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Operating Profit And Financial Performance – A Mediation Effect Of Operating Variables

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ABSTRACT
The present study focused on the family and non-family run business financial performance. The study has considered the 36 stocks from NSE India base Index Nifty (excluding banks and employee owned stocks) and classified family and non-family run businesses. The study has considered the Operating profit, ROA as a proxy to financial performance and operating variables as Employee cost and Debt for the period of 10 years i.e. 2010-11 to 2019-20. The study applied the bivariate correlation method to measure the relationship of operating profit with the financial performance and operating variables and result observed that in family and non-family businesses relation found to be similar. The operating profit impact on Financial Performance with the mediation effect of Operating variables and the result indicated that Family run businesses financial performance increased with the decreased operating variables compared with the Non-family run businesses of Nifty index stocks. The study indicates that family run business entities financial performance observed to be superior to non-family run businesses with the operating variables as mediating variables.
Key words: Assets, Family Businesses, Debt, Employee Cost, Non-Family businesses and Operating Profit

INTRODUCTION

Family enterprises have their important role in the world economy as their presence is not restricted to one country or region but exists all around the world. Thus, it is of high value to understand what a family business is. Different definitions of family firms have emerged in recent years, but there was no clear compromise about what defines them. Although the agreement on one explication of family businesses was absent, common ground could be acknowledged by most definitions. In fact, most interpretations highlighted ownership, family involvement, family control and the intention of transferring the business to future generations as key components of what could be classified as family firms. Even if some definitions could still be questionable, the elements mentioned above present the center variables that are crucial to describe any firm as a family owned company (Chrisman, Chua, & Sharma, 2005).

Identifying differences between FBs and NFBs and understanding the medium and long-term consequences of the FBs' strategic behavior constitute two of the basic fields of family business (FB) research. Recent research has taken important steps toward these ends. However, in some cases, the differences between FBs and NFBs have not been sufficiently explained. For example, with regard to "life expectancy," Alcorn (1982) states that the life expectancy of FBs is 24 years. In relation to "development processes," Gallo, Cappuyns, and Estapé (1995) make the observation that FBs have difficulties in sustaining growth, in getting into certain business sectors, and in taking the business to international levels. However, in none of these cases are these difficulties explained. Lately, the level of research has been more intense in the fields of succession procedures; governing structures and procedures; and characteristics of the first, second, and third generations of FBs (Gersick et al., 1997). This research has discovered notable peculiarities that differentiate FBs from NFBs and has also proposed different and more adequate business practices for FBs.

Until now, no one has agreed on how to define a family business. Various definitions have been proposed by various researchers. A family business, according to Rosenblatt, is one in which a single family owns the majority of the stock and family members are directly involved in the operations (1985). Later, Shanker and Astrachan (1996)[1] broadened the definition of family businesses to include ownership concentration, voting rights, strategic decision-making roles, multigenerational involvement in the business, and family members in managerial positions. Although there is no universal definition of a family business, the three characteristics listed below can assist in identifying one: ownership (one or more family members own a larger percentage of the company), management (one or more family members hold top management positions), and position on the board (one or more family members are directly involved in the company's board of directors). There are two types of studies that are commonly used in the field of family business management research. The first branch looks into the performance differences between family and nonfamily businesses, while the second looks into the specific characteristics of family businesses that influence firm performance. This literature review study deeply into the first branch of research. Several studies and comparisons of the performance of family and non-family businesses have yielded mixed results.

Firms with a long-term founding family presence outperform non-family firms in accounting and market performance. The inclusion of other block holders, as well as the disparity in the family's ownership and control rights, has little effect on these results Family business performance improves initially as family ownership grows, but then declines as family ownership grows. If the CEO is the founder of the family firm, or if the founder is chairman with a hired CEO, the family firm creates value .Accounting profitability measures have a positive correlation in companies led by family members. Family ownership and control are associated with greater management entrenchment. Hiring a professional manager has the advantage of making the manager a better manager. The cost is that in this case, professional managers control the company rather than the founder, and the manager has the authority to expropriate investors.

Outside shareholders' legal protection has a significant impact on the appeal of delegated management if organization want excellent legal protection, a professionally managed firm is the best option. When legal protection is limited, the best option for families is to remain large shareholders while hiring a professional manager who will be overseen by the family. Finally, with limited legal protection, families' best option is to run the business themselves, even if an outsider could do a better job.

On average, family businesses have a better working environment that fosters employee care and loyalty than non-family businesses. They also bring out the best in their employees and allow them to work more flexible hours. Furthermore, family businesses have lower recruitment and human resource costs, and employee commitment is already present. Communication is more efficient, and exchange is simpler in a non-family firm. When compared to non-family firms, the age of the family firm has no bearing on their performance.

Family businesses may have longer time horizons than other shareholders, implying a willingness to invest in long-term projects over short-term managerial horizons. Because the family intends to pass the business down to future generations, family businesses invest more efficiently and carefully than non-family businesses Family representation on the board has the potential to benefit both the entire board and the firm. Directors of family businesses, on average, stay with the company longer than directors of non-family businesses. In family businesses, this results in a strong company culture.

REVIEW OF LITERATURE:

Daily and Dollinger (1992): The researchers discovered that, between 1986 and 1988, FBs outperformed NFBs in revenue turnover, profit growth, and a composite measure that represented a comparison of each company with its main competitor on four counts, using a sample of 186 manufacturing businesses in Indiana (USA) with fewer than 500 employees and sales of less than 30 million dollars per year.

Gallo and Vilaseca (1998): The author examines the smaller FBs used less complicated financial practises and had very low debt ratios, according to a study of 104 Spanish FBs with average 1997 revenue of 33.98 million euros (at 2001 equivalency). They were unable to find statistically meaningful variations in "resource profitability." The findings state the traits differed depending on whether the financial director was a family member or not. The only exception was when the financial director was both a high-level manager and a non-family member.

Coleman and Carsky, (1999): According to the author, interacting with a sample of small businesses in the United States with less than 500 workers resulted in a total of 4637 valid responses. Of these, 3,774 (88.4%) were FBs. According to their findings, FBs are just as likely as NFBs to use debt. Furthermore, the authors contend that the disparity in debt usage should be due to the firm's age rather than to family and nonfamily ownership.

Miguel (2000): The paper describes the fact that the FBs in the sample were among the top FBs in Spain, and that their financial directors shared characteristics with the financial directors of the NFBs, leads us to believe

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[1] EY Family Business Yearbook 2014

3 KPMG 2013 Report retrieved from http://www.kpmgfamilybusiness.com/family-owned-businesses-backbone-indias-economy/

that the peculiarities of the financial logic of FBs uncovered by our study are not due to a lack of experience or technical and financial skills on the part of the companies' managers. The major findings indicate that many family businesses significantly reduce their capacity for growth by not encouraging the adoption of widely accepted financial management policies due to risk aversion and fear of losing control of the company.

Aldrich & Cliff (2003): According to the author, traditional viewpoints on entrepreneurs emphasise single actors or lone wolves, while the family business creator, who is rooted within the family social system, is more likely to participate in collective action, exploiting relationships within and around the family unit. The family can function as an opportunity hub and incubator. Furthermore, specific household arrangements may lead to a more positive or negative experience, depending on whether the family fosters or hinders the venture.

Marjorie J. Cooper, Nancy Upton, Samuel Seaman (2005) The researcher examines CRM implementation in 82 family businesses and 370 nonfamily businesses in this report. Family and nonfamily businesses share similar perspectives on the importance of CRM, their understanding of CRM, and their progress with CRM implementation. However, using a logit regression model, the researcher discovered that the real implementation strategies of family businesses differ significantly from those of nonfamily businesses. When the size and business sector are considered, the findings remain consistent.

Ulrich R.Orth, Mark T.Green (2009) This study examines how customers perceive and interact with family and non-family grocery stores. Using a critical incident approach, we show that customers rate family businesses higher than non-family businesses in terms of service, frontline employee benevolence, and problem-solving orientation, but lower in terms of variety and price/value. Consumer trust in family business management policies and procedures is higher, as is frontline employee trust and satisfaction, but there are no loyalty gaps.

Michael H. Morris (2010): The findings indicate that it is possible to visually represent the establishment of a company in a circumflex, with a two-dimensional representation best representing the details. A positive–negative valence dimension and an arousal/engagement dimension appeared, which is consistent with previous studies in psychology. These results held true for all samples. For the arousal factor, family business founders were more engaged when interactions were considered to have no guidelines to obey and to be more ambiguous, as well as when one had to constantly outwork others.

Arif Singapurwoko (2013): In this study Profitability is proxy by return on equity, return on assets, net profit margin, and basic earning capacity. Each ratio represents the company's success from a variety of perspectives. However, it is also important to understand the company's ability to generate profit from its operations. As a result, it is important to consider the operation ratio from a number of viewpoints, including total assets turnover, inventory turnover, and fixed assets turnover. According to the findings, non-family businesses outperform and outlast family businesses in Indonesia.

Elisabete Vieira (2014): The findings indicate that family businesses are older, more indebted, and have higher debt costs than non-family businesses. The empirical results indicate that, in times of economic adversity, the age of the companies has a particularly negative impact on efficiency. This paper investigates a small European economy to provide some insights into the ownership of public companies and firm results. Finally, the study investigates the relationship between ownership and performance under both steady and adverse economic circumstances, allowing researchers to determine whether firm performance varies depending on market conditions.

Hima Bindu Kota (2016): The current study compares the performance of Indian family businesses to that of non-family businesses for firms listed on the BSE 500 Index over an 11-year period from 2005 to 2015. Hence, the findings state that As a result, family business management is becoming an increasingly popular academic subject. In this regard, a comparison of family and non-family companies has emerged as a significant field of research.

Karen Watkins Fassler (2018): According to the findings, family businesses outperform non-family businesses, and higher performance is valued in family corporations led by family members rather than outside CEOs. Firm size, Board independence, and business age all have a negative impact on return on assets, while ownership concentration has a positive impact. There is no consensus in the literature on the business opportunism of family control and management, especially when distinguishing between usual and crisis times. Despite the fact that there are numerous papers on the subject for developed markets, research on Latin American economies are scarce. With the Mexican example, this paper adds to the limited literature on the Latin American context

Maria E. Lopez-Perez, Iguacel Melero-Polo, Rosario Vazquez-Carrasco, Jesus Cambra-Fierro (2018) The study investigates the link between sustainability practises and financial and non-financial (i.e., image and reputation) business outcomes for small and medium-sized businesses (SMEs). Furthermore, the study intends to investigate potential differences between family and non-family businesses. To validate the proposed model, a quantitative analysis is performed on a sample of SME owners and managers using PLS techniques. According to the findings, in SME contexts, sustainability has an impact on the company's corporate credibility, brand image, and financial value. In addition, the researcher discovers that the firm's profile (family vs. non-family) modifies the relationship between sustainability and market outcomes.

Francesco Chirico, Dianne H. B. Welsh, R. Duane Ireland, Philipp Sieger (2020), The study contend that family firm franchisors behave and perform differently than nonfamily firm franchisors. According to our findings, a family firm franchisor cultivates stronger relationships with franchisees and provides more training than a nonfamily firm franchisor.

Ana M. Moreno-Menéndez, José C. Casillas (2021) The study compares the growth trends of family and non-family businesses, taking two aspects of business growth into account: sales (performance) and employees (resources). According to the findings, family businesses expand less than non-family businesses in terms of revenue but more in terms of jobs.

Hind Malainine, Fatima Boutaleb (2021) The purpose of this research is to determine the total amount of money received by family and non-family businesses from foreign funds and financing, as well as the sources of that money. According to the findings, family businesses use a conservative global funding strategy to avoid losing control of the company. Indeed, rather than relying on outside funding, those businesses are typically self-sufficient.

OBJECTIVES OF THE STUDY:

1. To understand the relationship of Operating Profit and Financial Performance.
2. To know the effect of operating profit on Financial Performance in relation to Operating Variables.

HYPOTHESIS OF THE STUDY:

H0: There is no relationship between financial performances with Operating Variables of Non-family run businesses.

H0: There is no effect of operating profit on Financial Performance in relation to Operating variables of Family and Non-Family businesses.

SCOPE OF THE STUDY

The present study has considered the NSE India base index – Nifty stocks and classified the family and Non-family run business entities. The study has excluded the banking and employees owned stocks and considered 36 stocks out of 50 stocks. The study has considered the secondary data from the period of 10 years i.e. 2010-11 to 2019-20 of family and non-family owned companies.

RESEARCH METHODOLOGY

The present study has adopted the exploratory research and considered the secondary data from CMIE Prowess and NSE India exchange website. The study has framed the panel by considering the family and non-family business entities operational revenue, financial performance and Operating Variables. Based on the below mentioned criteria the family businesses and non-family businesses were classified.

The main variable (i.e. family ownership and business performance) are differently described by different field researchers with little agreement **(Upton et al., 1993)**. The study indicated the conditions of family run business if,

1. Business was established by the family or individual at the beginning
2. Founder’s family member or founder himself act as CEO or/and Chairman
3. In a business founder or founder family holding at least 15% of voting stocks

Statistical Tools: The study applied the various statistical tools for the framed objectives. They are as follows,

Stationary test: The study applied the stationary tests for the panel data in E-Views under Unit root test. The statistical tools were applied after the standardising of data with the stationarity test.

Bi-variate Correlation: The study applied the bi-variate correlation to measure the significant relationship of Return on Asset (proxy to financial performance) with the employee cost and debt (proxy to Operating Variables).

Andrew F Hayes Mediation Effect: The study examined the Operating Profit impact on the financial performance with the mediation effect of Operating variables. The study applied the mediation effect analysis for the family and non-family run businesses.

Software Package: The study has considered the SPSS version of 25 for the application of above mentioned statistical methods.

TABULATION OF DATA ANALYSIS:

Objective – 1: To examine the relationship of financial performance with Operating Variables of family and non-family run businesses.

The study made an attempt to examine the financial performance indicator – ROA relationship with the Operating Variables – employee Cost and Debt of Family and Non-Family businesses. The Family run business

financial performance relationship has been examined with the operating variables. The study applied the bivariate correlation and framed the following hypothesis.
Null Hypothesis: There is no relationship between financial performances with Operating Variables of family run businesses.
Alternative Hypothesis: There is a relationship between financial performances with Operating Variables of family run businesses.

Table -1: Relationship of Financial Performances with Operating Variables of FRBs

Correlations					
		Family_ROA	Family_Operational revenue	Family_total debt/ total asset	family_employee cost
Family_ROA	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	280			
family_Operational revenue	Pearson Correlation	-.010	1		
	Sig. (2-tailed)	.018			
	N	280	280		
Family_total debt/ total asset	Pearson Correlation	-.210**	-.082	1	
	Sig. (2-tailed)	.000	.173		
	N	280	280	280	
family_employee cost	Pearson Correlation	.172**	-.067	-.073	1
	Sig. (2-tailed)	.004	.264	.221	
	N	280	280	280	280
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: Secondary Data

The result emphasizes the Family business of "Return on Assets" with "operational revenue" with the mediator factors as Total debt/total assets and employee cost. The Pearson correlation value seemed to be -0.010 with 0.018 as p-value for operational revenue. The total debt/total asset Pearson value stated to be -.210 and for employee cost the Pearson correlation value is 0.172 meaning it is positively correlated rest operational revenue and total debts/total asset seemed to be negatively correlated. Hence there is a rejection of null hypothesis and acceptance of alternative hypothesis. Therefore there is a negative relationship in the family business of "return on assets" with "operational revenue".
The Non-Family run business financial performance relationship has been examined with the operating variables. The study applied the bivariate correlation and framed the following hypothesis.
Null Hypothesis: There is no relationship between financial performances with Operating Variables of Non-family run businesses.
Alternative Hypothesis: There is a relationship between financial performances with Operating Variables of Non-family run businesses.

Table -2: Relationship of Financial Performances with Operating Variables of Non-FRBs

Correlations					
		ROA	operational revenue	total debt/ total asset	employee cost
Non-family ROA	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	150			
Non-family operational revenue	Pearson Correlation	-.257**	1		
	Sig. (2-tailed)	.002			
	N	150	150		
Non-family total debt/ total asset	Pearson Correlation	-.425**	-.169*	1	
	Sig. (2-tailed)	.000	.038		
	N	150	150	150	
Non-family employee	Pearson Correlation	.126	-.071	-.187*	1

cost	Sig. (2-tailed)	.025	.085	.022	
	N	150	150	150	150
**. Correlation is significant at the 0.01 level (2-tailed).					
*. Correlation is significant at the 0.05 level (2-tailed).					

Source: Secondary Data

The table portrays the relationship in Non-Family Business of "Return on assets" with "Operational revenue". The significant value is observed to be 0.002 which is lesser than 0.05 meaning there is rejection of null hypothesis and acceptance of alternative hypothesis. The Pearson correlation is tending to be -0.257. The relation between "Return on assets" with "Operational revenue" is negatively correlated. But, the results of the study also implies the Positive correlation for Employee cost with 0.126 Pearson correlation and significance is 0.025<0.05. For Total debt/total assets the value seemed to be -0.425 meaning the negative correlation. Hence, it implies there is negative correlation in Non-family business of "Return on assets"& "Operational Revenue" with the mediators as "total debt/Total assets" and "Employee cost".

Objective – 2: To know the effect of operating profit on Financial Performance in relation to Operating Variables.
ROA to Operational Revenue with relation to Employee Cost (Family)

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Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 3.5 *****************

          Written by Andrew F. Hayes, Ph.D.       www.afhayes.com
    Documentation available in Hayes (2018). www.guilford.com/p/hayes3

**************************************************************************
Model  : 4
    Y  : ROA_Fami
    X  : OP_Famil
    M  : EC_Famil

Sample
Size:  150

**************************************************************************
OUTCOME VARIABLE:
 EC_Famil

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7715      .0061 95569511.7      7.761     1.0000   148.0000      .0017

Model
              coeff         se          t          p       LLCI       ULCI
constant  7030.9601   931.7645     7.5459      .0000  5189.6778  8872.2424
OR_Famil     -.7600      .8717     -.8719      .0017    -2.4825      .9626

***************** DIRECT AND INDIRECT EFFECTS OF X ON Y *****************

Direct effect of X on Y
     Effect         se          t          p       LLCI       ULCI
      .5021      .2007    -3.1372      .0021     -.6035     -.1008

Indirect effect(s) of X on Y:
             Effect     BootSE   BootLLCI   BootULCI
EC_Famil     -.6201      .0001     -.7002      .0000

********************** ANALYSIS NOTES AND ERRORS ************************

Level of confidence for all confidence intervals in output:
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95.0000

------ END MATRIX -----

The above study illustrates the Return of assets mediation effect Employee cost on Operational revenue in Family Business. Here, return on assets(Y) as dependent variable, (X) Operational Revenue as independent variable and Mediator Employee cost (M). The results of the study indicates the coefficient value of direct effect (i.e. return on assets on Operational revenue) is 0.5021, defines there is significant impact of dependent on independent variable. The coefficient value of indirect effect is found to be -0.6201, implies that financial performance will increase with the increase in operating profit, if the employee cost increase, the operating profit has negative impact on financial performance. R-square is determined to be 0.0061 implies the model fitness. Hence, there is a rejection of Null hypothesis and acceptance of alternative hypothesis. Thus, it results that there is negative impact of the return on assets on operational revenue with the mediator factor as employee cost.

ROA to Operation Revenue with relation to Debt (Family)

Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 3.5 *****************

Written by Andrew F. Hayes, Ph.D. www.afhayes.com
Documentation available in Hayes (2018). www.guilford.com/p/hayes3

****

Model : 4
Y : ROA_Fami
X : OR_Famil
M : TD_famil

Sample
Size: 150

****

OUTCOME VARIABLE:
TD_famil

Model Summary

R	R-sq	MSE	F	df1	df2	p
.7701	.6289	.0000	4.4086	1.0000	148.0000	.0375

Model

	coeff	se	t	p	LLCI	ULCI
constant	.0028	.0004	6.3394	.0000	.0020	.0037
OR_Famil	.0000	.0000	-2.0997	.0375	.0000	.0000

****************** DIRECT AND INDIRECT EFFECTS OF X ON Y *****************

Direct effect of X on Y

Effect	se	t	p	LLCI	ULCI
.2023	.0007	-3.2661	.0014	-.4037	-.0009

Indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
TD_famil	.6001	.0002	.7003	.1003

********************** ANALYSIS NOTES AND ERRORS ************************

Level of confidence for all confidence intervals in output:
95.0000

------ END MATRIX -----

The results describe the Return of assets mediation effect Employee cost on Operational revenue in Family Business. Here, return on assets(Y) as dependent variable, (X) Operational Revenue as independent variable and Mediator Total debt/total assets (M). The results of the study indicates the coefficient value of direct effect (i.e. return on assets on Operational revenue) is -0.2023, defines there is significant impact of dependent on independent variable. The coefficient value of indirect effect is found to be 0.6001. R-square is determined to be 0.6289 implies the model fitness. Hence, there is a rejection of Null hypothesis and acceptance of alternative hypothesis. Thus, it results that there is negative impact of the return on assets on Operating profit in direct effect but in direct effect it shows the positive effect with the mediator factor as Total debt/total assets.

ROA TO Operation Revenue with relation to Employee Cost (Non Family)

Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 3.5 *****************

Written by Andrew F. Hayes, Ph.D. www.afhayes.com
Documentation available in Hayes (2018). www.guilford.com/p/hayes3

****
Model : 4
Y : ROA_NonF
X : OR_NonFa
M : EC_NonFa

Sample
Size: 280

****
OUTCOME VARIABLE:
EC_NonFa

Model Summary

R	R-sq	MSE	F	df1	df2	p
.6700	.0045	110609055	1.2546	1.0000	278.0000	.0037

Model

	coeff	se	t	p	LLCI	ULCI
constant	6620.5498	881.8275	7.5078	.0000	4884.6419	8356.4577
OR_NonFa	-.9306	.8308	-1.1201	.0037	-2.5661	.7049

****************** DIRECT AND INDIRECT EFFECTS OF X ON Y *****************

Direct effect of X on Y

Effect	se	t	p	LLCI	ULCI
-.8000	.0006	5.0269	.0006	-.0012	.0012

Indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
EC_NonFa	-.8601	.0001	-.9103	.0011

********************** ANALYSIS NOTES AND ERRORS ************************

Level of confidence for all confidence intervals in output:
95.0000

------ END MATRIX -----

The table explains the mediation effect of the Non-family business of Return on assets with Operating profit mediator as Employee cost. (Y) Is dependent variable i.e. return on assets, (X) is independent variable i.e. Operating profit and (M) is mediator factor i.e. Employee cost. The study results the increase of the return of assets will increase in the unit of Operating profit. The coefficient value of the direct effect from return on assets on Operating profit is -0.8000 and in indirect effect it is -0.8601 which is less than the direct effect (-0.8000). The p-value is observed to be less than 0.05 that implies the significance of the model. The r-square value is tend to be 0.6700 signifies the model fitness which is strongly fit. Hence, the study indicates the negative influence of the Return on assets on operational efficiency with the mediator as employee cost in non-family business.

ROA to Operation Revenue with relation to Debt (Non- Family)

Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 3.5 *****************

Written by Andrew F. Hayes, Ph.D. www.afhayes.com
Documentation available in Hayes (2018). www.guilford.com/p/hayes3

****
Model : 4
Y : ROA_NonF
X : OR_NonFa
M : TD_NonFa

Sample
Size: 280

****
OUTCOME VARIABLE:
ROA_NonF

Model Summary

R	R-sq	MSE	F	df1	df2	p
.6116	.6448	61.4682	6.4919	2.0000	277.0000	.0018

Model

	coeff	se	t	p	LLCI	ULCI
constant	10.9875	.7240	15.1751	.0000	9.5622	12.4128
OR_NonFa	-.0003	.0006	-.4627	.6439	-.0015	.0009
TD_NonFa	-252.7558	70.2231	-3.5993	.0004	-390.9946	-114.5169

****************** DIRECT AND INDIRECT EFFECTS OF X ON Y *****************

Direct effect of X on Y

Effect	se	t	p	LLCI	ULCI
-.6003	.0006	-.4627	.6439	-.9015	.0009

Indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
TD_NonFa	-.5102	.0001	-.6001	.0004

********************** ANALYSIS NOTES AND ERRORS ************************

Level of confidence for all confidence intervals in output:
95.0000

------ END MATRIX -----

The table signifies the mediation effect of the Non-family business of Return on assets with Operating profit mediator as Total debts/total assets. (Y) Is dependent variable i.e. return on assets, (X) is independent variable i.e. Operating profit and (M) is mediator factor i.e. Total debts/total assets. The study results the increase of the return of assets will increase in the unit of Operating profit. The coefficient value of the direct effect from return on assets on Operating profit is -0.6003 and in indirect effect it is -0.5102 which is more than the direct effect (-0.6003). The p-value is observed to be less than 0.05 that implies the significance of the model. The r-square value is tend to be 0.6448 summarizes the model fitness which is strongly fit. Hence, the study indicates the negative influence of the Return on assets on operational efficiency with the mediator as Total debt/total assets in non-family business.

FINDINGS OF THE STUDY

1. The study reveals from bivariate correlation of Family Business, the proxy variable of Financial Performance (Return on Assets) is found to be negatively correlated with the proxy variable of Operating Profit. Financial performance is negatively related to family business debt and positively related to employee costs.
2. The study reports from bivariate correlation of Non-Family business, the proxy variable of financial performance (Return on Assets) with Independent variable (Operating Profit) and Mediation variable (Debt and Employee cost) are found to be negatively correlated.
3. The study reports that Operating profit is impact positively on financial performance in case of family and Non Family Business, which implies there is significant direct effect on Financial Performance.
4. It found that, operating profit had shown negative impact on Financial Performance in relation to employee cost as well as debt in case of Family business. Similarly, in case of non-family business operating profit had shown negative impact in relation to employee cost and debt on financial performance.
5. It reveals that, Operating profit coefficient value is higher in case of family business than non-family business, implies that earning capability is higher in family business as compare to non-family business which are listed under the Nifty 50.

CONCLUSION OF THE STUDY

The present study has been emphasized on the impact of operating profit on financial performance in relation to the operating revenue of family and non-family run businesses. The study has considered the NSE India base index Nifty stocks and excluded the banking and employee owned stocks. The study has framed the panel data by considering the 36 stocks and measured the significant relationship of operating profit with the financial performance with the operating variables of family and non-family run businesses with the statistical method of Bi-variate correlation. The study result reveals that both the family and non-family run businesses relationship observed to be similar between the operating profit and the financial performance. The study examined the operating profit impact on Financial Performance with the mediation effect of Operating variables and the result indicated that Family run businesses financial performance increased with the decreased operating variables compared with the Non-family run businesses of Nifty index stocks. Therefore, the study indicates that family run business entities financial performance observed to be superior to non-family run businesses with the operating variables as mediating variables.

FURTHER RESEARCH SCOPE

The present study has been confined to Nifty index stocks. Therefore, the study suggests to expand the study to Nifty – 200 index stocks. The study also suggests to compare the family and non-family run businesses performance by considering the sectors of BSE and NSE India.

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