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

Mohamed Masry
PhD, MA, MBA, BA in finance Accounting and finance department, Faculty of business administration, Arab Academy for science and Technology (AAST), Alexandria, Egypt

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.