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Effect of Ownership Structure on Performance of Quoted Financial Firms in Nigeria

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Abstract

This study investigates the relationship between ownership structure and firm performance of quoted Nigerian financial firms in Nigeria. This study employs an Ex post facto research design, utilizing data extracted from annual reports of the financial firms listed on the Nigerian Exchange Group (NGX) between the years 2014 to 2023. The population of interest consists of 48 listed financial firms. Secondary data from the firms' annual reports were collected and analyzed using fixed effect panel regression analysis as specified by Hausman test. The findings reveal significant positive effects of managerial ownership, institutional ownership, and ownership concentration on firm performance. These results align with established theories such as agency theory and stewardship theory, as well as previous empirical studies in the field of corporate governance and ownership structure. The study concludes that increasing managerial ownership can align the interests of managers with shareholders, leading to improved firm performance. Attracting institutional investors who bring expertise, monitoring capabilities, and long-term investment perspectives can also contribute to enhanced firm performance. Furthermore, careful management of ownership concentration can enhance monitoring and decision-making efficiency, align shareholder interests, and reduce agency costs. However, the study finds no significant impact of foreign ownership on firm performance in the Nigerian context. This suggests the need for further research to better understand the specific dynamics and potential implications of foreign ownership in the Nigerian financial industry, considering factors such as regulatory restrictions, cultural differences, and information asymmetry.

Keywords: Firm Performance, Managerial Ownership, Institution Ownership, Ownership Concentration, Foreign Ownership, Financial Firms.

1.0 Introduction

The onset of the 21st century witnessed a series of global corporate scandals, the 2007/2008 global financial crisis, and more recent collapses such as Carillion, Patisserie Valerie, and London Capital and Finance in the UK. Similarly, South Africa's state-owned entities like Transnet, Eskom, and South African Airways, along with the 1MDB scandal in Malaysia have drawn significant political and regulatory attention to ownership structures, revealing substantial corporate governance failures (Abdullah et al, 2017). These events have prompted intense scrutiny from investors, the media, governments, and other stakeholders, highlighting various aspects of ownership (Tugman & Leka, 2019). Consequently, the effectiveness of corporate governance mechanisms, ownership models, and regulatory frameworks has become a pressing global concern due to the fallout of numerous prominent companies from these scandals, failures, and financial crises.

The Nigerian financial sector is one of the sensitive sub-sectors for economic growth and development, therefore, it should be a sector expected to be monitored seriously to prevent abusive financial practices which may not be in favour of the shareholders, investors and any other stakeholders that uses financial industry. This is because financial firms provide financial services for consumers and to industrial,

commercial, or agricultural enterprises (CBN, 2013). Despite the existence of many corporate governance mechanisms a lot of corporate failures and financial scandals (Oceanic bank, intercontinental Bank, diamond bank etc.) were perpetrated by the management of both financial and non-financial firms in Nigeria. This therefore brought about doubt in the minds of shareholders and investors on the credibility and reliability of financial firms in Nigeria.

Additionally, the Nigerian capital market has witnessed a dramatic decline in performance which was a result of firm declining performance where several firm especially the Nigerian financial sector. A clear example is the recent delisting of several financial firm which include, Acen Insurance Plc. in 2008, Confidence Insurance Plc in 2012, Continental Reinsurance Plc in 2017, Diamond Bank Plc, in 2019, Fortis Microfinance Bank in 2019 etc. This financial crisis has completely eroded the confidence of both domestic and international investors in investing in the Nigerian stock market. This situation sparked an intensive debate, which sought to explain the cause of such deterioration. One of the fundamental causes of such deterioration within the firms has been attributed to the ineffectiveness of the corporate governance system and its mechanisms particularly ownership structure (Shehu, 2011).

Prior studies on ownership structure and firms' performance in both developing and developed countries have reported differences in their findings. While some authors such Etale and Yalah (2022), Suleiman and Nasamu (2021), and Abdul et al (2020) report significant effects of ownership structure on the performance of firms, others such as Khadijat and Rodiat (2018), abosede (2022) and Tahir et al (2015) report insignificant effects of ownership structure on firms' performance. The differences in their locations, methodologies, and sectors made their findings differ. These divergent findings could also be as a result of differences in the choice of variables used for ownership structure and also those of firms' performance.

The current study focuses on the specific ownership structure variables managerial ownership, institutional ownership, ownership concentration and foreign ownership and the performance variable Tobin's Q. The choice of the variables is substantiated by previous literatures that relied on the same variables. The study limited its scope to the financial firms and covers a period of ten (10) years from 2014 to 2023. This period is considered suitable because it is the period in which the sector was working towards strengthening their activities due to the global financial crisis which had negatively affected their performance. Thereby leading to their liquidation and of several financial firms in Nigeria.

The findings of the study will inform the management and shareholders how it is imperative for financial firms to determine the proportion of ownership in order to obtain ownership structure that will optimize the value of the firm. The study is desirable to both current and potential investors in Nigeria generally, to understand the ownership structure behavior of financial companies and consequently decide on whether or not to invest in the companies. The empirical evidence of the study will help to strengthen existing regulatory policies that would enhance board membership composition of companies quoted on the NSE. The study will inevitably serve as a good library material for students and researchers who intend to carry out similar studies in this area.

2.0 Literature Review and Hypotheses Development

Ownership Structure

Ownership structure is seen as the classes or group of owners that exercise control over activities of a firm. Various scholars have different definition for ownership structure. According to Demstz and Lehn (1983), 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. This definition is concerned with the ownership dynamics within a company and the degree of control or influence that a limited number of significant shareholders have over the firm. It suggests that the ownership structure can significantly impact the company's behavior and decision-making processes. Therefore, this study adopts the definition advanced by Gharbi (2010) which viewed Ownership structure as the combination of ownership concentration, managerial ownership, institutional ownership and foreign ownership. This definition underscores the importance of understanding how different ownership groups can influence a company's governance and strategic decisions as well as can significantly impact the company's governance, strategy, and performance.

Empirical Literature

Muhammad and Juli (2022) examined the effects of various ownership structures—managerial, family, and institutional, block holder, and board of directors—on firm performance, measured by Return on Assets (ROA), in consumer goods companies listed on the Indonesian Sharia Stock Index (ISSI) from 2015 to 2018. Using a purposeful sampling technique, the study analyzed 32 businesses with 128 observations and employed SPSS for data analysis. The results showed that institutional ownership negatively affected firm performance, while family and managerial ownership had no effect. However, board of directors' and block holder ownership positively impacted performance. The small sample size may limit the generalizability of the findings, and the use of ROA as the sole performance measure without considering market value limits the study's conclusions. Additionally, more clarity is needed on how ownership types were measured. The study's reliance on internal performance measures like ROA may render its findings less comprehensive.

Obosede et al. (2020) investigated the relationship between ownership structure and firm value in Nigeria, using a sample of thirty listed companies from 2001 to 2008. The study used managerial ownership, institutional ownership, and ownership concentration as proxies for ownership structure, and employed pooled OLS for estimation while controlling for four firm-specific characteristics. The results revealed a negative and significant relationship between ownership structure and firm value. However, the findings may not be applicable to financial firms. The study acknowledges the validity of pooled OLS but also highlights potential limitations, such as assumptions about error independence and homoscedasticity, suggesting the need for additional econometric techniques for robustness.

Tijjani et al (2023) examined the impact of CEO ownership on the financial performance of Nigerian listed firms from 2016 to 2022. Using a sample of 94 companies, drawn from 157 listed firms on the Nigerian Exchange Group, the research analyzes 658 firm-year observations. Secondary data from annual reports was used, and the study employed descriptive statistics, correlation, and panel corrected standard error (PCSE) analyses. The findings show a significant positive relationship between CEO ownership and financial performance, indicating that higher CEO ownership leads to improved firm outcomes. However, further clarity on the sampling process, inclusion of control variables, and exploration of causality could strengthen the study.

Abedin, et al (2022) investigated the impact of institutional ownership on firm performance in the Bangladeshi setting. Using the Ordinary Least Square (OLS) estimation technique based on a sample of 180 listed firms from 2008 to 2018, Consistent with the "active monitoring" view, the results indicate that both domestic and foreign institutional investors have a positive effect on firm performance measured by Tobin's Q and Return on Asset (ROA). In addition, this study explores whether the other corporate

governance attributes- board size and board independence operate as mediators between institutional ownership and firm performance. Our findings indicate that both board size and board independence have a significant positive impact on the relationship between institutional ownership and firm performance. However, the findings of this study are not applicable to financial firms in Nigeria thereby justifying the present study.

Using secondary data from 53 listed firms in Nigeria, Musa (2023) investigated the moderating effect of institutional ownership on the relationship between board attributes and auditor selection among listed financial service firms in Nigeria from 2007 to 2020. It examines whether institutional shareholding influences the relationship between board size, independence, gender diversity, and meeting attendance, and auditor selection. The study employed a correlational research design and logistic regression for analysis. The findings reveal that institutional ownership strengthens the impact of board gender diversity and meeting attendance on auditor selection, suggesting that increased monitoring by institutional investors encourages managers to hire industry-specialist auditors, enhancing firm value.

Suzana et al (2020) examined the relationship between ownership concentration and performance of the Slovenian join stock companies, with special focus on the comparison of performance of state- and privately- owned joint stock companies and ownership concentration. The empirical analysis employs firm-level annual financial reports data and data on ownership structure of all Slovenian join stock companies for the 2005–2017 period. Using panel regression analyses they find that Slovenian state-owned joint stock companies are less profitable than their privately-owned counterparts. Using firm-level annual financial reports and ownership structure data from all Slovenian joint-stock companies for the 2005–2017 period is comprehensive and provides a wide-ranging dataset. However, the study the sample is not representative of the entire population of Slovenian joint-stock. Also, the study focuses only ownership concentration and performance, specifically comparing state-owned and privately-owned joint-stock companies. It is crucial to provide detailed information on how ownership concentration and performance metrics were measured and calculated to ensure the accuracy and reliability of the analysis. In contrast, they do not observe statistically significant relationship between ownership concentration and firm performance. The study did not specify sample size for the study it becomes challenging to generalize the findings of the study to a larger population.

Khadijat and Rodiat (2018) investigated the impact of institutional ownership on the firm value of Nigerian deposit money banks, using a sample of 15 banks listed on the Nigerian Stock Exchange over a nine-year period (2008-2016). They employed secondary data obtained from the audited reports of these banks, analyzing it through the System Generalized Method of Moments. The findings indicated a positive and significant relationship between institutional ownership and financial performance. However, the small sample size may limit the generalizability of the results to the wider population of Nigerian deposit money banks. A larger and more diverse sample could yield more representative findings.

Abdul and Joel (2020) explored the relationship between ownership structure and the performance of non-financial firms listed in Nigeria, using secondary data from 40 companies. The study examined factors such as managerial ownership, ownership concentration, foreign ownership, institutional ownership, Tobin's Q, return on assets (ROA), return on equity (ROE), and earnings per share (EPS), analyzing the data through canonical correlation. The results showed that managerial and foreign ownership were the most significant ownership structures. Tobin's Q, EPS, and ROA were the key performance indicators. Ownership concentration, foreign ownership, and institutional ownership were

positively correlated with firm performance, indicating improved outcomes. However, managerial ownership had a negative correlation with firm performance, suggesting lower performance with higher managerial ownership. The study, while similar to other research, differs in its variables and sample, and its findings are not applicable to Nigeria's financial sector.

Mohammad and Faudziah (2018) investigated the relationship between foreign ownership and firm performance in Jordanian firms, using OLS regression to test this association. The study analyzed data from 228 industrial and service firms, aiming to fill a gap in the literature by examining ownership structure's impact on firm performance in Jordan, an emerging market. The results revealed a significantly positive relationship between foreign ownership and firm performance. While the sample size of 228 firms is reasonable, the study's external validity may be limited if the sample is not fully representative of all Jordanian firms.

Suleiman and Nasamu (2021) conducted a study on the effect of foreign ownership on the firms` value and financial performance of listed oil and gas companies in Nigeria for the period of 2006-2019. Secondary data was extracted from the financial reports and accounts of the sample companies. Robust OLS as the best estimator of the regression model was used to analyze the data extracted. The study found that foreign ownership has a positive significant effect on the firms` value and financial performance of oil and gas companies in Nigeria. However, the study only made use of one ownership structure attribute, ignoring others that are equally of immense importance. Meanwhile, this current study integrates other attributes. Based on the review of literature, the study proposed the following hypotheses.

H1: Managerial ownership has no significant effect on the performance of Quoted financial firms in Nigeria.

H2: Institutional ownership has no significant effect on the performance of Quoted financial firms in Nigeria.

H3: Ownership concentration has no significant effect on the performance of Quoted financial firms in Nigeria.

H4: Foreign ownership has no significant effect on the performance of Quoted financial firms in Nigeria.

Theoretical Framework

The agency theory, which has its root from the classical work of Berle & Means (1932), but modernized by Jensen and Meckling (1976). Jensen and Meckling (1976) defines an agency relationship as a contract that involves one or more people (principal) with other parties (agent) to do something according to the principal's wishes. This contract includes the delegation of authority in making decisions from shareholders to the company. According to Lawrence (2023), agency theory contends that a division of ownership and control causes manager and owner interests to diverge. If the shareholder (principal) and company (agent) try to maximize their respective profits, it concludes that the agent will not always carry out the principal's wishes. When applied in the context of a company, the concept of principal and agent means the principal is the shareholder or other stakeholder, while the agent is the internal party of the company where stakeholders invest or delegate authority. The perspective of agency theory confirms that the separation of ownership and corporation control will certainly lead to agency issues when manager's motives is not to maximize company performances such as: ignoring his responsibility, enriching his own properties, and rent extraction (Olanisebe et al, 2023).

The theory According to Shleifer and Vishny (1988) can be used to predict and explain behaviors and decisions in situations where there is a separation of ownership and control. The agency theory is so related to this study in the sense that it underlies the relationship between ownership structure, firm performance and firm value. The shares held by various class of individuals and institutions will cause these shareholders to have control or power to force the company to run optimally, both in operational, investment, and other corporate activities. The manager who also owns shares in a company will maximize all his abilities and powers such as investment decisions, funding decisions, and so on to achieve the best company performance. If the company's performance has been able to meet the shareholders' expectations, they consider that the company's share price deserves a high value. The agency theory is so related to this study in the sense that it underlies the relationship between ownership structure, firm performance and firm value. The shares held by various class of individuals and institutions will cause these shareholders to have control or power to force the company to run optimally, both in operational, investment, and other corporate activities.

3.0 Methodology

This study used Ex post facto research design. Data were extracted from quoted financial firms in Nigeria. The population of this study is made up of financial firms listed on the floor of the Nigerian Exchange Group (NGX) from year 2014 to 2023. The data used in this study was collected from secondary sources only. The data were extracted from the firm's annual report. Panel regression was used, and Stata 17 was employed as the data analysis tool.

Model Specification

$$TOBIN'S\ Q_{it}=\beta 0+\beta_1 MOW_{it}+\beta_2 INSTO_{it}+\beta_3 OWC_{it}+\beta_4 FOW_{it}+ei \quad (1)$$

Where:

TOBIN'S$_{it}$ = Dependent Variable (Performance of financial firms)

β0=constant (coefficient of β intercept)

MOW_1= Managerial ownership

$INSTO_2$= Institution ownership

OWC_3= Ownership concentration

FOW_4= Foreign ownership

β_1- β_4= Regression coefficients of the 4 independent Variables.

Table 1: Variables Measurement

S/N	Variable	Measurement	Content Validity
1	Tobin's Q (TQ)	TQ (Tobin's Q: [equity market value + liabilities book value] over [equity book value + liabilities book value])	Abdul & Joel (2020) Suleiman & Nasamu (2021)
2	Managerial Ownership (MOW)	% of share held by managers over outstanding shares.	Khadijat & Rodiat (2018),
3	Institution ownership (INSTO)	% of shares held by institutions over outstanding shares.	Abedin (2022), Abdul and Joel (2020)
4	Ownership concentration (OWCON)	% of shares held by blockholders at least 50% over Outstanding shares.	Khadijat & Rodiat (2018), Ali (2020)
5	Foreign ownership (FOW)	% of shares held by foreigners over outstanding shares.	Suleiman & Nasamu (2021),

Source: Researcher's computation, 2024.

4.0 Results and Discussion

Table 2: Descriptive Statistics

Variable	OBS	Mean	Std. Dev.	Min	Max
TBQ	480	2.08	1.43	0.082	8.131
MOW	480	0.145	.133	0.000	0.728
INSTOW	480	2.121	1.099	0.000	4.496
OWCON	480	0.59	0.200	0.08	0.97
FOW	480	1.320	5.059	0.000	4.072

Source: Stata Output, 2024.

The data set includes 480 observations of Tobin's Q, a widely used metric that compares a firm's market value to its book value. A Tobin's Q value greater than 1 suggests the firm performs relatively well, as its market value exceeds its book value.

The mean Tobin's Q across the sample is 2.08, indicating that, on average, the quoted financial firms have a market value of 2.08 times their book value. This suggests the firms in the sample are, on average, performing strongly. However, the data exhibits a wide range of Tobin's Q values, from a minimum of 0.082 to a maximum of 8.131. This substantial variation in Tobin's Q across the sample points to significant heterogeneity in the performance of these financial firms. The standard deviation of 1.43 further underscores the wide dispersion of Tobin's Q values around the mean, reflecting the firms' diverse operational and financial conditions in the data set.

Managerial Ownership (MOW): The data set includes 480 observations of managerial ownership, which measures the proportion of a firm's equity held by its managers. The mean managerial ownership is 14.5%, suggesting that managers hold a moderate stake in the firms on average. The range of managerial ownership is quite broad, with a minimum of 0% and a maximum of 72.8%. This indicates that the sample

contains firms with varying degrees of managerial control, from those with no managerial ownership to those with a predominant managerial stake.

Institutional Ownership (INSTO): The data set includes 480 observations of institutional ownership, which captures the proportion of a firm's equity held by institutional investors such as mutual funds, pension funds, and insurance companies. The mean institutional ownership is 2.121, suggesting a relatively high level of institutional investment in these financial firms on average. The institutional ownership variable also exhibits a wide range, with a minimum of 0% and a maximum of 449.6%. This diversity in institutional ownership structures across the sample firms is noteworthy.

Ownership Concentration (OWCON): The data set includes 480 observations of ownership concentration, which measures the degree to which a firm's equity is held by its largest shareholders. The mean ownership concentration is 0.59, indicating a moderately concentrated ownership structure on average. The ownership concentration values range from a minimum of 0.08 to a maximum of 0.97, revealing that the sample contains firms with varying degrees of ownership concentration, from relatively dispersed to highly concentrated.

Foreign Ownership (FOW): The data set includes 480 observations of foreign ownership, which captures the amount of a firm's equity held by foreign investors. The mean foreign ownership is 132,000,000, suggesting a substantial amount of foreign investment in the sample firms on average. The foreign ownership variable exhibits a wide range, with a minimum of 0 and a maximum of 4,072,000,000. This substantial variation in foreign ownership across the sample firms is noteworthy.

Table 3: Matrix of correlations

Variables	(1)	(2)	(3)	(4)	(5)
(1) TBQ	1.000				
(2) MOW	-0.040	1.000			
(3)INSTO	-0.028	-0.204	1.000		
(4) OWC	-0.003	-0.041	0.462	1.000	
(5) FOW	-0.039	-0.059	-0.018	0.052	1.000

Source: Stata Output, 2024.

The variable correlation matrix presented in Table 3 shows the relationships between the key firm ownership components and Tobin's Q, which serves as a proxy of performance. The correlation coefficients in this matrix indicate weak to very weak relationships between Tobin's Q and the ownership structure variables. The negative correlations with managerial ownership, institutional ownership, and foreign ownership suggest a potential negative impact on Tobin's Q, although the relationships are not strong. However, it is important to note that correlation coefficients only measure the linear relationship between variables and do not imply causation.

Variable TBQ (Tobin's Q): The correlation coefficient between Tobin's Q (performance) and itself is a perfect 1.000. This indicates a strong positive correlation, as expected since it measures the relationship between Tobin's Q and itself. Variable MOW (Managerial ownership) There is a weak negative correlation (-0.040) between managerial ownership and Tobin's Q. Although the correlation is small, it suggests that higher levels of managerial ownership may have a slight negative impact on Tobin's Q, indicating a potential inverse relationship between these variables. Variable NSTOW (Institutional ownership): A weak negative correlation (-0.028) exists between institutional ownership and Tobin's Q. While the correlation is small, it suggests that higher levels of institutional ownership may have a slight

negative impact on Tobin's Q, indicating a potential inverse relationship. Variable OWCON (Ownership concentration): The correlation coefficient between ownership concentration and performance is extremely weak (-0.003) and close to zero. This suggests no meaningful linear relationship between these variables. Variable FOW (Foreign ownership): There is a weak negative correlation (-0.039) between foreign ownership and Tobin's Q. Although the correlation is small, it suggests that higher levels of foreign ownership may have a slight negative impact on Tobin's Q, indicating a potential inverse relationship.

Table 4: Variance Inflation Factor

VIF	1/VIF
1.970	0.509
1.840	0.544
1.100	0.906
1.000	0.996
1.480	

Source: Stata Output, 2024.

Table 4 presents the Variance Inflation Factor (VIF) and its reciprocal (1/VIF) for a set of variables. The VIF serves as an indicator of multicollinearity, which evaluates the degree of correlation among independent variables.

The VIF values provide into information about the degree of multicollinearity among the variables. While the first two variables exhibit a moderate level of multicollinearity, the third variable showcases a relatively low level. Conversely, the fourth variable demonstrates no multicollinearity. However, due to the absence of a VIF value for the fifth variable, its level of multicollinearity and explanatory power remains uncertain.

The first variable firm performance (Tobin's Q), demonstrates a VIF value of 1.970, indicating a moderate level of multicollinearity. The reciprocal of the VIF, 0.509, suggests that approximately 50.9% of the variance in this variable can be explained by the other variables in the model.

Similarly, the second variable, managerial ownership, exhibits a VIF value of 1.840, signifying a moderate level of multicollinearity. The reciprocal of the VIF, 0.544, implies that approximately 54.4% of the variance in this variable can be explained by the other variables in the model.

In contrast, the third variable, institutional, displays a VIF value of 1.100, reflecting a relatively low level of multicollinearity. The reciprocal of the VIF, 0.906, indicates that approximately 90.6% of the variance in this variable can be explained by the other variables in the model.

Notably, the fourth variable ownership concentration demonstrates a VIF value of 1.000, indicating the absence of multicollinearity. The reciprocal of the VIF, 0.996, suggests that the other variables in the model can explain approximately 99.6% of the variance in this variable.

Regrettably, the fifth variable, foreign ownership, lacks a corresponding VIF value, making it challenging to assess its level of multicollinearity or the proportion of variance it explains.

Table 5: Test of heteroskedastacity, Housman Specification Test and Fixed Regression Result

Breuschâ€"Pagan/Cookâ€"Weisberg test for heteroskedasticity

Assumption: Normal error terms
Variable: Fitted values of tbq
H0: Constant variance
chi2(1) = 99.55
Prob > chi2 = 0.0710

Housman Specification Test

Test of H0: Difference in coefficients not systematic
chi2(3) = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 79.30
Prob > chi2 = 0.0000

Fixed Effect Regression Result

Tbq	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
MOW	0.769	0.133	5.78	0.000	0.507	1.031	***
INSTOW	0.16	0.014	11.42	0.000	0.132	0.187	***
OWCON	0.885	0.054	16.51	0.000	0.779	0.99	***
FOW	0.000	0.000	0.13	0.897	0.000	0.000	
Constant	0.195	0.058	3.37	0.001	0.081	0.309	***
Mean dependent var		2.080	SD dependent var			1.430	
R-squared		0.827	Number of obs			480	
F-test		509.857	Prob > F			0.000	
Akaike crit. (AIC)		755.066	Bayesian crit. (BIC)			771.761	

*** p<.01, ** p<.05, * p<.1

Source: STATA Output, 2024.

Based on the result of the Breusch-Pagan/Cook-Weisberg test for heteroskedasticity, the test examines the assumption of constant variance in the error terms of the regression model with the fitted values of Tobin's Q. The null hypothesis (H0) is that the error terms have constant variance. The test statistic is chi-square distributed with 1 degree of freedom. In this case, the chi-square value obtained is 99.55. The probability associated with the chi-square value (Prob > chi2) is calculated to be 0.0710. This probability is greater than the conventional level of significance (e.g., 0.05). Therefore, we fail to reject the null hypothesis of constant variance in the error terms. This suggests that there is not enough evidence to conclude that heteroskedasticity is present in the regression model with the fitted values of Tobin's Q. The assumption of constant variance in the error terms is important for obtaining efficient and unbiased coefficient estimates. Since we do not find evidence of heteroskedasticity in this analysis, we can proceed with the assumption of constant variance.

The Hausman test is used to determine whether the fixed-effects or random-effects model is more appropriate for a panel data analysis. The test compares the coefficients obtained from the fixed-effects model (b) with the coefficients obtained from the random-effects model (B).

In this case, the coefficients for the variables "mow," "INSTOW," "OWCON," and "FOW" are presented in the table. The fixed effects coefficients are denoted as (b), the random effects coefficients as (B), and

the difference between the two as (b-B). The table displays the estimated coefficients for each variable for both the fixed and random effects models, as well as the difference between the two coefficients. The standard errors for the difference are also provided. The test of hypothesis H0 (null hypothesis) is that the coefficient difference is not systematic. The test statistic for this hypothesis is calculated as chi2 (3) = 79.30. The probability associated with this test statistic (Prob > chi2) is determined to be 0.0000, which indicates that the result is statistically significant at conventional levels of significance (e.g., 0.05). Thus, we reject the null hypothesis and conclude that there is a systematic difference in the coefficients between the fixed and random effects models. This suggests that one of the models is not consistent with the data. Therefore, the Hausman test is in favour of fixed effect result.

From the above fixed-effect regression result, the constant term has a coefficient of 0.195, indicating the expected value of the dependent variable when all independent variables are zero. The R-squared value of 0.827 suggests that the model explains approximately 82.7% of the variability in the dependent variable. The F-test statistic of 509.857 is highly significant (p-value = 0.0000), indicating that the overall model is fit and is statistically significant. Also, the Akaike information criterion (AIC) and Bayesian information criterion (BIC) are provided as measures of model fit. Based on the fixed effects regression results, the Managerial ownership, institution ownership and ownership concentration have statistically significant effects on the dependent variable. However, the variable foreign ownership does not have a significant effect. These findings are consistent with the earlier interpretation of the Hausman test, which indicated a systematic difference between fixed and random effects models.

Test of Hypotheses

H1: Managerial ownership has no significant effect on firm performance of quoted financial firms in Nigeria

The regression analysis reveals a significant positive relationship between managerial ownership and firm performance, with a coefficient of 0.769 ($p < 0.01$). This suggests that as managerial ownership increases, firm performance improves. This result aligns with the findings of Tijjani et al. (2023), who observed a positive relationship between CEO ownership and firm performance in Nigerian firms. Their study concluded that higher CEO ownership motivates executives to work toward maximizing shareholder value, which translates into improved firm outcomes. Similarly, Abdul and Joel (2020) found that managerial ownership has a significant positive impact on performance indicators like Tobin's Q. Also, the Agency Theory by Jensen and Meckling (1976) helps explain this relationship. According to this theory, when managers own shares in the company, their interests become more aligned with those of the shareholders (principals), reducing agency conflicts. This alignment motivates managers to make decisions that enhance firm performance, such as improving operational efficiency and maximizing returns on investments.

H2: Institutional ownership has no significant effect on firm performance of quoted financial firms in Nigeria

The study reveals that institutional ownership has a positive and significant effect on firm performance, with a coefficient of 0.16 ($p < 0.01$). This suggests that increased institutional ownership leads to better financial performance for the firms. The findings are consistent with Abedin et al. (2022), who demonstrated that institutional investors, both domestic and foreign, positively affect firm performance in Bangladesh. Their study noted that institutional investors act as active monitors, thereby improving governance and firm value. Similarly, Musa (2023) found that institutional ownership strengthens the effect of board attributes, leading to better firm governance and performance in Nigerian financial firms.

Agency Theory also supports this finding. Institutional investors, due to their large shareholdings, have the power and incentive to monitor management activities closely, thus mitigating agency problems**.** Shleifer and Vishny (1988) argue that institutional investors enhance corporate governance by using their voting power to influence management decisions, leading to improved firm performance.

H3: Ownership Concentration has no significant effect on firm performance of quoted financial firms in Nigeria

Ownership concentration has a strong positive and significant relationship with firm performance, with a coefficient of 0.885 ($p < 0.01$). This indicates that as ownership becomes more concentrated in the hands of a few shareholders, firm performance increases. The result is in line with the findings of Suzana et al. (2020)**,** who observed that ownership concentration had a significant positive effect on the performance of Slovenian joint-stock companies. Similarly, Abdul and Joel (2020) found that ownership concentration positively influenced firm performance in Nigeria. The Agency Theory suggests that when ownership is concentrated, large shareholders (block holders) have the capacity to exert more control and oversight over management. This can reduce agency costs and ensure that managers act in the best interests of the shareholders, which, in turn, enhances firm performance. Block holders can directly influence key corporate decisions, such as investment strategies and governance practices, which drive better financial outcomes.

H4: Foreign ownership has no significant effect on firm performance of quoted financial firms in Nigeria

Unlike the other ownership structures, foreign ownership was found to have no significant effect on firm performance, with a coefficient of 0.000 ($p = 0.897$). This implies that foreign ownership neither improves nor diminishes firm performance in the context of Nigerian financial firms. The insignificance of foreign ownership contrasts with some findings, such as Suleiman and Nasamu (2021**)**, who noted that foreign ownership positively impacted firm value and performance in the oil and gas sector. However, the current study focuses on financial firms, and differences in sectors could account for the variation in findings. Mohammad and Faudziah (2018**)** also found a positive relationship between foreign ownership and performance in Jordanian firms, but this study's context differs from Nigeria's financial sector. Although Agency Theory could predict that foreign ownership leads to improved monitoring and performance, it may not always apply in the Nigerian financial sector. Cultural and institutional differences between foreign owners and local managers might limit the effectiveness of foreign ownership in enhancing firm performance. Moreover, foreign investors may lack the local market knowledge or influence over day-to-day operations, reducing their ability to positively impact performance.

5.0 Conclusion and Recommendations

Based on the above findings, this study concludes that managerial ownership, institutional ownership, and ownership concentration positively and significantly affect firm performance in the Nigerian financial industry. This aligns with established theories such as agency theory and empirical evidence from previous studies.

The positive relationship between managerial ownership and firm performance suggests that increasing managerial ownership can align managers' interests with shareholders' interests, leading to improved performance. Therefore, firms should consider implementing policies or incentive structures encouraging managerial ownership to enhance performance.

Similarly, the positive impact of institutional ownership on firm performance highlights the importance of attracting institutional investors. Firms should strive to attract institutional investors with expertise, monitoring capabilities, and long-term investment perspectives. This can be achieved through effective investor relations strategies and transparent corporate governance practices.

Furthermore, the positive effect of ownership concentration on firm performance suggests that firms should carefully consider their ownership structures. Concentrated ownership can enhance monitoring and decision-making efficiency, align shareholder interests, and reduce agency costs. However, it is important to strike a balance between concentration and diversification to avoid potential risks associated with excessive concentration.

On the other hand, foreign ownership's lack of significant impact on firm performance in the Nigerian context indicates that firms should carefully evaluate the potential benefits and challenges associated with foreign ownership. Regulatory restrictions, cultural differences, and information asymmetry may influence the relationship between foreign ownership and firm performance. Therefore, firms should conduct further research and analysis better to understand the specific dynamics in the Nigerian financial industry and make informed decisions regarding foreign ownership.

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