Model Adaptation Test:**
It also showed that the value of the test (F test) reached (19,509) and it has significance at level less than (0.05), which demonstrates the impact of input independent variables in this model on the dependent variable (ROE company performance), this accepting the hypothesis which say that there is a significant impact of independent variables on the dependent variable in this model.

Table (4): results of multiple linear regression model to identify the impact of ownership pattern and the other monitoring independent variables on the dependent variable (ROE company performance):

Independent variables	The estimated parameters β_i	T. test		Significance level	F. test		R^2
		Value			Value	Significance level	
Constant	- 0.335	-4.272	0.000	-	19.509	0.000	0.303
BANK	0.084	1.331	*0.184	1.170			
HC	0.024	0.748	*0.455	1.266			
INSU	0.308	2.934	0.004	1.113			
FUND	0.041	0.388	*0.698	1.043			
LNSIZE	0.035	8.440	0.000	1.244			
LEV	-0.017	-1.919	0.056	1.147			
LAWTYPE	0.047	4.973	0.000	1.376			
LNAGE	-0.009	-0.856	0.392	1.316			
SECTOR TYPE	0.004	0.227	0.821	1.143			

* Non-significance impact, at significance level less than (0.05).

- **Significance Test Of Each Independent Variable Separately**
Ref. to the (t. test) in Table (4) also, one can find that the relation between the independent variables and the dependent variable (ROE company performance) in multiple linear regression model at the level of less than (0.05) as follow: Banks ownership stakes have positive non- significant impact, where its (t. test) reached (1.331) at significance level (0.184), Holding companies ownership stakes have positive non- significant impact , whereas its (t. test) reached (0.748) at significance level (0.445), Insurance companies ownership stakes have positive significant impact, while its (t. test) reached (2.934) at significance level (0.004), Whereas Mutual funds ownership stakes have positive non- significant impact , whereas its (t. test) reached (0.388) at significance level (0.698), and Company size LNSIZE has positive significant impact , although its (t. test) reached (8.440) at significance level (0.000), however, the Financial leverage LEV has negative non- significant impact , while its (t. test) reached (-1.919) at significance level (0.056), the Law type has positive significant

impact, where its (t. test) reached (3.973) at significance level (0.000), and the Company age LNAGE has negative non- significant impact , although its (t. test) reached (-0.856) at significance level (0.392) , and finally SECTOR TYPE has positive non-significance impact, where its (t. test) reached (0.227) at significance level (0.821).

- **Variance Inflation Factor (VIF):**
  According to what stated in Table (4), it is show that the accepted independent variable within the range of multiple linear regression model did not suffer from Multicollinearity problem in any of these variables, where the VIF values are less than (5) which designate the absence of severe Multicollinearity problem in the model.

Third Hypothesis Testing
H3: There is a statistically significant relationship between the institutional ownership in a company and the company's characteristics as follow: company size and age, type of sector belong to, Legal classification, financial leverage, number of institution owner's representative in the Board of Directors (BODs) membership and number of Board of Directors members

This hypothesis tests the impact of following independent variables: Company size LNSIZE, Company age LNAGE, SECTOR TYPE, Law type, Financial leverage LEV, Number of institution owners representative in the Board of Directors membership, and Number of Board of Directors members on Institutional ownership stakes INST in order to know the determinants of institutional ownership. The statistical description of statistical model variables (Multiple linear regressions) that has been adapted to test this hypothesis to take the following form:

Institutional ownership stakes = function (Company size LN SIZE , Company age LNAGE, SECTOR TYPE, Law type, Financial leverage LEV, Number of institution owners representative in the Board of Directors membership, and Number of Board of Directors members.)

INST= a + b1 LNSIZE + b2 LNAGE + b3 SECTOR TYPE+b4 LAW TYPE + b5 LEV+ b6 MEMBERI b7 BOARD+ e--(3)

Table (5): results of multiple linear regression model to identify the impact of Companies characteristics on the dependent variable (Institutional ownership stakes INST):

Independent variables	The estimated parametersβ_i	T. test		VIF	F. test		R^2
		Value	Significance level		Value	Significance level	
Constant	0.397	4.685	0.001	-	28.634	0.001	0.354
LNSIZE	0.030	3.001	0.002	2.215			
LNAGE	-0.021	-0.810	*0.578	2.291			
SECTOR TYPE	-0.157	-6.590	0.001	1.120			
LAWTYPE	0.088	6.924	0.000	2.393			
LEV	-0.005	-0.389	*0.890	1.106			
MEMBER-I	0.021	8.178	0.001	3.841			
BOARD	-0.018	-3.378	0.001	4.076			

* Non-significance impact, at significance level less than (0.05)

- **Coefficient Of Determination (R^2)**
  Statistical analysis results in Table (5)indicate that the independent variables explain about (35%) of the total change in the dependent variable: company performance, and the rest of percentage (65%) due to random error in the equation or perhaps because of lack of inclusion of other independent variables should be included in the model.

- **Quality Significance Of Regression Model Adaptation Test:**
  It also shows that the value of the test (F test) reached (28,634) and it has -significance at level less than (0.05), which demonstrates the impact of input independent variables in this model on the dependent variable (Institutional ownership stakes INST), this mean accepting the e hypothesis which say that there is a significance impact of independent variables on the dependent variable in this model.

- **Significance Test Of Each Independent Variable Separately**
  In considering of the test (t. test) in Table (5) one can notice that the relation between the independent variables and the dependent variable (Institutional ownership stakes) in Multiple linear regression model at the level of less than (0.05) as follow: The Company size LNSIZE has positive significant impact, however its (t. test) reached (3.001) at significance level (0.002), Whereas Company age LNAGE has negative non-significance impact , where its (t. test) reached (-0.810) at significance level (0.578), while SECTOR TYPE has

negative -significance impact, where its (t. test) reached (-6.590) at significance level (0.000), Law type has positive -significance impact, whereas its (t. test) reached (2.393) at significance level (0.000) , and Financial leverage LEV has negative non-significant impact , although its (t. test) reached (-0.389) at significance level (0.890), also the Number of institution owners representative in the Board of Directors membership has positive -significant impact , though its (t. test) reached (8.178) at significance level (0.001), and finally the Number of Board of Directors members has negative significant impact, while its (t. test) reached (- 3.378) at significance level (0.001).

- **Variance Inflation Factor (VIF):**
    In order to determine whether there is Multicollinearity between independent variables and each other, variance inflation factor (VIF) has been measured for each independent variable separately with rest of independent variables. According to what stated in Table (5) it is show that the accepted independent variable within the range of multiple linear regression models did not suffer of Multicollinearity problem in any of these variables.

V. Conclusion And Recommendations

This study aims to test Institutional ownership pattern on company performance, focusing on studying bank institutional ownership pattern and searching bout determinants that control the set amount of Institutional ownership stakes, in the light of the economic and financial literature expected that the institutions had a monitoring or disciplinary role to control the company management and limit of its resolutions deviation to trends could harm owners interests, where the agency theory says that the separation between ownership and management leads to management breach of maximise owners wealth.

With reference to the impact of institutional ownership combined on company performance , it has been shown that there is a positive significance impact which confirm the *performance improvement argument* designates that institutional ownership improve sound corporate governance consequently can help to enhance firm performance. Initially, institutional investors intend to have greatest return on their investments (ROIs), thus, the investors are very cautious in recognising the efficient companies for investment and they are considerably more cautious about good firm performance management. Besides, this performance improvement argument also support by dynamic monitoring interpretation which clarifies that institutions owners have more ability and incentives to monitoring management since they have greater capability to monitor mangers at minor transaction costs and imposing efficient monitoring on company's managers via the institutional owners, including banks, insurance companies, holding companies, mutual funds and other companies, this result differ with what reached by (Abdou,2003), Which reached to the existence of negative significance impact of institutional ownership on profitability, and attributed that to the point views of some studies which expected that institution owners voices will be negatives because of lack of coordination and communication between these institutions (Black ,1992), or it could agree this (negative impact) with opinions of (Pound, 1988), which clarified that institution owners, may be voting in favour of company management to make the institution avoid losing   profitable business relation with the company, or the because of the existence of mutual interests between institution owners and company managers.

While the institutional ownership different patterns impact on company performance ROE, it has been shown that the HC ownership –represent the government ownership- has positive significant impact; this could be explained by the elevated control level of HC on subsidiary. This agrees with (Abdou, 1999) that the HC practicing effective monitoring on subsidiaries, which reduces the agency cost, where this study found negative impact of HC ownership on agency cost. The study indicates that each of the following institutional ownership patterns had positive impact on the company performance (even it is non- significant for banks, investment funds): bank ownership, insurance company ownership, mutual funds ownership, as corroborated by (Demestz, 1983) and (Elysiani and Jia ,2010) vision that the institution owners can play effective monitoring role could improve company performance, and reduce agency cost, realising imposing efficient monitoring on company managers. Thus, it was explained that banks, insurance company and mutual funds practicing effective monitoring on companies which leads to company performance.

Regarding to survey of company characterises determinative of institutional ownership stakes, it has been shown that each of the following characterises had positive significant role on institution ownership: company size, company governing Law, number of institution owners representative in the Board of Directors membership, which means that institution owners care about these contextual variables in time of identifying their participates and contributions in joint companies in the developing countries perspective, more specifically , the Egyptian institutional environment. On the other hand, the study indicated that each of following had negative role on institution ownership: Company age, sector type that company belong to, financial leverage, Number of Board of Directors members. (Even it is negative non-significant role of Company age and financial

leverage) which means that institutional owners do not care about these characterises in time of identifying their contributions in joint companies.

However, with respect to financial leverage, it had negative significant impact on firm performance. The results shows negative relationship of debt equity ratio with earning per share, net profit margin and return on equity. This negative relationship between debt equity ratio and earnings per share (EPS) support the fact that as debt increases, the interest payment will also rises, consequently EPS will decrease. Therefore, one can conclude that there is inverse relationship between financial leverage and performance , which indicating that the companies in the study receiving negative impact because of using debts , whereas the owner income decrease with the increasing relaying on debt. In other words, avoiding and decreasing financial risk is more important in the Egyptian stock market to the institutional investors than tax privilege inherited in debt financing.

With respect to company governing law type, it had negative significant impact which confirms (Abdou, 2003) opinion that difference company governing Law type, may have impact on the performance. and may be agree with that the incentives distinguishes a law than the others, may have positive impact , because the companies governing by investment law (law n. 8 of 1997) had type of owner money protection via investment Incentives which abound in the law like guaranties against insurance or sequestration addition to (tax and customs exemption). Law no. 230 of 1989 aims to encourage private investment in new industrial zones and communities by giving more incentives to projects constructed in these areas than those concentrated in major cities or the old valley. Among the new incentives brought about by this law is the freedom of private companies to set their own prices. However, the law also provides discretionary power to the minister of industry and prime minister which allows them to interfere in a company's profit and pricing policies, and requires that companies allocate at least 10% of the profits to workers.

Once the state's share in a 'Law 203 company' is less than 51%, the company becomes subject to investment law no. 159 of 1981 .One significant problem in this regulatory framework is that it is ambiguous under which investment law a fully private company will operate. One may argue that this diversity of laws means there is a restriction on foreign institutions participation in the Egyptian economy. It is ambiguous which law regulates a company that has been fully sold to a foreign investor. If a foreign investor buys majority shares of an SOE, and the State's share is reduced to 51%, then the partially private company will be subjected to Investment Law 159 of 1981, which includes some restrictions on FDI. On the contrary, more privileges are given to foreign investors by law 8 of 1997. The most distinguished feature of this law is that it explicitly states that foreign investment is to be treated the same as national investment and, in this regard, foreign investors receive equal incentives as local investors. Under Law no 8 of 1997, there are no explicit provisions that relate between privatised companies and foreign investment. In addition, with the way the incentives are formulated, one may conclude that it is applicable on Greenfield investment only. On the other hand, General Organisation for Industrialisation (GOFI) is the authority responsible for the promotion of FDI opportunities and implementing the provisions of Law no. 8 of 1997. Therefore, there is no coordinating body that promotes Greenfield investment opportunities to the foreign institutional investor.

Finally, the study indicated that company age had negative non- significant impact on firm performance which means that working period of company do not affect company profit, this on contrary of what expected that as older as the company, gained competitive advantages from its experiences and the stability of its products on the market, which operate in. However, Old age may also make knowledge, abilities, and skills out dated and induce organisational decay. One possible reason is that success induces firms to codify their approach through processes and organisation, a regulation that can become capillary over time. This behaviour seems increasingly to trap firms in process-related and structural rigidities that are difficult to and that could cause companies to succumb to Schumpeter "perennial gale of creative destruction." It could also be that older firms are incapable of solving collective action problems. As in the case of nations, firms might increasingly become organisations of rent-seeking factions as they get older. In short, it is therefore unclear whether aging helps firms prosper or whether it dooms them. Besides, the study indicated that sector type that company belong to, had positive non-significant impact which confirm that the economic activities had no significant impact on ROE in the Egyptian stock market.

In light of what reached by the study results, recommendations could be presented as follow:
1. Owners (Regardless of ownership pattern) should using their rights of voting in company main decisions , and play a positive effective role in management monitoring, this will be to maintain the high level of company Return on equity and preserve their real wealth from decrease.
2. The institution owners especially banks, insurance companies, investment funds, and non-financial companies, should care of choosing their representatives in company boards which contributes in. where the representatives should have experience in investment field, and have full knowledge of Capital market conditions, the business economics environment concurrent with the time of the vote on the company's

decisions. This will be to guarantee of good voting, and in sequences the good of company main decisions which lead to company development. This because of the institution owners had bigger capability to gain information and analyse it. And bigger ability to impose monitoring on management in compare of individual owners.

3. Making more studies in the field of ownership structure and its different patterns, its impact on companies in Egypt, to know more in this regard. There are a lot of fields enriching knowledge about this case, if we depend on longer time series indicate the nature of this impact over time. also the monitoring variables entering could affect this performance like: more variety of sector type(industry) , let it be the expendable divisions used in companies listed in Companies Listed in the Egyptian Stock Market, competition and antitrust degree, company following to the mechanisms of corporate governance, directors board formation, if the managing director occupies the position of the President of the Governing Council also, etc. addition to making more studies in the field, where deal with other ownership patterns (Family ownership, hierarchical ownership, administrative ownership, insurance funds and pensions ownership and other).

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