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THE MODERATING EFFECT OF OWNERSHIP STRUCTURE ON THE RELATIONSHIP BETWEEN FREE CASH FLOW AND ASSET UTILIZATION

Maimoona Waseem[1], Romila Qamar[2]

[1]Office of Research, Innovation and Internationalization, University of Management and Technology, Lahore, Pakistan

[2]Knowledge and Research Support Services, University of Management and Technology, Lahore, Pakistan

E.mail: [1]maimoona.waseem@gmail.com ,[2]romila.qamar@umt.edu.pk

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ABSTRACT:
The primary purpose of this study is to determine the relationship between FCF and asset utilization and figure out the moderating impact of different ownership structures on the relationship between these variables. Three types of ownership structure employed, namely government ownership, managerial ownership, and foreign ownership. The data is cross-sectional over the period 2012-2016. The data has been taken from the financial reports of selected PSX-100 index-listed firms. The research study's findings reveal an insignificant yet negative association between asset utilization and free cash flows. The study further specifies that the free cash flows may be spent fruitlessly, leading to the inefficient utilization of assets. The study also found that managerial and foreign ownership structures are better tools to check and monitor asset utilization in companies with a higher percentage of free cash flows than companies with a lower percentage of free cash flows. The study has contributed to understanding the different types of ownership structures in overseeing the usage of a firm's assets.

INTRODUCTION

Asset utilization is dealing with assets in order to be proficient in generating and what they produce actually (Ellis, 1998). It describes the total revenue earned by the company for every dollar of assets owned. Asset utilization is used frequently by financial analysts to compare the company's efficiency

over a specified period. On the other hand, asset dis-utilization signifies losses in revenue relative to the investment, which results in the firm's unproductively and inefficient asset utilization. Agency costs increase in asset dis-utilization because managers' and owners' interests are not the same (Fleming et al., 2005). The existence of free cash flows (FCF) might lead to ineffective use of assets because there is no check and balance on management for companies' resource utilization, leading to decreased shareholders' wealth, resulting in agency problems (Jensen, 1986).

According to Jensen (1986), the likelihood of owners watching unethical activities of managers declines when managers use business cash purely for particular advantage needs and personal care instead of directing their determinations on the way to improving company worth. This theory entails that the possibility and chances of occurrence of agency problems rises and increases when the level of free cash flows increases (Harford, 1999; Fanolacender & Wang, 2006). In order to measure the performance and value of a company, free cash flow is considered the benchmark. This free cash flow is the cash that companies dispose of after maintenance expenses and develop the asset and distribute among the investors and shareholders. Therefore, managers of the firm must enhance firm value to increase the shareholder's wealth. FCF is used to minimize the agency costs resulting from the conflicts of interest between owners and managers. Furthermore, free cash flows are also significant for the company to enhance the firm's value.

Similarly, different kinds of ownership structures also play a vital role in firm free cash flows. This research aims to determine which ownership structure is best for companies listed on Pakistan's KSE 100 index and which ownership structure is utilizing high free cash flows on profitable projects to advise companies to change their ownership structure if they are not performing well. As a result, this study examines the relationship between asset utilization and FCF in firms listed on the Pakistan Stock Exchange from 2012 to 2016 and how different ownership forms modify this relationship. The research aims to address the following questions:

Is there a moderating role of ownership structure among asset utilization and free cash flows in PSX-100 index companies?

What is the association between asset utilization and FCF with the moderating role of government ownership?

What is the association between asset utilization and FCF with the moderating role of foreign ownership?

What is the association between asset utilization and FCF with the moderating role of managerial ownership?

LITERATURE REVIEW

Agency Theory

According to (Al-Saidi, Al-Shammari, & Page, 2014), agency theory (AT) describes the connection between individuals in which one acts as a principal and the other as an agent. The corporate governance (CG) mechanism is explained (Fauzi & Locke, 2012) by agency theory, which protects shareholder interests, decrease agency costs, and safeguards the relationship between two parties. An agent manages resources on behalf of a principal and is responsible for completing services in the principal's best interests. When a manager's motivation is for personal gain, the agency problem arises. It lowers a company's worth since investors are hesitant to invest in a company with such problems. The primary goal of agency theory is to protect both parties interests; this can be accomplished by providing some accounting benefits to a corporate agent, resulting in a reduction in costs (AC). The agency theory supports the "separation of the two positions," which is critical for the director's effective and efficient monitoring.

Free Cash Flow

According to Jensen (1986), the excess cash flow required to invest in profitable or profitable projects and other NPVs is positive when discounted for the related cost of capital. When firms cannot get external resources due to market inefficiencies or inefficiencies between the organization and lenders, free cash flow is a kind of productive capital that can be utilized (Myers & Majluf, 1984). He stated that company executives do not always act in the best interests of the shareholders and spend financial resources that do not increase shareholder wealth, resulting in more significant agency issues and inefficient asset use.

Ownership Structure

According to Meckling and Jensen (1976), the ownership structure can be utilized to resolve and eliminate agency issues (AP). The company's directors' interests and concerns must be linked to those of external shareholders. This can be accomplished by maximizing and expanding the insider relationship as well as insider equity ownership between these entities. As part of their performance-based compensation packages, executives of publicly listed firms (PLF) are frequently given discounted or free stock and stock options. According to Jensen (1986), the intended objective is to dissuade the company's directors from allocating finances and properties to reduce shareholder wealth.

According to Shleifer and Vishny, 1997, and Jensen and Meckling, 1976, the relationship between ownership and corporate firms is significant as far as agency problems are concerned because minimizing ownership control from corporate companies generates agency problems in conflicts and battles of interest among managers and shareholders. To ensure effective and proficient financial performance, it is necessary to solve agency cost challenges.

The ownership structure is considered one of the most critical management instruments for minimizing agency expenses and difficulties and ensuring the corporation's most significant potential performance and profitability. According to the agency's theory, a conflict of interest between parties within a firm affects the firm's performance (Jensen and Warner, 1988).

Conflicts of interest arise between several groups, which are influenced by the aims of each party as a result of their respective roles, positions, and interests inside the firm. However, determining which party has the most significant and forceful conflict of interest with shareholders is critical in determining the type and location of the agency problem. According to Warner and Jensen's 1988, the ownership structure determines the conflict of interest and difficulties of agency nature and among parties.

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Ownership Structure and Corporation Performance

According to (Jiang, 2004) the relation between corporation performance and ownership structure (OS) has acknowledged significant importance. In recent years different countries have dedicated significant energy to clarify different corporate ownership structures and financial performance due to this outcome. Previous researches do not examine the interrelating effect of this ownership, as most studies were done on the overall effect of ownership structure on asset utilization. Thus ownerships like Government ownership (GO), foreign ownership (FO), and managerial ownership (MO) are still unanswered.

Free Cash Flow and Asset Utilization

According to McCabe & Yook (1997), free cash flows may decrease or increase the firm value depending upon the use of FCF. Free cash flows ensure managers utilize the accessible assets for different exercises that might add to the company's value (Jensen, 1986).

Managers tend to allocate free cash flow to activities that provide unique benefits by not following the proper agreement method and ignoring the current pessimistic estimate of projects (Chung, Firth, and Kim, 2005). Such speculative exercises can generally produce restorations below the cost of capital (Jensen, 1986). For example, high cash flows lead to resource retirement as managers use cash flows from unsuccessful deals that yield their benefits (Jensen, 1986).

Earlier studies show that organizations with a higher level of free cash flows contribute more to a company's productivity than organizations with a small number of free cash flows (Griffin, 1988; Shin and Kim, 2002). As a result, we propose:

H1: Free cash flow and Asset utilization are negatively related.

Moderating Effects of Ownership Structure

Furthermore, research indicates that the ownership structure is a crucial follow-up to executives' opportunistic behavior (Jensen & Meckling, 1976). Foreign ownership, state ownership, and management are examples of ownership structures. Homeowners have the incentive and power to keep an eye on how their assets are being used (Ang et al., 2000). By modulating the relationship between free cash flow and asset utilization, stock ownership makes it feasible to manipulate management opportunism. Furthermore, monitoring equality lowers agency costs associated with statistical asymmetry and ownership and management separation (Watts and Zimmerman, 1983). Due to free cash flow, shareholders have much more control over their authority to cut stock prices for companies with severe organizational and agency problems (Chen, Chen, & Wei, 2011). This feature presupposes that the ownership structure facilitates the use of free cash flow.

Foreign Ownership

The supply of foreign speculators characterizes foreign ownership, essential for corporate governance monitoring (Dahlquist and Robertson, 2001). According to Dahlquist and Robertson (2001), the presence of foreign speculators augmented the observations of foreign financial specialists and avoided administrative consequences for inefficient asset usage.

Foreign ownership can control and minimize agency difficulties (Yoo, 2005, Dahlquist and Robertson, 2001). (Yoo, 2005). Foreign speculators can go to great lengths to meet their fiduciary responsibilities, ensuring the kind of financial data required to protect shareholder interests and boost the value of their ventures (Yoo, 2005). As a result, businesses whose assets are mostly held by foreign financial professionals are hesitant to act opportunistically.

To prevent the administration from cruelly abusing the organization's assets, this study presupposes that foreign investors must verify the information. When free cash flow is large, foreign owners might impose harsher regulations. They can put their management and learning creation talents to good use to help businesses make more money (Ito, 2004). Hence we propose the following:

H2a: The negative correlation between free cash flow and the use of assets is lower when foreign possession is high than when foreign possession is low.

Government Ownership

The government-owned quotation level is defined as the level of ownership that is not directly incorporated in the organization's operations or management (Boycko, Shleifer, Vishny, 1996, Gill-de-Albornoz, and Eloica, 2005).

According to previous studies, organizations can benefit from closeness to government stakeholders (Ang and Ding, 2006, Feng, Sun and Tong, 2004).

According to Ang and Ding (2006), government-related organizations (GLOs) have higher ratings and are more prone to corporate governance than non-GLCs. According to Feng et al. (2004), thirty GLCs from Singapore between 1964 and 1998 show that privatizing equity concerns positively impacts the organization's performance. However, there is no assurance that GLCs will be less profitable than non-GLCs due to size or industry cooperation.

Several researchers, including Mai and Li (2001), argue that companies associated with the government may have less incentive to monitor institutional problems because they have coercive money execution, less access to funds, less corporate control, and weak shareholder feedback. According to Gilde Albornos and Ilueca (2005), opportunistic conduct may develop in organizations with many government shares due to political clout. Even though previous research outcomes have been inconsistent, this study is claimed to be a managerial advantage.

Significant state assets, for example, can be used to demonstrate resource dissimilation. Because the organization's assets will be employed, such as the free cash flow employed by its partners, more state ownership can effectively engage in the manager's decision-making process (Boyko, Shleifer, and Vishny, 1996). This survey intends to identify government owners to monitor the use of free cash flow to obtain political gains that are in the organization's best interests. The vicinity strengthens the organization's control system to state property. This is normal in light of the previous, and the government owner can utilize the attached approach to facilitate the relationship between free cash flow and asset use.

H2b: The negative free cash flow-asset utilization dynamic is weaker when government possession is high than when government ownership is low.

Managerial Ownership

Ownership of managers is defined as the proportion of shares owned by employees or managers within the organization. Managers have different ownership levels; this level can measure conflicts between managers and owners (Jensen and Meckling, 1976, Ang et al., 2000). The more internal income, the more likely they are to obtain agency costs (Jensen and Meckling, 1976, Ang et al., 2000, Singh and Davidson, 2003). Enterprises with a high percentage of insiders can use resources from the product development process to increase shareholder appreciation. Managing your benefits is in the interest of shareholders. Managers will have to work more efficiently and effectively, resulting in more profitable use of productive assets.

Ownership of the management will have an active interest in verifying the use of the organization's free cash flow only to ensure the implementation of value-added activities (Warfield, Wild, and Wild, 1995). The administrative property will assume an internal stake to ensure the use of free cash flow for the organization's long-term recovery, thereby expanding the interests of the investors. Agency experts suggest that administrative ownership contributes to the basic Decision-making process (Jensen and Meckling, 1976). Arrangement

specialists note that ownership of insiders adapts to the interests of management and owners (Ang et al., 2000, Jensen and Meckling, 1976, Singh and Davidson, 2003). Administrative property should contribute directly to the successful use of assets.

Managers or managers who need substantial regulatory subsidies may directly impact regulatory decisions, making free cash flow only for companies with a positive net worth. These managers monitor free cash flow to support profitable individual activities that benefit shareholders (Warfield et al., 1995). Therefore, management will actively focus on the decision-making and use of free cash flow for long-term transfer, increasing investor profits. In particular, administrative ownership contributes to the productive use of assets, especially when free cash flows are significant. This study assumes that management ownership will weaken the negative relationship between free cash flow and asset utilization.

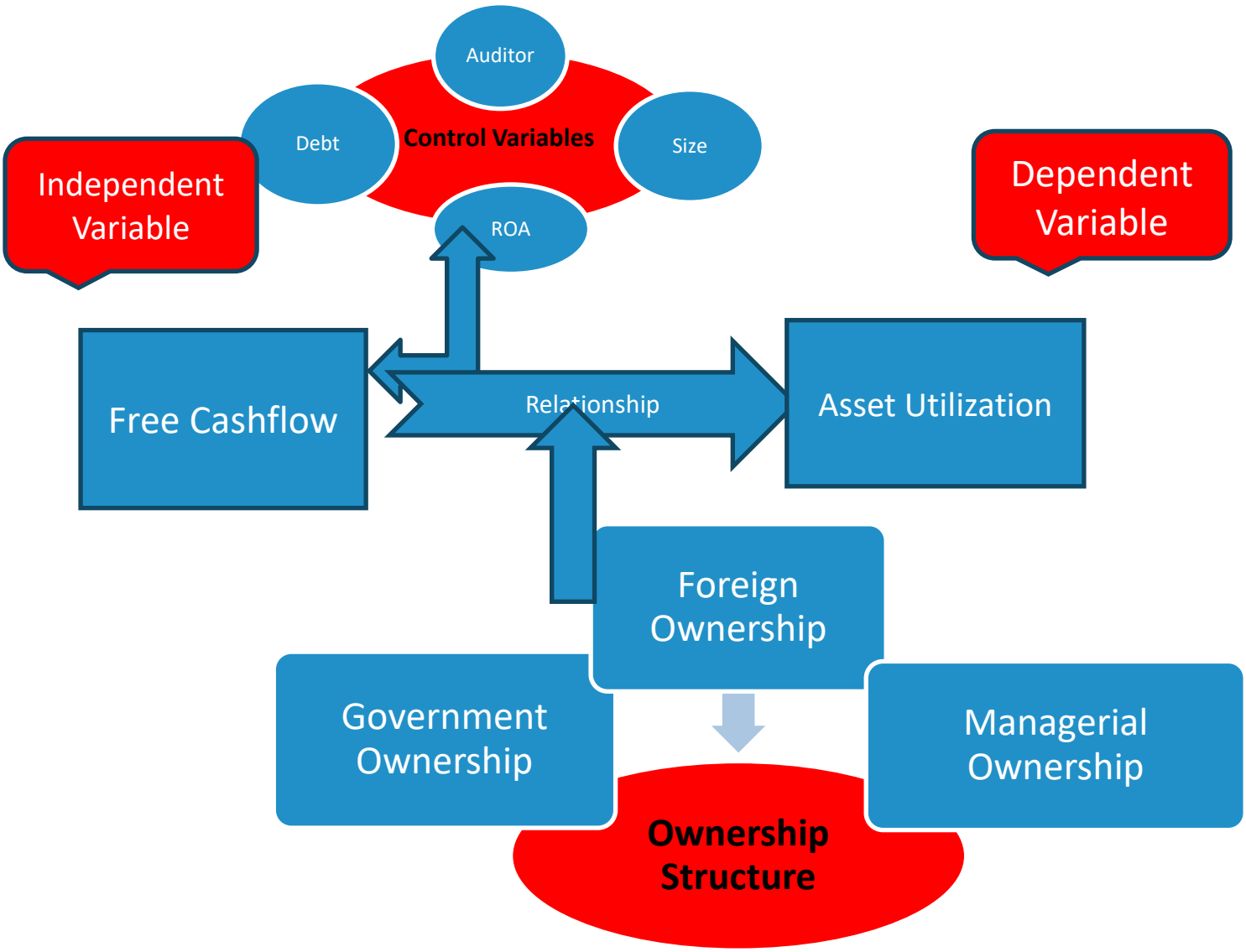
Managerial ownership (MO) can support reducing and minimizing the agency problems because as the managers themselves are the firm's owners, they own many of the company's shares (Jensen and Meckling, 1976).

On the other hand, when the firm managers hold a small number of company shares, they have a personal need. They have the more significant number of encouragements involved to chase their benefits and needs. Their incentive to maximize the firm value goes down. They do not have a more significant incentive for profitability for the firm. In this case, one way to lessen AC is to increase the number of executives. Assuming convergence of interests, the advantages and benefits of property ownership are highlighted (Jensen and Meckling, 1976).

Management ownership in ownership structures is making the administrative system on how to utilize the benefit. (Sembenelli (2006), Yoo (2005), Benfratello & Dahlquist, and Robertson (2001) a discovered confirmation to recommend that (outside or foreign ownership) in ownership structure is making administrative component on how to utilize the assets. Ang and Ding (2006) and Feng et al. (2004) and discovered proof to propose that (governmental ownership) in ownership structure is making the administrative system on how to utilize the assets of the firm. Asset utilization and (FCF) connection is heavily negative, according to the study of Skandar and et al. (2012). Additionally, these three types of (OS), for example, foreign ownership, government ownership, and managerial ownership, and uniquely in organizations with great free cash stream comes about out balanced free income of correspondence between assets are underutilized.

H2c: The negative free cash flow-asset utilization dynamic is weaker when managerial ownership is high than when managerial ownership is low.

Conceptual Frameworks



Research Methodology

For the objective of this study, data on the Pakistan Stock Exchange Index was gathered from 2012 to 2016. Only 65 organizations out of a total of 100 are included in a conclusive sample.

Auxiliary sources (Annual Statements) from the websites of organizations were used to compile data for this inquiry. There are eight variables in the paper. The following table explains the definitions of these variables.

Variables	**Definition**	**Calculation**
Dependent variables		
ASSET_UT	Asset utilization	Asset utilization is the ratio of sales to
		property, plant, and equipment (Ang et al.,
		2000)
Control		
Variables		
SIZE	Size of the firm	The natural logarithm of sales
DEBT	Total debt	Total debt divided by total assets
ROA	Return on assets	The net income after tax divided by total
		Assets
Independent		
Variables		
FCF	Free cash flow	Net operating income after tax, interest
		expense and dividend divided by the lagged
		total assets (Chung et al., 2005)
FRAGEN	Foreign ownership	Percentage of foreign shareholders (Ang &
		Ding, 2006)
GOV	Government ownership	Percentage of government shareholders (Ang
		& Ding, 2006)
MGT	Managerial ownership	Percentage of managerial shareholders (Chen
		& Steiner, 1999; Tandelilin & Wilberforce,

		2002; Miguel et al., 2005)

RESULTS AND DISCUSSION

The study examines the relationship between free cash flows and asset utilization with the moderating effect of ownership structure. The data for the present study is panel data, so panel data analysis techniques are appropriate to achieve the research objectives. The panel data has many advantages as it provides many data observations that help increase the degree of freedom and decrease co-linearity among the variables (Hsiao, 1986). To check the normality of the data set, descriptive statistics are developed. Hierarchical regression is applied to examine the relationship between free cash flows and asset utilization with the moderating effect of ownership structure in the context of PSX-100 index listed companies.

Since the data values are more than 30, according to the binomial theorem, the data is considered normal already, and there is no need to calculate any normality test.

Descriptive statistics results are provided in Table 5.1. It represents the mean, standard deviation, kurtosis, minimum and maximum values of the data set. The mean value of asset utilization is 10.74, with an SD of 26.75 for the selected PSX-100 index listed companies from 2012 to 2016. It indicates the average or central value for the set of data points or numbers. Similarly, the average value of free cash flows (FCF) is 0.13 with an SD of 0.12, NOSOF has a mean value of 13.65 with an SD of 24.47, NOSOM with a mean value of 76.10 and an SD of 38.52, NOSOG has a mean of 6.37 with a SD of 13.67. Furthermore, the control variables taken in this research work, such as debt, have a mean score of 0.53 with an SD of 0.23, firm Size has a 16.96 mean value with a SD of 1.47, and ROA has a mean value of 0.11 with a SD of 0.11 respectively.

Table 5.1: Descriptive Statistics

Variables	**Obs**	**Mean**	**Std.Dev**	**Min**	**Max**
Asset Utilization	275	10.7421	26.7598	0.00207	202.85
FCF	275	0.13726	0.12256	-0.1929	0.60443
NOSOF	275	13.6056	24.4793	0	94.7
BOSOM	275	76.1055	38.5209	1	154
NOSING	275	6.37701	13.6722	0	75.38
DEBT	275	0.53692	0.23245	0.12639	1.51222
Size of the firm	275	16.9634	1.47568	12.7187	20.1323
ROA	275	0.11845	0.11116	-0.4897	0.47396

The last two columns represent the minimum and maximum values for the data set variables. Asset utilization has a minimum value of 0.002 and maximum value of 202.85, FCF has a minimum value of -0.192 and maximum value of 0.604, NOSOF minimum value is 0.00 and 94.7 as the maximum

value, NOSOM minimum value is 1.00 and 154 as the maximum value, NOSOG minimum value is 0.00 and maximum value of 75.38. Similarly, control variable debt has a minimum value of 0.126 and maximum value of 1.512, and firm size has a minimum value of 12.71 and a maximum value of 20.13, whereas ROA has a minimum value of -0.48 maximum value of 0.473.

Correlation Analysis

Table 5.2 shows the multicollinearity test of all the variables. It is observed that all three types of ownership structures were found to be negatively correlated with asset utilization.

Table 5.2: ***Correlation Analysis***

Table 4.2: Correlation Analysis								
	AU	**FCF**	**NOSOF**	**NOSING**	**BOSOM**	**DEBT**	**SIZE**	**ROA**
AU	1.00							
FCF	-0.06	1.00						
NOSOF	-0.03	0.32	1.00					
NOSING	-0.05	-0.40	-0.01	1.00				
BOSOM	-0.02	0.34	-0.03	0.08	1.00			
DEBT	0.16	-0.46	-0.19	-0.19	-0.01	1.00		
SIZE	0.20	-0.07	0.23	-0.04	-0.31	0.16	1.00	
ROA	-0.01	0.95	0.36	0.36	-0.11	-0.49	-0.04	1.00

Hierarchal Multiple Regression

This kind of multiple regression is a way to show if variables explain a statistically significant amount of variance after accounting for all other variables in the predicted variable. The hierarchal multiple regressions after interaction of FCF and ownership structure are estimated through the following multivariate regression model.

$$Y_{i,t} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \epsilon \quad \ldots (A)$$

Or it can be written as

$$AU = \alpha + \beta_1(FCF) + \beta_2(Debt) + \beta_3(ROA) + \beta_4(SIZE) + \beta_5(NOSOF) + \beta_6(NOSOG) + \beta_7(NOSOM)$$

The model has an R square value of 0.250, which is acceptable in cross-sectional studies. A total of 325 observations were used in regression analysis. The fitness of the regression line is measured through the value of R-square. It measures the strength of association between the variables. Explanatory power in a regression model is 0.111, which means that 11.1 percent variance from total variation in asset utilization is due to independent variables used.

The remaining 88 percent, on the other hand, is explained by characteristics not considered in the current study. Other variables may have an impact on this dependent variable. The error term's standard deviation is low, indicating that the regression estimation is strong. The regression model's F value is 0.000, which is less than the 0.05 significance level, indicating that the model is significant.

To measure the impact of independent variables on the dependent variable (asset utilization) in the PSX-100 index listed companies, one of the applied models is the regression model. Table 5.3 shows the results of hierarchal regression parameter estimates of all the independent variables considered to check the impact on the dependent variable (asset utilization) for the research study as given in Step 1. In comparison, the moderating impact of all three ownership structure types on the dependent and independent variables is depicted in Step 2. T-stat and p-value indicate whether the variables have a significant impact on asset utilization. The study found that all three ownership structures and the firm's size significantly impact asset utilization, as their p-value at 5% level of significance is less than 0.05, respectively. Moreover, all these variables were found to impact positively on asset utilization.

Table 5.3: Regression Analysis Results

Step 1: Regression before Interaction of FCF & Ownership Structure

Number of Obs	325
F(10,260)	5.87
Prob>F	0
R-Squared	0.1338
Adj R-Squared	0.111
Root MSE	25.272

AU (Sales /PPE)	**Coef**	**Std.Err**	**t**	**P>|T|**	**95% Conf Interval**

FCF	-58.5327	43.028	-1.36	0.175	-143.25	26.186
NOSOF	0.369498	0.6408	0.58	0.565	-0.0892	0.16312
NOSING	0.5074304	0.11794	4.3	0.000	0.2752	0.73965
BOSOM	0.715991	0.4229	1.69	0.092	-0.0116	0.1548
DEBT	18.43772	7.7891	2.37	0.019	3.1014	33.774
Size of the firm	2.427641	1.1466	2.12	0.035	0.1699	4.6853
ROA	77.03323	48.315	1.59	0.112	-18.095	172.162
_cons	-50.56499	21.113	-2.39	0.017	-92.134	-8.994

Step 2: Regression after Interaction of FCF & Ownership Structure

Number of Obs	325
F(10,260)	8.69
Prob>F	0
R-Squared	0.2505
Adj R-Squared	0.2217
Root MSE	23.764

AU (Sales /PPE)	**Coef**	**Std. Err**	**t**	**P>|T|**	**95% Conf Interval**	
FCF-NOSOM	-0.956169	0.571322	-1.67	0.095	-2.081176	0.168837
FCF-NOSOF	-1.144374	0.571714	-2.00	0.046	-2.270153	-0.18596
FCF-NOSOG	-4.163901	0.682577	-6.10	0.000	-5.507983	-2.81982
FCF	13.86158	44.19976	0.31	0.754	-73.17348	100.8966
NOSOF	0.2291925	0.118034	1.94	0.050	-0.0032315	0.461617
NOSING	1.393293	0.18288	7.62	0.000	1.033178	1.753408
BOSOM	0.1479205	0.487299	3.04	0.003	0.51965	0.243876
DEBT	8.093636	7.781947	1.04	0.299	-7.230028	23.4173
Size of the firm	3.13229	1.118175	2.80	0.005	0.9304585	5.334121
ROA	56.83035	48.20052	1.18	0.239	-38.08275	151.7434
_cons	-70.20823	20.37489	-3.45	0.001	-110.329	-30.0874

This significant relationship among variables can also be explained by looking at the t-statistics values in Table 5.3. In statistics, the rule of thumb for checking the t-statistics value is that if the value of t-statistics is less than -1.96 or more excellent than +1.96, this shows that variable has a statistically significant impact on the dependent variable at the 95% level of confidence.

All variables have at-stat value greater than +1.96 or less than -1.96, resulting in a significant association with asset utilization. The results of t-stats are also consistent with the p-value of the model. To determine the direction of regressors' impact on regress and is indicated by the value of regression coefficients. The regression coefficient of LE is FCF is 13.86, NOSOF is 0.22, NOSOG is 1.39, NOSOM is 0.14, debt is 8.09, size is 3.13, and ROA is 56.83, which means that 1 unit increase in an independent variable may increase or decrease the asset utilizations value by its coefficient value keeping other variables constant. The estimated regression model is as follow:

AU = -70.21 + 13.86(FCF) + 8.09(Debt) + 56.83(ROA) + 3.13(SIZE) - 0.22 (NOSOF) + 1.39 (NOSOG) - 0.14(NOSOM)

Step 1 in Table 5.3 found negative but statistically significant relationships among the asset utilization and free cash flows. This showed that the efficiency of asset utilization increases with the increase in free cash flow. This means our first hypothesis is supported. Similarly, a positive association was found between government ownership and asset utilization, which suggested that firms with higher government ownership tend to become efficient in utilizing the assets.

In Table 5.3, the findings presented in Step 2 show the regression results of the interactions between each ownership structure and free cash flow. The value of adjusted R square in Step 2 of the model is increased from 11.1 percent to 22.05 percent. The results show that all ownership structures significantly moderate asset utilization and free cash flows as the p-value is less than the significance level. This search indicates that foreign owners are effectively tracking asset usage, especially when corporations have high FCFs. If the level of foreign ownership is low, it may not control the usage of the assets effectively. The monitoring of the use of assets by foreign investors depends on ownership and free cash flow. Where a foreign investment is high, companies make better use of their assets. However, when free cash flow is low, it is not essential to monitor foreign asset ownership.

CONCLUSION

This study investigates the relationship between asset utilization and free cash flow and sees how different ownership structures affect this relationship in companies listed on the Pakistan Stock Exchange. The information is cross-sectional and comes from the annual reports of PSX-100 index-listed companies from 2012 to 2016. The techniques employed are descriptive analysis, correlation analysis, and hierarchical regression analysis. The study discovered that all ownership forms and business size substantially impact asset usage, with p-values less than 0.05 at the 5% level of significance.

Furthermore, all of these variables were discovered to have a significant impact on asset usage. Asset utilization and FCF have negative but statistically significant relationships, according to the study. This showed that as FCF rises, asset utilization efficiency rises as well. As a result, our first hypothesis is correct. Similarly, a positive relationship was discovered between government ownership and asset utilization, implying that companies with more government ownership are more likely to use their assets.

As the value of probability is less than 0.01, it is also determined that all three ownership forms mitigate the relationship, particularly concerning the variables of "asset utilization" and "free cash flow." Asset tracking is more effective for organizations with large FCF and foreign ownership, according to the findings. This research reveals that foreign owners keep a close eye on asset utilization, especially when their companies have large FCFs. If foreign ownership is low, it may not be easy to control how assets are used correctly. The utilization of assets by foreign investors is monitored based on ownership and free cash flow. Companies make better use of their assets when foreign investment is substantial.

The findings reveal that monitoring the use of a firm's assets with higher FCF is more successful than monitoring firm assets when there is a high level of management ownership. In organizations with a higher level of management ownership, an increase in free cash flow enhances asset usage efficiency dramatically. If the cash flow is low, however, the effectiveness of monitoring the various levels of administrative ownership is minimal. High ownership allows management to use assets as free cash flow grows. As a result, management manages the link between free cash flow and asset usage, reducing the negative impact of free cash flow on asset use as management ownership grows.

According to this study, the utilization of free cash flow increases shareholder value and the moderating functions of the management of managerial and foreign ownership in management decisions. The findings suggest that foreign ownership of asset utilization can be efficiently monitored in enterprises with strong free cash flow, especially when ownership levels are high. This study adds to our understanding of the importance of ownership-related variables in management's asset usage behavior, especially when FCFs are present. When a corporation has FCFs, the current study empirically reveals the impact of ownership control interactions on asset utilization. All ownership structures (managerial, government, and foreign) are effective controllers in the current study, preventing opportunistic management behavior such as asset retirement.

Research Implications

This research is necessary for policymakers, stockholders, and corporate management to allocate and use resources effectively. This research will assist them in making a more precise prediction in this area. The study aids investors and decision-makers in domestic and foreign companies in better understanding ownership structures. Managers have an incentive to control corporate profits since weak managers perform poorly, so the future study will need to uncover the relationship between asset utilization and profit management. Another disadvantage of this research is the low percentage of foreign ownership in this study. As a result, the sample of companies for the percentage of foreign shareholding should be more significant to avoid undue management influence.

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