



Research Paper

Impact of Promoters' Holding on Stock Performance of Indian Cement Companies Listed On BSE

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Abstract:

The aim of the study is to explore impact of promoters' holding on stock price and stock return. For this purpose a sample of 20 cement companies listed in BSE (Bombay Stock Exchange) have been selected and data is analysed from 2013 to 2023. The research study used descriptive statistics, correlation and regression analysis to assess impact of promoters' holding on stock price and stock return. The results of the present study shows that there is a low significant relationship between promoters' holding and stock price of listed cement companies of BSE (Bombay Stock Exchange) and no significant relationship between promoters' holding and stock returns of listed cement companies of BSE (Bombay Stock Exchange). The present study finally concludes that promoters' holding only have very few impact on stock price of listed cement companies of BSE (Bombay Stock Exchange) while no impact on stock returns of listed cement companies of BSE (Bombay Stock Exchange). A balance shareholding pattern is always good for the company. So investors should not select companies which have very low or very high promoters' holding.

Keywords: Shareholding pattern, promoters shareholding, stock price, stock return, Bombay Stock Exchange.

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I. Introduction:

Shareholding pattern of any company consist of promoters, foreign institutional investors (FII), domestic institutional investors (DII), mutual funds and others. Shareholding pattern of any company shows shares hold by different entities. Generally share holding pattern is divided into two parts that is promoters shareholding and public shareholding. Promoters shareholding means percentage of shares hold by promoters of the company. Promoters are entities who have significant role in formation of the company. Public shareholding means percentage of shares which are not hold by promoters of the company. It may be consist of shares hold by mutual funds, financial institutions, banks, insurance companies, foreign institutional investors (FIIs), foreign direct investors (FDIs) and the public. Shareholding pattern gives an idea about ownership and financial soundness of the company. Promoters shareholding are main part of shareholding of the company because they are leading role in formation of the company. They knows very well objectives and future vision of the company. If promoters hold a significant portion of shares it always consider a good indication about the company.

Promoters who built any company so they are main part of any company's shareholding pattern. More promoters holdings shows promoters trust and confidence in the company so change in promoting holding may be affect any companies in stock market. They have main role in formation of company. Promoters holding in any company given idea about how much trust in the company promoter have. If promoters' holding decreases it indicates that some reason because of promoters' holding is loosing. They know all about the company very well they also know about probable future opportunity and scope and any growth of the company. If promoters' holding is increased in shareholding pattern it indicates that they know the capabilities or potential of the

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company and saw some opportunities and growth in near future. Promoters of any company know better than any other about future potential opportunities and growth of the company. They have an important role in exploring future opportunities and growth of the company.

II. Problem Formulation:

The present research study formulates following research problems:

1. Is there any impact of the promoters' holding on the stock price and stock returns of listed cement companies of BSE (Bombay Stock Exchange)?
2. Is there any significant relationship between the promoters' holding and the stock price or stock returns of listed cement companies of BSE (Bombay Stock Exchange)?

III. Review of Literature:

A concise summary of the available literature on this subject is presented in this section. Numerous studies have been conducted on this topic worldwide, providing a comprehensive understanding of the subject matter.

(Kalia, 2024)¹ examined the impact of promoter share pledging on future stock price crash risk and financial performance companies listed on the S&P BSE 500 Index in India by using panel (fixed-effects) data regression. The research study found a significant positive relationship between promoter share pledging and future stock price crash risk and significantly negative for future financial performance.

(Khatwani et al., 2023)² in their research studied the impact of a change in promoter shareholding on small-cap-value stocks by using regression. The study found that within the specified universe, while one-year returns had no relationship with a change in promoter shareholding, two-year returns had a negative relationship with a change in promoter shareholding.

(Singh and Rastogi, 2022)³ in their study examined the effects of promoters' ownership and market competition on the firm value of listed SMEs in India by applying fixed effects model. The research study found that promoters' ownership does not impact the firm value significantly. However, market competition is significant and negatively drives the firm's value. Finally, competition does not regulate the relationship between ownership effects and firm value.

(Pinto and Rastogi, 2022)⁴ the study evaluated the influence of corporate governance index (CGI), ownership concentration (OC) and other features (leverage, excess return over cost of equity and stock-market return) on the dividends of listed Indian pharmaceutical companies of the NSE NIFTY-500 index. The study revealed that CGI significantly positively influences the dividends of pharmaceutical companies in India. The study also revealed that only promoters' holdings are significantly inversely related to dividends. The study concluded that family-run pharmaceutical companies in India tend to retain profits instead of distributing dividends.

(Kanoujiya, Singh, and Rastogi, 2022)⁵ in their research study investigated the connectivity of OC (particularly considering promoters' holdings) with the firm's financial distress (FD) of non-financial firms (NFF) listed in India. The study revealed that OC (promoters' holdings) positively relates to the firm's FD. This result implied that initially, promoters' holdings enhance the firm's FD, and after a maximum threshold, promoters' holdings start reducing FD in non-financial listed firms in India.

(Rastogi, Gupte, & Meenakshi, 2021)⁶ in their study explored the impact of equity holdings of promoters, institutional investors, and retail investors on the proposed three-pronged approach (encompassing regulation, profitability, and nonperforming assets (NPAs)) of the bank performance. The main findings supported the premises of the proposed approach to bank performance. Furthermore, various ownership classes provided mixed results for their impact on bank performance. Unfavorable roles of promoters and institutional investors and an indifferent role of the retail investors group were startling outcomes of the study.

(Gupta & Bedi, 2020)⁷ examined the relationship between corporate cash holdings and promoter ownership for a sample of Indian non-financial firms. Indicating prominent influence of corporate ownership on cash management. The study found that corporate cash holdings and promoter ownership are negatively related. The study also found cash holdings have U-shaped relation with promoter ownership of foreign corporates.

(M and Sasidharan, 2020)⁸ in their study aimed to examine the effectiveness of governance in state-owned enterprises (SOEs) and explores if board independence enhanced the firm value of SOEs in India and China. The study further explored the moderation impact of promoter ownership in enhancing firm value. The study found that board independence adds value to the SOEs in India and China and the presence of independent directors (IDs) in the board of SOEs act as better monitors of performance to protect the interest of minority shareholders. The greater the government shareholdings, the board independence further enhances value of SOEs in India and China.

(Varghese and Sasidharan, 2020)⁹ in their study attempted to examine the impact of ownership structure and board characteristics on firm value for the firms in China and India. The study found that promoter

ownerships to positively impact a firm's value creation process, while institutional investors exert a negative influence.

(Panda and Bag, 2019)¹⁰ their study aimed to examine the impact of ownership structure (ownership concentration and identities) on the financial and market performance of Indian listed firms, post the US financial crisis 2008. The study found that in the case of ownership concentration, large owners have no link with the financial performance however an adverse impact on the market performance. The study concluded that presence of promoters, domestic institutions and foreign institutions boost the financial performance, whereas the foreign institutional investment enhance the market performance.

(Bhatia and Srivastava, 2017)¹¹ their study attempted to analyze relationship between promoter's holding and firm performance in an emerging market of India. The study found non-linear relationship between the firm performance and promoter's holdings. Specifically, the study documented the relationship to be of U curve nature and clearly found evidence of endogenous relationship between promoter's holding and firm performance.

(Tawiah, Benjamin, and Banns, 2015)¹² in their study attempted to empirically test this theoretical relationship between the ownership structures of a firm and the wealth to shareholder. The study revealed that promoters and institutional shareholders have inverse relationship while foreign and individual holdings have positive with no significant impact on shareholders' wealth. On the other hand, foreign investors have positive and significant impact on capital gain. The study concluded that an increase in foreign investors whether institutional or individuals and the public have significant impact on the capital gains from the stock market and total returns as a whole.

(Sahoo and Rajib, 2010)¹³ in their study explored the relationship between post-issue promoter groups' retention and Initial Public Offering (IPO) underprice. The study found a positive relationship between post-issue promoter group holding and IPO underprice. The study also found positive initial day return for IPOs across all industries, while manufacturing sector IPOs are less underpriced than non-manufacturing sector IPOs.

IV. Objectives:

The main objectives of the present research study are:

1. To study the relationship between promoters' holding and stock price of listed company.
2. To study the relationship between promoters' holding and stock returns of listed company.
3. To study the yearly trend in average promoters' holding, stock price and stock returns.

V. Hypotheses:

The study develop the following hypothesis:

1. There is no significant relationship between promoters holdings and stock price of listed company in stock market.
2. There is no significant relationship between share holding pattern and stock returns of listed company in stock market.

VI. Research Methodology:

The present study used quantitative approach for study relationship between promoters' holding and stock price and stock return. Three variables namely promoters' holding, stock price and stock return are used to analyse relationship between them. The present study used secondary data collected from BSE (Bombay Stock Exchange) and annual financial report of listed companies. Simple random sampling technique is used for drawing sample. Cement companies listed in BSE (Bombay Stock Exchange) are selected as universe and a sample of 20 listed cement companies are drawn using random sampling. The period of study is from December 2013 to December 2023. Descriptive statistics, correlation analysis and regression analysis are used to analyse data.

VII. Analysis of Data and Interpretation:

The present study used descriptive statistics, correlation and regression for analysis of data the results of which have been shown below.

Descriptives statistics of variables used in study are given below. It gives basic idea about variables and helpful in understanding nature of variables of the study.

	N	Mean	Median	Standard deviation	Minimum	Maximum
Promoter & Promoter Group	220	51.6	53.1	14.8	1.98	95
Close Price	220	1475	203	4357	1.64	28619
Stock return	220	30.6	12.2	133	-80.7	1742

Table: 1 Descriptives statistics

The results of descriptive statistics shows average promoters' shareholding is 51.6 % with a standard deviation of 14.8%. It indicates promoters' of selected cement companies have adequate control because of average promoters' shareholding is more than 50 %. Average close price is 1475 with standard deviation of 4357 indicates greater variation in share prices. Average stock return is 30.6 % with standard deviation of 133 % shows adequate returns with greater variation in listed cement companies. Shapiro-Wilk test has been used to analyse whether the data is normally distributed or not.

Table: 2 Result of Normality Test (Shapiro-Wilk)

Test Summary	W	p
Promoter & Promoter Group	0.966	0.001
Close Price	0.356	0.001
Stock return	0.385	0.001

Since p value is less than 0.05 for all the three variables therefore Promoter & Promoter Group holding, share price and stock return are not normally distributed. It violates assumption of Karl Pearson correlation therefore, Karl Pearson correlation cannot be used to study correlation between the variables. Hence, spearman's rank difference correlation is used to study correlation between variables. The results of correlation matrix have been given in the table 3 below.

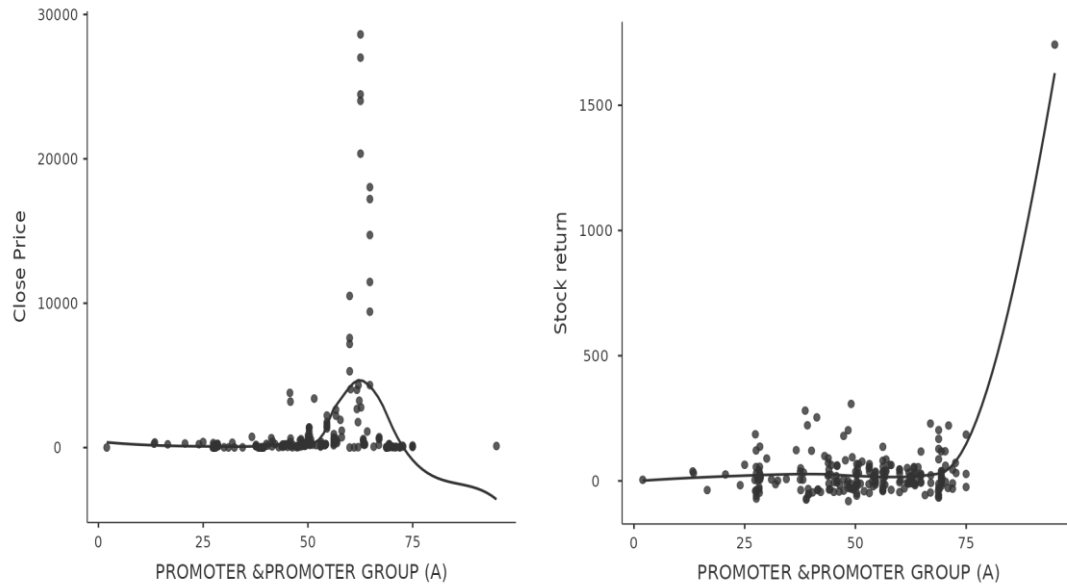
Correlation Matrix is helpful in understanding relationship between various variables used in the study and also give idea about relationship is significant or not.

Table: 3 Correlation Matrix

		Promoter & Promoter Group	Close Price	Stock return
Promoter & Promoter Group	Spearman's rho	—	—	—
	df	—	—	—
	p-value	—	—	—
Close Price	Spearman's rho	0.154*	—	—
	df	218	—	—
	p-value	0.022	—	—
Stock return	Spearman's rho	0.061	0.202**	—
	df	218	218	—
	p-value	0.371	0.003	—

The results of correlation matrix shows that correlation between promoters' holding and stock price of listed cement companies is 0.154 and p value is 0.022 which is less than 0.05. It indicates there is low significant correlation between promoters' holding and stock price of listed cement companies. The correlation matrix also shows correlation between promoters' holding and stock return of listed cement companies is 0.061 and p value is 0.371 which is more than 0.05. It clearly indicates that there is no significant correlation between promoters' holding and stock return of listed cement companies.

An adequate portion hold by promoters' is always good sign it shows confidence of promoters' in the company. But high promoters' holding of the company is not good because it affects majority of key decisions of the company. In case of a high promoters' holding, promoters' are independent to take any decision which might be favorable or unfavorable for potential investors. Low promoters' holding shows low confidence of promoters in the company. If promoters' holding is continuously decreasing it shows promoters are not sure about future perspective of the company. So investors might choose such companies which have adequate promoters' holding. A balance shareholding pattern is always good for the company. So investors should not select companies which have very low or very high promoters' holding.



Year wise trend in average promoters' shareholding, average share price and average stock return for last 11 years from 2013 to 2023 shows in table 4.

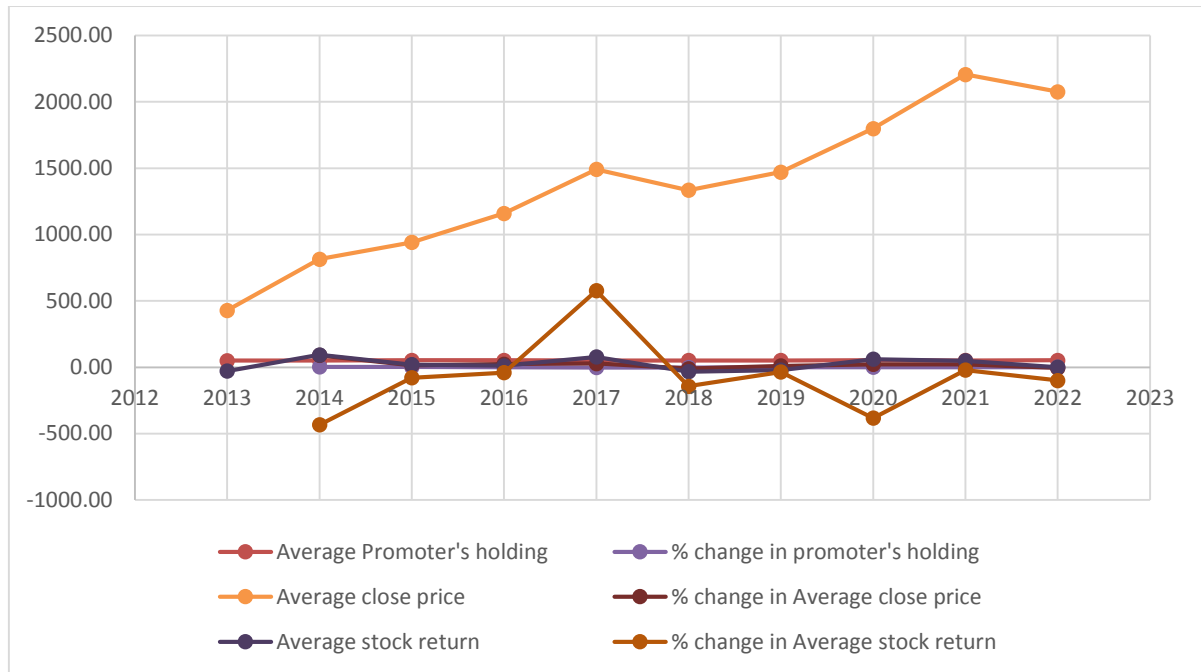
Table: 4 Yearly Trend in Average promoters' holding, close price and stock return

Year	Average promoters' holding	% change in promoters' holding	Average close price	% change in Average close price	Average stock return	% change in Average stock return
2013	49.70	-	429.06	-	-27.89	-
2014	51.03	2.67	815.17	89.99	93.11	433.80
2015	52.18	2.27	941.37	15.48	19.40	-79.17
2016	52.70	0.99	1159.85	23.21	11.56	-40.43
2017	51.82	-1.67	1491.84	28.62	78.19	576.63
2018	51.17	-1.26	1335.12	-10.51	-33.37	-142.68
2019	51.51	0.66	1470.31	10.13	-21.59	35.29
2020	52.02	0.98	1798.45	22.32	61.06	382.77
2021	51.72	-0.58	2206.13	22.67	48.39	-20.74
2022	51.95	0.45	2075.96	-5.90	0.25	-99.48
2023	51.90	-0.09	2504	20.62	107	42700

Source: data own compilation

Table 4 shows yearly trends in average promoters' shareholding, average close price and average stock return of listed cement companies of BSE (Bombay Stock Exchange) for last 11 years (2013 to 2023). The average promoters' shareholding is changing with very low rate 49.70% in 2013 to 51.95 in 2022 and highest increase of 2.27% in 2014. The average stock price shows increasing trend 429.06 in 2013 to 2075.6 in 2022 and highest increase of 89.99% in 2014. Average stock return shows upward and downward trend for last 11 years.

There is more increasing trend in average stock price where as normal trend in average promoters' shareholding. The average stock return is changing with zig zag trend.



VIII. Conclusions:

The results of the present study shows that there is a low significant relationship between promoters' holding and stock price of listed cement companies of BSE (Bombay Stock Exchange) and no significant relationship between promoters' holding and stock returns of listed cement companies of BSE (Bombay Stock Exchange). The present study finally concludes that promoters' holding only have very few impact on stock price of listed cement companies of BSE (Bombay Stock Exchange) while no impact on stock returns of listed cement companies of BSE (Bombay Stock Exchange). In case high promoters' holding promoters' are independently take key decision which might be favorable or unfavorable for potential investors. Low promoters' holding shows low confidence of promoters in the company. Therefore very high or very low promoters' holding are not good while investing in any stock. If promoters' holding is continuously decreasing it shows promoters are not sure about future perspective of the company. So investors might be choose such companies which have adequate promoters' holding. A balance shareholding pattern always good for the company. So investors should not select companies which have very low or very high promoters' holding.

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