

# How Shareholders Influence The Stock Performance Of The Bse Sensex Companies?

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## Abstract:

Investors expect returns in the form of dividends and capital appreciation which constitute them to reinvest and enable the expansion of the business and value addition to the company. Apart from economic conditions, market stability, market forces, and earning capacity of the firm, the company's internal matters like shareholders on board voting, and presence in the meetings do affect the external sources of investment and market performance of the stock. This study has been carried out to understand the relationship of the Stock Performance, measured in terms of Price-Earnings ratio, Tobin's Q ratio, and Return on Equity with Shareholder Engagement determinants and to know the impact of Shareholders' Engagement on the Stock Performance of the BSE-SENSEX companies and found that all the metrics of Stock Performance, such as, Price-Earnings ratio, Tobin's Q ratio, and Return on Equity are positively related but not all statistically significant except Return on Equity. The study has observed that Shareholder Engagement Quality has shown a Positive impact on Return on Equity and Tobin's Q ratio but not on the Price-Earnings ratio, whereas Shareholder Engagement through Voting and Shareholder Engagement through Participation in Annual General Meeting have a negative impact on Return on Equity while Size and Leverage have a negative impact on the Tobin's Q ratio.

**Keywords:** Shareholder Engagement Quality, SEVOT, SEAGM, SEED, SENED, SEBMEET, P/E ratio, Tobin's Q Ratio, RoE.

## 1. Introduction

The evolution of the stock market serves the economy by balancing savings and investment. The stock market's existence enables companies to meet capital needs and the investors to find investment opportunities. Investors always focus on optimal stock returns and a company's promising financial outcomes that attract investors to purchase the stock and, conversely, make the investors drop out of the investment, thereby influencing the stock price. Owners' and managers' dispersion is one of the factors that influence Stock Performance and may lead to a conflict of interest, ineffective decision-making, an increase in fraud, and executives' compensation and thereby affecting Stock Performance. However, Companies' legislation gave shareholders the right to keep a check on these frauds and enhance value through Shareholder involvement.

Stock Performance has different definitions in literature (Barney, 2002)<sup>1</sup>. Stock performance is the measurement of a stock's ability to increase or decrease the wealth of its shareholders. It also acts as a measure of the returns on shares over a period and a reflection of a company's performance. A price fluctuation is a typical proxy for evaluating a stock's performance (Capozzi, n.d.)<sup>2</sup>. When the stock price increases, it shows good performance,

and conversely, a decrease in price is a poor performance. Stock Performance evaluation is also done through return on investment.

The rise in scandals and implosions gave scope to shareholders' involvement as they are never wrong in assessing the company's financial position (Fox & Lorsch, 2012)<sup>3</sup>. Involving the shareholders in strategies or decision-making reflects long-term growth and spreads positive opinions about a company to the public (Michelle, 2019)<sup>4</sup>. Hence, companies' legislation empowered the shareholders to enhance their participation in the company's internal governance such as shareholders on the board, voting, and presence in the meetings, so that shareholders use their rights to enhance their benefits and protect the company from being exploited by executives through heavy compensation. Subsequently, shareholders have become a prominent dominating force over managers and influence the value of the stock (Bebchuk, 2005)<sup>5</sup>.

Shareholders expect and strive for the growth and maximization of the firm's value. Their engagement helps management to compete with fluctuating financials. Companies to avoid negative returns should consider shareholder opinions through voting because when firms are ranked low in utilizing rights by shareholders based on the Gompers Index, their equity cost increases. Hence, shareholders use voting rights to modify the management to increase firm value (Katuse et al, 2013)<sup>6</sup>. Knowing this, an attempt is made in this paper to examine how shareholders influence the Stock Performance of BSE (Bombay Stock Exchange) SENSEX Companies.

## 2. Determinants of Shareholder Engagement Quality

Understanding the determinants of Shareholder Engagement is essential before looking into its relationship with stock performance. A brief note on the rationality for the selection of such determinants or terms for measuring the Shareholder Engagement Quality (SEQ) is presented as below:

*Percentage of Voting:* It is clear from the words of Katuse et al, (2013)<sup>7</sup> that voting is used as a weapon to modify the management to increase firm value and manage the assets of the firm. Guerdon Associates (2018)<sup>8</sup> also stated that a relationship exists between Voting percentage, Return on Equity (RoE), Size of the company listed in the ASX (Australian Securities Exchange) 300 and provided evidence that the shareholder's return on equity will decrease with negative votes on executive compensation. Thus, the Percentage of Voting is used in evaluating the quotient of Shareholder Engagement.

*Attendance at Annual General Meeting (AGM):* Attendance at Annual general meetings show shareholders' interest in expressing their views which may sometimes lead to disagreement, and selling the shares after the meeting, rise in trading volume (Li et al. 2021)<sup>9</sup>. These consequences result in stock market fluctuations. Hence, the inclusion of AGM attendance in Shareholder engagement is justified.

*Shareholders as Executive Director and Non-Executive Director:* Demsetz & Lehn (1985)<sup>10</sup>, stated that there is no association between ownership and firm performance and Jarell & Poulsen (1987)<sup>11</sup> found a negative relationship. However, John & Senbet (1998)<sup>12</sup>, found a positive relationship between inside directors in productivity and indicators like free cash flow, return on stock markets, and net income. Vincent. Ongore (2011)<sup>13</sup> stated that managerial ownership or insider ownership has a positive relationship with firm performance as it makes managers more committed to the company and leads to superior performance.

Han & Suk (1998)<sup>14</sup> also proved positive returns with insider ownership (executive director) as managers can increase shareholder wealth. Anabtawi (2005)<sup>15</sup> opined that when shareholders held ownership, the policies made may represent their self-interests rather than the company's interest. However, Fama & Jensen (1983)<sup>16</sup>, argued that if the board holds a significant stake, rights make them decide on their will according to the Entrenchment Argument theory. Further, Oswald & Jaheera (1991)<sup>17</sup>, Houlthausen & Larker (1996)<sup>18</sup>, Cole & Mehran (1998)<sup>19</sup> concluded that managerial shareholding has a positive relationship with firm performance. Thus, managerial shareholding is essential in understanding the impact of Shareholder Engagement on Stock Performance.

*Attendance in Board Meetings:* A good number of directors presented in the board meeting will enhance its quality. A statistically significant impact of attendance on accounting performance, such as Return on Equity in Indonesian banks, is found in a study by Chou et.al (2013)<sup>20</sup> and Francois et al. (2016)<sup>21</sup> opined that good attendance firms perform better when compared to poor attendance firms. Hence, attendance at board meetings is added to the equation of Shareholder Engagement to make the study more effective.

**Control Variables:** A few more dimensions of the equation used as control variables such as Age, Leverage, Size, and Sectors to study the relationship with the stock performance metrics, reviewed by many researchers and academicians, are presented below:

*Firm Size:* The positive correlation between the size of the firm and the firm's returns is supported by studies of Halil & Hasan (2012)<sup>22</sup>, Papadogonas (2007)<sup>23</sup>, hence, it is included in the equation to understand the accurate relationship.

*Age:* A firm's age is essential in analyzing the profitability (Maja Pervan, 2017)<sup>24</sup> and it is positively related to the profitability of the firm (Coad et al, 2013<sup>25</sup> and Gransay, 1998<sup>26</sup>). Further, its various kinds of impacts on the company's financial position make it inevitable for evaluating the company's performance with Shareholder Engagement.

*Leverage:* Klapper & Love (2004)<sup>27</sup> revealed that firms with a greater need for external finance are more disposed toward better governance methods to corroborate capital at a low cost. Further, Jensen & Meckling (1976)<sup>28</sup> say that leverage causes agency problems as control goes out of the hands of creditors. Hence, leverage has a negative relationship with Tobin's Q and is also supported by Myers (1977)<sup>29</sup>, Pierre & Weil (2003)<sup>30</sup>. Thus, it is included in the equation.

*Sectorial dummies:* Industry or sectoral dummies are used as control variables in the equation to mitigate the omitted variable issues as suggested by Klapper & Love (2004)<sup>31</sup> and Himmelberg et al. (1999)<sup>32</sup> as it is proved that industry type affects the firm performance (Shergill & Sarkaria 1999)<sup>33</sup>.

### 3. Review of Literature

After examining the determinants of Shareholders' engagement quality based on the works of previous researchers, an effort is made here to present a review of past literature related to the subject, in brief, to identify the gap in the research and to establish the need of the study.

A firm governance characteristic, activism, democracy in monitoring the board plays an inevitable role in influencing the Stock Performance (Brick & Chidambaram (2010)<sup>34</sup> in a positive way (Lee, 2013)<sup>35</sup> which can be seen in the long run that too in two-years (Cunat et al. 2012)<sup>36</sup>. Though further studies of Bennett & Robson (2004)<sup>37</sup>, Spanos (2005)<sup>38</sup>, Black et al. (2006)<sup>39</sup>, Chhaochharia & Grinstein (2007)<sup>40</sup> showed uncertain results, Gompers et al. (2003)<sup>41</sup> explained the role of shareholder rights in improving the Stock Performance as shareholders use voting rights to modify the management to increase firm value (Katuse et al., 2013)<sup>42</sup>. Inadequate use of rights leads to discrepancies in governance which raise the cost of equity and risks. So, shareholders should use their powers to maximize the company's value (Katuse et al., 2013)<sup>43</sup> and it decreases the cost of capital. The findings of Gompers et al. (2003)<sup>44</sup> and Bebchuk (2009)<sup>45</sup> also proved this statement. However, John Wilson (2014)<sup>46</sup> proved that Shareholder Engagement increases Stock Performance, as owners strive for their wealth maximization, and agency costs are reduced (Jensen & Meckling 1976)<sup>47</sup>. But studies by Stephen et al. (2016)<sup>48</sup>, found no relation between Shareholder Engagement and a firm's performance except for a few indicators like Return on Equity and Tobin's Q, where the results were mixed.

It may be observed from the above brief review of the past studies that the focus was laid on the study of the relationship between Shareholders' Engagement and Stock Performance considering a variety of determinants and measurements during different periods in different contexts. Hence, this study is conducted to examine the relationship of Shareholder Engagement with Stock Performance and analyze the impact of the former on the latter by considering some of the determinants together in the Indian context with the following objectives:

#### **4. Objectives**

- i) *To know the relationship between Shareholder Engagement Quality and Stock Performance,*
- ii) *To know the impact of Shareholder Engagement Quality on Stock Performance.*

The above objectives are carried out with the help of the following research methodology:

#### **5. Research methodology**

**5.1 Scope of the study:** Stock Performance is often influenced by the Economy (macro-economic factors like Liquidity, Inflation, Interest rate, Gross Domestic Production, Global forces), Industry or Company performance (microeconomic factors like the company's ability to pay off debts and cover finance cost) affects the shareholders' opinions regarding further investment i.e., EIC framework. A few factors like earnings, market value, and market prices are considered here to measure the Stock Performance of BSE-SENSEX companies. From the various metrics, ROE, P/E ratio, and Tobin's Q ratio are used based on the rationality provided by various authors as stated below:

Return on Equity (RoE) is suggested by Daily & Datton (1992)<sup>49</sup>, Abdullah (2004)<sup>50</sup>, and few others as an accounting-based metrics to assess the returns of investors produced by the company from the funds provided by the shareholders, while Tobin's Q is suggested by Bhagat & Black (2001)<sup>51</sup>, Brown & Caylor (2006)<sup>52</sup>, Lam & Lee (2008)<sup>53</sup> as a market-based metric to evaluate the performance of the firm with the indulgence of corporate governance practices. Bradshaw (2002)<sup>54</sup> and Houmes & Chira (2015)<sup>55</sup> preferred the Price-Earnings ratio (P/E ratio), as a highly used financial analysis tool to justify the stock recommendation. Hence, this study is confined to the three metrics called Tobin's Q, ROE, and P/E Ratio, as these are interrelated to shareholders' returns and future earnings prospects.

**5.2 Period & Sample of the study:** The evolution of the Companies Act of 2013 made a significant impact on the corporate world in our country. It enlarged the number of shareholders and the quality of shareholders' involvement in all the business affairs apart from financial aspects. Hence, the study deals with Shareholder Engagement after the Companies Act 2013 i.e., 2013-14 to 2017-18, leaving the succeeding period as was unusual or extreme in nature due to the COVID situation.

The sample for the study is BSE-SENSEX 30 Companies, as they resemble the different sectors and most traded firms in the stock market.

**5.3 Source of the data:** The data relating to the selected characteristics and terms used in the models for the study are collected from the annual reports of the companies and notes, statements, and websites of the select companies.

**5.4 Tools of the study:** The study uses the Pearson Correlation Coefficient, Regression Analysis, ANOVA to establish the relationship between the variables, and to test the stated hypotheses, the equations given below were used. Statistical Software-SPSS is used for processing data to arrive at related measures of analysis.

**Equation:** The relationship SEQ with Stock performance and the impact of the former and later are analyzed with the help of a multiple regression model. The equation and the notation of its terms are given below:

$$\text{Stock Performance} = \beta_0 + \beta_1(\text{SEVOT}) + \beta_2(\text{SEAGM}) + \beta_3(\text{SEED}) + \beta_4(\text{SENEED}) + \beta_5(\text{SEBMEET}) + \beta_{\text{SIZE}} + \beta_{\text{AGE}} + \beta_{\text{LEV}} + \text{SD}_{ji} + \epsilon_{it}$$

**Notation:**

**SEVOT** (Shareholder Engagement through **VOT**ing) is the percentage of voting in the annual general meetings.

**SEAGM** (Shareholder Engagement through Participation in Annual **General Meeting**) is the percentage of shareholders who attended the Annual General meetings.

**SEED** (Shareholder Engagement through Shareholders as **Executive Directors**) is the proportion of shareholders appointed as executive directors.

**SENEED** (Shareholder Engagement through Shareholders as **Non-Executive Directors**) is the proportion of shareholders as non-executive directors in the board of the company.

**SEBMEET** (Shareholder Engagement through Participation in **Board MEET**ings) is the attendance percentage of directors in the board meetings.

**F\_SIZE** (Firm Size) is the natural log of the total assets.

**F\_AGE** (Firm Age) is the total duration of the firm from its existence.

**LEV** (**LE**verage) is the ratio of debt to share capital.

**SD<sub>ji</sub>** (Sectorial **Dummies**) is the dummy variable for all the sectors (taking the manufacturing sector as a base).

$\epsilon_{it}$  is **Error** term in year *t* for the firm *i*.

$\beta_0$  is a constant.

$\beta$  is the slope (also referred to as the regression coefficient).

## 6. Shareholder Engagement and Stock Performance

**6.1. Nature:** The following table 1 explains the nature in terms of the mean and standard deviation of Shareholder Engagement and Stock Performance at the BSE SENSEX companies considered for the study.

**Table 1: Mean and Standard deviation of Shareholder Engagement and Stock Performance (n=155)**

Variables	Mean	Std. deviation
SELECT	79.26	16.77
SEAGM	84.43	17.29
SEED	61.04	38.19
SENE	32.18	22.66
SEBMEET	88.31	9.86
<b>Shareholder Engagement Quality</b>	<b>69.04</b>	<b>11.54</b>
FIRM SIZE	9.99	1.36
FIRM AGE	43.13	26.13
LEVERAGE	0.32	0.34
SECTORIAL DUMMIES	1.77	0.42
<b>Price/Earnings ratio</b>	<b>42.4</b>	<b>172.42</b>
<b>Tobin's Q ratio</b>	<b>5.32</b>	<b>4.45</b>
<b>Return on Equity</b>	<b>.18</b>	<b>0.4</b>

*Source: Data extracted from annual reports.*

It may be inferred from **table 1** that, the provisions of the Companies Act, 2013 are strictly adhered to by the firms under the study. The higher significant variability of the metrics of Stock Performances such as P/E Ratio, Q ratio and RoE implies a huge difference in the firms engaged by the shareholders. Moreover, the significant variation of leverage and sectorial dummies explains that the capital structure and the industrial sector greatly impact the P/E Ratio, a metric of Stock Performance. Hence a huge dispersion has been revealed in the leverage and sectorial dummies of the BSE-SENSEX firms under the study during 2013-14 to 2017-18.

**6.2 Relationship:** The following tables 2, 3 and 4 may explain the relationship of Stock Performance in terms of the Price/Earnings ratio, **Tobin's Q ratio** and **Return on Equity** and Shareholder Engagement and at the BSE SENSEX companies considered for the study.

**Table 2: Correlation Matrix of Shareholder Engagement and Price/Earnings ratio**

		P/E ratio	SEQ	VOT	AGM	ED	NED	MEET	FS	AGE	LEV	SEC DUM
P/E RATIO	R	1	-.08	.10	-.03	-.04	-.13	-.12	.02	-.09	.02	-.02
	Sig.		.325	.236	.729	.596	.117	.129	.787	.257	.816	.823
	N	155	155	155	155	155	155	155	155	155	155	155
SEQ	R	-.08	1	.34	.58	.68	.56	.32	.10	.29	.08	.05
	Sig.	.325		.000	.000	.000	.000	.000	.224	.000	.305	.542
	N	155		155	155	155	155	155	155	155	155	155
VOT	R	.10	.34	1	.47	-.14	-.05	.15	.10	.13	-.14	-.14

	Sig.	.236	.000		.000	.081	.516	.067	.225	.109	.092	.084
	N	155		155	155	155	155	155	155	155	155	155
AGM	R	-.03	.58	.47	1	-.01	.26	.29	.16	.20	.01	.05
	Sig.	.729	.000	.000		.890	.001	.000	.052	.013	.905	.542
	N	155	155	155	155	155	155	155	155	155	155	155
ED	R	-.04	.68	-.14	-.01	1	.16	.03	-.01	.16	.13	.11
	Sig.	.596	.000	.081	.890		.052	.706	.927	.046	.115	.179
	N	155	155	155	155	155	155	155	155	155	155	155
NED	R	-.13	.56	-.05	.26	.16	1	.00	.05	.18	.12	.06
	Sig.	.117	.000	.516	.001	.052		.986	.535	.022	.139	.445
	N	155	155	155	155	155	155	155	155	155	155	155
MEET	R	-.12	.32	.15	.29	.03	.00	1	.05	.10	-.07	-.12
	Sig.	.129	.000	.067	.000	.706	.986		.561	.235	.410	.136
	N	155	155	155	155	155	155	155	155	155	155	155
FS	R	.02	.1	.1	.16	-.01	.05	.05	1	-.02	.21	.18
	Sig.	.787	.224	.225	.052	.927	.535	.561		.795	.007	.025
	N	155	155	155	155	155	155	155	155	155	155	155
AGE	R	-.09	.29	.13	.20	.16	.18	.1	-.02	1	-.44	-.40
	Sig.	.257	.000	.109	.013	.046	.022	.235	.795		.000	.000
	N	155	155	155	155	155	155	155	155	155	155	155
LEV	R	.02	.08	-.14	.01	.13	.12	-.07	.21	-.44	1	.83
	Sig.	.816	.305	.092	.905	.115	.139	.410	.007	.000		.000
	N	155	155	155	155	155	155	155	155	155	155	155
SEC DUM	R	.05	-.04	.15	-.05	-.09	-.11	.22	-.18	.27	-.69	1
	Sig.	.564	.659	.062	.578	.262	.165	.005	.027	.001	.000	
	N	155	155	155	155	155	155	155	155	155	155	155

Source: Data extracted from annual reports.

\*Significantly correlated at .005 level of significance.

**Table 3: Correlation matrix of Shareholder Engagement and Tobin's Q ratio**

		Tobin's Q Ratio	SEQ	SEVOT	SEAGM	SEED	SEND	SEBMEET	FIRM SIZE	FIR M AGE	LEV	SEC. DUMMI ES
Tobin's Q ratio	R	1	-.03	-.01	-.05	.00	-.03	-.01	-.40	.15	-.43	.23
	Sig.		.710	.885	.562	.971	.674	.927	.000	.066	.000	.004
	N	155	155	155	155	155	155	155	155	155	155	155
SEQ	R	.08	1	.34	.58	.68	.56	.32	-.10	.29	-.02	-.04
	Sig.	.303		.000	.000	.000	.000	.000	.212	.000	.805	.659
	N	155		155	155	155	155	155	155	155	155	155
SEVOT	R	.05	.34	1	.47	-.14	-.05	.15	-.030	.13	.04	.15
	Sig.	.545	.000		.000	.081	.516	.067	.698	.109	.586	.062

	N	155	155	155	155	155	155	155	155	155	155	155
SEAGM	R	.09	.58	.47	1	-.01	.26	.29	.04	.20	.06	-.05
	Sig.	.289	.000	.000		.890	.001	.000	.605	.013	.496	.578
	N	155	155	155	155	155	155	155	155	155	155	155
SEED	R	.08	.68	-.14	-.01	1	.16	.03	-.22	.16	-.09	-.09
	Sig.	.322	.000	.081	.890		.05	.706	.005	.046	.273	.262
	N	155	155	155	155	155	155	155	155	155	155	155
SENE D	R	.01	.56	-.05	.26	.16	1	.00	.13	.18	.03	-.11
	Sig.	.936	.000	.516	.001	.05		.986	.117	.022	.735	.165
	N	155	155	155	155	155	155	155	155	155	155	155
SEBMEET	R	-.07	.32	.15	.29	.03	.00	1	.04	.10	-.01	.22
	Sig.	.379	.000	.067	.000	.706	.986		.607	.235	.924	.005
	N	155	155	155	155	155	155	155	155	155	155	155
FIRM SIZE	R	-.13	-.10	-.03	-.04	-.22	.13	-.04	1	-.31	.29	-.54
	Sig.	.094	.212	.698	.605	.005	.111	.607		.000	.000	.000
	N	155	155	155	155	155	155	155	155	155	155	155
FIRM AGE	R	.14	.29	.13	.20	.16	.18	.1	-.31	1	-.21	.27
	Sig.	.074	.000	.109	.013	.046	.022	.235	.000		.007	.001
	N	155	155	155	155	155	155	155	155	155	155	155
LEVERA GE	R	.17	-.02	.04	.06	-.09	.03	-.01	.29	-.21	1	-.09
	Sig.	.034	.805	.586	.496	.273	.735	.924	.000	.007		.264
	N	155	155	155	155	155	155	155	155	155	155	155
SECTORI AL DUMMIE S	R	-.01	-.04	.15	-.05	-.09	-.11	.22	.54	.27	-.09	1
	Sig.	.928	.659	.062	.578	.262	.165	.005	.000	.001	.264	
	N	155	155	155	155	155	155	155	155	155	155	155

*Source: Data extracted from annual reports*

**Table 4: Correlation Matrix of Shareholder Engagement and Return on Equity**

		ROE	SEQ	SEV OT	SEAG M	SEE D	SENE D	SEBME ET	FIR M SIZE	FIR M AGE	LEV	SEC. DUMMI ES
ROE	R	1	.07	.21	-.08	.06	-.03	.04	-.11	.19	-.17	.05
	Sig.		.380	.009	.337	.477	.724	.625	.173	.020	.036	.563
	N	155	155	155	155	155	155	155	155	155	155	155
SEQ	R	.07	1	.34	.58	.68	.56	.32	.10	.29	.08	-.04
	Sig.	.380		.000	.000	.000	.000	.000	.224	.000	.305	.659
	N	155		155	155	155	155	155	155	155	155	155
SEVOT	R	.21	.34	1	.47	-.14	-.05	.15	.10	.13	-.14	.15
	Sig.	.009	.000		.000	.081	.516	.067	.225	.109	.092	.062
	N	155		155	155	155	155	155	155	155	155	155
SEAGM	R	-.08	.58	.47	1	-.01	.26	.29	.16	.20	.01	-.05
	Sig.	.337	.000	.000		.890	.001	.000	.052	.013	.905	.578



	N	155	155	155	155	155	155	155	155	155	155	155
SEED	R	.06	.68	-.14	-.01	1	.16	.03	-.01	.16	.13	-.09
	Sig.	.477	.000	.081	.890		.052	.706	.927	.046	.115	.262
	N	155	155	155	155	155	155	155	155	155	155	155
SENE	R	-.03	.56	-.05	.26	.16	1	.00	.05	.18	.12	-.11
	Sig.	.097	.000	.516	.001	.052		.986	.535	.022	.139	.165
	N	155	155	155	155	155	155	155	155	155	155	155
SEBMEET	R	.04	.32	.15	.29	.03	.00	1	.05	.10	.07	.22
	Sig.	.625	.000	.067	.000	.706	.986		.561	.235	.410	.005
	N	155	155	155	155	155	155	155	155	155	155	155
FIRM SIZE	R	-.11	.1	.1	.16	-.01	.05	.05	1	-.02	.21	-.18
	Sig.	.173	.224	.225	.052	.927	.535	.561		.795	.007	.027
	N	155	155	155	155	155	155	155	155	155	155	155
FIRM AGE	R	.19	.29	.13	.20	.16	.18	.1	-.02	1	-.44	.27
	Sig.	.020	.000	.109	.013	.046	.022	.235	.795		.000	.001
	N	155	155	155	155	155	155	155	155	155	155	155
LEVERAGE	R	-.17	.08	-.14	.01	.13	.12	-.07	.21	-.44	1	-.69
	Sig.	.036	.305	.092	.905	.115	.139	.410	.007	.000		.000
	N	155	155	155	155	155	155	155	155	155	155	155
SECTORIAL DUMMIES	R	.05	-.04	.15	-.05	-.09	-.11	.22	-.18	.27	-.69	1
	Sig.	.563	.659	.062	.578	.262	.165	.005	.027	.001	.000	
	N	155	155	155	155	155	155	155	155	155	155	155

Source: Data extracted from annual reports

The above **tables 2, 3, and 4** may reveal the following:

i) P/E Ratio decreases with the leverage of the firm though the terms such as SEAGM, SEED, SENED, SEBMEET possess a positive relationship with the P/E Ratio as Shareholders' Engagement focuses on increasing the stock prices. Whereas voting has shown a negative statistical relationship. But these relationships are not statistically significant. It is inferred from the data, that leverage (debt) has a negative relationship with the P/E Ratio as debt enhances and generally decreases the stock price.

ii)

iii) Q ratio has a positive relationship with all the determinants of Shareholder Engagement except SEBMEET which holds a negative relationship with the firms under the study as Shareholders' Engagement is intending to generate wealth for the firm. Other variables such as AGE shows a positive correlation with the Q ratio because experienced firms can perform better, but contradicting variables like SIZE, LEV, and sectorial dummies show a negative relationship with the Q ratio as the industrial variation, non-performing assets, and unnecessary debt decreases the market capitalization.

iv)

iii) Another metric RoE has a positive relationship with Shareholder Engagement determinant variables mentioned in the study. Shareholders involve in the affairs of the company to enhance their returns, the proposals, approvals, and interests of the shareholders are centralized towards their returns. Hence, usage of rights improves the RoE. The variable AGE showed a positive relationship because experienced firms make judicious use of

generated capital. In contrast, Leverage has a negative relationship with Return on Equity as a huge amount of debt increases financial cost and decreases the proportion of returns available to the shareholders.

### 6.3 Influence:

i) The following **tables 5** and **6** show the t-test results. The P-value is higher than 0.05 for all variables, which implies that though Leverage has a relationship with the P/E ratio, other determinants which are related to the Shareholders' Engagement quality don't show any impact on the ratio. It may be concluded that the null hypothesis is accepted and indicates no impact of Shareholder Engagement on the P/E Ratio may be due to the study sample.

**Table 5: ANOVA Test (Shareholder Engagement and Price-Earnings Ratio)**

Model	Sum of Squares	Df	Mean of squares	F	Sig
Regression	270267.48	9	30029.72	1.01	.434
Residual	4308141.04	145	29711.32		
Total	4578408.52	154			

*Source: Data extracted from annual reports*

**Table 6: Coefficients of Shareholder Engagement and Price-Earnings Ratio (n=155)**

Coefficients	Unstandardized		T	Sig
	B	Std. Error		
Constant	83.92	179.4	.47	.641
SEVOT	1.1	.98	1.12	.266
SEAGM	.12	1.02	.12	.908
SEED	.03	.38	.07	.942
SENEED	-.83	.67	-1.24	.217
SEBMEET	-2.85	1.54	-1.85	.067
FIRM SIZE	3.31	10.68	.31	.757
FIRM AGE	-.45	.64	-.7	.483
LEVERAGE	50.51	62.6	.81	.421
SECTORIAL DUMMIES	60.89	47.84	1.27	.205

*Source: Data extracted from annual reports*

ii) It may be understood from the following **tables 7** and **8**, that the significant values of the t-test are greater than 0.05 which implies the acceptance of the null hypothesis. Therefore, it may be concluded that there is no influence of the Shareholder Engagement determinants on the Q ratio of the firms. Q ratio possesses a relationship with the Shareholder Engagement determinants, but the determinants are not showing any impact on the Q ratio of the firms may be due to the sample effect in the study.

**Table 7: ANOVA TEST (Shareholder Engagement and Tobin's Q Ratio)**

Model	Sum of Squares	Df	Mean of squares	F	Sig
Regression	906.53	9	100.73	6.82	.000
Residual	2140.52	145	14.76		
Total	3047.05	154			

*Source: Data extracted from annual reports*

**Table 8: Coefficients of Shareholder Engagement and Tobin's Q Ratio**

Coefficients	Unstandardized		T	Sig
	B	Std. Error		
Constant	20.18	4	5.05	.000
SEVOT	.00	.02	-.21	.832
SEAGM	.00	.02	.13	.899
SEED	.01	.01	.71	.476
SENE	.00	.01	.29	.771
SEBMEET	.00	.03	.13	.893
FIRM SIZE	-1.04	.24	-4.38	.000
FIRM AGE	-.01	.01	-.61	.541
LEVERAGE	-6.46	1.4	-4.63	.000
SECTORIAL DUMMIES	-1.58	1.07	-1.48	.141

*Source: Data extracted from annual reports*

iii) The following tables 9 and 10 show that though RoE possesses a significant relationship with Shareholder Engagement through Annual General Meeting and other Determinants are not showing any impact on Return on Equity of the firms under the study.

**Table 9: ANOVA Test (Shareholder Engagement and Return on Equity)**

Model	Sum of Squares	Df	Mean of squares	F	Sig
Regression	3.92	9	.44	3.11	.002
Residual	20.32	145	.14		
Total	24.24	154			

*Source: Data extracted from annual reports*

**Table 10: Coefficients of Shareholder Engagement and Return on Equity (n=155)**

Coefficients	Unstandardized		T	Sig
	B	Std. Error		
Constant	.32	.39	.83	.410
SEVOT	.01	.00	3.79	.000
SEAGM	-.01	.00	-3.05	.003
SEED	.00	.00	.92	.357
SENE	.00	.00	.35	.728
SEBMEET	.00	.00	1.18	.239
FIRM SIZE	-.03	.02	-1.23	.219
FIRM AGE	.00	.00	1.62	.107
LEVERAGE	-.22	.14	-1.59	.114
SECTORIAL DUMMIES	-.20	.10	-1.97	.051

*Source: Data extracted from annual reports*

## 7. Conclusion:

Stock Performance, measured in terms of P/E ratio, Q ratio, and RoE, has been studied to find the relationship with Shareholder Engagement determinants. The Price-Earnings ratio has no significant relationship with any of the variables as the P/E ratio is mostly affected by macro-economic conditions rather than micro-economic factors. The study tried to establish a

relationship between microenvironment (Internal environment) i.e., the shareholders or owners of the company. Hence, found a significant impact on the P/E ratio by shareholder involvement. The Q ratio has an insignificant mean with Shareholder Engagement, consistent with Karpoff et al. (1996)<sup>56</sup>.

Simultaneously, RoE also has insignificant relation with Shareholder Engagement except Voting and AGM shown the impact on RoE. When AGM attendance is high, the objection to another's persuasion and lack of clarity to proceed further exists. However, Voting gives lucidity and transparency to the strategy being implemented. Further, the consensus of many people leads to prolonged decision-making. The change in Stock Performance metrics may be due to the control variables like size, leverage, age, and sectorial dummies as proposed in the study of Pervost & Rao (2000)<sup>57</sup>.

Other factors like debt-based capital structure, age, industry (Shergill & Sarkaria, 1999)<sup>58</sup>, and assets (Burson, 2007<sup>59</sup>; Goddard et al. 2005<sup>60</sup>) have shown an impact to bring good stock returns to the company rather than Shareholder Engagement. In other words, Shareholder Engagement alone cannot bring changes in stock returns. It may also be concluded that shareholders' involvement is to obtain personal benefits (Anabtawi, 2005)<sup>61</sup> rather than to create long-term value (John & Senbet, 1998)<sup>62</sup>. It is gainsaying that shareholders also do not use their rights for their protection to the full extent as the statutory entitlement is in its primitivism.

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