The Impact of Concentrated Ownership on Market Value Indicators and Agency Costs in Financial Institutions listed on the Palestine Stock Exchange

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A B S T R A C T

The purpose of this study is to test the influence of ownership concentration on the market value indicators of the financial institutions listed on the Palestine Stock Exchange, over the period 2010- 2019. The research was applied to a sample of 13 Palestinian financial institutions, listed on the Palestinian Security Exchange during the research period. Market value indicators are measured through, the market value of the share. The market value of net profit, Tobin's Q ratio, and market value added. Also, the research tests the impact of ownership concentration on agency cost.

Ownership Concentration is measured through forth sub-variables, including, family ownership, administrative ownership, institutional ownership, and foreign ownership. By employing multivariate regression models for panel data, balanced, with fixed effects, the results show a positive influence of concentrated ownership through family ownership, administrative ownership, institutional ownership, and foreign ownership on the market value of the share, Tobin's Q ratio, and market value added. And there is a statistically significant effect of concentrated ownership on agency costs of financial institutions listed on the Palestine Stock Exchange.

1. INTRODUCTION

The ownership structure of firms might play a crucial role in their corporate performances and thus an array of literature studied the relationship between these two (Khan *et al.*, 2013). In recent studies, there have been notable works analyzing the impact of different ownership structures on corporate performance and whether that relationship holds for all economies.

The effective control of large shareholders enables them to influence key decision-making and affect corporate policies (Balla & Rose, 2014). However, as stated, the role of large shareholders is not well understood

in the ownership literature (Holderness, 2003), especially the role of a single dominant shareholder (i.e., as their holding can be associated with both benefits and costs, especially underinvestment costs) (Heyden et., 2015).

Due to the conflict of interest experienced between the agents and the principals, and to mitigate the agency problem and cost, corporate governance mechanisms are put in place to protect shareholders' interests and ensure order in the organization. When corporate governance is effective, it provides managers with oversight and holds boards and managers accountable in their management of corporate assets. Effective corporate governance is closely related to efforts to reduce corruption in business dealings and make it difficult for corrupt practices to develop and take root in a company. Corporate governance may not prevent corruption but may make it more likely that corrupt practices are discovered early and eliminated (Yasser & Mamun, 2017).

Emerging markets are institutionally diverse compared to firms in developing economies. Developing economy firms have shown to have greater ownership concentration (Dam & Scholtens, 2013), family dominance (Castellaneta & Gottschalg, 2014), weaker regulatory environments (Herrera *et al.*, 2010), greater government ownership (Abdullah *et al.*, 2011), more varied shareholder profiles (Zhao, 2012), and autocratic leadership (Du *et al.*, 2013). Such distinguishing characteristics of emerging markets make them unique in nature and open up new research avenues.

This study examines the relationship between ownership concentration and market value indicators, and agency costs. The literature suggests that while a high control of ownership decrease principal-agent (PA) conflict, it also causes principal-principal (PP) conflict (Martine, 1996, Purkayastha *et al.*, 2019). Ownership structure plays an essential role in firms that are performed in a better way. When few people own a large number of shares, we can say ownership structure is concentrated while it is considered as dispersed when the majority of shareholders are there, and everyone has a small number of outstanding shares (Balsmeier & Czarnitzki, 2015).

The literature generally considers ownership to be concentrated on the largest shareholder holds more than 10% of the voting rights, but another measure that is often used compounds the shares of the shareholders owning 5 percent or more of the total shares outstanding (Krivogorsky, 2006; Busta, 2014).

Concentrated ownership structure and its attendant impact on different companies' performance constructs among developing economies' nascent markets has been described as one of the imperative matters of governance

structure (Yahyazadehfar, *et al.,*2015). Ownership concentration may exert positive impacts on the organization by improving the monitoring and also eliminating false financial reporting.

Companies listed on the Palestine Stock Exchange have uneven performance while working in the same market leads us to analyze the relationship between ownership and performance i.e. market value indicators and financial performance of the firm.

This research study investigated the relationship of ownership structure, market value indicators, and agency costs in Financial Institutions listed on the Palestine Stock Exchange. The relationships between ownership structures and firm market value indicators had conflicts from the early days of corporate business, but the objective of every relation was the same; which is a good performance of the business. This research study tries "To find out the relationship, between Ownership structure, market value indicators, and agency costs of firms in the Palestine context".

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Like other emerging economies, the Palestinian economy is categorised as developing. Palestine's economic policy aims to increase investment, maximise growth, build employment opportunities, and increase citizens' living standards . Throughout the past two decades, Palestine has successfully walked the road to a free market economy. Following the launching of the policy of privatization, the Government retained an ongoing interest in enhancing the financial market to raise investor confidence and draw further investment (Alnajjar, 2015). The authority in Palestine made considerable efforts to formalize an attractive business environment.

The majority of firms in developing countries, including Palestine, have issues with transparency problems, inadequate protection of investor rights, and agency problems. These weaknesses refer to a lack of consistent rules and adequate oversight. Thus, firms will suffer from a market deficiency. A firm's ability is restricted to access external capital and outside investors. Another consequence of market weakness is that minority shareholders' investments would be harmed by influencer shareholders' who have authority over their assets. Thus, This study can reveal the extent of the impact on financial performance.

2.1. Concentrated Ownership

The study investigates the relationship between two different agency problems and ownership concentration. The literature suggests that while

a high control of ownership decreases principal-agent (PA) conflict (agency problem I), it also causes principal-principal (PP) conflict (agency problem II) (Martin, 1996; Villalonga & Amit, 2006; Shim & Okmuro, 2011).

Since owners with higher percentages of shares have an incentive to monitor managers, higher ownership concentration can affect firm value positively, but it is also likely to cause PP conflict. Further, when the investment decision increases the probability of losing control, the PP conflict increases. Therefore, owners might make a value-decreasing choice. This study argues that: (i) as to ownership concentration increases, companies are unlikely to participate in M&As as acquirers; (ii) higher ownership concentration affects M&A performance positively, but this effect becomes negative when a cash payment is used. We use the common equity of the largest shareholder and his/her special relationships, such as family, as a proxy for ownership concentration (Shim & Okmuro , 2011).

Managers play an important role in improving the value of a firm. They reduce agency costs by decreasing the information symmetry, which results in improving the value of a firm (Chinelo, & Iyiegbuniwe 2018).

Ownership concentration can cause an agency problem between informed stockholders and uninformed stockholders. Informed stockholders have an advantage of insider information Denis and McConnel (2003). They can use insider information to protect their interest in using the corporate resources for their gain thereby infringing the right of minority stockholders (Alguilera & Jackson, 2003). Agency issues arising from the conflict of interest between minority stockholders and majority stockholders, in turn , lead to agency cost (Faccio & Lang, 2002). Agency cost can affect the stock market valuation in the countries where the governance mechanism is weak (La Porta *et al.*, 2002). When ownership is concentrated , then the majority of stockholders stain to form coalitions in order to gain more control of the firm because in this way they can get many personal benefits(Desoky & Mousa, 2013). Further, when controlling stockholders rule over an organization, they can monitor and direct the actions of the managers and in favor of the organization , thus to mitigate the agency problem between stockholders and managers (Iwasaki & Mizobata, 2020).

Ownership concentration can alleviate the conflict of interest between owners and managers with positive effects on a firm's performance (Jensen & Meckling, 1976), whereas, on the other hand, it could also be associated with agency problems which might result in lower firm performance. An overview of empirical studies on the effects of ownership concentration is available in Heugens *et al.* (2009) and Iwasaki and Mizobata (2020).

Ownership identity is a critical factor that determines firm performance and the literature on the ownership nature and performance has been developed along the different types of significant shareholders: institutional investors, banks, families, foreign shareholders and insider ownership, with rather mixed results, which should not be surprising, given the argument by Thomsen and Pedersen (Thomsen & Pedersen, 2000), that each type of ownership comes with different objectives and attributes that have particular implications for firm strategy and corporate performance, These factors will be discussed in the subsequent section.

Institutional Ownership

The importance of institutional investors is increasing in the developed economies, and it is also growing rapidly in the emerging economies as well (Khorana, *et al.*, 2005). The ability of institutional investors to affect business decisions depends on the size of the stock holdings (Maug, 1998). If stockholdings of institutional investors are large, stocks will be less marketable and will be retained longer. Due to this, institutional stockholders have the motivation to monitor the activities of managers to avoid agency conflict and the overall performance of the stock.

Family Ownership

An increase in family holdings aligns the interests of management with that of shareholders, thus encouraging owner-managers to pursue corporate investment and financial policies promoting stockholder wealth maximization. With a moderate family stake in firm equity, the combination of ownership and control can be advantageous in that founders can prevent wealth expropriation by managers (Demsetz & Lehn, 1985b). Further, families may be long-term investors because multiple generations would be involved in running the firm (Bertrand & Schoar, 2006a). Affiliation to a family may provide access to capital resulting in improved firm performance (Masulis *et al.*, 2011) or an expanded set of opportunities (Manikandan & Ramachandran, 2015). On the other hand, at higher levels of family involvement, majority shareholders can expropriate wealth from minority shareholders by capturing the value of benefits arising out of access to information in related businesses and the ability to fix transfer prices between the company and its suppliers and customers Lei and Wei (2013).

Managerial Ownership

Earlier literature has shown that managerial ownership is an essential factor that mitigates agency conflicts and promotes performance (Kren &

Kerr, 1997). The relationship between the proportion of managerial ownership and firm market value was first stated by Jensen and Meckling (1976). They found that more control of equities by a manager may increase the firm's market value, as it means that monetary rewards for the manager may be in better alignment. Following this, the major empirical studies on this subject show mixed results, and, in line with earlier findings, McConnell and Servaes (1990) argued that there is a monotonous relationship which implies that agency costs are increased or decreased depending on the level of management ownership. Kren and Kerr (1997) argued that increased management ownership is the crucial tool for improving firm value. However, differing views on whether increased ownership by management can lead to improved performance results based on solving agency problems. Morck *et al.* (1988) found that managers' control of equity may reduce the firm value effectiveness. Because managers who have large ownership shares may be so dominant that they may not concern the shareholders' interests, and they may be so rich that they do not intend to optimise their profit. In the Palestinian context, Alnajjar (2015) found that an increase in ownership structure in non-financial firms, thus tending to an increase in market share that positively reflected firms' performance.

Notwithstanding this, another group of studies, Galego *et al.* (2019) agreed that managerial ownership related positively to firm value. They argued that firm value is increased when managers are an integral part of the company's board.

Foreign Ownership

It indicates the percentage of foreign companies' ownership equity. On the issue of foreign ownership, it is generally conceded, especially in developing and emerging market economies, that the diffusion of foreign ownership has a positive influence on firm performance. Such a view, however, is predicated on a strong assumption that the influx of foreign investment, usually in the form of subsidiaries of Multinational Corporations (MNCs), is the channel through which the propagation of firm-specific assets such as technology, managerial ability, access to network links with foreign markets, access to new technologies and various intangibles and global best corporate governance practices, can promote efficiency and, thus lead to the development of efficient forms of control (Dockery *et al.*, 2012).

Affirmative side effects of foreign ownership are supported by Bebchukand and Zingales (2000) who observe that once foreign firms

establish a certain level of ownership in the equities of a firm they acquire the power of control over the management of the firm and become more receptive in transferring their firm-specific assets. Likewise, Bebchuk , *et al.*(2000) notes that the positive effects of participating in a foreign multinational's network can mainly be found in productivity and profitability, while Khanna and Palepu (2000) assert that foreign investors are usually active monitors of management.

Gurbuz and Aybars (2010)' study using Generalized Least Squares (GLS) regression, the minority foreign-owned firms are found to significantly perform better than domestic firms and majority foreign-owned firms in the Turkish stock market. Ongore (2011), using a logistic regression method, founds a positive relationship between foreign ownership and performance as measured by ROA, ROE, and dividend yield of firms in Kenya. Nakano and Nguyen (2013) found a positive relationship between foreign ownership and performance (as measured by ROA and Tobin's Q) of Japan's electronics industry. Greenaway *et al.* (2014), used Generalized Method of Moments (GMM) estimations, to find a positive impact of foreign ownership on performance, and the inverted U-shaped relationship between foreign ownership and Chinese firm's performance (measured by four indicators, including ROA, ROS, labor productivity, and total factor productivity). Kao *et al.* (2019) used the two-stage least squares (2SLS) estimator to conclude that ownership of major shareholders, institutional ownership, foreign ownership, and family ownership all have a positive impact on the firm's performance in Taiwan (measured by ROA, ROE, Tobin's Q, and market value of equity).

2.2. Agency Costs

Ownership concentration can cause an agency problem between informed stockholders and uninformed stockholders. Informed stockholders have an advantage of more insider information. They can use insider information to protect their interest by using the corporate resources for their gain thereby infringing the rights of minority stockholders (Hunjra, *et al.*, 2020).

Infringing the rights of minority stockholders. Agency issues arising from the conflict of interest between minority stockholders and majority stockholders, in turn, lead to agency costs. Agency cost can affect the stock market valuation in countries where the governance mechanism is weak (La Porta *et al.*, 2002).

Agency theory (Jensen & Meckling, 1976) is one popular theory in economics and is also commonly used in empirical accounting studies (Healy, 1985; Jones, 1991). In fact, investors invest in a company but do not

have right to manage it; in other words, the shareholders authorize managers to use their capital for business purposes. Agency theory is often used to explain why managers behave contrary to the interests of shareholders and lead to their self-interest interferences in disclosing information and determining earnings (Healy & Palepu, 2001; Fathi, 2013).

Considering that the ownership structure of modern corporations consists of a large number of shareholders, the question arises as to which is the best and the most effective mechanism for supervision and control of managers. The agency theory points out that a high degree of ownership concentration will contribute to the reduction of managerial opportunism, which will in the end have positive effects on the overall corporate performance. The gist is that a small number of major shareholders or one of the largest shareholders, in addition to appropriating profits, has been granted the right to participate in the decision-making process and control of management behavior, Large shareholders (Vasiliæ, 2019).

When ownership is concentrated, then majority stockholders have the opportunity and power to influence, by their decisions and actions, the interest of minority stockholders. The majority of stockholders strain to form coalitions in order to gain more control of the firm because in this way they can get many personal benefits (Desoky & Mousa, 2013).

The information asymmetry stemming from the inability to verify idiosyncratic value is exacerbated by the presence of opportunistic players, presenting the well-known phenomenon of agency costs (Jensen & Meckling, 1976).

Agency costs can take many forms besides conveying inaccurate information as opportunities for unscrupulous behavior are limitless. Commonly, agency costs are divided into two types. The first type is mismanagement, including reduced commitment, shirking, pursuing acquisitions just to increase the firm size or achieve diversification, and investing resources in the entrenchment. The second type is takings, in which the agent directly diverts to himself pecuniary private benefits by, for example, consuming excessive pay and perks or conducting related-party transactions.

In emerging economies, the agency problem between minority and majority stockholders is more critical than the agency problem between managers and stockholders (Lei, Lin, & Wei, 2013). Therefore, for emerging markets, ownership dispersion is essential for the stock market liquidity because dispersed ownership tends to minimize the information asymmetry and will ultimately give rise to the number of market

participants for the stock of a company, therefore, stock market liquidity will increase (Hunjra, *et al.*, 2020).

2.3. Hypotheses

The above literature provides abundant material for this study. Referring to it, the hypothesis is stated as follows:

H1   There is a statistically significant effect of concentrated ownership on the market value indicators of the financial institutions listed on the Palestine Stock Exchange.

H1.1   There is a statistically significant effect of concentrated ownership on the market value of the share.

H1.2   There is a statistically significant effect of concentrated ownership on the market value to net profit.

H1.3   There is a statistically significant effect of concentrated ownership on the market value according to Tobin's q Index.

H1.4   There is a statistically significant effect of concentrated ownership of the Market value added.

H.2   There is a statistically significant effect of concentrated ownership on agency costs of financial institutions listed on the Palestine Stock Exchange.

3. RESEARCH METHOD

3.1. Methods of data collection

The researcher collected the necessary data for the study from the reality of the records of the Palestine Stock Exchange, and reviewed the financial statements of the companies within the study sample, and from the financial reports audited and published by these companies during the period from 2010 to 2019.

3.2. The study population and sample

The study population consists of all financial institutions listed on the Palestine Stock Exchange until the end of the year 2019, according to the records of the Palestine Exchange. The study sample included (13) companies, with a percentage of 92.8% of the study population, after one of the banks was excluded due to lack of data. The following table shows the study population and its sample.

Table 1
Population and Sample

Sector	Listed companies	Excluded Companies	The sample	Sample representation ratio
Banks Sector	7	1	6	%46.15
Insurance	7	0	7	%53.85
Total	14	1	13	%100

Source: The table was prepared by the researcher based on trading data published by the Palestine Exchange until the end of 2019.

3.3. Study Tool

The researcher used the financial statements published by the public joint-stock companies listed on the Palestine Stock Exchange during the study period from 2010 to 2019, and the data obtained were run using the well-known statistical program Eviews #12

3.4. Study variables

The study used a set of measures for its variables, and it was based on a set of previous studies related to the development of those standards and the selection from among them commensurate with the data disclosed in the Palestine Stock Exchange database, and the following is the variables of the dependent, independent and control study and the method of their measurement.

Table 2
Summarizes all the variables used in this paper and this description

Variable	Description
Independent variables	
Variables regarding concentrated ownership	
X1	Family Ownership
X2	Administrative ownership
X3	Institutional ownership
X4	Foreign ownership
Dependent variables- market value indicators	
Y1	market value of the share
Y2	market value to net profit
Y3	market value according to Tobin's q Index
Y4	The Market value added
Y5	Agency Costs
Control Variables	
C1	Firm age
C2	Firm size
C3	Debt Financing

This table presents the definition of variables employed in the paper

1. The independent variable: the concentrated ownership expressed as

Family Ownership : It was measured by dividing the number of shares owned by a single family by the total number of shares of the corporation.

Administrative ownership: It was measured by dividing the number of shares owned by the management of the corporation by the total number of shares of the corporation, and the number of shares owned by the administration reflects the total number of shares owned by members of the board of directors and members of the executive management without counting the number of shares of their relatives.

Institutional ownership: It was measured by dividing the number of shares owned by institutions by the total number, and the number of shares owned by institutions reflects the total number of shares owned by institutions, whether these institutions are local or foreign.

Foreign ownership: It was measured by dividing the number of shares owned by foreigners by the total number of shares of the institution. The number of shares owned by foreigners reflects the total number of shares owned by those who hold non-Palestinian nationality, whether they are individuals or institutions.

2. DEPENDENT VARIABLES

2.1. Market Value Indicators, Contains

The aim of this research is to identify the influence of ownership concentration and ownership identity in firm market value indicators and agency costs . In this study, firm market Value Indicators will be measured by the use of four different variables:

The market value of the share, market value to net profit, market value according to Tobin's Q ratio, and market value added(MVA). According to Krivogorsky (2006), the market value of the share, market value to net profit, market value according to Tobin's Q ratio, and market value added (MVA), are a firm's market measures. The market value of the share can be measured by taking the closing price of the stock at the end of the year (Hamadi & Heinen, 2015), whereas the market value to net profit can be measured by taking the result of dividing the company's market value into net profit after tax. The market value according to Tobin's Q ratio overcomes this shortcoming as it shows the extent to which the future performance is not currently reflected in the books (Krivogorsky, 2006). The market value

according to Tobin's Q ratio can be used as a proxy for Tobin's Q (Hamadi & Heinen, 2015) and is measured by the end-year market capitalization to total assets. Market value added is often perceived as an indicator of share value, therefore, interesting for investors (Casson & McKenzie, 2007). Market value added is computed as the ratio of the market value of the company minus the value of owners' equity.

In this study, dependent variables measured as follows

- **The market value of the share:** It is the closing price of the stock at the end of the year

- **The market value to net profit:** Result of dividing the company's market value into net profit after tax

- **The market value according to Tobin's Q ratio.** The result of dividing the company's market value to average total assets

- **The Market value added:** It is the market value of the company minus the value of owners' equity

2.2. Agency Costs

To measure agency cost, this paper used Tirole (2006) and Gogineni *et al.* (2013) definitions of agency costs. They argued that agency cost measures should consider; inefficient asset utilization (because of poor investments), excessive production costs and wasteful managerial behavior (resulting in higher expenses), and insufficient effort exerted by management (resulting in lower revenues and earnings). The agency cost measures used in this paper reflect these deficiencies as noted by them. This paper measured efficiency using the asset turnover ratio defined as the ratio of sales to assets, which reflects how management uses the assets under its control for revenue generation (Gogineni *et al.*, 2013). And measured production cost efficiency using operating expenses divided by sales (Ang *et al.*, 2000). The ratio of earnings before interest, taxes, and depreciation to total assets was used to capture the aggregate efficiency of managerial efforts (Gogineni *et al.*, 2013). To obtain an absolute value, the paper calculated an index of agency costs using principal component analysis (PCA). Principal component analysis (PCA) is a multivariate technique that analyses a data set in which observations are described by several inter-correlated quantitative dependent variables. Its goal is to extract the important information from the data set, to represent it as a set of new orthogonal variables called principal components. These measures serve as our index of agency costs (ACI), (Gogineni *et al,* 2013).

3. CONTROL VARIABLES

Firm age: Firm age since the firm's founding will be added as a control variable, following the logic of Connelly *et al.* (2012).

Firm size: The third variable that will be controlled for being the logarithm of total assets, this variable used by (Hamadi & Heinen, 2015).

Debt Financing: Leverage may be related to agency costs in large firms. Javaid and Javid (2017) measured leverage as total liabilities divided by total assets. The study measured it as Non-Current Liabilities/Equity. Leverage is used as a bonding device and the fixed committed debt repayments constrain management's access to cash (Grossman & Hart, 1988).

4. STATISTICAL PROCEDURE

In order to test the research hypotheses, panel data analysis is used. The panel data help control for heteroscedasticity. The panel data analysis consists of the OLS, RE(Random Effect), and FE (Fixed Effect) method. They are econometric techniques that combine both time dimension and cross section dimension in order to produce accurate results. To decide whether RE (Random Effect) is more precise or FE (Fixed Effect) for a particular panel data, Hausman test is used. If the Hausman test is significant, then FE is more appropriate but if this test is insignificant then it reveals that RE is more precise for a particular data set. In addition, descriptive statistics, correlation tests**,** and VIF were estimated.

Before starting to test the validity of the hypotheses, the data must be verified through a set of preliminary tests. Table No. (3): Descriptive statistics of the study variables.

Table 3 shows the descriptive statistics for twelve explanatory variables. The descriptive statistics include the median, mean, standard deviation, minimum, and maximum values. The mean value of the X1 variable is 0.142, with its standard deviation as 0.127. The percentage of the family Ownership is 14.2%. While the minimum and maximum values are 0.00 and 0.477 respectively. The X2 variable has a mean value of 0.424 and a standard deviation of 0.448. This result means that Palestinian companies have very concentrated administrative ownership, more than 44.4% of total shares owned by the majority while the minimum to maximum shareholding by majority shareholders are 1% and 71.3% respectively. The X3 variable has a mean value of 0.376 with a standard deviation of 0.677. It means that about 44% of the total shares in the company are owned by institutions while the minimum to maximum shareholding by institutions

are 2.9% and 85.6% respectively. The X4 variable has a mean value of 0.155 with a standard deviation of 0.229. This means that the foreign ownership is 15.5% of the total shares in the company are owned by Foreign ownership. The Y1 variable has a mean of 1.66 with a standard deviation of 0.980, while the minimum market value of the share is 0.005and 0.617 respectively . The Y2 variable has a mean of 25.748 with a standard deviation of 48.125. This means the average market value to the net profit of the companies ranges from 21.412 to 393.024. The Y3 variable has a mean of 0.315 with a standard deviation of 0.290. This means the market value to the net profit of the companies ranges from 0.070 to 1.406. The Y4 variable has a mean of 17693718 $.

The Y5 variable has a mean value of -0.173 and a standard deviation of 0.765. These results mean that the percentage of the agency cost index is -17.3%., while the minimum of agency cost index is -5.529 and 0.797 respectively, and standard deviation of 0.765.

The BSIZE variable has a mean value of 9 with a standard deviation of 2.159. This means that the average size of the board members is 9 persons while the board size ranges from 4 to 17 persons.

Table 3
Descriptive Statistics

Variables	Symbol	Mean	Median	SD	MIN	MAX
Family ownership	X1	0.142	0.087	0.127	0.000	0.477
Administrative ownership	X2	0.424	0.401	0.448	0.010	0.713
Institutional ownership	X3	0.444	0.376	0.677	0.029	0.856
Foreign ownership	X4	0.155	0.171	0.229	0.005	0.617
Market value of the share	Y1	1.664	1.245	0.980	0.140	4.500
Market value to net profit	Y2	25.748	13.328	48.125	-21.412	393.024
Market value according to Tobin's q Index	Y3	0.315	0.185	0.290	0.070	1.406
The Market value added	Y4	17693718	43982	61449254	-6E+07	2.24E+08
Agency Costs	Y5	-0.370	-0.173	0.765	-5.529	0.797
Firm age	C1	21.115	20.500	11.872	1.000	60.000
Firm size	C2	18.834	18.655	1.558	14.243	22.309
Debt Financing	C3	0.832	0.805	0.257	-0.029	1.830

SD = Standard deviation, Min- Minimum Max- Maximum Source: Author's Computation and EView 11 Output

Table 4 shows the correlation matrix of the variables under study. Looking at the table, it can be said that family ownership, administrative ownership, institutional ownership (X1, X2, X3), somewhat negatively correlates with the market value of the share (Y1), furthermore, the foreign ownership (X4) correlated positively with a market value of the share.

Family ownership, administrative ownership, institutional ownership, foreign ownership, (X1, X2, X3, X4) is somewhat positively correlated with agency costs (Y5).

Table 4
Correlation Matrix

	X1	X2	X3	X4	Y1	Y2	Y3	Y4	Y5	C1	C2	C3
X1	1.000											
X2	-0.071	1.000										
X3	-0.292	0.762	1.000									
X4	0.264	0.264	0.235	1.000								
Y1	-0.230	-0.093	-0.134	0.024	1.000							
Y2	-0.015	-0.127	0.158	-0.060	-0.082	1.000						
Y3	0.357	0.048	-0.199	-0.004	0.220	0.073	1.000					
Y4	-0.104	-0.239	-0.119	-0.190	0.442	0.080	0.049	1.000				
Y5	0.128	0.095	0.010	0.113	0.131	-0.011	0.383	-0.158	1.000			
C1	-0.087	-0.271	-0.209	-0.219	0.430	0.144	0.286	0.817	-0.136	1.000		
C2	-0.292	-0.208	-0.074	-0.022	0.181	0.155	0.501	0.470	-0.520	0.507	1.000	
C3	0.077	-0.100	-0.074	-0.095	-0.059	0.105	-0.095	0.093	-0.100	0.135	0.422	1.000

Source: Authors's Computation and EView 11 Output

To test for multicollinearity, the Variance Inflation Factor (VIF) test is used. Table 5 shows that none of the variables exceeded the benchmark 10, with the highest VIF being 2.514 and the lowest being 0.2727. The mean VIF is 0.4377 which is also less than the benchmark. These values indicate that the model is free from the problem of multicollinearity.

Table 5
Variance Inflation Factor

Variables	X1	X2	X3	X4	C1	C2	C3
VIF	0.3824	0.6207	0.6516	0.2727	0.3444	0.5198	0.2727

Source: Authors's Computation and EView 11 Output

4.1. Results of Regression

Breusch-Pagan and Wooldridge tests indicate that the data suffer from both heteroskedasticity and autocorrelation respectively. Hence, the use of

pooled OLS regression may lead to misleading inferences and inefficient coefficient estimates. The results of fixed effect multivariate regression analysis are presented in table (5), with the market value of the share as the dependent variable and independent variables included in the regression model which is family ownership, administrative ownership, institutional ownership, and foreign ownership as the independent variables. The model as a whole is significant in explaining the variation in the dependent variable. The probability value of the regression coefficient is equal to (0.0012), which is less than the level of significance (0.05) and the value of (F) for the predictive power is equal to (4.389), which indicates the validity of the model for use, and that the value of (T) is equal to (3.3212).

The R-square is 0.383 which means that the seven independent variables explain 38% variation in the dependent variable market value of the share. This is similar to Hunjra *et al.* (2020) findings that find ownership concentration, has significantly affected the stock market value. Thus, higher concentration ownership increases the market value of the share.

The control variables used in the study show that firm age and firm size, though positively related to the market value of the share. It is an indication that when firm age and firm size increase, the market value of the share increase and vice versa.

Based on the aforementioned, it can be said that there is an effect of concentrated ownership represented by (family ownership, administrative ownership, institutional ownership, foreign ownership) on the market value of the share, and thus accepting the first hypothesis.

Table 6 provides the estimation results for panel least squares regression models of fourth independent variables on the market value to net profit as dependent variable and control variables. Therefore, the regression results provide support for a lack of relationship between family ownership, and foreign ownership as the independent variables and the market value to net profit as the dependent variable.

The model as a whole is insignificant in explaining the variation in the dependent variable. The probability value of the regression coefficient is equal to (0.1041), which is more than the level of significance (0.05), and the value of (T) is equal to (1.638).

This model explains that there is a negative effect of administrative ownership and institutional ownership on the dependent variable.

The R-square is 0.327 which means that the seven independent variables explain 32% variation in the dependent variable market value to net profit.

Based on the aforementioned, it can be said that there is no effect of concentrated ownership represented by (family ownership, foreign ownership) on the market value to net profit, and thus reject the second hypothesis.

The results of fixed effect multivariate regression analysis are presented in table (7), with Tobin's q Index as the dependent variable and independent variables included in the regression model which are family ownership, administrative ownership, institutional ownership, and foreign ownership as the independent variables.

Table 7 explains that the model as a whole is significant in explaining the variation in the dependent variable. The probability value of the regression coefficient is equal to 0.000, which is less than the level of significance at 0.05 and the value of F for the predictive power is equal to 5.835, which indicates the validity of the model for use, and that the value of T is equal to 5.400.

The R-square is 0.421 which means that the seven independent variables explain 42% variation in the dependent variable Tobin's q Index. This is similar to Yasser and Al Mamun (2017), Alimehmeti, and Paletta's (2012) study findings that there is a significant positive association between ownership structure and both market-based performance measures and also economic profit. The ownership proportion of the institutional shareholding and foreign shareholding is also positively associated with firm performance.

The control variables used in the study show that firm size, though positively related to Tobin's q Index. It is an indication that when firm size increases, Tobin's q Index increases, and vice versa.

Based on the aforementioned, it can be said that there is an effect of concentrated ownership represented by (family ownership, administrative ownership, institutional ownership, foreign ownership) on Tobin's q Index, and thus accepting the third hypothesis.

Table 8 explains the relationship between seven independent variables and the market value added. The model as a whole is significant in explaining the variation in the dependent variable. The probability value of the regression coefficient is equal to 0.001, which is less than the level of significance at 0.05 and the value of F for the predictive power is equal to 17.895, which indicates the validity of the model for use, and that the value of T is equal to 3.388.

The R-square is 0.717 which means that the seven independent variables explain 71% variation in the dependent variable the market value added.

This is similar to Vintilã and Gherghinaa (2014), findings that there is a significant positive association between ownership structure and market value added e for the companies listed in Romania market value added was measured through the market value of the company minus the value of owners' equity.

The control variables used in the study show that firm age and firm size, though positively related to the market value added. It is an indication that when firm age and firm size increase, the market value added increases and vice versa.

Based on the aforementioned, it can be said that there is an effect of concentrated ownership represented by (family ownership, administrative ownership, institutional ownership, foreign ownership) on the market value added, and thus accepting the fourth hypothesis.

Concentrated Ownership also had significant effects on agency costs. The model as a whole is significant in explaining the variation in the dependent variable. The probability value of the regression coefficient is equal to 0.000, which is less than the level of significance 0.05 and the value of F for the predictive power is equal to 7.636, which indicates the validity of the model for use, and that the value of T is equal to 8.976.

The R-square is 0.520 which means that the seven independent variables explain 52% variation in the dependent variable the agency costs. According to previous studies, these results reveal that ownership concentration reduces agency costs because it strengthens internal monitoring and encourages managers to self-impose behavioral constraints to align their interests with those of the owners (Ang *et al.*, 2000; Fleming *et al.*, 2005; Gogineni *et al.*, 2016).

The control variables used in the study show that firm age, firm size, and debt financing are positively related to agency costs. It is an indication that when firm age, firm size, and debt financing increase, the and debt financing index increases and vice versa.

Based on the aforementioned, it can be said that there is an effect of concentrated ownership represented by (family ownership, administrative ownership, institutional ownership, foreign ownership) on the agency costs, and thus accepting the fourth hypothesis.

Tables 5,6,7,8 and 9 respectively present the results of a Multiple regression in terms of the effect of independent variables on the dependent variables.

Table 5
Dependent Variable: Y1

Variable	C	X1	X2	X3	X4	C1	C2	C3
Coefficient	3.8033	-3.22707	0.368	0.533	1.221	0.041	0.146	-0.037
t-Statistic	3.3212	-4.4211	1.395	2.848	3.283	5.386	2.135	-0.109
Prob.	0.0012	0.000	0.001	0.005	0.001	0.000	0.035	0.913
R-squared	0.383311							
Adjusted R-squared	0.295992							
F-statistic	4.389791							
Prob. (F-statistic)	0.000001							
Durbin-Watson stat.	2.525613							

Table (6): Dependent Variable: Y2

Variable	C	X1	X2	X3	X4	C1	C2	C3
Coefficient	96.16563	54.02599	-73.452	47.481	-25.957	-0.504	-1.844	-19.338
t-Statistic	1.638516	1.444174	-5.421	4.951	-1.362	-1.292	-0.527	-1.119
Prob.	0.1041	0.1515	0.000	0.000	0.176	0.199	0.599	0.265
R-squared	0.327685							
Adjusted R-squared	0.23249							
F-statistic	3.442252							
Prob. (F-statistic)	0.000057							
Durbin-Watson stat.	2.463806							

Table (7): Dependent Variable: Y3

Variable	C	X1	X2	X3	X4	C1	C2	C3
Coefficient	1.816	0.278	0.170	0.179	0.040	-0.003	0.082	0.094
t-Statistic	5.400	2.297	2.196	3.253	2.370	-1.135	4.098	0.945
Prob.	0.000	0.000	0.030	0.002	0.001	0.259	0.000	0.347
R-squared	0.421							
Adjusted R-squared	0.335							
F-statistic	5.835							
Prob. (F-statistic)	0.000							
Durbin-Watson stat.	2.620							

Table (8): Dependent Variable: Y4

Variable	C	X1	X2	X3	X4	C1	C2	C3
Coefficient	165,	28,0	15,8	14,0	11,8.	4,10	5,85	-17,9
t-Statistic	3.388	1.905	1.981	2.165	1.849	12.696	2.020	-1.253
Prob.	0.001	0.021	0.002	0.000	0.00	0.000	0.036	0.213
R-squared	0.717							
Adjusted R-squared	0.677							
F-statistic	17.895							
Prob. (F-statistic)	0.000							
Durbin-Watson stat.	2.741							

Table (9): Dependent Variable: Y5

Variable	C	X1	X2	X3	X4	C1	C2	C3
Coefficient	7.075	1.240	0.012	-0.029	0.850	0.015	-0.446	0.739
t-Statistic	8.976	2.468	2.913	-0.227	3.322	2.848	-9.488	3.183
Prob.	0.000	0.015	0.004	0.821	0.001	0.005	0.000	0.002
R-squared	0.520							
Adjusted R-squared	0.451							
F-statistic	7.636							
Prob. (F-statistic)	0.000							
Durbin-Watson stat.	2.056							

5. SUMMARY AND CONCLUDING REMARKS

There has been an array of studies focusing on the probable relationship between ownership concentration and on market value Indicators and

agency costs, where most results confirm the positive impact of the former on the latter. The relationship might not be linear if the costs and benefits of ownership concentration vary with the level of concentration (Morck *et al.*, 1988). The relationship might also show different dimensions with variations in the quality of data, models of estimation, and heterogeneity among firms. The present study aims to contribute to the existing literature by broadening the concept of ownership structure and market value Indicators and agency costs in an Asian emerging economy. It is perhaps probable that ownership concentration is used as a relevant governance mechanism in Palestine as a result of the ongoing governance reforms since the other governance tools have failed to derive the expected improvement in monitoring function (Saleh, et al, 2018). Hence, this study will help the policymakers with improved guidance and concepts in designing efficient corporate governance features. Moreover, this will enhance researchers' perceptions of the unique agency features of the Palestinian corporations.

Despite these theoretical contributions and practical implications, future research should mainly address two limitations of this study. First, ownership concentration is only one side of the coin of the ownership pattern. An important research question in the future could be how insider and outsider interest in ownership becomes a driving force for firm market value Indicators and agency costs. Second, since agency costs are a complex function of many factors, it deserves research attention to go a step further to explore specific channels through which concentrated ownership affects agency costs.

This study examines the influence of ownership concentration on the market value indicators of the financial institutions listed on the Palestine Stock Exchange, over the period 2010- 2019. Market value indicators are measured through, the market value of the share, market value to net profit, Tobin's Q ratio, and market value added. Also, the research tests the impact of ownership concentration on agency cost.

Ownership Concentration is measured through forth sub-variables, including, family ownership, administrative ownership, institutional ownership, and foreign ownership. By employing multivariate regression models for panel data, balanced, with fixed effects. The study found a positive influence of concentrated ownership through family ownership, administrative ownership, institutional ownership, and foreign ownership on market value indicators and agency costs in financial institutions listed on the Palestine Stock Exchange.

SUGGESTED FUTURE STUDIES

Based on the above results. The researcher suggests re-conducting this study with a change of the dependent variables, by linking concentrated ownership with financial performance indicators, or market indicators, other than those mentioned in this study**.**

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