

**THE IMPACT OF OWNERSHIP STRUCTURE ON FINANCIAL  
PERFORMANCE OF SELECTED QUOTED MANUFACTURING  
COMPANIES IN NIGERIA**

BY

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## DECLARATION

I declare that this project is based on a study conducted by me, Godbless Alade, in the Department of Accountancy, Bayelsa State Polytechnic, Aleibiri under the supervision of Dr. Laimé Isaac Odogu. This project report has not been submitted elsewhere for the award of a degree. The ideas and views of the research project are products of research undertaken by me. Where the ideas and views of other authors/researchers have been expressed, they have been duly acknowledged.

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## Certification

The project, the impact of ownership structure on financial performance of selected quoted manufacturing companies in Nigeria, meets the regulations governing the award of National Diploma in Accounting, Department of Accountancy, Bayelsa State Polytechnic, Aleibiri.

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## **DEDICATION**

This project is dedicated to God Almighty for all His goodness and wonderful works in my life all through my studies.

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## **ACKNOWLEDGEMENTS**

I want to appreciate all my lecturers at Bayelsa State Polytechnic, especially my project supervisor and my HOD, Dr. Laimo Odogu, for his patience, understanding, constructive and painstaking corrections in the course of this work. Special thanks to the Dean of our school, Dr. James Poyeri, Dr Sunday Zibaghafa, Mr Sulaiman Disu, Mr Anderson Obalakumo, MrTiminipreOkpobo and other lecturers, for the knowledge they have imparted in me throughout my programme.

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## ABSTRACT

*The main objective of our study was to determine the impact of ownership structure on financial performance of selected quoted manufacturing companies in Nigeria. This study used panel data regression to evaluate how managerial ownership, foreign ownership, controlling ownership and individual ownership affect financial performance (proxy by return on assets) of selected manufacturing companies quoted in the Nigerian Exchange Group as at 2024. The population size and sample size of this study was 10 manufacturing companies selected from both consumer goods and industrial goods sectors of the economy. Using ex-post facto research design and adopting static panel ordinary least square (OLS) estimation techniques, secondary data was gathered from the financial statements of the selected 10 manufacturing companies listed on the Nigerian Exchange Group (NXG) between 2019 and 2023. Findings from the study indicated that all the measures of ownership structure employed in this study (i.e managerial, foreign, controlling and individual) have positive and significant impact on the return on assets of the companies under study. It was then concluded that ownership structure has positive and significant impact on financial performance of quoted manufacturing companies in Nigeria. On the strength of this finding, one of the recommendations made in this study is that manufacturing companies should be encouraged to concentrate more on foreign ownership. This is because foreign investment will bring about expertise contributions as well as financial contributions which will ultimately enhance the overall performance of these companies.*

# TABLE OF CONTENTS

Title page	i
Declaration	ii
Certification	iii
Dedication	iv
Acknowledgements	v
Abstract	vi
Table of contents	vii
List of Tables	ix
<b>CHAPTER ONE: INTRODUCTION</b>	
1.1 Background to the study	1
1.2 Statement of the problem	4
1.3 Objectives of the study	5
1.4 Research Questions	6
1.5 Statement of Hypotheses	6
1.6 Significance of the study	7
1.7 Scope of the study	8
1.8 Definition of Terms	8
<b>CHAPTER TWO: LITERATURE REVIEW</b>	
2.1 Conceptual framework	10
2.1.1 Concept of Ownership Structure	10
2.1.2 Types of Ownership Structure	15
2.1.3 Financial Performance	21
2.2 Theoretical Framework	25
2.2.1 Agency Theory	25
2.2.2 Entrenchment Theory	26
2.2.3 Institutional Theory	26
2.2.4 Stakeholder Theory	27
2.3 Empirical Framework	28

## **CHAPTER THREE: METHODOLOGY**

3.1	Research Design	40
3.2	Characteristics of Study Population	40
3.3	Sampling Design and Procedures	41
3.4	Data Collection Instrument	41
3.5	Operational Measure of Variables	41
3.6	Method of Data Analysis	42
3.7	Model Specification	43

#### **CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS**

4.1	Presentation of Data	44
4.2	Test of Hypotheses	49
4.3	Discussion of Findings	52

#### **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

5.1	Summary of Findings	54
5.2	Conclusion	54
5.3	Recommendations	55

<b>References</b>	57
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<b>Appendices</b>	61
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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background to the Study

To start with, the performance of an entity is of a major importance to shareholders and institutional investors. Thus, it is the responsibility of business managers to ensure that corporate resources are optimized to ensure commensurate returns. Moreover, given that the going concern of an entity largely relies upon on its performance, managers are constraints to make investments in tasks and funding that are worthwhile. Despite the discretionary power of managers, the preference of investment regularly relies upon on the stage of resources on hand and the ownership of such investment fund (Orumo, 2018). A firm may additionally source for fund internally or externally however, the utilization of such fund is typically accompanied with the interest of its provider. As evident in literature, the composition of an entity's finance alternatively known as possession shape is important for management decisions. Therefore, the ownership structure of any organization is a serious issue affecting a company's monetary performance (Alabdullah, 2018).

A firm's ownership shape is composed of investors, monetary institutions, mutual funds, global firms, block holders, family members and managers. The influence of ownership structure on firm performance is derived from the agency theory. The separation of administration from control creates a "principal-agent problem" in which managers (agent) might make decisions that are not in the first-rate interest of the owners (principal). Managers may use non-public records for their advantage and act towards shareholders' interests and views (Nganga, 2017). This managerial opportunism, in which managers searching for self-interest via deceit, can prevent maximization of shareholder wealth. The economic overall performance of countless businesses

has been basically related to their ownership structure due to the fact it offers financing via owner's equity.

Generally, Okewole, Mustapha and Aina (2020) maintained that the responsibility of business firms is majorly to generate returns for its owners, a responsibility that is essential since the capability of a firm to create returns in a competitive market mostly determines its capacity to survive in the future. In fulfilling and maximizing this responsibility, companies tend to come up with different strategies and decisions of generating funds. These corporate decisions (whether to source for capital within or outside of the primary ownership of the business) have an impact on the company's capital base and plans for funding. Basically, each company can create its own in different ways of raising capital, hence creating ownership structure. Thus, a company's vision usually dictates the type of ownership structure it chooses (Okewole et al., 2020). The ownership consists of share capital as well as the position held by the shareholders. The structure is important for the management of companies because they affect the motivation of managers as well as the economic efficiency of companies.

Similarly, ownership structure can help to improve business performance because managers are better able to defend corporate control against a market takeover threat. So by and large, ownership structure is connected to the financial performance of companies because it provides financing through owner's equity. As Suleiman and Nasamu (2021) noted, the financial performance of a company, which is a device that measures how well firms use their resources in generating returns, thus make it an essential tool to many stakeholders in a firm, is critical to any firm's survival and constant patronage by prospective and existing investors, creditors, and other stakeholders in the world of business. However, the nature of ownership structure a company adopts is determined by the vision of the firm. According to Rashid, Ahmad, Khan, Rehman and Hussain (2021), ownership structure is determined by the equity distribution regarding the votes,

capital and the identity of the equity owners. Thus, ownership structure of a firm has been a strong factor for a company's financial performance.

Akinleye and Adebusey(2023) suggested that the knowledge of ownership structure is of great significance to all parties involved in a business, as it offers valuable perspectives on the company's effectiveness and potential for growth. Precise information presented in financial reports holds considerable influence over decision-making processes. Identifying owner-investors is crucial in comprehending corporate strategies, risk appetite, and the distinct priorities and goals associated with different owner types. Ownership structure can be classified into two main categories: the proportion of shares owned by institutional and individual shareholders, and the proportion of shares owned by insiders and external stakeholders (Zandi, Singh, Muhammed & Ehsanullah, 2020). The hierarchy of ownership of companies has a role to play in determining their financial performance, as it serves as a source of financing through owner's equity. In the contemporary business landscape, it is increasingly common for ownership and control to be separated within firms, particularly as more companies go public and list their shares on stock exchanges. However, this separation often gives rise to conflicts between firm owners and managers. Powerful managers may be incentivized to exploit their positions by diverting wealth through incentives or other benefits at the owners and shareholders' expense, aiming to maximize personal gains rather than providing dividends. Shareholders incur costs to monitor management and prevent such unethical behaviour. A company's ownership pattern is critical in determining the success of supervision systems designed to reduce the risk of manipulative accounting procedures. Scholars argue that an appropriate ownership structure can serve as an effective safeguard against fraudulent financial reporting. As a result, a company's ownership structure significantly influences its overall performance (Oyedokun, Isah & Awotomilusi, 2020).

## 1.2 Statement of the Problem

Akinleye and Adebuseye (2023) reported that in the last two decades, the relationship between ownership structure and financial performance of companies has become an area of interest among investors and has generated considerable attention in the broader field of corporate finance and among other stakeholders. This is evidenced by the several financial scandals that have affected the business world in the recent past, which led to the collapse of a number of companies all over the world, including Cadbury Nig. And Skye Bank. The corporate high failures gave the spotlight on the importance of various concentration of ownership that affects the profitability of a business. From the perspective of Kazeem and Omole (2022), the failure of many companies due to managerial failures is of great concern while this could be attributed to poor selection of managers/ directors who run the affairs of the organization, directors overriding internal control system, taking high or irrelevant risk, lack of motivation, monitoring, and coercive measures against deviance from laid down rules. These challenges have given rise to the need to investigate how much impact ownership structure has on financial performance of companies in Nigeria.

Interestingly, the government and regulatory bodies have been encouraging the restructuring of ownership structure of companies to increase profitability and efficiency as a way of handling the problem. The uncertainty on the outcome of these options may further make firms exposed to decrease in profits, due to existing uncompetitive ownership structure (Aribaba, Ahmodu, Yusuff & Olaleye, 2022).

Meanwhile, there has been considerable study on this discourse on ownership structure and financial performance. However, there is little interest on the aspect of ownership structure on firm performance of manufacturing firms in Nigerian. Some of the few recent researches in

Nigeria in this area are those conducted by Kazeem and Omole (2022), Alhaji and Sani (2018), Alsmady (2018), Adeniyi, Adeniyi and Olarewaju (2017) among others. Moreover, most of these studies focused on foreign ownership and block ownership structures and none of these studies, to the best of the knowledge of this researcher, covered the year 2023 in their empirical analysis. It is these apparent gaps in knowledge and literature that this study intends to cover, hence the focus of this study is to examine the impact of foreign ownership, managerial ownership, individual ownership and controlling ownership on financial performance (measured by return on assets) of selected quoted manufacturing companies in Nigeria.

### **1.3 Aims and Objectives of the Study**

The major aim and objective of this study is to investigate the impact of ownership structure on financial performance of selected quoted manufacturing companies in Nigeria. The specific aims and objectives are to:

- i. Examine the effect of managerial ownership on return on assets of selected quoted manufacturing companies in Nigeria.
- ii. Ascertain the effect of foreign ownership on return on assets of selected quoted manufacturing companies in Nigeria.
- iii. Investigate the effect of controlling ownership on return on assets of selected quoted manufacturing companies in Nigeria.
- iv. Interrogate the effect of individual ownership on return on assets of selected quoted manufacturing companies in Nigeria.

## 1.4 Research Questions

- i. What is the effect of managerial ownership on return on assets of selected quoted manufacturing companies in Nigeria?
- ii. What is the effect of foreign ownership on return on assets of selected quoted manufacturing companies in Nigeria?
- iii. What is the effect of controlling ownership on return on assets of selected quoted manufacturing companies in Nigeria?
- iv. What is the effect of individual ownership on return on assets of selected quoted manufacturing companies in Nigeria?

## 1.5 Statement of Hypotheses

Based on the aims and objectives of the study, the following hypotheses are formulated:

**Ho 1:** There is no significant effect of managerial ownership on return on assets of selected quoted manufacturing companies in Nigeria.

**Ha 1:** There is significant effect of managerial ownership on return on assets of selected quoted manufacturing companies in Nigeria.

**Ho 2:** Foreign ownership does not have significant effect on return on assets of selected quoted manufacturing companies in Nigeria.

**Ha2:** Foreign ownership has significant effect on return on assets of selected quoted manufacturing companies in Nigeria.

**Ho 3:** Controlling ownership has no significant effect on return on assets of selected quoted manufacturing companies in Nigeria.

**Ha3:**Controlling ownership has significant effect on return on assets of selected quoted manufacturing companies in Nigeria.

**Ho 4:**There is no significant effect of individual ownership on return on assets of selected quoted manufacturing companies in Nigeria.

**Ha4:**There is significant effect of individual ownership on return on assets of selected quoted manufacturing companies in Nigeria.

### 1.6 Significance of the Study

The finding of the study is significant to the **professional and regulatory bodies** in Nigeria, which include the Institute of Chartered Accountants of Nigeria (ICAN) and Association of National Accountants of Nigeria (ANAN), the Nigerian Exchange Group (NEG) and Securities Exchange Commission (SEC) and shareholders of companies. It is believed that this study will provide useful information that will enable these agencies to formulate policies that may be used to streamline the accounting profession and enhance the performance of these companies in Nigeria. The findings will equally enable the NXG and SEC to keep track of the market and how the various companies are competing. Further, the study will provide investors with more information on ownership structure and its effect on financial performance which they can use to make well informed investment decisions.

**Corporate organizations** will find this study useful in the process of developing reporting systems, measuring performance and tracking changes over time which can support the development of information systems that improve internal management of risks, stakeholders etc. Finally, the study is useful to **researchers and other scholars** who may use the study to induce further research in areas of ownership structure and financial performance. This study

also contributes to the existing body of knowledge and fills knowledge and literature gap on ownership structure and financial performance among companies.

## 1.7 Scope of the Study

**Content scope:** The content scope of this study is ownership structure (with particular focus on foreign ownership, managerial ownership, controlling ownership and individual ownership) and financial performance (proxy by return on assets).

**Geographical scope:** The geographical scope of this study is the manufacturing sector of the Nigerian economy.

**Unit of analysis scope:** This consists of the annual reports of the selected quoted manufacturing companies in Nigeria, from 2019 to 2023, representing a five-year period.

## 1.8 Definition of Terms

**Ownership Structure:** Ownership structure can be described as a part of the ordinary shares of a company held by different parties such as promoters of a business, private corporations, public corporations, individual and foreign investors.

**Institutional Ownership:** This can be defined as the ownership of shares by companies and financial institutions in a company.

**Controlling ownership:** Otherwise known as ownership concentration, it is the type of ownership structure where shareholders with controlling interests own a portion of the total shares of a company.

**Foreign Ownership:** This can be described as a situation where the shares of a company are owned by foreign individuals, foreign legal entities and/ or foreign governments.

**Managerial Ownership:** Managerial ownership is a situation where the managers and directors of a company are owners of shares in the company.

**Individual Ownership:** Individual ownership is a part of shares owned by outside parties such as the general public who do not have a special relationship with the company.

**Block holder Ownership:** Block holder ownership can be described as the type of ownership structure where outsiders (external shareholders) own a considerable number of shares.

**Financial Performance:** This is a device that measures how well firms use their resources in generating returns, thus make it an essential tool to many stakeholders in a firm.

**Profitability:** This is a measure of determining the excess of income over expenses in an organization over a period of one year.

**Return on assets:** It is determined by dividing the net profit of an organization by its total assets.

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## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Conceptual Framework

##### 2.1.1 Concept of Ownership Structure

According to Kirimi et al. (2022), the concept of ownership carries different interpretations depending on individuals' perspectives. From a legal standpoint, owning a business entails the rights to enjoy the benefits of the business and make decisions concerning its operations. These rights include entitlement to the company's income, the surplus value in the event of a sale, the authority to determine the business's functioning, and the ability to sell all or a portion of the business's value. In companies where non-employee ownership exists, employees may receive a portion of the company's income but do not possess ownership rights. However, in employee-owned companies, employees participate in various aspects of ownership. The allocation of ownership rights within a company is contingent on its legal structure, such as being organized as a corporation. In a sole proprietorship, the assets, liabilities, and revenues of the business are considered the personal assets of the owner. To introduce shared ownership with employees, the establishment of a partnership or incorporation would be necessary (Akinleye & Adebuseye, 2023).

In the opinion of Lyndon and Yalah (2022), the ownership structure is an internal control component that refers to the manner in which representative rights reallocate company capital in one or more individuals or legal entities. Ownership structure is a key element used in the determination of good corporate governance process in a firm. As such, changes in private ownership, foreign ownership, managerial ownership, government ownership as well as institutional ownership could serve as an effective control on the conflict between the agent and

principal (shareholder). This could aggravate the conflict of interest in the firm since ownership structure is strongly linked with the performance of a firm. Changes in the ownership structure (especially an increase in managerial ownership) could bridge the gap between ownership and control. Conversely, changes in ownership structure could widen the gap between ownership and control thus aggravating the agency problems. Onuora et al. (2022) noted that ownership structure can be regarded as a crucial aspect of internal control that deals with how a company's capital is reallocated in several entities. To Abdul et al. (2021), ownership structure is seen as a part of the ordinary shares of a company held by different parties such as promoters of a business, private corporations, public corporations, individual and foreign investors. In a similar vein, Alhassan and Mamuda (2020) viewed ownership structure as a proportion of the ordinary shares of a company held by different parties. These parties are known as the owners of the corporation (otherwise called shareholders), hence ownership structure in one organization differs from that in another organization as a result of differences in either the legal or environmental stability, regulations as well as economy of scale among others. The opinion of Alhaji and Sani (2018) is that ownership structure refers to the percentage of a company's shares owned by a certain number of institutions, individuals or families. On the part of Ironkwe and Emefe (2019), ownership structure mechanism of a firm could have an effective role in reducing the likelihood of earnings management practices. Illustrating the importance of ownership structure, they opined that it plays an important role in corporate dividend policies and minimizing agency problems. According to Amin and Hamdan (2018), the ownership structure of various forms and sizes has a way of influencing earnings management in different ways. According to Alhassan and Mamuda (2020), ownership structure is portrayed by the equity distribution with respect to capital, votes, and the equity owners' identity.

Omorokunwa and Idubor (2020) reported that ownership structure, as a corporate governance instrument in facilitating improved efficiency of a company, has been generally believed to have affected company's performance. Ownership structure is the relative distribution of claims on an organisation. It could be in terms of rights, votes and equity. This influences the administration and operation of such an organisation from its corporate governance stance to its cost management. Affan et al. (2017) viewed ownership structure as a core measure of corporate governance that drives the productivity or otherwise of an organisation. A wider spread ownership structure could enhance firm profitability. Ownership structure describes the proportion of stock ownership/holding by stockholders. It determines the identity and voting capacity of stockholders. Edirin (2018) pointed out that ownership structure is deemed significant because the remunerations of management and other staff is mostly a function or outcome of the decisions of the owners of the firm, whereas, staff remunerations significantly influence the productivity and performance of a given workforce, hence it is seen as the classes or group of owners that exercise control over activities of a firm. According to Adebisi and Olowookere (2016), ownership structure is regarded as the fraction of shares owned by a firm's most significant shareholders, with much attention given to the fraction owned by the five largest shareholders, and the fraction of shares owned by firm's management, which include shares owned by members of the corporate board, chief executive officer (CEO) and top management. In the opinion of Ismail and Ali (2020), ownership structure as a combination of concentrated ownership and large stockholdings by institutional owners for productivity. Kazeem and Omole (2022) defined ownership structure as directors' equity which could be summed up as the percentage stake owned by beneficiary and non-beneficiary directors. Egolum et al. (2021) viewed ownership structure as the composition of diffused ownership and non-owner managed firms, and as the combination of the fraction of shares owned by important

shareholding families and the fractions owned by management. This definition puts into perspective the issue of family ownership in conjunction with organisational ownership. Alsmady (2018) viewed ownership structure as the composition of percentage of voting shares in the hands of the top three shareholders without drawing distinction between state-controlled holdings and percentage of voting shares in the hands of the top three private investors. Yahaya and Lawal (2018) viewed ownership structure as the combination of three different groups of ownership namely; managers, control group and institutional investors. Ohiani et al. (2018) viewed ownership structure as the combination of ownership concentration, managerial ownership and institutional ownership. Al-Ahdal et al. (2023) further contended that ownership structure is the composition of the biggest five shareholders, which includes a combination of institutional shareholders, individual and managerial shareholders. In agreement with the submission of Abubakar (2015), Onuorah et al. (2022) saw ownership structure as the percentage of shares held by directors, the composition of managerial ownership and concentrated ownership. Kazeem and Omole (2022) further asserted that ownership structure consists of decisions made by those who own or who would own shares. They measured ownership structure as the composition of Board ownership, Institutional ownership and foreign ownership. According to Affen et al. (2017), ownership structure is described by the distribution of equity with respect to votes, capital, and also by the equity owners' identity. This was referenced in their study on how the nature of agency costs relates with equity where they aimed at incorporating concepts into the beginnings of a theory of corporate ownership structure. In the recent years, there have been renewed interests on ownership structures due to the increased dynamics of corporate ownership portfolios. Ownership structure, as a mechanism in corporate governance to facilitate increased efficiency of a firm, has been believed to have affected firm performance. The ownership structures of firms illustrate the structure and composition of the

shareholders of that firm. It is widely believed by many economic analysts that the type of ownership can also affect corporate performance, control methods of managers as well as the impact of each type of ownership on financial reporting quality and hence, the audit quality (Daniel, Nuraddeen & Ahmed, 2021). According to Dakhlallah et al. (2021), ownership structure is the distribution of equity with regard to votes and capital as well as the identity of the equity owners. It is alternatively called ownership diversity. These diversities sometimes refer to structures are of major importance in corporate governance because they determine the incentives of managers and thereby the economic efficiency of the corporations they manage. Akinleye and Adebousouye (2023) viewed ownership structure as the combination of ownership concentration, managerial ownership and institutional ownership. Ownership structure entails the distribution of equity with respect to votes (Erin et al., 2017), capital, and also by the equity owners' identity (Lawal, Eniola & Lateef, 2018). Nzau and Muas (2022) conceptualized ownership structure as the classes or group of owners that exercise control over activities of a firm. Ownership structure is regarded as the fraction of shares owned by a firm's most significant shareholders, with much attention given to the fraction owned by the five largest shareholders.

On a general note, in Nigeria, the ownership structure of a firm can be in the private (family), institutional, block, free float, managerial, controlling and foreign forms. However, Lawal et al. (2018) are of the view that ownership structure of a firm can be grouped into two distinct forms, namely the proportion of shares owned by insiders and outsiders and the proportion of shares owned by institutional versus individual shareholders. Similarly, two schools of thought exist concerning an effective ownership structure. The first is managers or directors (agents) of the firm acting also as shareholders if they are able to acquire an appreciable portion of the shares of

the company. The second is when non-managerial shareholders acquire a considerable number of the shares of the company, thereby enabling them to possess more power and more incentive to checkmate management activity, which would help to reduce the probability of earnings management (Ohiani et al., 2018).

### **2.1.2 Types of Ownership Structure**

A further analysis of the opinion of Okewole et al. (2020) relating to the types of ownership structure reveals that ownership structure can be further categorized into the following: family ownership, institutional ownership, blockholder ownership, foreign ownership, managerial ownership, individual ownership, government ownership, controlling ownership and non-controlling ownership (Akinleye & Adebuseye, 2023). Overall, these types of ownership structure have the motivation to supervise management activities such as the process of preparing financial statements, leading to a decrease in earnings management. For the purpose of this study, the following types of ownership structure are discussed, since they are the focus:

#### **i. Foreign Ownership**

According to Isenmila and Elijah (2020), these are organisations controlled by or assets owned by people who are not citizens of the country in which such organisation is domiciled. Besides, an organisation having its headquarters outside the shores where that organisation is domiciled can be referred to as a foreign or internationally owned organisation. Alhassan and Manuda (2020) opined that foreign-owned organisations perform greatly because their activities are usually monitored by their foreign owners who usually put in place reward systems as incentives. In reverse, Abdul-Rahman and Reja (2015) find that international ownership doesn't translate materially to profitability and improved performance. The main operational environment and the regulations governing the operational location affect profitability and performance. Company

shares owned by foreign individuals, foreign legal entities, foreign governments are included in foreign ownership. The measurement of foreign ownership, according to Nganga (2017), is the sum of foreign ownership shares divided by the total outstanding shares. The greater the shares controlled by foreign parties, the more foreign representatives are appointed within the company, either on the board of commissioners or the board of directors. They aim to align the interests of management and shareholders to improve the quality of the financial reporting (Nguyen et al., 2020).

Zandi et al. (2020) maintained that foreign investors are typically mutual funds or other institutional investors. In addition, foreign ownership can be seen as one active mechanism that could pair with the governance structure of a firm to monitor the management from engaging in non-value maximizing activities because their role is similar to that of institutional investors. Also, Rashid et al. (2021) find that the greater the foreign ownership in small firms is, the more positive is the relation between Information Technology (IT) investment and firm performance, suggesting that foreign investors may bring IT expertise to help those small firms. This finding is in tandem with Suleiman and Nasamu (2021). One of the many ways that are expected to tighten profit manipulation activities in a company is foreign investment. Oyedokun et al. (2020) argued that companies with good quality accounting information would attract foreign investors to invest their capital in these companies.

Foreign ownership is often associated with institutional investors, such as mutual funds. When combined with a company's governance structure, foreign ownership can serve as an active mechanism for monitoring management and preventing nonvalue-maximizing behaviors. This monitoring part is parallel to that of institutional investors (Saseela & Thirunavukkarasu, 2017). Foreign possessors have the capability to put restrictions and limitations, which can help reduce

agency costs. former studies have shown that foreign investors can enhance firm value through favourable spillover goods and by lowering the establishment's cost of capital (Orumo, 2018). Likewise, Abdul et al. (2021) set up that an advanced position of foreign power in small enterprises is linked to a stronger positive relationship between Information Technology (IT) investment and establishment performance.

## **ii. Managerial Ownership**

This happens when the management of the company owns shares in the company (Meilita&Rokhmawati, 2017). Measurement of managerial ownership according to Tran et al. (2020) is the sum of managerial ownership shares divided by the total outstanding shares. According to Imoleayo et al. (2017), managers who own company shares may contribute to a higher level of earnings management practices. This is because managers will be motivated to improve the earnings quality of the company so that they can obtain the maximum benefit. Managerial ownership shows the ownership portion or stake in a firm that is owned by managers. Managerial ownership is not only intended to enlarge the capital of the company but also to serve as inducements to managers to support managers' interests with the interests and needs of the company (Fich, Harford & Tran, 2015). Managerial ownership is represented by natural logarithm of equity shares held by managers as shareholders of the firm. Managerial ownership refers to an ownership fraction or stake in a firm that is held by managers. Managerial ownership is not only meant to increase the equity of the organization but also to serve as incentives to managers to align managers' interests with those of the interests of the organization. Managerial ownership is measured by natural logarithm of equity held by managers as shareholders in a firm. These are shares owned by the personnel involved in the daily running of an organization. In most cases and accordance with the tenets of corporate

governance provisions, it is advisable to separate ownership and control to ensure the efficacy of the purpose of the organization. Notwithstanding, when managers have ownership in an organization, they tend to engage in activities that improve the performance of the organization because of the importance they attach to their stake (Omorokunwa&Idubor, 2020). Conversely, management ownership can be a risky venture because management may have a tunnel vision of improving profitability hence they are prone to carrying out creative accounting activities such that their profitability goals are risky, short term and at variance with the long term objectives of the organization and its other owners (Egolum et al., 2021). Edirin (2018) viewed managerial ownership as the fraction of equity shares held by Insiders and Promoters. Alhassan and mamuda (2020) viewed managerial ownership as the proportions of director's equity ownership which includes their deemed interest. Alsmady (2018) documented that managerial ownership is the percentage of a firm's ordinary shares owned by the Chief Executive, or Managing Partner. Mudi (2017) viewed managerial ownership as the percentage of shares owned by firm's management that is, the composition of board members, CEO and top management. Aliyu et al. (2015) viewed managerial ownership as the percentage of ordinary shares owned by the directors, executive directors and independent directors. Lawal et al. (2018) argued that managerial ownership is not only meant to increase the equity of the organization but also to serve as incentives to managers to align managers' interests with those of the interests of the organization. They further posited that managerial ownership is measured by natural logarithm of equity held by managers as shareholders in a firm.

### **iii. Individual Ownership**

Nguyen et al. (2020) define individual ownership as the number of shares owned by individuals who are not family members. Its measurement is the sum of ownership shares by individual

divided by the total outstanding shares. To Racha and Demyana (2019), individual ownership can be described as the type of ownership structure where outsiders (external shareholders) own a considerable number of shares. To them, individual ownership is ascertained by counting owners/investors with the large block of shares (5%) in an organization. A block-holder refers to an individual or organization which owns a substantial amount of a company's shares or debt. In terms of shareholding, these owners are often able to influence the company with the voting rights awarded with their holdings. A block-holder is an influential shareholder because of the significant block of the company's stock or bonds that they own. Generally, there is no specific number of shares that defines a block-holder (Akinleye & Adebuseye, 2023).

#### **iv. Controlling Ownership**

Alexander (2019) asserts that controlling ownership refers to those stakeholders holding the largest portion of the shares in a company. Controlling shareholders use financial information for their personal benefit and tend to be more active in the company to achieve their objective of maximizing the return on their investment. Controlling shareholders use their significant influence over management to manipulate the accounting information (Alexander, 2019). Controlling ownership, also known as ownership concentration composition also varies from author to author. According to Nguyen et al. (2020), controlling ownership is the sum of squares of the fraction of total equity held by each large shareholder. Kazeem and Omole (2022) defined controlling ownership as the portion of shares held by top shareholders of the firm. Ohiani et al. (2018) saw controlling ownership as the percentage of ownership shares of the largest shareholders. Egolum et al. (2021) saw controlling ownership as the percentage of the largest and the second largest managerial block holders who owns at least 10% of the total shares in a firm. Reyna (2018) defined controlling ownership as the percentage of share held by the largest shareholder. Ekpulu and Omoye (2018) defined controlling ownership as the percentage of top

five shareholders of the firm. Controlling ownership refers to an ownership fraction or stake in a firm that is held by shareholders with the controlling interest or with large stake. Controlling ownership affords the shareholders the motivation and ability to monitor and control management decisions. Therefore, concentrated shareholders use their large stake in reducing conflicts between managers and the organization by being more proactive in monitoring and protecting their investments. Controlling ownership is measured by natural logarithm of equity held by block holders as investors in the firm. Shareholders own control of the company if they own 50% or more of the voting shares of the company. This gives them the ultimate voice in managing shareholders' meetings and corporate governance. Voting shares allow shareholders to attend, speak and vote at shareholders' meetings. If another shareholder owns more of the company's approved, issued, and issued shares and is interested in the company, but those shares do not have voting rights, then that shareholder is in management or governance (Najjar, 2015). Controlling ownership refers to the total percentage of shares held by an owner relative to the total shares of the shareholding of the firm (Amin & Hamdan, 2018). This dimension of the ownership structure focuses more on the ability of the owner to monitor and control managerial discretion. Controlling ownership shows the ownership portion or stake in a firm that is held by shareholders having the controlling interest or with large chance. Controlling ownership gives the shareholders the inspiration and capability to monitor and control the decision of the management. Thus, concentrated shareholders exercise their ample chance in declining conflicts between managers and the firm by being more practical in supervising and protecting their investments (Adebiyi & Olowookere, 2016). Controlling ownership is represented by natural logarithm of equity held by block holders' investors in the company (Alhassan & Mamuda, 2020).

### 2.1.3 Financial Performance

The subject of financial performance has received significant attention from scholars in various areas of business and strategic management. It has also been the primary concern of business practitioners (managers and entrepreneurs in all types of organisations) because corporate performance is essential in organisations' success stories because of their perceived effectiveness and efficiency in managing their operations and their positive contributions to the well-being of their stakeholders (Kazeem & Omole, 2022). Performance is however, in the opinion of Akinleye and Adebuseye (2023), a difficult concept in terms of definition and measurement. Financial performance (FP) refers to a financial benefit accruing to a firm as a result of investing in a particular business activity. It is also described as the reward of an entrepreneur for investing his resources in a particular business activity. It is the bottom line that indicates the efficiency of an entrepreneur or company's management in managing shareholder's wealth. The firm's profitability is the yardstick through which firm's performance is measured. It is an important aspect in determining the efficiency and effectiveness of management particularly in the utilization of investment made by shareholders to create more wealth as a return to the amount invested (Akinleye & Adebuseye, 2023). The concept of financial performance can be referred to as the act of measuring the firms' policy and operations in monetary term, the results of which is determined in the firm's Return on Assets (ROA), Return on capital employed (ROCE), Return on Equity (ROE) and Earning per Share (EPS) (Alhassan & Mamuda, 2020). Financial performance is the measuring of an organisation's policy and operations in monetary form (Omorokunwa & Idubor, 2020). It also shows an organisation's overall financial health over a period of time, and it helps to compare different organisations across all industries at the same time (Edirin, 2018). Financial performance is a general measure of how well an organisation generates revenues from its capital, according to Abubakar (2015). Ohiani et al. (2018) consider

financial performance as a subjective measure of how well a firm uses its assets from primary mode of business to generate revenue. According to Onuorah et al. (2022), performance measures can be grouped into two basic types: those that relate to results (outputs or outcomes such as competitiveness or financial performance) and those that focus on the determinants of the results (inputs such as quality, flexibility, resource utilization and innovation). This suggests that performance measurement frameworks can be built around the concepts of results and determinants. Egolum et al. (2021) on the other hand, opine that performance measurement systems are considered information systems that are used to evaluate both individual and organisational performance. In order to assess financial performance, there are variety of indicators which may be used. According to Nguyen et al. (2020), there are four major indicators of financial performance in any organisation. They are: customer satisfaction, internal process quality, employee satisfaction and profitability index. While the first three are qualitative in nature, hence cannot be measured in monetary terms, the last one is quantitative in nature, hence can be measured in monetary term. Some of the major measures of profitability indices include Return on Asset (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE), Earnings per Share (EPS), profit after taxation (PAT) and so on (Egolum et al., 2021).

Okafor (2018) is of the view that traditionally, the measurement of a firm's performance usually employs a financial ratio method because it provides a simple description about the firm's financial performance in comparison with previous periods, and helps to improve the performance of management. According to Oonuoha, Nnachi, Nwakaego and Ezeani (2020), the measures of firm performance are usually ratios fashioned from financial statements or stock market prices such as industry-adjusted operating margins or stock market returns. Alhassan *et al* (2021) maintain that there are two aspects of a company's financial performance of interest to investors. First, its financial performance could be assessed by reference to its ability to generate

profit. That agreed with Ihimekpen's (2021) assertion that it is assumed that profit maximization caused the efficient allocation of resources under the competitive market conditions, and profit is considered as the most appropriate measure of a firm's performance. Nzekweet *al* (2021) also assert that the key measure of a company's financial performance is its profitability. Second, the company's financial performance may be assessed in terms of the value of its shares to investors. In this way, the ratios of financial performance focus on earnings per share, dividend yield and price/ earnings ratios (Oonuoha, Nnachi, Nwakaego & Ezeani, 2020). The ratios used to measure the overall profit performance of a firm are termed profitability ratios. Ibrahim *et al* (2021) equally maintain that profitability ratios are determined based on either sales or investment. Ihimekpen (2021) states that the profitability of the common shareholders' investment could also be measured in many other ways. One such measure is to calculate the earnings per share which is the most used measure of entities' performance. It indicates the amount of net profit after tax, minority interest and extraordinary items that are attributable to each ordinary share in issue and ranking for dividend in the period (Erhirhie, 2018).

#### **2.1.3.1 Return on Assets**

Erhirhie (2018) asserts that return on assets (ROA) gives profitability on assets of the firm after meeting all expenses and taxes. It measures the profit of the firm after tax for each dollar invested in assets. It is an indicator of managerial performance. When assessing a business's financial fitness, it is important to know how successful it is at turning what it already has into additional profits for owners and shareholders. According to Ihimekpen (2021), the ROA formula is a straight-forward calculation, and its component parts are easily located on a company's financial statements. So, higher value of this ratio means better managerial performance. ROA is not only a standard measurement of corporate performance within

corporate sustainability literature; it is also commonly used in the majority of strategy research (Erhirhie&Ekweme, 2020). ROA is calculated as the net profit in relation to total assets. This outcome gives an idea of what the company can do with what it has, *i.e.* how many additional earnings they derive from each amount of assets they control. It gives an indication of the capital intensity of the company, which will depend on the industry; companies that require large initial investments will generally have lower return on assets. ROAs over 5% are generally considered good (Nzekweet *al*, 2021).

Over the years, studies have been carried out to examine the association between corporate sustainability reporting and financial performance. Buallay (2020) states that the operating performance of a business organization can be measured using Return on Asset (ROA) which shows the amount of earnings generated from the resources owned by them. Accounting based studies appear to have a stronger positive link between sustainability reporting and financial performance than market based ones. According to Erhirhie (2018), this may be due to the inefficiency of stock markets or because accounting measures do not sufficiently account for risk. A study of 60 manufacturing firms in Nigeria using Return on Total Assets (ROTA) as a measure of performance showed a significant relationship between community development (CD) and performance; the result revealed a statistically significant relationship (at 5 percent level) between CD and ROA (Okerekeoti, 2022). On the contrary, Asuquo *et al* (2018) examined the impact of corporate sustainability on organizational processes and performance using ROA as proxy for financial performance. Their outcome showed that the coefficients sustainability on ROA is insignificant, howbeit positive. This corroborates most previous arguments that engagement in sustainability may likely not lead to significant increase in financial performance.

## **2.2 Theoretical Framework**

### **2.2.1 Agency Theory**

This study is anchored on Agency theory, one of the most popular and often referenced theories in management science. Agency theory was introduced by Ross (1973) and later developed by Jensen and Meckling (1976). The agency theory holds that the firm can be viewed as a network of contracts, implicit and explicit, among various parties. Agency problems arise when the interests of agents and their principals are not in congruency due to the separation of management and ownership. Thus, earnings management may be perceived as a reflection of the existence of agency problems. According to agency theory, the agent always aims to achieve his personal goals at the expense of the principal, that is, managers are mostly motivated by their personal interests and benefits and work to maximize their personal benefit rather than considering shareholders' interests and maximizing shareholders' wealth. Therefore, there must be better monitoring and controlling mechanisms which help to ensure that managers behavioural change should pursue the interests of shareholders rather than only their interests in order to curb the agency problem.

There are two types of ownership structures. First, insiders or managers (Agents) of a company can also be shareholders if they own some of the company's shares. Second, outsiders (Principal) who own a lot of the company's shares have more power and reason to keep an eye on management, especially the financial reporting process. This makes it less likely that earnings would be manipulated and improves the quality of earnings. This supposition of self-interest destines agency theory to unavoidable inherent contentions. Thus, assuming the two parties are spurred by self-interest, agents are probably going to seek after self-interested targets that veer off and even struggle with the objectives of the principal, thereby, resulting to agency cost management. As such, ownership structure is expected to have a positive relationship with

earnings management practices. Many studies suggest that corporate ownership structure offers a significant monitoring mechanism for managers, hence it plays a major role in limiting the prevalence of earnings management activities in companies.

### **2.2.2 Entrenchment /Expropriation Theory**

The entrenchment theory is a product of the agency theory, but unlike the agency theory which assumes that the agent is in an aggressive relationship with the shareholder and therefore exhibits opportunistic behaviour, the entrenchment theory sees the agent as someone with an active behaviour. This theory, according to Kouaib and Jarboui (2014), begins with the observation that the control mechanisms and incentives to increase managerial efficiency are not sufficient to constrain managers to manage the firm in line with shareholders' interests. The primary objectives of managers, as posited by this theory, are to make costly their replacement for the firm, allowing them to increase their authorities and their discretionary spaces (Kouaib&Jarboui, 2014). The entrenchment sense applied by managers is geared towards preserving and expanding managerial discretion which can be proof of their opportunistic behaviour. As posited by the expropriation theory, the conflict of interests between managing owners and outside shareholders intensifies when director ownership is high. Higher managerial ownership entrenches managers to indeed first accord priority to their personal interest when they pursue to maximize their income as they place the maximization of the firm value in a second place, which is detrimental to the company survival. This may suggest that firms with higher director ownership may use earnings management to smokescreen the reported earnings to hide expropriation from outside shareholders (Ekpulu& Omoye, 2018).

### **2.2.3 Institutional Theory**

This is a theory that attempts to explain the rationale between an organization and its environment. It looks at how a firm interacts with its environment, which comprises of the

social, political, technological, cultural and religious factors. This theory has evolved over time from the old institutional economics to the new institutional sociology (Salim, 2016). According to Salim (2016), it is a theory that explains the mechanisms for a firm's perceived accounting practice and the society's sociocultural practices in order to obtain legitimacy.

According to this theory, firms may change their institutional practices due to pressure from the stakeholders; desire to imitate or enhance institutional practices of other organizations in the industry and/or pressure from group norms. In relation to earnings management, a firm may engage in this practice due to informal or formal pressure and may create change in their accounting policies in order to model themselves to other organizations in the industry (Salim, 2016). The Institutional theory is partly linked to the prospect theory which states that a firm's decision makers derive value from gains and losses rather than absolute levels of wealth. Therefore, managers feel the need to engage in earnings management in a bid to increase the value of a firm. By increasing the value of a firm, managers are able to portray to stakeholders that the firm is financially healthy and can meet its obligations as and when they fall due (Martono, 2014).

#### **2.2.4 Stakeholder Theory**

The stakeholders' theory was initially introduced by Freeman in 1983. According to this theory, the success of business organizations hinges on effectively managing relationships with all stakeholders. Stakeholders encompass various groups such as employees, customers, suppliers, local communities, and other organizations that have the potential to impact the organization's survival. The stakeholder theory suggests that managers should not solely focus on the interests of owners or investors but should consider the interests of all stakeholders involved. In this context, corporations can undertake environmental initiatives that may not directly yield financial benefits for stakeholders but are deemed important and garner support from all

stakeholder groups. This study acknowledges the significance of stakeholders and emphasizes the importance of a management structure that takes into account the interests of all stakeholders, as they all contribute to the overall progress and enhancement of a company. Stakeholder theory was regarded as some slice of the management literature in the 1970s and has experienced a continuous process of development, with a considerable contribution by Freeman (1984), concerning the fuse of corporate responsibility into the role of different stakeholder groups. The premise of stakeholder theory is a blend of social and organizational controls. The firm is considered as fundamental structure prearranged to create value and wealth for its stakeholders (Blair, 1995); and stakeholder theory attends to the worries of stakeholders (Freeman, 1999), every one of whom take part in a business and are affected by its action (Donaldson and Preston 1995).

This theory is seen as an option to agency theory and it depends on the preface that firms are accountable to a more extensive range of stakeholders and not just only the investors or shareholders. So, a portion of these stakeholders are additionally the investors as they provide the risk capital of the firm, and their objective is plainly to maximize their wealth. As indicated by this theory, stakeholders include any individual or group who can influence or be influenced by the activities of an enterprise. These include, but are not constrained to, customers, workers, lenders, suppliers, and the community. In a setting established on the stakeholders' theory, corporate governance is a major procedure that helps companies react successfully and efficiently to the activities of their stakeholders.

### **2.3 Empirical Review of Literature**

Akinleye and Adebuseye (2023) examined the effect of ownership structure on financial performance of listed consumable goods companies in Nigeria between 2013 and 2022.

Specifically, the study examined the effect of managerial ownership and foreign ownership on return on assets of listed consumable goods companies in Nigeria. The study employed secondary source of data and data were collated from financial reports of sampled 10 listed consumable goods companies. In bid to accomplish this, panel regression analysis was employed, having considered the fixed effect model as the most fitted data estimator, the result revealed that managerial ownership has a positive effect on return on assets with coefficient of (0.502224) and statistically significant ( $p=0.03057<0.05$ ). Similarly, foreign ownership has positive effect on return on asset with coefficient of (0.383082) and statistically significant ( $p=0.04110<0.05$ ). Based on the findings, the study concluded that both managerial ownership and foreign ownership have positive effect on the financial performance of the selected consumable goods companies in Nigeria. The study therefore recommended that the management of consumable goods companies should improve on their insider's ownership.

The objective of the study conducted by Hassan and Tanko (2023) was to investigate the impact of board diversity on the relationship between ownership structure and financial performance of listed manufacturing firms in Nigeria from 2013 to 2022 financial years. The ownership structure variables used in the study are foreign ownership and concentrated ownership while the financial performance used is represented by return on assets (ROA), and the moderating variable is board diversity. The sample of the study was all the fifty (50) listed manufacturing firms in Nigeria that made up the population of the study. The study used secondary data and multiple regressions for the purpose of the study. The findings of the study revealed that foreign ownership has a positive and insignificant effect on financial performance. However, concentrated ownership has a positive and significant effect on performance. Board diversity has a positive effect on the relationship between foreign ownership, concentrated ownership and financial performance. The researchers therefore recommended that regulatory bodies of manufacturing firms such as

Standard Organization of Nigeria should ensure that board diversity in listed manufacturing firms in Nigeria is composed in such a way as to ensure diversity of experiences without compromising compatibility, integrity and independence.

The main objective of the study conducted by Nwokediuko and Onyinba (2023) was to explore the causal relationship between ownership structure and bank performance in Nigeria, for the period 2000-2019 using evidence from banks listed on the Nigerian Stock Exchange. The study utilized ownership structure (directors and institutional ownership), and percentage of board members with industry experience as independent variables and return on equity (ROE) as a dependent variable. The study used secondary data obtained from banks' annual reports from 2000 to 2019. The Dumitrescu-Hurlin Pattern which is a natural extension of the Granger causality regression technique of data analysis was employed. The findings of the study showed that there is a causality relationship between ownership structure and bank performance and that bank Performance.

Shahwan, Qamhawi and Aglan (2023) explored the impact of the ownership structure on the financial performance of the 13 banks listed on the Egyptian Stock Exchange from 2016 to 2019, and the characteristics of the ownership structure were determined in (concentration of ownership, administrative ownership, foreign ownership, government ownership, institutional ownership) and the researcher relied on the latest standards in measuring financial performance: Added Economic Value Added, MVA Market Value Added, Tobin's Q, the study has reached a set of results and can be summarized as follows: the financial performance impact agreement in the previous period, the concentration of ownership, administrative ownership, foreign ownership and government ownership for the three financial performance variables. On the other hand, the researchers found the different impact of institutional ownership, and the ratio of indebtedness between the three financial performance variables, based on the different impact of

these variables between the economic value added and the market value added, which is due to the actual reverse correlation between economic value added and market value added.

Aribaba et al. (2022) examined the effect of ownership structure on financial performance of quoted building material firms in Nigeria. Ex-post-facto type of qualitative research design was used. The population of the study consisted of six (6) cement firms quoted on the Nigerian stock exchange as at 31<sup>st</sup> December 2020. Four (4) firms were selected using purposive and random sampling techniques. The data were sourced through the secondary sources of data between the period 2011 to 2020 annual published financial reports of building material firms. The method of data analysis used was descriptive and ordinary least square regression statistics to measure the inference of the independent variables on the financial performance of the firms. The unit root stationarity test was used to measure the normality of the data. The study revealed that supervisory ownership with the coefficient value of  $(r - 0.135 > 0.05)$  and institutional ownership  $(r - 0.701 > 0.05)$  showed a positive and significant effect on the financial performance of quoted building material firms in Nigeria, while ownership concentration with the coefficient value of  $(r - -0.239 > 0.05)$  showed negative but significant effect on the financial performance of quoted building material firms in Nigeria. The study concluded that ownership structure affects the financial performance of quoted building material firms in Nigeria, and thus recommended that the Securities and Exchange Commission encourage more potential managers and institutional shareholders to invest long term in the building materials industry, as both managers and institutional shareholders improve the financial performance of quoted building material firms in Nigeria.

The study conducted by Kazeem and Omole (2022) evaluated the effect of equity ownership structure on the financial performance of selected quoted manufacturing companies in Nigeria. The focus of the evaluation is on the relationship between ownership structure variables

(managerial, institutional and foreign) on firm performance (Return on Equity and Return on Asset). Data were collected for this study through secondary source for the period 2011 – 2020. 60 manufacturing firms listed on the Nigerian Stock Exchange were purposively sampled. Data were collected on variables such as institutional owners' equity, managerial ownership equity, foreign ownership equity, Total Assets, shareholders' fund and earnings after interest and tax will be collected from the Annual Reports of the companies. Data collected were analyzed using tables, descriptive statistics, correlation and regression analysis. Also, the data collected were subjected to pooled General Least Square, Random and Fixed Effects regression model in testing the hypotheses of the study. It was discovered that all the variables i.e. (ROTA, ROE, MON, LEV, LASSET, ION, FON and AGE) had correlation coefficients that were very low and they are less than 0.9 having either positive or negative values. It was discovered that all the series showed a high level of consistency being that their mean and median values are within the maximum and minimum values of the series. The study thus, recommended that improvement should be made on corporate governance to focusing on sound equity ownership structure in order to attract foreign investors.

The study conducted by Kirimi et al. (2022) examined the relationship between ownership structure and financial performance of commercial banks in Kenya for the period 2009–2020. The data were collected from audited financial statements of 39 commercial banks in Kenya. Regression results found strong evidence on ownership structures in explaining the differences in commercial banks' financial performance. The results established that the greatest influence of ownership structures was on net interest margin at 53.04% and return on assets at 31.37%. Influence of ownership structures was found to be low on return on equity at 3.32% and earnings per share at 2.13%. The results found a negative association between state ownership and net interest margin, negative association between management ownership and both net interest

margin and earnings per share, negative association between institutional ownership and return on assets and a negative association between foreign ownership and earnings per share. Based on the findings, commercial banks should vary their ownership structures to boost financial performance.

Lyndon and Yalah (2022) investigated the relationship between ownership structure and financial performance of listed consumer goods sector firms in Nigeria for the period of 2011-2020. The data were gathered from the published financial statements of consumer goods sector firms with return on asset serving as dependent variable while controlling ownership and non-controlling ownership were used as explanatory variables, and analyzed through the descriptive statistics; correlation analysis, panel regression and fixed and random effect regression. The result revealed that ownership structure has robust relationship with financial performance. The study concluded that controlling ownership has positive and non-statistical significant with financial performance while non-controlling ownership has positive and statistical significant relationship with financial performance of listed consumer goods firms in Nigeria. The study recommended that firms listed under the sector should imbibe the corporate governance long run strategies to increase the organizational growth.

The study of Onuorah et al. (2022) empirically investigated the relationship which exists between ownership structure and financial performance of quoted non-financial firms in Nigeria. In order to determine the relationship between ownership structure and financial performance, ownership structure was measured using institutional ownership, concentrated ownership, foreign ownership and block ownership while firms' performance on the other hand was represented by return on equity (ROE). Four hypotheses were formulated to guide the investigation and the statistical test of parameter estimates was conducted using OLS regression model operated with STATA V.15. Ex Post Facto design was adopted and data for the study were obtained from the

published annual financial reports of the entire consumer goods firms quoted on Nigerian Exchange Group (NGX) with data spanning from 2012-2021. The findings of the study generally indicated that institutional ownership, concentrated ownership, foreign ownership and block ownership have significant and positive influence on firms' performance measured by return on equity (ROE) at 1-5% significant level respectively. Thus, the study concluded that ownership structure ensures firms financial performance. The study however suggested the need for institutional ownership, concentrated ownership, foreign ownership and block ownership to be increased for better performance.

Abdul et al. (2021) looked at the ownership structure and financial performance of listed manufacturing companies in Nigeria. The Return on Asset was used as a proxy for the effect of the variables of the ownership structure on the financial performance of the company. A sample of 35 listed manufacturing companies was used for the study. The data was collected and analyzed from nine years of annual reports and accounts of selected sample manufacturing companies. The study found that institutional ownership has a positive and significant impact on financial performance. The study recommended that institutional owners continue to use their resources and expertise to exercise control over management abuse, which has the potential to negatively impact the performance of Nigerian listed manufacturing companies.

Egolum et al. (2021) examined the effect of ownership structure on firm value of listed oil and gas firms in Nigeria. Specifically, the study determined the effect of managerial ownership, government ownership, ownership concentration and CEO ownership on firm value (surrogated by Tobins q) of oil and gas firms from 2010 to 2019. The tests of the four null hypotheses were carried out using spearman rank correlation analysis and also employed panel least square regression analysis. The result of the analyses revealed that managerial ownership and CEO ownership have insignificant positive effect on firm value of listed oil and gas firms in Nigeria,

while government ownership has an insignificant negative effect on firm value of listed oil and gas firms in Nigeria; ownership concentration has a significant negative effect on firm value of listed oil and gas firms in Nigeria. The study recommended, among others, that management should reconsider and pay critical attention to management policies that tends to increase the volume of concentrated ownership of listed oil and gas firms in Nigeria.

Adamu and Haruna (2020) examined the relationship between ownership structure and performance of listed non-financial firms in Nigeria. Secondary data on managerial ownership, ownership concentration, foreign ownership, institutional ownership, Tobin q, return on assets, return on equities, and earnings per shares were collected from forty (40) sampled firms. The data were analyzed using canonical correlation and the findings showed that managerial and foreign ownerships are the dominant ownership structures while Tobin q, EPS, and ROA are the dominant performance measures. The study also found that ownership concentration, foreign ownership, and institutional ownership are positively correlated with firm performance, while managerial ownership is negatively correlated with firm performance. The study recommended that listed non-financial firms should encourage foreign investments in their firms and rewards performing managers with shares in the firm.

In their work, Alhassan and Mamuda (2020) examined the effect of ownership structure on the financial performance of quoted financial firms in Nigeria. Data were collected from the financial statements of 38 financial firms quoted in the Nigerian Stock Exchange (NSE) for the periods of 2010 to 2019. The technique employed by the study was *ex post facto* to examine the ownership structure effect on financial performance of financial firms quoted in NSE. The study used descriptive statistics, correlation, and multiple regression method through panel data method for model estimation. The data collected were subjected to pooled General Least Square, Random and Fixed Effects regression model in testing the hypotheses of the study. In the study,

ownership structure is represented by institutional ownership, managerial ownership, and ownership concentration as independent variables. Firms' financial performance as the dependent variables was represented by book value per share. This study found that ownership structure has positive significant effect on financial performance of the quoted financial firms except ownership concentration having negative effect. However, with regards to size and firm growth, which constituted control variables of the study, mixed evidence of their effects was identified on financial performance. The study thus, recommended that in order to improve the financial performance, financial firms in Nigeria should enlarge managerial equity ownership of the firms.

In the study conducted by Omorokunwa and Idubor (2020), the focus was to empirically examine the influence of ownership structure on the profitability of banks in Nigeria using the panel regression technique from 2006 to 2018. Twelve quoted Nigerian banks were used for the study. Key ownership structure variables such as board ownership, institutional ownership, foreign ownership, chief executive office ownership, as well as performance variable indicator (proxy by return on asset) were used in the study. The result obtained from the study showed that institutional ownership, foreign ownership and chief executive officer ownership have a positive and significant relationship with the performance of banks. On the other hand, board ownership has a negative impact on the performance of banks. It is therefore recommended that the board ownership as well a top management stake in the banks' ownership structure should be capped to promote good corporate governance system in the banking sector in Nigeria.

An examination of how the financial performance of listed firms is affected by a combination of board structure and institutional ownership is the thrust of the study conducted by Edirin (2018). To guide the study, hypotheses were formulated and tested. Financial data on board structure, ownership and performance for 70 Nigerian listed firms were gotten from the database of

MACHAME Ratios. Analysis was done by means of canonical correlation technique and findings indicate that the combination of board and ownership structure had significant association with measures of firm performance. Specifically, individual measures of board structure exert positive effect on firm financial performance, whereas individual measures of ownership structure had no significant positive association with measures of firm performance. On this note, recommendation among others was that given the significance of board structure measures to firms' performance, firms should take considerable measures in ensuring that decisions on the composition of board membership must be mindful of the role which size, independence and diversity (gender diversity) play to the overall organizational success.

Ohianiet al. (2018), in their scholarly work, examined the effect of ownership structure on financial performance of listed insurance firms in Nigeria. Data was collected from the annual reports of 28 insurance firms listed in the Nigerian Stock Exchange for the periods of 2011 to 2016. The *ex-post facto* was employed by the study to examine the effect of ownership structure on financial performance of listed insurance firms in Nigeria. In addition to the descriptive statistics and correlation, multiple regression technique through panel data methodology was applied for model estimation. Data were subjected to pooled General Least Square, Fixed Effects, and Random Effects regression model to test the hypotheses of the study. Ownership structure proxy by managerial ownership, institutional ownership, and ownership concentration were adopted as independent variables. Firm financial performance as the dependent variables was proxy by book value per share. The study found ownership structure having significant positive effect on financial performance of the listed insurance firms except concentrated ownership with negative effect. However, in respect of size and growth of the firms, which form the control variables of the study, there were mixed evidence of their effects on financial performance. The study recommended that in order to enhance the financial performance,

insurance firms in Nigeria should increase management equityholding in the firms as this can stimulate the managers to maximize their efficiency and create more wealth for stakeholders.

Yahaya and Lawal (2018) examined the effects of ownership structure on firm value of Nigerian deposit money banks. It also evaluated the relationship between ownership structure variables (concentrated, managerial and foreign) on firm value (Return on Equity and Return on Asset). Few research works have covered ownership structure and corporate governance in Nigeria. As a company's ownership structure changes and ownership is separated from control, incentive alignment problems become evident and the need for more research. The study used a sample of fifteen (15) banks quoted on the Nigerian Stock Exchange. The study employed secondary data which was obtained from Audited Report of Nigerian deposit money banks for a period of nine years (2008-2016). The data obtained were subjected to System Generalised Moment Method. Findings revealed that only institutional ownership has positive and significant effect on financial performance while others have insignificant effect. The empirical study provided fruitful implications that there exist a significant effect between ownership structure and financial performance of Nigerian deposit money banks. Therefore, the study recommended that institutional shareholders should continuing using their resources and expertise to exercise control over management abuse of power which can affect the performance of the company.

Abubakar (2015) examined the impact of ownership structure on financial performance of quoted building materials firms in Nigeria. The population of the study consisted of six (6) cement firms quoted on the Nigerian stock exchange as at 31<sup>st</sup> December 2013. Four (4) firms were selected using two criteria. Cement companies that made available their annual report of eight years and cement companies quoted on the Nigerian stock exchange before 2004. The study used multiple regression as a tool for analysis and tested for fixed and random effect. The study revealed that institutional ownership and managerial ownership showed a positive

significant impact on the financial performance of quoted building materials firms in Nigeria, while ownership concentration showed no significant impact on the financial performance of quoted building material firms in Nigeria. The study concluded that ownership structure affects financial performance of building materials firms in Nigeria and therefore recommended that Security and Exchange Commission should encourage more potential managers and Institutional shareholders to invest long term in building materials industry as both managers and Institutional shareholders enhances financial performance of quoted building materials firms in Nigeria.

BAYELSA STATE POLYTECHNIC, ALIBIRI

## CHAPTER THREE

### 3.1 Research Design

The focus of this study is to examine the effect of ownership structure on financial performance of selected quoted manufacturing companies in Nigeria. On this note, the research design adopted in this study is the ex-post facto research design. The reason for this is that the relevant data for this study were obtained from the annual reports of the companies under study for the relevant years of study. This therefore, means that the data were historical in nature, which serves the ex-post facto research design. This research design is suitable for this research because it is not possible to directly manipulate or control any of the independent variables because the data to be used are already existing. In addition, the ex-post facto design helped the researcher to find out, describe and explain existing phenomena and draw conclusion based on the data that were collected from already existing sources.

### 3.2 Characteristics of the Study Population

The population of this study is a group of selected consumer manufacturing companies that are quoted on the Nigerian Exchange Group as at 2023. For the purpose of this study, the population of this study is ten selected manufacturing companies (selected from both consumer goods and industrial goods sectors). The reason for this selection is that their annual reports for the relevant years of study contained the relevant and necessary data for this study. The companies are: Dangote Sugar Plc, Honeywell Four Mill Plc, Vita Foam Plc, Bua foods Plc, Bua Cement Plc, Dangote Cement Plc, Berger Paints Plc, Lafarge Africa Plc, Meyer Plc and Nascon Allied Industries Plc.

### **3.3 Sampling Procedures and Design**

The census type of sampling was adopted in this study. Thus, the entire ten selected manufacturing companies served as the sample size. As stated earlier, the reason for this is that these ten companies have all the necessary data for the relevant years of study. This is considered to be adequate for this study.

### **3.4 Instrument of Data Collection**

The instrument of data collection was primarily secondary data, particularly the annual reports of the selected manufacturing companies from 2019 to 2023. Other materials, such as Nigerian Stock Exchange Factbook, equally served as reference materials.

### **3.5 Operational Measure of Variables**

The variables in this study are: independent variable and dependent variable.

*Independent Variable*, which is ownership structure.

The measures of the independent variable used in this study are: foreign ownership, managerial ownership, controlling ownership and individual ownership.

*Dependent Variable*, which is financial performance.

The measure of the dependent variable used in the study is return on assets.

These measures are operationalized in the Table below:

Variables	Symbols	Definitions/ Measurement
<b>Dependent Variable</b>	<b>DV</b>	
Return on Assets	ROA	As earnings after interest and tax divided by the total assets (Abdulwahab et al., 2022).
<b>Independent Variable</b>	<b>IV</b>	
Foreign Ownership	FO	Measured as total number of shares held by foreigners divided by the total number of shares issued (Amin & Hamdan, 2018).
Managerial Ownership	MO	Measured as total number of shares held by management divided by the total number of shares issued (Akinleye & Adebuseye, 2023).
Individual Ownership	IO	Measured as total number of shares held by individuals divided by the total number of shares issued (Onuorah et al., 2022).
Controlling Ownership	CO	Measured as total number of shares held by concentrated investors divided by the total number of shares issued (Al-Saheed, 2018).

**Table 3.1: Measurement of Variables**

**Source:** Operationalized by Researcher (2024).

### 3.6 Method of Data Analysis

Multiple regression technique was adopted to analyze the panel data collected for ownership structure and financial performance of selected quoted manufacturing companies in Nigeria using STATA version 12. A regression indicates the effect of independent variables (ownership structure) on the dependent variable (financial performance) which can be positive or negative. The GLS regression was run to generate statistics for the coefficient of determination and f-test as well as t-test for the interpretation of results. The coefficient of determination (R<sup>2</sup>) was used to measure the explanatory power of the explanatory variables on the dependent variables. The T-Test measures the individual implication of the estimated explanatory variables, while F-Test was used to measure the overall significance. Hausman's test was also used to choose between the random effect and fixed effect estimates of the coefficients when the results contain heteroscedasticity. Similarly, diagnostics test was conducted which includes variance inflation factor (VIF) for testing multicollinearity which can mislead the results obtained in the study.

### 3.7 Model Specification

The model specifications for the study are stated as follows.

$$ROA_{it} = \beta_0 + \beta_1 FO_{it} + \beta_2 MO_{it} + \beta_3 CO_{it} + \beta_4 IO_{it} + \mu_{it}$$

Where:

ROA=Return on Assets

$\beta_0$ =Intercept or Constant

FO=Foreign Ownership

MO =Managerial Ownership

CO=Controlling Ownership

IO = Individual Ownership

$\beta_1$ -  $\beta_4$ = Coefficient of the Independent Variables

i= Firms

t=Time

$\mu$ = Error Term

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#### CHAPTER FOUR

## DATA PRESENTATION AND ANALYSIS

### 4.1 Data Presentation

#### 4.1.1 Descriptive Analysis

**Table 4.1: Descriptive Statistics**

Variables	Mean	Median	S.D	Min	Max	Observations
ROA	0.1625	0.1000	0.0641	0.0005	0.7000	50
MO	0.0244	0.0150	0.1240	0.0000	0.3495	50
FO	0.1807	0.1775	0.0619	0.0100	0.3550	50
CO	0.2330	0.0175	0.1820	0.1010	0.4040	50
IO	0.2148	0.1170	0.0162	0.0101	0.3540	50

**Source:** STATA 12

Table 4.1 provides the descriptive statistics of the variables in the study, involving managerial ownership (MO), foreign ownership (FO), controlling ownership (CO) and individual ownership (IO) (as measures of ownership structure) and return on assets (ROA) (as proxy of financial performance) for the selected manufacturing companies in Nigeria. The mean return on assets (ROA) is 0.1625, indicating that the named enterprises have a moderate interpretation of a positive 16. The mean managerial ownership (MO) is 0.0244, inferring that interposers and stockholders finance only 2% of the companies' grand capital. The median value of MO is 0.0150, with a maximum of 0.3495 and a minimum of 0.000, indicating a usual divagation across non-identical situations. The mean foreign ownership (FO) is 0.1807, alluding that 18% of the companies' total capital is financed by foreigners. The median value of FO is 0.1775, with a maximum value of 0.3550 and a minimum of 0.0100, indicating a reasonable position of investment from foreign possessors. The standard deviation value of 0.0619 is lower than the mean value, indicating a clustering of valuations around the mean in the division. The mean value of controlling ownership (CO) is 0.2330, indicating that 23% of the companies' total share capital is funded by ownership concentration. Its median value is 0.0175, with a maximum value and minimum value of 0.4040 and 0.1010 respectively, which indicates that there is a reasonable

position of investment from majority shareholders. The standard deviation of CO is 0.1820 which is lower than the mean value, thereby indicating that there is a clustering of valuations around the mean in the division. Lastly, individual ownership (IO) has a mean value of 0.2148, indicating that 21% of the companies' total share capital is funded by individuals who do not have any form of relationship with the companies under study. The median value is 0.1170, while the maximum value and minimum value are 0.3540 and 0.0101 respectively, indicating that there is a reasonable position of investment from individual shareholders. The standard deviation of CO is 0.0162 which is lower than the mean value, thereby indicating that there is a clustering of valuations around the mean in the division.

#### 4.1.2 Correlation Analysis

**Table 4.2: Correlation Matrix**

	ROA	MO	FO	CO	IO
BPS	1.0000				
MO	0.0512	1.0000			
FO	0.0900	0.2037	1.0000		
CO	0.0779	0.4119	0.6372	1.0000	
IO	0.5642	0.4267	0.4072	0.5381	1.0000

**Source: STATA 12**

Table 4.2 shows the correlation analysis between the dependent and independent variables. As shown from the Table, the relationship coefficients are moderately good with the highest 0.5642, which is the relationship between individual ownership and financial performance.

Table 4.2 also displays the correspondent values between the dependent and independent variables and also the correlation within the explanatory variables themselves. The values were obtained from the Pearson correlation. The Table shows that positive relationships exist between

the dependent variables represented by return on assets (ROA) and the explanatory variables represented by managerial ownership (MO), foreign ownership (FO), controlling ownership (CO) and individual ownership (IO). It is observed that there are also positive relationships within the explanatory variables themselves.

#### 4.1.3 Panel Data Regression Analysis

**Table 4.3: Pooled Ordinary Least Square Estimation Result**

**SERIES:** ROA, MO, FO, CO, IO

Panel Model 1: Pooled OLS, using 50 observations Included 10 cross-sectional units Time-series length = 5 Dependent variable: ROA Robust (HAC) standard errors				
Variables	Co-efficient	Std. Error	z-Statistic	Probability
Const	0.738614	0.113708	6.496	0.0001
MO	1.12655	0.481633	2.339	0.0193
FO	1.29723	0.247748	5.236	0.0001
CO	1.19625	0.428763	3.233	0.0019
IO	1.26957	0.148230	2.456	0.0113
F-Stat(2, 9)	22.49307			
P (f-stat)	0.000315			
Durbin Watson	2. (2.702879)			

**Note:** @ 5% level of significant

**Source:** Data Analysis, 2024

Table 4.3 displays the findings of the pooled ordinary least square (POLS) analysis. The F-statistics effect is 22.49307, with a probability value of 0.000315 at a 5% position of significance. This indicates that the model used in the study is statistically significant, and there is a significant direct relationship between the explanatory variables and the response variable. This suggests that the variables employed are suitable for the analysis. The measure result for managerial ownership (MO) on return on asset (ROA) is positive (1.12655) and statistically significant ( $p=0.0193 < 0.05$ ). This implies that MO has a positive effect on the financial performance as measured by ROA. Also, the beta value of foreign ownership (FO) is positive (1.29723) and

statistically significant ( $p= 0.0001 < 0.05$ ), indicating that foreign ownership has a positive impact on the financial performance of the companies under study. Similarly, the coefficient of controlling ownership of 1.19625 on return on assets is positive and statistically significant ( $p= 0.0019 < 0.05$ ), thereby indicating that controlling ownership has a positive effect on financial performance as measured by ROA. Lastly, the measure result for individual ownership (IO) on ROA is positive at 1.26957 and statistically significant ( $p= 0.0113 < 0.05$ ). this therefore implies that individual ownership has a positive impact on return on assets.

**Table 4.4:** Fixed Effect Estimation Result

**SERIES:** ROA, MOA, FORGO

Panel Model 2: Fixed-effects, using 50 observations				
Included 10 cross-sectional units				
Time-series length = 5				
Dependent variable: ROA				
Robust (HAC) standard errors				
Variables	Co-efficient	Std. Error	z-Stat.	Probability
Const	0.438799	0.230562	1.903	0.00520
MO	0.502224	0.490270	1.024	0.03057
FO	0.383082	0.695660	0.550	0.04110
CO	0.258403	0.329063	0.450	0.02341
IO	0.405283	0.563429	0.921	0.02034
R-squared	0.606975			
Adjusted R-squared	0.060965			
Wald test for hetero. $X^2(10)$	6139.03, p= 3.04			
Wooldridge test: Auto	40			
Durbin-Watson	2.919588			
F- Test: Stat	8.75714, P=0.0275			
Breusch-Pagan LM-Test: Stat	50.0574, P=0.0049			
Hausman Test: Stat	5.5908, P=0.0104			

**Note:** @ 5% level of significant

**Source:** Data Analysis, 2024

Table 4.4 exhibits the fixed effect model result, reveals that R-square stood at 61% (0.606975) of the total changes in the value of return on assets (ROA) which is jointly accounted for by the explanatory variables, while other variables in the error term accounted for the remaining 49% changes in the firms' financial performance. The coefficient's result of managerial ownership

(MO) on return on assets (ROA) is positive (0.502224) and statistically significant ( $p=0.03057<0.05$ ) implying that MO has a positive effect on ROA. The beta value of foreign ownership (FO) is positive (0.383082) and statistically significant ( $p=0.04110<0.05$ ) indicating FO has a positive effect on ROA. The coefficient value of controlling ownership is also positive (0.258403) and statistically significant ( $p=0.02341<0.05$ ), which implies that CO has a positive impact on ROA. Finally, the beta value of individual ownership is positive as well (0.405283) and statistically significant ( $p=0.02034<0.05$ ), indicating that IO has a positive effect on ROA. Also, the results of post-data estimation tests conducted to select the best estimator among the pooled ordinary least square (POLS), fixed effect, and random effect models reveal that the F-test with a statistical value of 8.75714 and a probability value of 0.0275 reject the null hypothesis that fixed effects is not adequate in favor of POLS. Thus, fixed effect is preferred to pooled ordinary least square. Breusch-Pagan Lagrange multiplier test with a statistical value of 50.0574 and a probability value of  $0.0049 < 0.05$  as well rejects the null hypothesis that random effect is not the appropriate alternative. Thus random effect is considered better than pooled ordinary least square. The Hausman's test was conducted between fixed effect and random effect models which has a chi-square statistical value of 5.5908 and the probability value of  $0.0104 < 0.05$  level of significant which supports the null hypothesis of no random effect in favor of fixed effects alternative. Thus, the null hypothesis is rejected. Therefore, fixed effect is considered the most appropriate data estimator among the three alternatives and it is therefore considered for data analysis and confirmation of this study's hypotheses. The study used robust standard error to quit the effect of heteroscedasticity. However, the results of Ward test with a chi-square of 6139.03 and probability value of 3.04 is greater than 0.05 level of significant indicating the absence of heteroscedasticity in the series. The Wooldridge t-Statistical result of 11.951 with a probability value of  $1.40 > 0.05$  level significant implies that there is no autocorrelation. Also,

the result of Durbin-Watson Statistics is above two (2.919588) indicates the absence of serial autocorrelation between the successive units of the error terms and the study explanatory variables.

## 4.2 Test of Hypotheses

### 4.2.1 Hypothesis I

**Ho 1:** There is no significant effect of managerial ownership on return on assets of selected quoted manufacturing companies in Nigeria.

**Table 4.5. Hypothesis One Estimated Result**

Null Hypothesis	Variables	Probability Value	Decision
The coefficient has no statistical significance.	MO on ROA	0.502(0.030<0.05)	H <sub>0</sub> is rejected

Source: Author's Analysis, 2024 and 5% level of significance

In Table 4.5, the effect of hypothesis one, which investigates the effect of managerial ownership (MO) on return on asset (ROA), indicates that the measure of MOA is positive (0.502) and statistically significant ( $p = 0.030 < 0.05$ ). This implies that there is a significant effect of MO on ROA of the selected quoted manufacturing companies in Nigeria. By reprobating the null and void thesis, the rulings suggest that MO has a positive and significant effect on the financial performance of these companies. This implies that a boost in managerial ownership is associated with advanced return on means, indicating that managerial ownership who have an advanced share in the company are motivated to enhance its financial performance.

### 4.2.2. Hypothesis II

**Ho 2:** Foreign ownership does not have significant effect on return on assets of selected quoted manufacturing companies in Nigeria.

**Table 4.6. Hypothesis Two Estimated Result**

Null Hypothesis	Variables	Probability Value	Decision
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The coefficient has no statistical significance.	FO on ROA	0.383082 (0.0411<0.05)	H <sub>0</sub> is rejected
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**Note:** @ 5% level of significant

**Source:** Author's Analysis, 2024

In Table 4.6, the result of hypothesis two, which investigated the impact of foreign ownership (FO) on return on assets (ROA), revealed that the measure of FO is positive (0.383082) and statistically significant ( $p = 0.0411 < 0.05$ ). This indicates that there is significant impact of foreign ownership on the financial performance of the selected manufacturing companies in Nigeria. By rejecting the null hypothesis, the findings suggest that foreign ownership has a positive and significant effect on the financial performance of these companies. This implies that an increase in foreign ownership is associated with return on asset, indicating that foreign investors have a salutary influence on the financial performance of the enterprises.

### 4.2.3 Hypothesis III

**H<sub>0</sub> 3:**Controlling ownership has no significant effect on return on assets of selected quoted manufacturing companies in Nigeria.

**Table 4.7: Hypothesis Three Estimated Result**

Null Hypothesis	Variables	Probability Value	Decision
The coefficient has no statistical significance.	CO on ROA	0.258403 (0.023<0.05)	H <sub>0</sub> is rejected

**Note:** @ 5% level of significant

**Source:** Author's Analysis, 2024

In Table 4.7, the result of hypothesis three, which investigated the impact of controlling ownership (CO) on return on assets (ROA), revealed that the measure of CO is positive (0.258403) and statistically significant ( $p = 0.023 < 0.05$ ). This indicates that the effect of controlling ownership on return on assets of the selected manufacturing companies in Nigeria is statistically significant and positive. On this note, the null hypothesis is rejected, and hence the

alternative hypothesis is accepted and it can be concluded that controlling ownership has significant effect on return on assets of selected quoted manufacturing companies in Nigeria. This implies that an increase in controlling ownership is associated with return on asset, indicating that majority shareholders' investment has a positive influence on the financial performance of these companies.

#### 4.2.4 Hypothesis IV

**Ho 4:** There is no significant effect of individual ownership on return on assets of selected quoted manufacturing companies in Nigeria.

**Table 4.8: Hypothesis Four Estimated Result**

Null Hypothesis	Variables	Probability Value	Decision
The coefficient has no statistical significance.	IO on ROA	0.405283 (0.0203<0.05)	H <sub>0</sub> is rejected

**Note:** @ 5% level of significant

**Source:** Author's Analysis, 2024

In Table 4.8, the result of hypothesis four, which investigated the impact of individual ownership (IO) on return on assets (ROA), revealed that the measure of IO is positive (0.405283) and statistically significant ( $p = 0.0203 < 0.05$ ). This indicates that the effect of individual ownership on return on assets of the selected manufacturing companies in Nigeria is statistically significant and positive. On this note, the null hypothesis is rejected, and hence the alternative hypothesis is accepted and it can be concluded that individual ownership has significant effect on return on assets of selected quoted manufacturing companies in Nigeria. This implies that an increase in individual ownership is associated with return on asset.

### 4.3 Discussion of Findings

#### Managerial Ownership and Financial Performance

Table 4.5 presented the regression results which indicate that the managerial ownership has a coefficient value of 0.502 with a p-value of 0.030 which is quite significant at 5%. This shows that managerial ownership is both positive and it significantly affects the return on assets of the selected quoted manufacturing firms in Nigeria. This indicates that out of every one naira proportional increase in managerial ownership of the manufacturing firms, the ROA of the quoted manufacturing companies in Nigeria will increase by 0.50 naira. This finding is in agreement with the studies conducted by Alhassan and Mamuda (2020).

### **Foreign Ownership and Financial Performance**

Table 4.6 represents foreign ownership which has a beta value of 0.383082 with a p-value of 0.04110 that is at 5% significant level. This shows that foreign ownership significantly and positively affects the ROA of the quoted selected manufacturing firms in Nigeria. This shows that for each one naira, the ROA will proportionately increase by 0.38 naira increase in foreign ownership of the firms under study. This finding is supported by the findings of Hassan and Tanko (2023).

### **Controlling Ownership and Financial Performance**

The controlling ownership as shown in Table 4.7 has a coefficient value of 0.258403 with a p-value of 0.02341 which is significant at 0.05 level of significance. This shows that controlling ownership has significant positive effect on the ROA of the quoted manufacturing firms in Nigeria. This implies that for each one naira, the ROA will proportionately increase by controlling ownership of the firms under study by 0.25 naira. This finding is in line with the studies conducted by Akinleye and Adebusoye (2023).

### **Individual Ownership and Financial Performance**

Table 4.8 represents individual ownership which has a beta value of 0.405283 with a p-value of 0.02034 that is at 5% significant level. This shows that individual ownership significantly and

positively affects the ROA of the quoted selected manufacturing firms in Nigeria. This shows that for each one naira, the ROA will proportionately increase by 0.41 naira increase in individual ownership of the firms under study. This finding is supported by the findings of Shahwan et al. (2023).

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary of Findings**

The focus of this study was to investigate the effect of ownership structure on financial performance of selected quoted manufacturing companies in Nigeria. using measures of ownership structure such as managerial ownership, foreign ownership, controlling ownership and

individual ownership, as well as financial performance proxy by return on assets, the findings of this study are as follows:

- i. Managerial ownership has a positive and statistically significant effect on return on assets of the selected quoted manufacturing companies in Nigeria.
- ii. The effect of foreign ownership on return on assets of the selected quoted manufacturing companies in Nigeria is positive and significant.
- iii. Controlling ownership equally has a positive and significant effect on return on assets of the selected quoted manufacturing companies in Nigeria.
- iv. Individual ownership also has a positive and significant effect on return on assets of the selected quoted manufacturing companies in Nigeria.

In conclusion, the effect of ownership structure on financial performance of selected quoted manufacturing companies in Nigeria is positive and significant.

## **5.2 Conclusion**

It has been established that the ownership structure of an organization can help to improve its performance because managers are better able to defend corporate control against a market takeover threat. So by and large, ownership structure is connected to the financial performance of companies because it provides financing through owner's equity. However, the nature of ownership structure a company adopts is determined by the vision of the firm. As a matter of fact, ownership structure is determined by the equity distribution regarding the votes, capital and the identity of the equity owners. Thus, ownership structure of a firm has been a strong factor for a company's financial performance. Similarly, the knowledge of ownership structure is

of great significance to all parties involved in a business, as it offers valuable perspectives on the company's effectiveness and potential for growth.

To buttress the importance of ownership structure in an organization, this study was conducted to examine the effect of ownership structure on financial performance of selected manufacturing companies in Nigeria, and it was discovered that all the measures of ownership structure adopted in this study (managerial ownership, foreign ownership, controlling ownership and individual ownership) have a positive and significant effect on return on assets (measure of financial performance). Therefore, the conclusion reached from the findings of this study is that ownership structure has a significant effect on financial performance of quoted manufacturing companies in Nigeria.

### **5.3 Recommendations**

On the basis of the findings of this study, the following recommendations are made:

- i. Manufacturing companies should be encouraged to concentrate more on foreign ownership. This is because foreign investment will bring about expertise contributions as well as financial contributions which will ultimately enhance the overall performance of these companies.
- ii. Managerial ownership should also be greatly encouraged among manufacturing companies because when managers/ directors also double up as shareholders, they will be motivated to work towards realization of the wealth creation objective of the shareholders of whom they are part.
- iii. Similarly, individual ownership should be encouraged among manufacturing companies. When individuals who do not have any other form of relationship with these companies form part of the ownership of these businesses, it will create more

- checks and balances and help management to be up and doing in their activities, which on the long run, will improve the performances of these companies.
- iv. Most importantly, a diffused form of ownership structure should be encouraged among manufacturing companies. Diffused, in the sense that, these three types of ownership structure should be adopted by manufacturing companies such that no one type of ownership structure is regarded as more important than the others.

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#### APPENDIX 1

year	id	manownforownconownindown	ROA
2019	1	-0.98 0 0.5 0.56	0.47

2020	1	-1.33	0.27	0.5	0.47	1
2021	1	-0.85	0.46	0.5	0.32	0.26
2022	1	-0.87	0.22	0.51	0.69	0.59
2023	1	-0.88	0	0.5	0.69	0.36
2019	2	-0.41	0.21	0.49	0.35	0.71
2020	2	-0.81	0.04	0.51	0.75	0.14
2021	2	0.69	0.27	0.42	0.92	1.66
2022	2	-0.87	0	0.5	0.66	0.27
2023	2	-2.8	0.11	0.25	0.34	0.42
2019	3	-2.95	0.03	0.51	0.81	0.02
2020	3	-1.08	0.1	0.43	0.38	0.37
2021	3	-2.89	0	0.5	0.45	0.13
2022	3	-3.15	0.11	0.29	0.31	0.34
2023	3	-3.03	0.02	0.51	0.65	0.04
2019	4	-1.08	0.08	0.66	0.63	0.2
2020	4	-3.08	0	0.5	0.4	0.14
2021	4	-3.09	0.1	0.29	0.29	0.12
2022	4	-2.79	0.19	0.73	0.55	0.38
2023	4	-1.75	0.5	0.66	0.62	0.25
2019	5	-2.96	0	0.5	0.38	0.07
2020	5	-2.11	0.1	0.29	0.12	0.07
2021	5	-3	0.14	0.85	0.62	0.43
2022	5	-1.13	0.5	0.53	0.31	0.33
2023	5	-2.93	0.03	0.03	0.39	0.19
2019	6	-3.12	0.05	0.35	0.49	0.1
2020	6	-3.9	0.19	0.64	0.58	0.26
2021	6	-2.74	0.5	0.97	0.22	0.5
2022	6	-2.63	0.02	0.29	0.41	0.19
2023	6	-3.06	0.09	0.26	0.33	0.15
2019	7	-3.82	0.16	0.68	0.72	0.33
2020	7	-2.43	0.5	0.07	0.23	0.66
2021	7	-2.87	0.01	0.39	0.48	0.19
2022	7	-2.63	0.11	0.32	0.32	0.27
2023	7	-3.03	0.11	0.63	0.23	
2019	8	-1.35	0.35	0.6	0.57	
2020	8	-3.07	0.41	0.3	0.06	

2021	8	-2.32	0.24	0.43	0.05	
2022	8	-2.25	0.32	0.36	0.37	
2023	8	-1.77	0.33	0.39	0.6	
2019	9	-0.41	0.21	0.49	0.35	0.71
2020	9	-0.81	0.04	0.51	0.75	0.14
2021	9	0.69	0.27	0.42	0.92	1.66
2022	9	-0.87	0	0.5	0.66	0.27
2023	9	-2.8	0.11	0.25	0.34	0.42
2019	10	-2.95	0.03	0.51	0.81	0.02
2020	10	-1.08	0.1	0.43	0.38	0.37
2021	10	-2.89	0	0.5	0.45	0.13
2022	10	-3.15	0.11	0.29	0.31	0.34
2023	10	-3.03	0.02	0.51	0.65	0.04

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