DOES OWNERSHIP STRUCTURE AFFECT FIRM PERFORMANCE? EVIDENCE FROM NIGERIAN LISTED COMPANIES

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Abstract

This paper examines the relationship between ownership structure and firm performance from the perspective of listed Nigerian companies. The sample comprises 73 companies listed on the Nigerian Stock Exchange for which relevant financial data is available for the period 2001 to 2007. The empirical results obtained through ordinary least squares (OLS) analysis provide evidence which suggests that dominant shareholding, ownership concentration, and foreign ownership structures have no significant effect on firm performance. However, insider ownership is inversely related to firm performance. Two major policy implications emerge from the results of this study. First, since ownership structures such as, dominant shareholding, concentrated ownership, and foreign ownership have no significant effect on firm performance, government emphasis on them is misplaced. Second, insider ownership of Nigerian firms is to be monitored closely by shareholders due to the adverse effect of this ownership structure on firm performance.

Keywords: Corporate Ownership Structure, Corporate Governance, Dominant Shareholder, Ownership Concentration, Insider Ownership, Foreign Ownership, Firm Performance, Nigeria

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1. INTRODUCTION

The relationship between corporate ownership structure and firm performance has received considerable attention in the empirical literature (see, for example, Demsetz and Lehn, 1985; McConnell and Servaes, 1990; Demsetz and Villalonga, 2001; Pivovarsky, 2003; Welch, 2003; Bai et al., 2005; Sanda et al., 2005; Chu and Cheah, 2006; Farooque et al., 2007), but the results are, however, mixed. For instance, studies by Demsetz and Lehn (1985), McConnell and Servaes (1990), and Demsetz and Villalonga (2001) provide no evidence of significant relationship between ownership concentration and firm performance; whereas studies by Pivovarsky (2003), Bai et al. (2005) and Sanda, Mikailu and et al. (2005) provide evidence which suggests that ownership concentration is significantly related to firm performance.

It would, however, appear that the empirical assessment of the relations between corporate ownership structure and firm performance in Nigeria has been sparse. The few known studies that have examined the relationship between a few corporate ownership structures, such as ownership concentration and insider ownership, and firm performance in Nigeria have also produced conflicting results (see Adenikinju and Ayorinde, 2001; Sanda et al., 2005). Lack of evidence on whether ownership structure affects firm performance in Nigeria is worrisome when viewed from the backdrop of Nigeria's adoption of different ownership structures in the preceding decades as part of measures to improve on the financial performances of the state owned enterprises (SOEs). For instance, prior to independence and up to the late 1960s, foreign ownership was dominant in corporate Nigeria. In the early 1970s, Nigeria embarked on large scale indigenization programme which reduced foreign participation in the ownership of some SOEs (Federal Government of Nigeria, 1972). In the late 1980s, the thumb shifted to ownership restructuring of the SOEs to pave way for private holdings and diversification of investor base among Nigeria's geopolitical zones. In the late 1990s, there was a policy shift towards promoting ownership concentration and increased foreign participation. Specifically, the concept of 'core investor' or 'group of core investors' was introduced in the lexicon of Nigeria's privatization for expression of interest in the SOEs (see National Council on Privatization, 2000).

The main objective of this study, therefore, is to ascertain whether variations in the ownership structure and governance of Nigerian firms have

significant impact on their performances. Specifically, we examine the relationship between four corporate ownership structures and firm performance, namely dominant shareholder, concentrated ownership, insider ownership, and foreign ownership.

This paper is divided into five main sections including this introduction as section one. Section two presents the theoretical framework and reviews the theoretical and empirical literature on corporate ownership structure and firm performance; it also states the hypotheses to be tested. Section three presents the research methodology, while section four reports the empirical results and findings. Section five concludes the study.

2. LITERATURE REVIEW

2.1 Theoretical Framework

Most research on the relationship between ownership structure and firm performance/value is rooted in the agency framework (Farooque et al., 2007). The framework presumes fundamental tension between shareholders and corporate managers (Jensen and Meckling, 1976). Berle and Means (1932) are, however, widely cited to be the first to document the adverse consequences of the separation of ownership and control in a modern corporation on firm performance (see Jensen and Meckling, 1976; Demsetz, 1983; Demsetz and Lehn, 1985; Dockery et al., 2000; Demsetz and Villalonga, 2001; Javed and Iqbal, 2007). They depict the corporation as a largely autonomous entity where executives and managers successfully pursue their own objectives of growth and stability rather than maximizing the returns to the shareholders.

The agency theory is, therefore, used in the organizational economics and management literature as a theoretical framework for structuring and managing contract relationships and explaining the behaviours of principals and agents (van Slyke, 2007). A basic assumption of the agency theory, therefore, is that managers will act opportunistically to further their own interest before shareholders; and the basic conclusion is that the value of the firm cannot be maximized because managers possess discretions which allow them to expropriate value to themselves (Turnbull, 1997). A collection of strictly self-interested actors implicit in the agency theory implies conflicts of interest that must be resolved through incentives, monitoring, or regulatory action (Cohen and Holder-Webb, 2006).

The transaction conditions and incentive mechanisms postulated in the literature to address costs related to managerial transactions or agency costs include remuneration systems, stock ownership, product market competition, and market for corporate control. The costs to the organization include monitoring costs, perquisites consumption, pet projects, free cash flow dispersion, hampered capital access, replacement resistance, resistance to profitable liquidation or merger, power struggles, excessive risk taking, self-dealing transfer pricing, excessive diversification and excessive growth. Jensen and Meckling (1976) summarize these agency costs as being the sum of the cost of: monitoring management (the agent); bonding the agent to the principal (stockholder/'residual claimant'); and residual losses. The focus of corporate governance is to minimize these costs and enhance firm performance. It becomes imperative that management is constantly monitored to ensure it does not pursue policies that are inimical to the prosperity of the enterprise. This monitoring task rests squarely with the board whose composition reflects the ownership structure of the firm.

2.2 Corporate Ownership Structure

The corporate ownership structures identified in extant literature include the dominant/largest shareholder, concentrated ownership, insider (board or managerial) ownership, foreign ownership, institutional ownership, and government ownership (see Demsetz and Lehn, 1985; McConnell and Servaes, 1990; Loderer and Martin, 1997; Cho, 1998; Demsetz and Villalonga, 2001; Pivovarsky, 2003; Welch, 2003; Farooque et al. 2007). This study, however, focuses on the first four ownership structures, because they majorly emerged from Nigeria's changing policies on corporate ownership over the decades, either through indigenization processes or privatization programmes. Our primary concern is this review is to explore the broad forces that could influence the preference for any of these ownership structures and their possible effect on firm performance.

The literature suggests that the presence or absence of a dominant/largest shareholder with material interest in the firm "affects substantially the way in which, and the ends towards which, a corporation will be governed" (Bebchuk and Roe, 1999 p.129). Two major arguments have, accordingly, been adduced to support the presence of the dominant/largest shareholder in a corporation. First, if ownership starts as diffuse, the presence of a dominant shareholder might mitigate the free-rider problem (Barako and Tower, 2006). The free-rider problem emerges in highly dispersed shareholder structures, due to the imbalance existing between the effort required to control management behavior and the benefits such monitoring entails (Jensen, 1986). Second, the dominant shareholder has the potential to curb 'tunneling', a term that is used to describe the transfer of resources out of the firm for the benefit of the controlling shareholders (see Johnson et al., 2000). It is argued that since tunneling is not healthy for the firm as a whole, the existence of a dominant shareholder, whose interest and that of the firm cohere, may have little incentive to engage in tunneling.

Pedersen and Themsen (1999) posit that the study of ownership concentration is meaningful only when it is possible to compare the efficacy of the ownership structures in extracting cost and benefits for the firm's economic function. Extant literature seems to support ownership concentration. For instance, Demsetz and Lehn (1985) support ownership concentration in terms of its control potential which is the wealth gain achievable through more effective monitoring of managerial performance by firm owners. Pivovarsky (2003) contends that a high concentration of shares into the hands of a few large shareholders tends to create more pressure on managers to behave in ways that are value-maximizing. This is underscored by the proposition that owners can hire and fire management. Shleifer and Vishny (1997) argue that a combination of legal rules and ownership concentration could be used to mitigate governance problems of expropriation of wealth by controlling shareholders. The authors state that shareholders with effective control over firms are not afraid that their firms will be expropriated and, thus, they can afford to sell shares to raise new capital to diversify risk. Furthermore, small investors can afford to take minority ownership interests in firms when they know that managers or controlling shareholders will not expropriate their ownership stakes. However, a major argument against concentrated ownership highlighted by Bai et al. (2005) is that it gives the largest shareholders too much discretionary powers of using firm resources in ways that serve their own interest at the expense of minority shareholders. In other words, the controlling shareholders are able to obtain more control at minimal capital expense, thereby making tunneling much easier. Bai et al. report that several corporate scandals disclosed in China's capital markets were all about unconstrained large shareholders misusing firm resources.

The debate on the need for ownership of shares by insiders (such as the board and management) stems from the potential conflicts of interest that could arise between corporate managers, who do not have an ownership interest in the firm they manage, and dispersed shareholders. This agency conflict may, however, be eliminated by simply requiring that managers return the entire equity stake in the assets they manage but this would not be an optimal decision for two reasons (see Capozza and Seguin, 2003): (1) the finance needs of large publicly traded firms tend to be monumental and beyond the owner-manager's capabilities, and (2) returning the entire equity in the firm would lead to inefficient risk sharing, since wealth–constrained owner-managers are likely to be assuming large amounts of idiosyncratic risk when their wealth is concentrated in the firm they manage. One possible consequence of allocating a greater ownership structure to managers may be that they could choose to reduce the risk level of the firm in order to reduce their own level of idiosyncratic risk. Thus, any attempt to mitigate agency costs and improve firm performance by increasing managers' stakes in the firm may be partly offset by managers' actions that modify policies and actually acerbates agency costs in other dimensions (Capozza and Seguin, 2003). A major conclusion that may be drawn from these arguments is that insider ownership is a double edged sword that may affect firm performance in either direction.

The literature on foreign ownership, which is construed to be the participation in the ownership structure of a firm by non nationals, is rather sparse. However, there are two main arguments that support foreign ownership of firms in emerging economies like Nigeria. First, foreign firms are adjudged to possess more business experience and entrepreneurship than local firms and are, therefore, more dynamic in their management style. For instance, Laing and Weir (1999) contend that firms managed by dynamic foreign chief executives (CEOs) tend to perform better than other categories of firms. Estrin et al. (2001) also support the hypothesis that foreign firms perform better than private domestic firms in Bulgaria. Second, foreign firms have easier access to technical expertise, capital, spare parts and a host of other inputs which could provide support to the smooth running of firms located in transition economies.

2.3 Empirical Literature on the Relationship between Ownership Structure and Firm Performance

Following Berle and Means' (1932) thesis, a number of studies have investigated the relationship between corporate ownership structure and firm performance/value. A summary of the results of some of these studies is presented in Table 1 below.

Table 1. Summary of some Prior Studies Examining the Relationship between Ownership Structure and Firm Performance/Value

Author(s)	**Ownership Structure(s)**	**Results**
Demsetz and Lehn (1985)	Concentrated ownership	No significant relationship between concentrated ownership and firm value.
Morck, Shleifer and Vishny (1988)	Insider ownership	Significant non-monotonic relationship between insider ownership and market value.
Author(s)	**Ownership Structure(s)**	**Results**
McConnell and Servaes (1990)	1. Insider ownership 2. Concentrated ownership	Significant curvilinear relationship between firm performance and insider ownership. A positive but insignificant relationship between firm performance and concentrated ownership
Loderer and Martin (1997)	Insider ownership	Ownership does not predict performance but performance is negative predictor of ownership.
Craswell et al. (1997)	1. Insider ownership 2. Institutional ownership	Weak curvilinear relationship between ownership structure and firm performance.
Cho (1998)	Insider ownership	Firm performance affects ownership structure but not vice versa.
Demsetz and Villalonga (2001)	1. Insider ownership 2. Concentrated ownership	No significant relationship between concentrated ownership and firm performance. Negative relationship between firm performance and insider ownership.
Welch (2003)	1.Concentrated ownership 2. Insider ownership	Significant positive relationship between insider ownership based on accounting profit. No relationship based on Tobin's Q.
Sanda et al. (2005)	1. Insider ownership 2. Concentrated ownership	Significant positive relationship between concentrated ownership and firm performance. Significant negative relationship between insider ownership and firm performance
Bai et al. (2005)	1. Shareholding of largest shareholder 2.Concentration ownership 3. Insider ownership 4.Foreign ownership	Ownership concentration and foreign ownership is positively related to firm value. Negative relationship between the largest highest shareholder and firm value. Insider ownership is not related to firm value.
Kapopoulos and Lazaretou (2006)	1. Concentrated ownership 2. Insider ownership	Linear positive relationship between firm performance and ownership structure.
Farooque et al. (2007)	Insider ownership	Ownership does not have significant impact on firm performance. However, performance has significant negative impact on ownership.
Alonso-Bonis and Andrés-Alonso (2007)	1.Concentrated ownership 2. Insider ownership	Positive systematic and significant relation between ownership concentration and firm value. Positive and significant relation between insider ownership and firm value.

The major conclusions that can be drawn from these studies could be summarized as follows: (1) the effect of the dominant/largest shareholder on firm performance/value has received sparse attention in the empirical literature; (2) the relationship between concentrated ownership structure and firm performance/value has received fair attention in the empirical literature. Out of the 13 studies reviewed, 8 relate to this ownership structure; (3) a majority of the studies (12 out of 13) have considered the relationship between insider ownership and firm performance/value; and (4) the impact of foreign ownership structure on firm performance/value appears to have received scant attention in the empirical literature.

This study seeks to test four hypotheses on the phenomenon of interest:

H_1: There is no significant relationship between the shares held by the dominant shareholder and firm performance.
H_2: There is no significant relationship between ownership concentration and firm performance.
H_3: Insider ownership of shares is not significantly related to firm performance.
H_4:There is no significant relationship between foreign ownership and firm performance.

3. METHODODLOGY

3.1 Sample and data

The sample for this study comprises 73 firms listed on the Nigerian Stock Exchange (NSE) for the period 2001 to 2007. Two main criteria are used for inclusion of a firm in the sample: (a) availability of data related to ownership structures and firm performance measures, and (b) uninterrupted operation throughout the period. Furthermore, the banking sector was also excluded from the sample because it underwent a major reorganization leading to mergers and/or acquisitions of some banks by others. These criteria portend possible bias but our conjectures are that overcoming sample selection bias is empirically difficult for studies focusing on the impact of corporate governance mechanisms on ex post firm financial performance measures (reported by management) such as earnings per share, or externally determined by market forces, like market prices. Researchers must, therefore, rely on what is available in the public domain, which is an indication of good corporate governance practices. Moreover, the criteria used in sample selection are in tandem with those of prior studies such as Demsetz and Villalonga (2001), Sanda et al. (2005), Barako and Tower (2006), and Farooque et al. (2007).

3.2 Variable Definitions and Measurement

The econometric models used in this study utilize three sets of variables, namely, dependent, independent or explanatory, and control variables. The dependent variables represent the measures of firm performance that may be affected by corporate ownership structure. For market economies, it has been proved that the appropriate measures of performance could be the price of share, Tobin's Q and profits (see, for example, Demsetz and Lehn, 1985; Shleifer and Vishny, 1986). This study uses firm performance measures which utilize share price and profits, but does not use Tobin's Q for two main reasons. First, information on replacement cost, which is required for the computation of Tobin's Q, is not available on the firms investigated in this study. Second, since Tobin's Q is the ratio of valuation of shareholders to the market value of the firm's assets, at the margin, the shareholders' valuation will approximate to, and will be shown by, the firm's share price. Accordingly, the firm performance measures utilized in this study are market price per share (MPS) and earnings per share (EPS).

The explanatory variables are the corporate ownership structures under investigation. They include dominant shareholder (DOMSHR), concentrated ownership (CONOWN), insider ownership (INSOWN), and foreign ownership (FOROWN). Two variables are used to control for firm specific factors due to the possibility that a number of factors may jointly affect ownership structure or corporate performance and therefore induce spurious correlation between them (Welch, 2003). These control variables are firm size (FSIZE) and leverage (LEVER). Table 2 below sets out how each variable is measured and sourced.

Table 2. Variable Measurement and Sources

Variable	Measurement	Source(s)
Dependent		
MPS	Market price per share.	NSE daily performance reports.
EPS	Net profit after tax divided by the number of shares in issue.	Annual reports and accounts.
Independent		
DOMSHR	Percentage of shares held by the largest shareholder	Firm registrars/Annual reports and accounts.
CONOWN	Minimum number of shareholders that jointly control the firm.	Firm registrars/Annual reports and accounts.
INSOWN	The percentage of shares held by directors.	Firm registrars/Annual reports and accounts.
FOROWN	The percentage of shares held by foreign owners.	Firm registrars/Annual reports and accounts.
Control		
FSIZE	Total assets of the firm.	Annual reports and accounts.
LEVER	Total long term debts divided by issued equity.	Annual reports and accounts.

3.3 Specification of Regression Models

The Ordinary Least Squares (OLS) model is used to examine the relationship between corporate ownership structures and firm performance. The model is given as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + .. \beta_n X_n + e_i \qquad (3.1)$$

Where:

Y is the dependent variable or firm performance.

X_1, X_2, …..X_n are the independent variables or corporate ownership structures.

$\beta_0, \beta_1, \beta_2 \ldots \beta_n$ are the correlation coefficients. e_i is the random variable (i.e. an error term that accounts for the variability in the dependent variable which cannot be explained by the linear effect of the independent variables).

Based on the models used by Sanda et al. (2005) and Barako and Tower (2006), three equations are estimated. By substituting in equation (3.1), equation (3.2) is derived and estimated for each measure of performance, namely MPS and EPS.

$$FIRPER_i = \beta_0 + \beta_1 DOMSHR_i + \beta_2 CONOWN_i + \beta_3 INSOWN_i + \beta_4 FOROWN_i + e_i \quad (3.2)$$

where :
FIRPER represents firm performance; DOMSHR represents dominant shareholder structure; CONOWN represents concentrated ownership structure; INSOWN represents insider ownership structure; FOROWN represents foreign ownership structure; and other variables are as defined in section 3.1 above.

The next equation (3.3) is obtained by adding the natural logs of total assets to equation (3.2) in order to control for firm size. It is then estimated for each measure of firm performance.

$$FIRPER_i = \delta_0 + \delta_1 DOMSHR_i + \delta_2 CONOWN_i + \delta_3 INSOWN_i + \delta_4 FOROWN_i + \delta_5 FSIZE_i + e_i \quad (3.3)$$

Equation (3.4) is obtained by controlling for leverage. It is also estimated for each measure of firm performance.

$$FIRPER_i = \sigma_0 + \sigma_1 DOMSHR_i + \sigma_2 CONOWN_i + \sigma_3 INSOWN_i + \sigma_4 FOROWN_i + \sigma_5 FSIZEi + \sigma_6 LEVER_i + e_i \quad (3.4)$$

3.4 Model Validity and Reliability

The OLS method adopted in this study is a parametric statistical test that is based on a number of assumptions, the violation of which could affect the reliability of the results. Two of the most commonly encountered problems addressed in this study relate to normal distribution of the variables, and multicollinearity of the independent variables. The Jarque-Bera (JB) test for normality is used in this study because it is adjudged to be best suited for large samples (Gujarati and Sangeetha, 2007). Furthermore, skewness ratio analysis is used to compliment the JB tests. A summary of the results of the JB test and skewness ratio analysis, carried out on the data is presented in Table 3. The results indicate that FOROWN, INSOWN, MPS and EPS are not normally distributed at the 5% level. The skewness ratios are also in excess of 1.96 (at the 5% level of significance) for all these variables. As suggested by Burns and Burns (2008), a log transformation has been taken of the non-normally distributed variables in order to normalize them before the regression are carried out using SPSS version 16.0.

Table 3. Jarque-Bera Test and Skewness Ratio Analysis Results

Variable	Jarque-Bera (JB)	Skewness	Standard Error of Skewness	Skew Ratio
DOMSHR	49.40	-0.265	0.281	-0.943
CONOWN	885.63***	4.183	0.281	14.886
INSOWN	104.58**	2.471	0.281	8.794
FOROWN	62.21	-0.037	0.281	-0.132
MPS	118.79**	2.613	0.281	9.299
EPS	136.50**	2.570	0.281	9.146
FSIZE	42.92	-0.092	0.281	-0.093
LEVER	64.11*	2.168	0.281	7.715

*Significant at 10% level; **Significant at 5% level; ***Significant at 1% level.

Checks for multicollinearity among the explanatory variables generally are necessary because high correlations cause problems about the relative contribution of each predictor to the success of the model (Barako and Tower, 2006). Table 4 contains a summary of correlations between the independent and control variables collected for each company and the associated variance inflation factor (VIF) values. The highest correlation is between DOMSHR and FOROWN (Pearson correlation = 0.724). The suggestion in the empirical literature is that correlation between the independent variables is considered undesirable for multivariate analysis only if it exceeds 0.8 (see Barako and Tower, 2006; Gujarati and Sangeetha, 2007). An alternative measure of collinearity which is more vigorous and diagnostic is the VIF for the independent variables; the VIF for all the variables is less than 3 which is far less than 10 considered harmful for regression analysis (Barako and Tower, 2006). The correlation matrix and the VIF values, therefore, suggest that

multicollinearity does not present a challenge in this investigation.

Table 4. Correlation Matrix and VIF Values

Variable	DOMSHR	CONOWN	INSOWN	FOROWN	FSIZE	LEVER	VIF
DOMSHR	1.000						2.495
CONOWN	-0.394	1.000					1.461
INSOWN	-0.317	-0.091	1.000				1.341
FOROWN	0.724	-0.300	-0.284	1.000			2.201
FSIZE	0.327	0.201	-0.460	0.348	1.000		2.146
LEVER	0.197	0.250	-0.270	0.162	0.630	1.000	1.728

4. EMPIRICAL RESULTS

4.1 Descriptive Statistics

The starting point of this section is an analysis of the basic features of the data, using the descriptive statistics presented in Table 5. The table contains the minimum, maximum, mode, and mean values for all the dependent, independent and control variables, alongside their standard deviations.

Table 5. Descriptive Statistics

Variable	Minimum	Maximum	Mode	Mean	Standard Deviation
DOMSHR (%)	8.64	70.77	60.00	40.63	17.67
CONOWN (Nos.)	1.00	411.00	1.00	24.00	70.00
INSOWN (%)	0.02	72.70	0.05	7.93	14.56
FOROWN (%)	0.00	84.70	0.00	31.99	26.72
MPS (Kobo)	66.00	15,874.00	221.00	1,968.00	3,564.00
EPS (Kobo)	-196.00	882.00	-34.00	97.00	190.00
FSIZE (N'ms)	80.00	74,702.00	4,904.00	10,264.00	15,520.00
LEVER (%)	0.00	25.44	0.00	3.55	5.40

The descriptive statistics suggest that: (1) single shareholders predominantly control Nigerian firms, evidenced by a mode of one. (2) Insiders do not hold significant shares in Nigerian firms, with a mean insider holding of 7.93%. (3) Foreign ownership is not a dominant feature of Nigeria firms, evidenced by a mode of zero and mean holding of 31.99%. (4) Highly and lowly priced firms, revealed by MPS, are included in the study. The market prices of the shares range from 66 kobo to 15,874 kobo, with a mean price of 1, 968 kobo. (5) Healthy and non-healthy firms, indicated by EPS statistics, are investigated. For instance, the EPS range from a negative figure of -196 kobo per share to 190 kobo per share. (6) Small and large firms make up the sample. For example, the smallest firm has an asset size of N80 million, while the largest firm has assets in excess of N15 billion. (7) Leverage is sparsely patronized by Nigerian firms.

4.2 Regression Results

The results of the regression, based on Equation 3.2, are presented in Table 6 below.

Table 6. Coefficient Estimates for Equation 3.2

Variable	MPS			EPS		
	Standardized Beta coefficient	t-values	P-values (2-tailed)	Standardized Beta coefficient	t-values	P-values (2-tailed)
DOMSHR	0.098	0.528	0.599	-0.095	-0.470	0.640
CONOWN	0.185	1.251	0.215	0.089	0.549	0.585
INSOWN	-0.558	-4.654***	0.000	-0.414	-3.168***	0.002
FOROWN	0.045	0.316	0.753	0.239	1.521	0.133
Adjusted R^2	0.320			0.192		
F-Statistics	9.474***			5.282***		

*Significant at 10% level; **Significant at 5% level; ***Significant at 1% level

The explanatory power of the models, the adjusted R^2 is 32% for MPS and 19.2% for EPS. The low explanatory power of the model is an indication that factors, other than corporate ownership, jointly

account for the performance of the firms investigated. The F-statistics, which is used to assess the reliability of the regressions, are significant at 1% level for both measures of firm performance. This study finds an insignificant positive relationship between the dominant shareholder status (DOMSHR) and firm performance (MPS), and a negative but insignificant relationship between DOMSHR and firm performance (EPS). The null hypothesis, which states that there is no significant relationship between DOMSHR and firm performance is, therefore, accepted. The a priori expectation, based on theoretical arguments, is that a significant positive relationship should subsist between DOMSHR and firm performance. The evidence provided by this study is, however, at variance with the a priori expectation. It may be that Nigerian dominant shareholders are not favourably disposed to pursuing policies that could enhance the financial performance of the firms to the benefit of all shareholders.

The positive coefficients for CONOWN suggest that performance is positively related to ownership diffuseness, and vice versa. It can, therefore, be inferred that a negative but insignificant relationship exists between CONOWN and firm performance (MPS and EPS). The null hypothesis is, therefore, accepted. This finding is consistent with the findings of Demsetz and Lehn (1985), McConnell and Servaes (1990), Demsetz and Villalonga (2001), Adenikinji and Ayorinde (2001), but inconsistent with the results of other studies which find a significant relationship between concentrated ownership and firm performance (see Pivovarsky, 2003; Welch, 2003; Bai et al., 2005; Sanda et al., 2005; Kapopoulos & Lazaretou, 2007; Alonso-Bonis and Andrés-Alonso, 2007).

Furthermore, the evidence suggests that a significant negative relationship exists between INSOWN and firm performance (MPS and EPS). The null hypothesis is, therefore, rejected. This finding is consistent with the hypothesized negative relationship between insider ownership and firm performance (see Morck et al., 1988). The finding is also consistent with the evidence provided by Sanda et al. (2005) and Farooque et al. (2007). The latter argue that the negative relationship between insider ownership and firm performance among Bangladesh firms is because directors elect to sell shares during good times (at higher market prices), expecting good performance to be followed by poor performance. It could also be inferred that Nigerian directors, like their Bangladesh counterparts, elect to sell shares during good times which reduces their holdings in the high performance firms. This study's finding that insider ownership is inversely related to firm performance is, however, inconsistent with the proposition by Jensen and Meckling (1976) that borders on goal congruence between insiders and owners. A possible explanation for this inconsistency could be the absence of goal congruence among Nigerian insider owners who may not be technically sound but occupy managerial positions and also engage in tunneling.

The evidence generated from this study also suggests that an insignificant positive relationship exists between FOROWN and firm performance. This evidence is consistent with that provided by Bai et al. (2005) who find a positive but insignificant relationship between foreign ownership and firm value among Chinese firms. It is also consistent with the hypothesized positive association between foreign ownership and firm performance because foreign firms have easier access to technical expertise, capital, spare parts and a host of other inputs which could provide tremendous support to the smooth running of firms located in transition economies.

Table 7 reports the results of equation 3.3 which includes firm size (FSIZE) as a control variable.

Table 7. Coefficient Estimates for Equation 3.3

Variable	MPS			EPS		
	Standardized Beta coefficient	t-values	P-values (2-tailed)	Standardized Beta coefficient	t-values	P-values (2-tailed)
DOMSHR	-0.042	-0.271	0.787	-0.228	-1.279	0.205
CONOWN	-0.044	-0.340	0.735	-0.130	-0.874	0.385
INSOWN	-0.244	-2.156**	0.035	-0.115	-0.883	0.380
FOROWN	-0.043	-0.362	0.719	0.154	1.117	0.268
FSIZE	0.612	5.717***	0.000	0.584	4.730***	0.000
Adjusted R^2	0.536			0.385		
F-Statistics	17.647***			10.029***		

*Significant at 10% level; **Significant at 5% level; ***Significant at 1% level

The results in Table 7 show remarkable improvements in adjusted R^2 and F-statistics values, when FIZE is included as a control variable. This buttresses the fact that there are still other variables that jointly affect the performance of Nigerian firms, in addition to ownership. A prominent feature of the results is that there is change in the sign of the coefficients for the DOMSHR from positive to negative for MPS, compared to Table 6 results. There is also change in sign for CONOWN from positive to negative for both measures of firm performances. However, the relationship between these two

ownership structures (i.e. DOMSHR and CONOWN), and firm performance is still not significant. The relationship between INSOWN and firm performance remains negative for both measures of firm performance. It is, however, significant for MPS at 5% level but insignificant for EPS. The relationship between FOROWN and firm performance is still not significant at the 5% level, even though it has changed from positive to negative for MPS. However, FSIZE has a significant positive relationship with both measures of firm performance at the 1% level.

Table 8 reports the regression results based on Equation 3.4 which introduces leverage (LEVER) as another control variable in the models.

Table 8. Coefficient Estimates for Equation 3.4

Variable	MPS			EPS		
	Standardized Beta coefficient	t-values	P-values (2-tailed)	Standardized Beta coefficient	t-values	P-values (2-tailed)
DOMSHR	-0.194	-1.419	0.161	-0.373	-2.238**	0.029
CONOWN	-0.217	-1.867*	0.066	-0.294	-2.080**	0.041
INSOWN	-0.193	-1.972*	0.053	-0.066	-0.558	0.579
FOROWN	-0.097	-0.938	0.351	0.103	0.816	0.418
FSIZE	0.472	4.908***	0.000	0.450	3.841***	0.000
LEVER	0.439	4.969***	0.000	0.417	3.877***	0.000
Adjusted R^2	0.657			0.492		
F-Statistics	24.021***			12.613***		

*Significant at 10% level; **Significant at 5% level; ***Significant at 1% level

The table reports further improvements in the adjusted R^2 values for MPS (65.7%) and EPS (49.2%) compared to those in Table 7. The F-statistics are still significant at the 1% level for both measures of firm performance (i.e. MPS and EPS), an indication of the reliability of the model. The negative association between DOMSHR and firm performance (i.e. MPS and EPS) is maintained and this relationship is significant at 5% level for EPS. Similarly, the positive association between CONOWN and firm performance (MPS and EPS) is maintained and is significant at 5% level for EPS. Furthermore, the negative relationship between INSOWN and firm performance is still maintained but is not significant at 5% level. There is no change in the sign or level of significance for FOROWN. However, FSIZE has a significant positive relationship with firm performance at the 1% level for both measures of firm performance. Finally, there is a significant positive relationship between LEVER and firm performance (MPS & EPS) at the 1% level. In spite of this significant relationship, Nigerian listed firms sparsely patronize debt as revealed by the descriptive statistics.

5. SUMMARY AND CONCLUSIONS

This study is motivated by the desire to ascertain whether a significant relationship exists between four ownership structures and performance among Nigerian firms. This is underscored by first, the mixed results obtained by prior studies on the relationship between ownership structure and firm performance, and second Nigeria's changing policies on corporate ownership structure over the decades as part of measures to improve on the performances of SOEs. The empirical evidence generated in this study can be summarized as follows: (1) A negative but insignificant relationship subsists between the dominant shareholder structure and firm performance; (2) A negative but insignificant relationship exists between concentrated ownership and firm performance; (3) Insider ownership of shares is inversely and significantly related to firm performance; and (4) There is positive but insignificant relationship between foreign ownership and firm performance. In arriving at these findings, the results, in some cases, were subjected to robustness checks. For instance, in the regression analysis, two control variables were introduced, one for firm size (FSIZE), and the other for leverage (LEVER). Both control variables were found to be positively and significantly related to firm performance.

Two major conclusions, which have implications for policy makers and corporate Nigeria, are derived from the study. First, since ownership structures such as, dominant shareholding, concentrated ownership, and foreign ownership are not major determinants of performance among Nigerian firms, the use of these ownership structures as governance mechanisms by government and corporate boards should be reconsidered in subsequent polices that may affect ownership structure in Nigeria. Second, the significant negative relationship between insider ownership and firm performance evidenced by this study suggests that insider ownership of Nigerian firms is to be monitored closely by shareholders. This study, however, calls for further investigations into

the relationship between ownership structure and firm performance among Nigerian firms, because knowledge of this relationship is very important to Nigeria, far too important to be left to the evidence provided by a few studies. The investigations should focus on a wider sample size, including particularly the banking sector that is the engine of economic development. Furthermore, because of the low explanatory powers of the models, more control variables that are likely to affect firm performance, such as research and development, advertising, and managerial compensation schemes could be used.

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