OWNERSHIP STRUCTURE AND FIRMS' VALUE OF SELECTED CONSUMER MANUFACTURING FIRMS LISTED ON THE NIGERIAN STOCK EXCHANGE

[1]James Obioma Nelson, [2]Egbunike, Patrick Amaechi, and [3]Adeniyi, Segun Idowu

[1,2 &3] Department of Accountancy, Nnamdi Azikiwe University, Awka
Email address: jamoby87@gmail.com

Abstract

The study focused on effect of managerial ownership, institutional ownership and foreign ownership on firm value among selected consumer goods manufacturing firms on the Nigeria Stock Exchange. The study covers the period of 2011 2020. Ex-post facto research was used in this study. The participants in this study were twenty-eight consumer products manufacturing companies that were publicly traded on the Nigerian Stock Exchange. Our sample population of fourteen consumer products manufacturers was chosen using a purposeful sampling strategy. This study observed that there is significant relationship managerial ownership, institutional ownership and foreign ownership and firm value of selected consumer goods manufacturing firms on the Nigeria Stock Exchange. The study recommends among others that government should make and implement policies that will induce direct foreign investment in our domestic firms. This will help to increase market values of our firms.

Keywords: Managerial ownership; Institutional ownership; foreign ownership; Firm value

Introduction

One of the most important internal mechanisms of corporate governance is the ownership structure. There is a prevalent belief that who owns a firm has a significant impact on its value. It is appropriate because an owner has significant power in appointing management, which will influence the company's future course. As indicated by existing studies, there is a notion that ownership structure influences business value enhancement. Studies on corporate governance, show that organizations with good ownership structure practices have better access to cheaper funding, higher performance, and better value in the capital market (Claessens & Yurtoglu, 2013).

Claessens and Yurtoglu (2013) believe that effective corporate governance frameworks raise market valuations because improved governance practices encourage companies to improve the efficiency of their investment decisions, resulting in more future cash flows given to shareholders. However, various owners may have different goals and time frames for making decisions (Barnea & Rubin, 2010). The correlations between the different sorts of owners and the firm's value are worth investigating.

The ownership structure can be in three categories: managerial, institutional, and foreign ownerships. Institutional investors are typically large and may own a significant portion of a company's stock; managers are the best informed about the company's situation and often have the most significant influence on its strategy and investments; and foreign investors are likely to differ from domestic investors in terms of their preferences, time horizons, and the extent of the information asymmetry problem (Won, Chang & Martynov, 2011). We expect different owners to have different preferences as a result of these variations.

Some studies including Siallagan and Mas'ud, (2006); Diyah and Erman (2007), and Sujoko and Ugy, (2007) found a negative significant relationship between ownership structure and firm value. Kumar (2004), Rachmawati and Hanung (2007), Chevalier *et al.*, (2006), Umar and Ali (2004) found a positive significant relationship between ownership structure and firm value in their various studies. The findings in related studies are inconsistent and inconclusive. However, the majority of researches did not focus on consumer goods manufacturing companies, which are key drivers of Nigeria's economic development. As a result, this study aims to determine the effect of ownership structure on firm value among selected listed consumer goods manufacturing firms in Nigeria.

The specific objectives of the study are to ascertain the effect of managerial ownership on firms' value; to determine the effect of institutional ownership on firms' value; and to ascertain the effect of foreign ownership on firms' value. The study also hypothesized: Managerial ownership does not have significant effect on firms' value of selected listed consumer goods manufacturing firms in Nigeria; there is no positive significant relationship between institutional ownership and firms' value of selected listed consumer goods manufacturing firms in Nigeria; and foreign ownership does not have significant effect on firms' value of selected listed consumer goods manufacturing firms in Nigeria.

Review of Related Literature

Conceptual review

Ownership Structure

Ownership structure according to Jaya, Bambang and Endang (2017), is the mechanism used by corporate governance (that includes corporate policies, control system and guidelines) required for the proper management of corporations and for reducing inefficiencies in companies. Ownership structure can be seen as how equity shares of organisations are owned, held and distributed among various equity shareholders in the organisation. Uwuigbe, et al. (2017) sees ownership structure as the total number of equity shares owned by shareholders. In this study, three ownership structure was used - managerial, institutional and concentration of ownerships.

Theoretical framework

Agency theory

According to agency theory, a conflict of interest between the principal agent and the company's performance emerges when each party tries to achieve the desired level of prosperity. Conflicts of interest between agents and principals are referred to as the agency dilemma (Setiawan, Merita & Mery, 2006). Party managers, as agents, have a better understanding of the company's capabilities and hazards, whereas the principals (owners / investors) have less knowledge of internal difficulties. Managers have access to information on the company's management procedures. While the owner as an individual/institution possesses only a tiny amount of information about the company's overall state. As a result, the owners hardly comprehend the manager's judgments, and shareholders are not very interested in learning how to run the company (Nurfauziah & Harjito, 2006).

Indeed, agency theory emphasizes the importance of the board of directors in resolving conflicts of interest between shareholders and management in a company. From an agency theory standpoint, the board's function is to address agency problems between managers and shareholders by setting compensation and dismissing managers who do not create value for the shareholders (Carter, Simkins, & Simpson, 2003).

Bebchuk and Weisbach (2010) agree that shareholders elect the board of directors who oversee management's activities on their behalf as a governance mechanism. Thus, the shareholders nearly always exert pressure on management to increase the firm's value. As a result, this research is based on agency theory.

Empirical review:

Siallagan and Mas'ud (2006), Diyah and Erman (2007), and Sujoko and Ugy (2007), showed that management ownership has a detrimental impact on business value since it causes the market to react negatively. Increased managerial ownership is viewed as a negative by the market since it will be more geared toward management's interests while other parties' interests will be ignored. Lua, Grace and Yung-Cheng (2007), Harjito dan Nurfauziah (2006), and Kumar (2004) found no effect of managerial ownership on firms' value because management has no control over firm policy. Because institutional investors are made up of professionals who are capable of evaluating firm performance through informal discussions with management, direction in operations, and decision making, ownership by institutional investors has a positive impact on firm value (Kumar, 2007; Rachmawati & Hanung, 2007).
Institutional ownership has a detrimental impact on firm value (Sujoko & Ugy, 2007). Wahyudi and Hartini (2006) and Diyah and Erman (2007) showed that institutional ownership has no effect on firm value; however, indirect institutional ownership has an association with firm value through control mechanisms toward management, in which institutional owners conduct intense control on managers so that managers

reduce their intention to add more share ownership, the market reacts positively and it leads to increase in firm value.

Foreign ownership has a favorable effect on business value (Chevalier *et al.*, 2006; Umar & Ali, 2004). Foreign investors could provide access to the international market for management expertise and technology, allowing the company to strengthen its operations. Foreign investors, in general, are far more capable in management due to their expertise and resources (Lee, 2008).

Methodology

The study focused on how ownership structure affects firm value in Nigeria. This study covers listed consumer goods manufacturing firms listed on the Nigeria Stock Exchange for the period of 2011 to 2020. *Ex-post facto* research design was used. The participants in this study were twenty-eight consumer products manufacturing companies that were listed and quoted on the Nigerian Stock Exchange. The sample population of fourteen consumer products manufacturers was chosen using a purposeful sampling strategy. The manufacturing companies whose yearly financial reports and accounts were up to date as of December 31, 2020, and could be accessed on their corporate website or Nigeria Stock Exchange factbook were selected. The sample population include: Nestle Nigeria; Guinness Nigeria; PZ Cussion Nigeria; GSK Nig. Plc; Cadbury Nigeria Plc; Fidson Nigeria Plc; Nigerian Flour Mills Plc; Dangote Sugar Plc; International Breweries Plc; Nigerian Breweries Plc; Unilever Nigeria Plc; Evans Nigeria Plc; Morison Industry Plc; and Honey well flour mills Plc. The secondary source of data used for this study include those data obtained from Nigerian Stock Exchange Fact-book and Annual Reports and Accounts of the selected listed companies.

Model specification:

The linear regression model guiding the research is adopted from the studies of Kumar (2004); Rachmawati and Hanung (2007); and Bebchuk and Weisbach (2010). The model is modified by as follows:

$$FIVUE = f\ (Mgrow, Insow, Fonow) \qquad (i)$$

Explicitly, the regression models are:

$$FIVUE_{it} = \beta_0 it + \beta_2\ Mgrow_{it} + e_{ij} \qquad (ii)$$
$$FIVUE_{it} = \beta_0 it + \beta_1\ Insow\ it + e_{ij} \qquad (iii)$$
$$FIVUE_{it} = \beta_0 it + \beta_1\ Fonowit + e_{ij} \qquad (iv)$$

Where:
FIVUE = firm value
Mgrow = managerial ownership
Insow = institutional ownership
Fonow = foreign ownership
$_{it}$ = time period of study

β_0 = intercept (constant value)
e_{ij} = error term
β_1 = coefficient of the independent variable
$\beta > 0$; $r2 > 0$.

Measurement of variables

The dependent variable, firm value was measured by Tobin's Q Ratio. Harjoto and Jo (2011); Omar and Zallom (2016) Tobins' Q Ratio formular was adopted for this study. Tobins' Q Ratio was calculated by: Number of shares x market price at 31 December + Total liabilities) scaled by Total assets.

Managerial ownership, institutional ownership, and foreign ownership are used to proxy the independent variable (ownership structure). Managerial ownership is measured as the number of shares owned by top executives divided by the total number of shares outstanding. The institutional ownership is measured as the total number of outstanding shares divided by the number of shares owned by institutional investors. Foreign ownership, which is defined as the percentage of shares owned by foreign investors as a fraction of the total number of shares.

Results and Discussion

Hypothesis One

Ho: Managerial ownership does not have significant effect on firms, value of selected listed consumer goods manufacturing firms in Nigeria.
Hi: Managerial ownership has significant effect on firms value of selected listed consumer goods manufacturing firms in Nigeria

Table 1 : ANOVA[a] Result: Managerial ownership and firms' value

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	24568541310.576	1	24568541310.576	35.083	.000[b]
1	Residual	67929282635.969	97	700301882.845		
	Total	92497823946.545	98			

a. Dependent Variable: firm value
b. Predictors: (Constant), managerial ownership

Table 2: Regression Coefficient for Managerial ownership and firms' value

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-28962.815	11155.214		-2.596	.011
	managerial ownership	6125.942	1034.251	.515	5.923	.000

a. Dependent Variable: firm value

Table 3: Model Summary for Managerial ownership and firms' value

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.515[a]	.266	.258	26463.21755	.461

Note: $r^2 = 26$, $f(1,97) = 35{,}083$, $p = .000$

R square and adjusted R square are 0.266 and 0.258 respectively, according to Table 3: model summary. This means that managerial ownership accounted for 26.6 percent of the difference in company value observed among the sampled group. In addition, Table 1 (ANOVA Table) shows that managerial ownership is statistically significant in predicting firm worth among selected listed consumer products manufacturing firms, because the probability value obtained (p-value), 0.00, is less than 0.05 (P 0.05). Table 2 confirmed this, with the coefficient of management ownership indicating a positive (T, 5.923) impact on company value.

Decision: Since p-value obtained from Table 1 (ANOVA) is 0.000 which is less than 0.05, we accept the alternate hypothesis and reject the null hypothesis which state that managerial ownership has significant effect on firms' value of selected listed consumer goods manufacturing firms in Nigeria.

Hypothesis Two:

Ho: There is no positive significant relationship between institutional ownership and firms' value of selected listed consumer goods manufacturing firms in Nigeria.

Hi: There is positive significant relationship between institutional ownership and firms' value of selected listed consumer goods manufacturing firms in Nigeria.

Table 4 : ANOVA[a] Result: institutional ownership and firm value

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	70412099693.979	1	70412099693.979	309.248	.000[b]
	Residual	22085724252.567	97	227687878.892		
	Total	92497823946.545	98			

a. Dependent Variable: firm value

b. Predictors: (Constant), institutional ownership

Table 5: Regression Coefficient for institutional ownership and firm value

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6629.368	2222.688		2.983	.004
	institutional ownership	40573.331	2307.209	.872	17.585	.000

a. Dependent Variable: firm value

Table 6: Model Summary for institutional ownership and firm value

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.872[a]	.761	.759	15089.32997	.596

Note : r^2 = 76 , f (1, 97) = 309,248, p = .000

From Table 6: model summary, the R-square and adjusted R square are 0.761 and 0.759, respectively. This means that institutional ownership accounted for 76.1 percent of the variation in company value observed among the sampled population. Furthermore, Table 4 (ANOVA Table) shows that institutional ownership is statistically significant in predicting company value among chosen publicly traded consumer products manufacturing firms, because the probability value obtained (p-value), 0.00, is less than 0.05 (P 0.05). This was corroborated in Table 5, where the coefficient of institutional ownership demonstrated that institutional ownership has a positive (T, 17.585) impact on company value.

Decision: Since p-value obtained from Table 1 (ANOVA) is 0.000 which is less than 0.05, we accept the alternate hypothesis and reject the null hypothesis which state that institutional ownership has significant effect on firms' value of selected listed consumer goods manufacturing firms in Nigeria.

Hypothesis Three:

Ho: Foreign ownership does not have significant effect on firms' value of selected listed consumer goods manufacturing firms in Nigeria.
Hi: Foreign ownership does not have significant effect on firms' value of selected listed consumer goods manufacturing firms in Nigeria.

Table 7 : ANOVA[a] Result: Foreign ownership and firms' value

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	25824584000.962	1	25824584000.962	37.571	.000[b]
	Residual	66673239945.583	97	687352989.130		
	Total	92497823946.545	98			

a. Dependent Variable: firm value
b. Predictors: (Constant), Foreign ownership

Table 8: Regression Coefficient for foreign ownership and firms' value

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	75376.818	7063.697		10.671	.000
	foreign ownership	-191830.115	31296.086	-.528	-6.130	.000

a. Dependent Variable: audit quality

Table 9: Model Summary for foreign ownership and firms' value

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.528[a]	.279	.272	26217.41767	.618

Note: r^2 = 27, f (1,97), = 37,571, p = .000

Table 9: model summary shows that R square and adjusted R square are 0.279 and 0.272, respectively. This means that foreign ownership was responsible for 27.2 percent of the difference in firm value observed among the sampled group. Furthermore, Table 7 (ANOVA Table) shows that foreign ownership is statistically significant in predicting company value among chosen publicly traded consumer products manufacturing firms, because the probability value obtained (p-value), 0.00, is less than 0.05 (P 0.05).

Decision: Since p-value obtained from Table 7 (ANOVA) is 0.000 which is less than 0.05, we accept the alternate hypothesis and reject the null hypothesis which state that foreign ownership has significant effect on firms' value of selected listed consumer goods manufacturing firms in Nigeria.

Discussion

The first hypothesis claims that managerial ownership has a considerable effect on the firms' value of quoted consumer goods manufacturing companies in Nigeria. It was discovered that managerial ownership had a beneficial effect on the firms' value of a company. This finding implies that management will attempt to influence firm policy in order to increase firms' value as a result of their investment in the company. This contradicts Kumar (2004), Diyah and Erman (2007), and Sujoko and Ugy (2007), who found no influence of managerial ownership on business value.

Hypothesis two demonstrates that institutional ownership has a significant effect on the firms' value of quoted and listed consumer goods manufacturing companies in Nigeria. This research found that institutional investors, who are experts capable of analyzing business performance through informal discussions with management, operational direction, and decision-making, can have effect on the firm's value. This finding is in line with the findings of Rachmawati and Hanung (2007) and Kumar (2004), who claim that institutional ownership has a considerable impact on firm value. The practical implication of this finding is that institutional ownership exercise some control mechanism on managers to safe-guard their investment in the firm and improve firms' value.

Hypothesis three demonstrates that foreign ownership has significant effect on the value of listed consumer goods manufacturing companies in Nigeria. Foreign ownership was discovered to have a positive substantial association with business value. The practical implication of this conclusion is that foreign investors may be able to gain access to the international market for management talent and technology, allowing the company to better its operations. This research backs up Umar and Ali (2004) and Lee (2008), who claim that foreign ownership has a considerable impact on firm value.

Conclusion

Managerial ownership has a considerable effect on firms' value of selected listed consumer products manufacturing firms in Nigeria. Institutional investors, who are professionals capable of analyzing a firm's performance through informal discussions with management, operational direction, and decision-making, can have an impact on the firm's value. Foreign ownership has a considerable positive link with the value of a company. The practical implication of this conclusion is firms should aim at having ownership structure that should be mixed in order to maximize potentials of acquiring market shares and improving the on the firm's value.

Recommendations

Based on the findings of this study, the following recommendations are made:

1. The study found that managerial ownership has significant effect on firm value of sample population, therefore regulatory authority should make it compulsory for management team to be stock holders in their respective firms. This will encourage them to involve in firm policy that will improve their firm value.
2. The study discovered that institutional ownership has significant effect on firm value of sample population, therefore firms should encourage potential institutions to invest their company in order to enhance their firm value.
3. The study discovered that foreign ownership has significant effect on firm value of sample population; therefore government should make and implement policies that will induce direct foreign investment in the domestic firms. This will help to increase market values of listed consumer manufacturing firms in Nigeria.

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