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Effect of ownership structure and political connection on financial performance of marble industry in KP, Pakistan

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Abstract: This study estimates the effect of ownership structure and political connection on the financial performance of marble industry. Structure interviews were conducted to collect data from a sample of 90 privately owned marble firms. The study considers ROA (Return on Assets) as a proxy for financial performance and is used as dependent variable whereas the independent variables include size, age, ownership structure, political affiliation and number of employees. Outcomes display that family owned firms are healthier in financial performance than non-family owned firms. The outcomes furthermore show that firms which are politically affiliated through ownership have positive association with financial performance, indicating that link between owner and politician is beneficial for financial performance of firms because they can take benefits from each other. These findings imply that creating

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political ties in companies would increase the financial performance of the firms; irrespective of the fact that the firm is family or non-family owned.

Keywords: Political Connection, Family Ownership, Firm Performance.

1. Introduction:

Ownership structure and its upshot on firm performance has been essential subject for scholars since the most recent years (Amin & Hamdan, 2018). The literature of microeconomics discourses the problem that is ownership creates problems or not? (Rimkus and Savickait 2011). The query may be probed in a new method i.e. is family rights or existence of family members in the business creates problems for the firm performing or not. The variances in financial performance amid family firm and non-family firm can be viewed from agency cost and resource based theory (Dyer, 2018). According to agency theory the agency cost arises because of the conflict between principal and agent. In this case, the agency cost is highly significant and necessary to justify within in non-family firms as paralleled to family firms. This is for the reason that in bulk of family firms the family members hold key positions in top management and are having lower agency cost in relation to non-family firms (Jensen & Mackling, 1976; Dyer & Jr, 2006). The resource based view theory means that firm possesses some resources to achieve competitive advantages and long term performance. Most of the family members use the resources for achieving the firm superior performance. If the family member use these resources for personal benefits and not for the firm benefits will drain the firm performance.

A number of studies suggest that family firms are healthier in financial performance than non-family firms. Jim & Lee, (2006) empirically investigate the stability and competitiveness of family owned and non-family possessed businesses by using one third sample of S&P 500(S&P 500 is large-cap U.S) over the period of 1992-2000. Their outcomes display that family firm do well if one of the family members is involved in management. Zattoni, Gnan & Huse (2015) study the influence of family association on firm performance by using the sample of 421 Norwegian non-public small and medium enterprises during the year of 2003. Their outcomes show that family association improves the financial performance of the firm. While other studies show that non-family firms have more advantages in relations with financial performance. Khan and Khan, (2011) study the performance of family and non-family firms by utilizing the statistics of 100 companies registered in KSE (Karachi Stock exchange) Pakistan examined for the span of 2004-2006. The outcomes of the research display that non-family firms outclass family firms. The ownership structure means family ownership and non-family ownership. Family Ownerships/businesses are the prehistoric and supreme communal portion of the trade. From small shop to the international organization with millions of employees are family leaning trades. They have high influence on the economy of the world. They added up to 70% to economy of the world (Osunde & Aff, 2017). Family business is the most important part of defining the economy of Pakistan. About 80% industries are family owned having greater contribution to the economy and employment of the country (Oumansour, 2018). The role of family businesses in Pakistan cannot be underscored. About 90percent of the industries in Pakistan are SMEs (Small & Medium Sized Enterprises) which mostly are family possessed. They remain the main contributer to employement and contribute to tax revenue (Saeed, Belghitar & Clark 2019).

The existing literature also provides emperical evidance on the consequence of poilitcal connection on firm performance. Over the time studies have documented that firms having political connection through owner or board of directors have several benfits i.e easy access to bank loan (Faccio, 2010; Infante &Piazza, 2014), improve performance (Faccio, 2006; Boubakri, cosset & Walid, 2012) and increases firms chances of availing government contract (Tahoun, 2014).

In this study, we examin the influence of politicall connection on firm performance of marble

industries located in distric Mardan, KPK, Pakistan. Investigating the influence of political linking on firm performance in Pakistan is exciting for a number of reasons. Firstly political linking of the firm owners is very common in Pakistan. Over the past two decads the prime ministers and the assemblies of the country were disolved because of their in involvment in political corruption and patronage. Such political corruption would have a significant effact on organizatioal behaviour. Secondly, in Pakistan politions either own or are affiliated with different businessess. Since most of the politicions are member of assembles and are in a position to favour their own businessess or the ones with whom they are affiliated. Recentlly the government of Pakistan has taken strick action to overcome political corruption and patranoge of polititions. Government officials and polititions are expected to disclose their assets according to new legislation. In addition, Natioanl Anti Corruption Strategy (NACS) was launched with a view to reduce corruption and political patranoge in the political structure. Though, the efficacy of these acts is doubtful, by way of the procedure of accountability is foiled by many techniques, e.g by the adoption of the constitutional bill to exclude the armed forces and the law lords from the procedure of accountability and by the implementation of the National Reconciliation Order (NRO) with the help of which a wayout was provided to the suspected politicians for their fraud and missuse of authority. So the issue of whether politically linked business benefits from political support in Pakistan is still not clear. Therefore with such features Pakistan provides an excellent natural enivorment to study how political affilaition affects firm performance.

This research subsidizes to the current works in the following three methods. First this have a look at investigates the impact of own family possession on economic performance of selected marble industries. Secondly this study also evaluates the associationship between political linking and finacial performance of firms. To do so we construct a variable, where a firm is defined as politically affiliated/connected through owner or CEO "if the owner of the firm or one of its top managers (CEO) is a member of parliament, local government or is closely related to a top politician or party". We also study that how the association deliver among political affiliation and firm overall performance changes as the ownership structure of the company changes. In addition to this the study moreover examines the effect of various firm specific variables for example; size, age and number of employees on financial performance.

The reminder of this research unfolds as follow. The next part to presents literature review. Section three shows data and methodology. Section four represents results of the study and section five represents conclusion.

2. Review of Literature:

2.1. Firm performance and family Ownership:

Hamdan & Amin, (2018) have a look at the have an effect on of ownership structure on company overall performance. The data was collected from the 171 industries in Kingdom of Saudi Arabia (KSA) from the period 2013 to 2014. The final results of the take a look at suggest that family ownership has statistically insignificant and nice consequence on firm performance. Chu, (2011) tested the relationship between circle of relatives ownership and firm overall performance in Taiwan.They utilize the sample of 786 firms for the period (2002-2007). Their outcomes show a fine affiliation between circle of family ownership and company performance. The outcomes of the research also disclose that this relationship becomes stronger if one of the family members works as a CEO or at any other upper management position in the firm. Martiniz, Stohr & Quiroga (2007) explore the effect of ownership on firm performance. The data was collected from 175 registered firms in Chile Stock Market over the period of 1955-2004. The results of the examine display that own family owned companies are better in economic overall performance than non-family owned companies. Maury, (2006) empirically investigates that in what way family organized firm performs associated with non-family organized firm by using the sample of 1672 firms from Western Europe for the period of 2001-2005. The outcomes display that family owned firms have high profitability than non-family owned firms. Soler, Gemar & Murrilo (2017)

conducted a proportional study on family business and non-family business used the data of 520 firms in Spain for the year 2017. Their outcomes show that the difference between non-family and family business and family business performs better than non-family business. Mahto, et al, (2010) led their research on "satisfaction with industry performance in family business conducted the survey for the year 1997 and 2002 with 3033 and 1143 respondents respectively The study accomplishes that the executive and proprietors, who wish to please family members, must upsurge the interaction level amongst the business leaders and family members. Family members must be informed about current condition of the business. Families must grow such type of atmosphere in which they improve a solid understanding of assurance and empathy to business. Wieping, Haibin & Guangxi, (2010) observe the linking between firm performance and family business. They use the approach of Agency based idea and resource based totally view. The studies determines that circle of family firm achieves proficiently than non-family company in a terrible recognized surroundings. They in addition endorse that firms with family-CEO runs the company magnificently than descendent CEO. This shows that firms being controlled by family supremacy is a functioning alternative for an institutional void, assisting the firm to crush a few out of order recognized atmosphere. Basco, (2014) examines the impact of circle of relatives on company performance by using using the sample of 732 Spanish companies for the yr 2010. Their result urges that family business performs superior if family members keep minimum cost strategy, keep the business first and also maintain family relations and business related decision making. Daniel & Phillips (1999) examine the difference between family-founder-controlled firms and descendant controlled firm by using the data of 219 firms over the period of 1986-1988. Their study urges that originator organized firm raises promptly and capitalizes more in R & D (research and development) and capital assets. On other side successor organized firm are extra moneymaking. They used their recognized business and their marketplace to make extra revenue. (Pindado, Requejo & Torre 2007) study that whether family firm outperforms non-family firm in Western Europe. A survey was conducted from 4729 financial firms. Generalized method of moments were used to estimate the outcomes. Their study finds that family ownership impacts positively on firm performance. Singapurwoko, (2013) empirically investigates that which business performs better, family or non-family, by using the data of listed firms in Indonesian stock exchange during the period of 2006-2010. He uses T-test to estimate the outcomes and finds that Indonesian non-family businesses perform and sustain better than family businesses. Cesaroni et al., (2014) investigated the performance of small and medium family vs non-fmily firms in Italy. They used a sample of 128 firms for three years 2007, 2009 and 2014 respectively. They used regression analysis and the effects urges that own family owned companies carry out poorer than non-family companies in Italy.

Molly, et al., (2010) explore the have an effect on of own family succession on firm economic overall performance by way of the use of the sample of 152 firms at some point of the years of 1991-2006 in Belgium. Their study concludes that progress of the industry has been affected by moving the business from founder to the next generation of the family however there is no prof found that the industry performance is prejudiced by transfer of business. Kortelainen, (2017) empirically examine the influence of family ownership on firm performance of 416 non-registered Norwegian SMEs for the financial year 2005. ROA (return on assets) were used as a proxy for firm financial performance besides controlled variables for size and age. The regression results of the study show that family ownership has optimistic influence on firm financial performance and size of the industry is positively associated `with ROA. Ahmad et al., (2014) examine the effect of family ownership on firm performance of 4 largest companies registered in Karachi stock exchange over the period of 2007-2011. ROA is used as a proxy for firm fiancial performace and Firm Size used as a controlled variable. The result of the regression analysis shows positive and significant association between firm financial performance and family ownership. Size of the firm also has a positive relation with firm perfromance. The study further concludes that family management not only increases the firms overall performance but also increase prfitability of the firm. In the light of the above review we therfore expect a positive effect of family ownership on firm performance, leading to the resulting hypothesis.

H_{01}= Family ownership have positive effect on firm financial performance

2.2 Industry performance and Political association:

Wong and Hok,(2010) examined the relationship between political link and performance in Hong Kong registered firms for the duration (1998-2002). They have adopted the techniques of Ordinary-Least-Square, fixed and random-effect methods. Their outcomes exemplify that firm with political ties are performing better the those having no political ties Harmawan, et.Al., (2019) investigated the affiliation between political-affiliation and company overall performance for a number of 413 registered, Indonesian firms from 2014 to 2016. By approach of OLS (Ordinary least square regression) for calculation, their consequences illustrates that circle of family companies those are politically associated have enriched their performance. It nation that proprietor political association has optimistic effect on company overall performance. The political connections backing the circle of family firms those are make bigger their company performance. Faccio, (2010) explore the effect of politically-associated and politically not-associated firm by using the data of forty-seven countries. By using Ordinary-Least-Square (OLS) for estimation and ROA (return-on-assets ratio) used as a substitution for performance. Their result revels that firm with political ties have lower return to asset, higher leverage and minimum tax ratio. Rusmin, et al., (2012) using the data from 1125 Indonesian registered enterprises between the years of 2006 and 2009, examined the relationship between performance, ownership structure and political-affiliation. The method adopted for their study was OLS (Ordinary-least-square), The study's findings show that businesses with strong political ties do better than those without such connections. Li, et al, (2008) discern the influence of political associations on firm performance by using the data of 3,258 firms in China in the year 2006. By means of OLS (Ordinary Least Square) for estimate political association displays a positive part in firm enactment. Detthamrong & Chanchrat (2015) study the effect of political relations on firm performance of Thai-listed companies by using the data of 102 firms over the period of 2006-2014. The study used fixed-effect regression model and initiate that political connection is negatively linked with firm performance. Maaloul, et al., (2016) calculated the impact of political connection on companies perrformance. The data was obtained from Tunisian Stock Exchange for the periof of 2012-2014. ROA were used for firm performance and size was used as a controlled variable. The results show that political connection is positivelly associated with firm's performance and size of the firm is negatively connected with firm's performance.

The preceding readings display mingling effects on circle of family ownership and enterprise overall performance. Many researchers explore that circle of family enterprise owners who poise their family glitches and commercial enterprise leaning selections might also have optimistic effect on Industry performance. It also impulses that maximum of the own family organizations execute healthier than non-circle of relatives possessed agencies. But all over the international family businesses is acting healthier than non-family businesses. The subsequent parts of this observe comprises political link and enterprise profitability. Rendering to the previous studies most of the academics impulse that political affiliation of the owner has a fruitful effect on industry profitability. In the light of the above literature review We anticipate a strong correlation between political ties and financial success, and as a result, hypotheses have been developed.

H_{02}= Political association of the firm through owner have positive influence on firm financial performance.

H_{03}= politically associated family firms have better financial performance than other family firms which are not associated.

H_{04}= politically associated non-family firms have better financial performance than other non- family firms which are not associated.

3. Data and Empirical model:

3.1 Data

This research uses hand collected data set of 90 marble industries located in Mardan KP, Pakistan. The data is cross sectional and was collected for the year of 2018-19. All the financial data was collected from the income statement of the firms. Other non- financial data (Ownership and Political connection) was collected form owner or managers of the firm. The study practices the instrument of structure interview for the data assortment. Keeping the significance of the issue we collected the data from the reliable and truthful source. In all the interviews respondents were owners or managers of the firms and the selection of owner or managers is common in prior studies Danes et al., (2007). For the information series we decided on SME's (small and medium marble companies) at district Mardan KP Pakistan. Rendering to the Khyber-Pakhtunkhwa statistic development report (records, 2017); there are a hundred and fifteen units of marble industries presently walking at district Mardan. The data was collected from 90 units derived from the population of 115 units by using sample size calculator (Online sample size calculator).

Table 1: Number of family and non-nonfamily owned firms

Ownership	**FO**	**NFO**	**Total**
N	60	30	90
PA-OWN	20	9	29

N represents number of observations, FO represents family-owned, and NFO represents Non- family owned and PA-OWN represents political association through owner.

The above table 1 shows the description of the variables. In the sample, 60 firms are family owned and 30 firms are non-family owned. Definition of political affiliation through owner and CEO comes from Faccio (2006), who empirically investigates political connection and firm performance across 47 countries. In specifically, a firm is demarcated as politically affiliated through owner or CEO "if the owner of the firm or one of its top managers (CEO) is a member of local government, parliament or is closely related to a top politician or party". In the sample of 90 firms, the total numbers of politically affiliated firms through owner are 20 in family owned. Whereas the total numbers of politically affiliated firms through owner in non-family owned are 9.

If the cross-sectional data are normally distributed, linear regression can be used (Hassan & Alam 2018). We use the Kolmogorov-Smirnov test to demonstrate that our continuous variables are evenly distributed or not. The result of the test shows that the all continuous variables are normally distributed as per Kolmogorov-Smirnov and Shapiro-Wilk test P>.05 (Razali & Wah 2011).

Table 2: Test of Normality

		Kg.S Test	**Sh.W Test**
Variables	**N**	**Sign**	**Sign**
S	90	.0956	.1145
A	90	.2000*	.0967
T.W	90	.0789	.0866

Note: Significance displays at 95% level. S denotes size, A denotes age and T.W means total number of workers

The table 2 displays that the result of Shapiro-Wilk and Kolmogorov-Smirnov Test. The P-value is greater than .05 for all the variables. It specifies that our facts are typically disbursed and we can use linear regression model to calculate the effects.

3.2 Empirical Model

The study of empirical model postulates that return on asset (ROA) is determined by Size, Age, Number of workers (W) and dummies representing political affiliation and ownership. Return of assets

(ROA) is the proportion of net income/total assets and is used as an alternative for financial performance (Joo & Hussainie 2017). Industry size is the natural logarithm of total assets (Dang, et al., 2018; Amin, 2018; Amin, Besim & Haq 2019; Amin et al 2021). Age denotes the number of years as the firm had started operation (Khan & Khan, 2011). Number of workers (W) signifies the overall number of permanent employees working in a firm. Meanwhile the objective of the research is to explore the influence of ownership and political connection on financial performance, therefor two dummy variables are in non-family in our base model that is, PA-OWN is a dummy equal to unity if an industry is politically connected through owner and FO is a dummy equal to unit if a firm is family owned and zero then. The below equation 1 represents our base model which estimate the influence of ownership structure and political affiliation on financial performance of firms.

$$ROA_i = \alpha_i + \gamma_1 lnSize_i + \gamma_2 Age_i + \gamma_3 EMP_i + \gamma_4 PA - OWN_i + \gamma_5 FO_i + \mu_i \quad (1)$$

Where ln denotes natural logarithm and μ_i denotes error term supposed to be randomly distributed with zero mean and homoscedastic variance. Equation one is our base model and the statistical significance of γ_4 and γ_5 test the first two hypothesis H_{01} and H_{02}.

In order to test the other two hypotheses (H_{03} & H_{04}) two steps are carried out. In first step the dummy variables of family ownership (FO) and non-family ownership (NFO) are interacted with the dummy variable for political affiliation (PA-OWN) as follows to generate dummies signifying politically connected non-family and family owned firms.

$$PFF = FO * \text{PA-WN}$$
$$PNFF = NFO * \text{PA-OWN} \quad (2)$$

Therefore, PFF is a dummy equal to unity if a firm is family owned and is politically associated and zero otherwise. Similarly, PNFF is a dummy equivalent to unity if a firm is non-family owned and is politically connected. These dummies are in non-family in our base model and the resulting equation is as follows:

$$ROA_i = \alpha_i + \gamma_1 lnSize_i + \gamma_2 Age_i + \gamma_3 EMP_i + \gamma_4 PFF_i + \gamma_5 PNFF_i + \gamma_6 FO_i + \mu_i \quad (3)$$

The statistical significance of γ_4 and γ_5 in equation 3 is used to tests hypothesis 3 and 4.

4. Results and Discussion

This unit presents outcomes and discussion of the projected models. Table 3 represents descriptive statistics for both Family Owned (FO) and Non-Family Owned (NFO) firms. Differences among means are tested using t-statistics. The difference in ROA of the both the family and non-family owned firms are statistically significant. The mean value of return on assets (0.270) for family owned firms is significantly greater than the mean value of non-family owned firms (0.163). These outcomes designate that family firms have better financial performance than non-family firms. While the means values of other variables for family firms is greater than non-family firms but are not statistically significant.

Table 3: DESCREPTIVE STATISTICS OF FO AND NFO

Variables	OS	N	Mean	S.D	T-Stat
ROA	FO	60	0.2700	0.0912	5.613***
	NFO	30	0.1634	0.0734	
S	FO	60	0.9378	0.2956	0.350
	NFO	30	0.9145	0.2945	
A	FO	60	1.1278	0.1323	1.530
	NFO	30	1.0778	0.1667	
T.W	FO	60	7.3834	1.8045	0.450
	NFO	30	7.2000	1.8456	

Note: ***, shows Significance at 99% level. ROA represent return on assets, S denotes industry size, A denotes industry age and T.W denotes total number of workers whereas FO denotes family Owned and NFO denotes Non-Family Owned firms.

Table 4displays average mean value of return on assets, size, age and number of employees of

non-politically and politically affiliated firms through owner. The results show that on average the mean value of return on assets and size of politically affiliated firms is significantly greater than non-politically affiliated firms. These results indicate that firms which are politically associated through owner have better financial performance than non-politically associated firms. The average mean value of age and number of workers for politically linked firms is greater than non-politically affiliated firms but not statistically significant.

Table 4: Descriptive Statistics of the Variables for Political Link through Owner

Variables	O.S	N	Mean	T-Statistics
ROA	P.A	29	0.296	2.625**
	N.A	61	0.153	
S	P.A	29	1.02	2.043**
	N.A	61	0.887	
A	P.A	29	1.109	-0.050
	N.A	61	1.111	
W	P.A	29	7.620	1.079
	N.A	61	7.180	

Note: Significance displays at 90, 95 and 99% level. P.A denotes politically associated industries whereas N.A denotes politically not associated industries

Source: Authors own calculation with Stata

Table 5 displays the correlation between the selected variables. There is an important and negative correlation between size and return on asset, while among the dummies variable political affiliation through owner and family ownership is significantly positively correlated with return on asset. The correlation is not high among the variables indicating that the issue of multicollinearity is not expected.

Table 5: Correlation Matrix Of Variables Through Family Ownership

Variables	ROA	S	A	T.W	P.A_OWN	F.O
ROA	1					
S	-0.6890***	1				
A	0.0389	-0.0567	1			
W	-0.0489	0.2400**	-0.0910	1		
P.A-OWN	0.2690**	-0.2123**	0.0056	-0.1145	1	
F.O	0.5134***	0.0378	0.167	0.0489	-0.0334	1

** Correlation is significant at 0.01 and 0.05 level. P.A-OWN denotes politically associated through owner

The results presented in table 6 are estimated using ordinary least square method. The dependent variable is ROA. Model 1 and model 2 present same set of regression except the standard errors of model-2 are corrected for heteroscadasticity. Estimated models are statistically significant. The effect of all variables except AGE on ROA is statistically significant. The results indicate that family ownership has a significant and positive effect on financial performance of firms. Variances in financial performance of family firms and non-family firms are statistically significant and positive. Hence these outcomes designate that family firm beats non-family firm in marble industry. The results also show that return on assets of family firms are 11.7 % greater as related to non-family firms. The effect of political affiliation through ownership on financial performance of firms is also statistically significant and positive. These outcomes confirm the findings of Faccio, (2006), Boubakri et. al. (2012) and Brockman e.t. al. (2013). These studies originate that financial performance of politically affiliated firms is healthier than non-politically affiliated firms. These result shows that advantage and favours obtained from political relations can help in better efficiency and profitability of the company. Nonetheless, our results are in link with resource dependency theory agreeing to which company must change to match the external environment in order to gain more government resources. These results can also be interpreted according

to the resource based theory conferring to which firm must retain political affiliation and or regarded as intangible resources that aid the firm in optimizing financial output by providing government support (Fung and Su 2013; Maaloul et al 2016).

Table 6: The Effect of Family Ownership and Politically Connected Firms on Firm Performance

	MODEL 1 (WITHOUT ROBUST)	MODEL 2 (ROBUST)
Variables	**ROA**	**ROA**
S	-0.2391***	-0.2390***
	(-14.1300)	(-12.0800)
A	-0.0423	-0.0424
	(-1.2400)	(-1.4100)
W	0.057**	0.0056**
	(2.2400)	(2.4500)
P.A-OWN	0.0256**	0.0256**
	(2.3200)	(2.6000)
F.O	0.1178***	0.1176***
	(11.7500)	(11.7700)
Cons.	0.3689***	0.3689***
	(7.3200)	(7.8500)
N.	90	90
F-Stat	63.1500***	49.8000***
R_Squared	0.8200	0.8200
Adj. R_Squared	0.8078	0.8078
R.M.S.E	0.0434	0.0434

***Displays significance at 10, 5 and 1 percept level.

Size is negatively and statistically significantly linked with return on assets (ROA). Hence, bigger firms have lower financial performance. This might be clarified basically by the fact that the size of the firm in Pakistan inevitably executes principal agent issues, which are parallel to the study by Perez e.t, al. (2015) & Maaloul e.t, al. (2018). Overall number of employees is positively and significantly allied with (ROA). The coefficient of general quantity of workers is 0.1/2, which specifies that if the number of workers rises within the firm it will upsurge the returns and as a result would have an effect on the monetary overall performance undoubtedly. The total number of workers has a coefficient of 0.005, meaning that adding more employees to the company will increase returns and, as a result, improve financial outcomes.

Table 7 displays the influence of politically associated family and politically associated non-family firms on financial success of firms. In model 3, the coefficient of politically connected family firm (0.026) shows a optimistic and significant influence on financial performance of firms. Similarly, the coefficient of politically connected non-family firm is 0.040 indicating a positive and significant effect on financial performance of firms. These result shows that together family and non-family firms which are politically connected have better financial performance relative to others. The outcomes in model 3 display the coefficient of family firm (FO) is 0.138 and significant. This outcome displays that family firms lacking political connection have better financial performance then other non-family firm lacking political connection. Furthermore, the results of model 4 are estimated using standardized errors and the overall results of model 4 are consistent with model 3.

Table 7: The Effect of Politically Connected Family and Non-Family Firms on Firm Performance

	MODEL-3 (WITHOUT ROBUST)	MODEL-4 (ROBUST)
Variables	ROA	ROA
S	-0.245***	-0.245***

	(-14.470)	(-12.480)
A	-0.054*	-0.054*
	(-1.67)	(-1.76)
W	0.005**	0.005**
	(2.210)	(2.370)
PFF	0.026**	0.0269**
	(2.150)	(2.720)
PNFF	0.040**	0.040**
	(2.270)	(2.360)
F.O	0.138***	0.138***
	(3.660)	(4.250)
Constant	0.335***	0.335***
	(6.100)	(6.500)
N.	90	90
F-Statistics	61.880***	47.900***
R-Squared	0.817	0.817
Adj. R-Squared	0.804	0.804
RMSE	0.044	0.044

***Shows significance at 10, 5 and 1 percept level. PFF denotes family owned and politically associated and PNFF denotes family owned politically not affiliated

Table 8 shows how the association between controlled variables and financial performance of firms changes as ownership structure changes. Model 5 represents without robust results and model 6 represents robust results. Model 5 and 6 results show that size of Family and nonfamily firms has a negative and significant influence on financial performance of firms. Age is negatively and significantly related with financial performance of family firms. The effect of total number of workers on financial performance of firms is positive and significant for family firms.

Table 8: The Influence of Variables on Industry Performance With Respect to Ownership

Variables	**MODEL-5 (WITHOUT ROBUST)**	**MODEL-6 (ROBUST)**
Size of FOI	-0.282***	-0.282***
	(-14.260)	(-12.450)
Size of NOI	-0.203***	-0.203***
	(-7.530)	(-5.250)
Age of FOI	0.011	0.011
	(0.310)	(0.360)
Age of NOI	-0.135***	-0.135***
	(-3.790)	(-3.930)
Employees of FOI	0.005*	0.005*
	(1.870)	(1.980)
Employees of NOI	0.002	0.002
	(0.540)	(0.580)
Constant	0.479***	0.479***
	(10.660)	(10.950)
Number of observation	90	90
F-statistic	63.310***	50.260***
R-Squared	0.821	0.821
Adj. R-Squared	0.808	0.808

RMSE	0.0436	0.0436

***Shows significance at 10, 5 and 1 percept level. FOI denotes family owned industries while NOI denotes non-family owned industries

Table 9 shows results of joint hypothesis of controlled variables on firm's financial performance. In table 9 both models fail to accept the null hypothesis for size and age. These outcomes designate that the influence of size and age on financial performance amid family and non-family firms is different except for total number of employees.

Table 9: Joint Testing Hypothesis

Hypothesis	**MODEL-5 WITHOUT ROBUST)**	**MODEL-6 (ROBUST)**
The influence of size of FOIs and NOIs is the similar on Performance	125.970***	86.410***
The influence of Age of FOIs and NOIs is the similar on Performance	12.260***	11.000***
The influence of Employees of FOIs and NOIs is similar on Performance	1.800	2.070

Note: Significance shows at 90%, 95% &1% level correspondingly. FOIs denotes family possessed industries, COIs denotes non-family possessed industries,

5. Conclusion

This study investigates the influence of ownership structure, political affiliation and further controlled variables on the financial performance of privately owned marble firms in District Mardan KP Pakistan. Previously researchers have providing diversified results on the financial performance of family and non-family firms. Some suggest that family involvement undermines financial performance while others claim that family operated firms are better in financial performance. This study uses return on asset as proxy for financial performance and uses primary data of 90 marble firms over the period of 2018-2019. The descriptive statistics state the early results which are further shadowed by correlation and regression analysis. The grades show that on average the mean value of financial performance for family firms is greater than non-family firms. Similarly, it furthermore displays that firms which are politically affiliated through owner had a greater mean value of financial performance. This was first indication that family ownership and political affiliation have positive impact on financial performance of firms. The positive connection between family ownership, political affiliation and financial performance of firms was also confirmed with the correlation matrix.

Further this study uses ordinary-least-square methods to discover the effect of family-business and political connection on financial success of firms. The regression analysis results were no different from the above findings. The results of the regression models show that return on assets of family firms is 11.7 % greater as related to non-family firms. It means that those firms which are run or organized by family perform healthier financial performance than non-family firms. This more indicates that the existence of family member in the industry has a optimistic influence on financial performance of the firms. The outcome of this research is parallel with earlier findings (Kortelainen, 2017). The influence of political affiliation through owner on financial performance of firms is also investigated in this study. From the regression analysis it was revealed that owner's political affiliation has a significant and positive effect on financial performance of the firms. These results confirm the prior findings in (Faccio, 2006; Boubakri et al. 2012; Brockman et al 2013), who initiate that financial performance of politically affiliated firms are better than non-politically affiliated firms. These results show that advantages and favours obtained from political relations can help in better efficiency and financial performance of the firms. Nonetheless, our results are in link with resource dependency theory according to which firm must change to match the external environment in order to gain more government resources. These results can also be interpreted according to the resource based theory, according to which firm must retain political affiliation and are regarded as intangible resources that aid the firm in optimizing financial

output by providing government support (Su and Fung 2013; Maaloul et al 2016). Putting the whole thing into a nutshell, the examination of this research confirms that together family proprietorship and political affiliation spurs the financial performance of a firm. Moreover, the outcomes also display that the financial performance of both family and non-family firms significantly improves when the firms are associated with political connection.

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