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OWNERSHIP STRUCTURE, CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS IN NIGERIA

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Abstract: The goal of the study is to determine the nature of relationship between Ownership Structure and performance using financial statements of listed manufacturing firms in Nigeria between 2013 and 2024. Ownership structure was measured using ownership concentration and directors' shareholding. Purposive sampling method was adopted based on market capitalization, total assets and availability of financial statements. Hausman test was used for selection of model and Multiple Regression was used to determine nature of relationship. Post estimation tests were carried out including test of stability for Regression. Directors' shareholding had insignificant relationships with all the variables of study. Ownership concentration had negative significant relationship with market performance measures and positive significant relationship with accounting measures. Board independence exerted significant moderating role. It us recommended that regulators should set a ceiling for share acquisition by individuals and companies to prevent asset expropriation. Increased corporate governance oversight by regulators and policy makers in the firm should devise a strategy to cushion the trade-off effects exhibited by ownership concentration on accounting and market performance to enhance wealth maximization goal of the firms.

Keywords: *Ownership Concentration, Director's equity shareholding, Net profit margin, Returns on Capital Employed, Tobin Q, Market Price.*

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Introduction

Ownership in a business is derived from contribution of resources, therefore owners are interested in the performance of the business which capital is invested in. Across countries, the impact of ownership structure on performance has been a subject of debate amongst researchers, academics, management, policy makers and investors over the years. The reason is not farfetched as ownership structure affect the way a firm is managed and subsequently influencing performance. Ownership structure and performance is a contentious issue that has been a subject of debate in all businesses globally. Ownership structure indicates the way a firm shareholding is distributed amongst contributors to the business and this distribution affects the way the firm is governed. Board decisions are influenced by corporate governance mechanisms which are based on ownership structures in place by firms. Ownership structures lead to agency problems resulting from conflicts between management and shareholders. This conflict lowers the value of the firm when managers put their interest before those of the owners. Ownership structure of a firm influences decision making and cost management Ownership structure affects the corporate governance existing in a firm. Poor corporate governance associated with ownership structure led to the declining fortune and failures of many businesses, create unemployment, loss of investment and retard economic development. Investors' profit and wealth maximization motives are not satisfied. Many blue-chip companies such as Enron, Tyco, Xerox, and Cadbury have collapsed. These failures disrupted financial markets, eroded shareholders' wealth and disrupt economic flow. Theoretically, failure of regulation and corporate governance mechanisms have been fingered for this anomaly. It remains questionable whether corporate governance policies are effective in helping to deter and advocate for good management skills and ensure integrity and quality of financial statements issued by these companies after the auditing process has been completed.

The unending competitive business environment has placed greater responsibility on manager's which require the use of professional skill, experience and discretion in taking some decisions especially those relating to finances and operations of the firm. This privilege most times enhances the manager's investment opportunity set which contributes positively toward increasing the information asymmetry problems between executives and shareholders (Robert, 2011). Under this scenario, a greater degree of managerial discretion will be required and there is no assurance that the self-interested behavior of director's will conform to the expectations of shareholders thereby reducing agency problems (Elijah, William and William (2003)

Directors will compromise the wealth maximization objective in order to satisfy their selfish interest by undertaking both legal and illegal actions which may be detrimental to the sustainability of the business. Directors with shareholding rights may transfer resources from the firm for his own benefit through self-dealing transactions and inter firm loan (usually in related party transactions) and also via through asset sales and contracts, excessive executive compensation, loan guarantees, expropriation of corporate opportunities, dilutive share issues, right issue and insider trading. This consequently produce agency problems in several high ranked businesses between directors and shareholders and between majority shareholders and minority shareholders. Majority shareholders through concentrated ownership may indulge in self-aggrandizement through expropriation of assets and

pillage to the detriment of minority shareholders Controlling shareholders can execute self-induced beneficial policies to the detriment of non-controlling shareholders (La Porta et al. 2000) through contractual policies with related parties (Gilson and Gordon 2003). These activities not only undermine the interest of non-controlling shareholders but also seriously dampen stock markets' growth (Johnson et al., 2000; Wurgler, 2000; Bertrand, Mehta and Mullainathan, 2002).

The nexus between ownership structure and firm performance has ignited debate and attracts attention especially as empirical evidence remains conflicting. Some researchers argue that ownership concentration can improve firm performance by making the owners more willing or able to monitor agents. In contrast, others argue that in the presence of efficient markets, market monitoring will discipline the managers. Ownership concentration is considered an important corporate governance mechanism because owners with concentrated shareholding influence the operations and management of a company. The ownership structure in developing countries is quite different from that in the developed markets. Many firms across the globe, particularly have single large shareholders who exercise ultimate control. Systematic research evidence indicates that firms in developing countries have concentrated ownership structures unlike firms in advance economies with spread ownership structure, (Kumar and Zattoni, 2014; Laeven and Levine ,2008); Morck,Wolfenzon and Yeung, 2005). Some researchers such as Paganoand Roell (1998) argue that concentrated ownership can be advantageous to minority shareholders through improvement in the monitoring of Managers. Contrastingly, Casado, Burkert suggests that concentrated ownership can be detrimental by providing majority equity holders the springboard to extract private benefits for themselves at the expense of other shareholders (Young et al., 2008).

Corporate governance structures are not sufficient to forestall adverse behavior as concentrated ownership structure provides the framework through voting rights to establish corporate policies which circumvent control mechanisms. So far, studies that focus on the effectiveness of corporate governance in relation to abuse achieved through concentrated ownership structure in Nigeria are still very limited and the results have been inconclusive. Studies in other countries by Yeh, Shu and Su (2012) and Gao and Kling (2008) found that corporate governance practices could prevent asset expropriating activities by major shareholders, whereas Juliarto et al. (2013) and Cheung et al. (2009) conclude that ownership structure cannot explain the corporate behavior expropriation of assets by major shareholders. According to Johnson (2000) expropriation of assets by major shareholders can occur in entities with high corporate governance as well as in entities with low corporate governance. Nenova (2003) argues that expropriation of assets by major shareholders have a higher chance of occurrence in firms and countries with weak corporate governance leading to expropriation of minority shareholders' wealth and is only beneficial to controlling shareholders. Further, expropriation of assets can be used as a strategy for aggressive tax planning by using cash tunneling to transfer cash away to tax heavens.

Nigeria is a developing country with weak institutional framework, poor corporate governance and weak enforcement of laws. These factors enhance the possibility of abuse by major shareholders. Thirdly, the arguments based on the agency theory and the efficient market hypothesis wets the appetite on the need to conduct a study on the peculiar Nigeria situation. Fourthly, conflicting and mixed results hinged on the two opposing views of efficient transaction theory and agency theory exacerbates the need for further studies. A combination of these factors creates gaps for further empirical studies on the subject

Few studies (Shan; 2013,Gao and Kling, 2008) have investigated whether internal governance mechanisms can be used to protect minority shareholders from the embezzlement of resources by controlling shareholders in developing countries in which the rights of minority shareholders are not well protected by law. In one such study, Shan (2013) found that while state ownership and the number of board of directors' meetings increase resource transfers out of the firm, board independence decreases tunneling in China. Other internal governance mechanisms including foreign ownership, the size of board of directors and supervisory board, number of professional supervisors, and the number of supervisory board meetings were not found to have a significant impact on asset appropriation by large shareholders. Another study on China revealed that outsiders in the board of directors, audit without non-clean opinion, and dispersed ownership are effective internal governance mechanisms which prevent tunneling, whereas belonging to a business group result in asset appropriation (Gao and Kling 2008). However, little attention has been paid to emerging countries other than China.

Furthermore, arguments based on the agency theory and the efficient market hypothesis makes the researcher anxious to conduct a study on the peculiar Nigeria situation. Furthermore, conflicting and mixed results hinged on the two opposing views of efficient transaction theory and agency theory exacerbates the need for further studies. A combination of these factors creates gaps for further empirical studies on the subject as the study focuses to investigate the effect of ownership concentration on performance and the role corporate governance is playing in mitigating these effects. Also, specific firm characteristics can influence performance of a firm hence the need to ascertain the moderating effects of these characteristics on the negative behaviors associated with large share ownership on performance

Literature Review

Theoretical Perspectives

There are many conflicting theoretical propositions on the subject of concentrated ownership and firm performance. The stewardship theory proposed by Michael spence argues that managers are good stewards and will act to preserve the motive of the owners because of the psychological benefits to be derived from such behavior. This by implication that executives will only aspire to maximize shareholders gain instead of pursuing self-motivated behavior. The efficient transaction hypothesis in support of the stewardship theory suggest that managers and shareholders will always act to promote transparent and efficient transaction that promotes the goal of the enterprise thus any related party transaction consummated in the normal course of business is in the overall economic benefit of the entity. Hence, directors will not deviate from goal set by the shareholders. The agency theory proposed by Jensen and Mecklings postulates that managers will pursue selfish interest which ignites conflict between that of owners and directors. However, the expanded literature on the subject (Shleifer and Vishny,1997; Zhuangetal.,2001, Johnson et.al 2000) recognizes that it is not only managers that create conflict,

the majority shareholders can also create conflicts with the minority shareholders by indulging in pillage and expropriation of assets away from the firm to the detriment of the minority shareholders. Such actions such as asset stripping, cash tunneling and other modus operandi can be employed by concentrated owners to tunnel away firm resources thus affecting performance. Other authors (Heflin and Shaw, 2000; Bhojraj and Sengupta (2003); Velury and Jenkins (2006). Barclay et al. (1993) anchoring on private benefit hypothesis suggest that concentrated ownership promotes information asymmetry, cause negative impact on bond rating, and reduce earnings quality. Many studies (Shleifer and Vishny (1986), Smith (1996), and Aggarwal et al. (2011 Chung et al. (2002), Ramalingegowda and Yu (2012) and Sakaki et al. (2017)on the other hand anchoring on shareholders activism theory, suggest that large shareholding rather than promoting conflicts between major and minor shareholders can increase shareholders wealth and reduce earnings management. Also, Lim et al. (2013) reports that large shareholders perform monitoring functions that improve performance and pricing (Luo et.al 2014). Recognizing the dangers of conflict of interest the institution of the monitoring function and regulatory inhibitors to agency problems were introduced. This gave rise to corporate governance and regulatory reporting processes to curtail earnings management. Supporting the agency theory, **the Positive accounting theory** (Watts and Zimmeren) argued that managers may be motivated to indulge in conflict of interest and earnings management when bonus are tied to performance, when the firm is about to default in debt covenant and due to political cost. To curtail the effect of bonus compensation as a driver of falsification of performance by management, participatory ownership structure where directors are either allowed to own equity or are compensated through equity payments when certain targets are met are introduce in an attempt to enforce goal congruence. Prendergast, (2002) shares given to directors give the executive a share in the outcome of his actions could effectively utilize the company's assets and encourage executives to expend efforts to take actions that are expected by shareholders. The alignment between firm performance and compensation can help executives make decisions that will reward them as well as reward the shareholders (Amihud and Lev, 1981).

Conceptual Framework

Ownership Structure

Ownership structure is the distribution of a company stock among its major shareholders. Agency theory suggests that ownership concentration which is a form of ownership structure will enhance the monitoring system installed in an organization thereby leading to eradication of principal-agent problem (Jensen and Meckling, 1976). The separation of ownership and control gives rise to the clash of interest between owners and those charged with the responsibility of managing the affairs of a business. Jensen and Meckling, (1976) explained that agents who are the managers control the activities of an organization in the place of the principals who are the owners of the organization. This association gives managers the liberty to direct the affairs of an organization and the exclusive power to make decisions on behalf of the owners. It is evident in literature the structure of ownership can be viewed in two directions; one, when managers of an organization also own some shares in the organization. Secondly, when the shareholders of an organization are most dominated by outside owners who have power to influence and monitor the activities of the managers which will cause a reduction in earnings management practices. At a micro level, however, it plays a central role in defining the degree of effectiveness and efficiency of corporate governance structures and mechanisms and in regulating the management behavior and directing it in the processes of stock value (Zattoni, 2006). Several empirical studies have highlighted significant differences in terms of ownership structure configuration there is shareholders dispersion and fragmentation while in other countries ownership concentration is significantly high (Faccio & Lang, 2002; Franks & Mayer, 1997; Shleifer & Vishny, 1986). However, recent studies suggest that Berle and Means' (1932) model of widely dispersed corporate ownership is not common, even in developed countries (Claessens et al., 2000, La Porta et al., 1999). In these studies, it is noted that large shareholders control a significant number of firms in many countries, including developed ones. In particular to examine ownership and control by large shareholders, La Porta et al. (1999) traced the chain of ownership to find who has the most voting rights. Analyzing a sample of 30 companies examined, they documented the ultimate controlling owners and how they achieved control rights in excess of their ownership rights through deviations from the one share - one vote rule, pyramiding, and cross-holdings. In other words, the findings suggest that ownership and control can be separated to the benefit of the large shareholders. Also, Claessens et al. (2000) through the analysis of 2.980 listed firms in nine East Asian countries (including Hong Kong, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Taiwan, and Thailand) found significant discrepancies between ultimate ownership and control, allowing a small number of families to control firms representing a large percentage of stock market capitalization.

With reference to the ownership structure a second dimension is noticed besides the ownership concentration that is the managerial ownership. With the managerial ownership a convergence between shareholders and managers is expected, through a system of incentives and controls in order to reduce conflicts of interest and opportunistic behavior (Bearle & Means, 1932; Fama & Jensen, 1983; Jensen & Meckling, 1976). In relation to the ownership concentration, as what was found on the ownership structure, the evidences resulting from theoretical and empirical studies appear to be discordant, especially with regard to the connection with the creation of corporate value. On one hand, according to some researchers this connection does not exist (Barontini and Caprio, 2005) or not verifiable (Prowse, 1992). On the other hand, even though diversification, this connection is detectable. Some researchers consider the ownership concentration an instrument for management discipline functional to safeguard the processes of value creation – Monitoring hypothesis (Shleifer e Vishny, 1986). Some others, instead, consider it as a factor that potentially brings opportunism and, then, functional to processes of value expropriation – Entrenchment hypothesis (Shleifer & Vishny, 1997). Some researchers place themselves in between these positions indicating the possibility of a non-linear effect of ownership concentrations on the processes of value creation (De Miguel et al., 2004)

Ownership Concentration

Ownership concentration is a measure of the existence of large block holders in a firm (Thomsen and Pedersan, 2000). Normally, a shareholder who holds 5% or more of a corporation common stock is considered a major shareholder or block holder. The shareholding of an owner should be significant enough to

provide for monitoring the action of the management. The major shareholder can be an individual, a domestic foreign corporation, an institutional investor and or the state. Large block holders are more motivated to oversee the activities of managers because they tend to gain more from monitoring in comparison to the cost involved. Stiglitz (1985) found that large block holders have the incentive to bear fixed cost of gathering information and to perform oversight functions on management. On the contrary, mixed ownership results in poor monitoring system. That is in a situation where the shareholders hold lower stock in a firm the motivation to oversee is low because the costs involved in monitoring outweigh the benefits to be derived.

Divergence of interest may arise between major shareholders and other shareholders when block holders are predominant in an organization. In most cases, large block holders seem to use their powers to create opportunities for their own advantage which can deprive holders with few shares of their rights. Likewise, they go to the extent of prioritizing their own interests at the expense of other shareholders Consequently, large block holders might be highly involved in management affairs thereby creating avenues for managers to. manage earnings for their personal interest. Incentives to manage earnings are provided for managers due to fear of expected adverse result if the options from large shareholders are downturned.

Directors Equity Holding

Equity based compensation became extremely popular in the 1960s, when the rise of equity compensation was more prominent among U.S. factory worker (Langsam, Kreuze& Newell, 1997). Equity based compensation contract gives the CEOs a share of the outcome of their actions to encourage them to explore newer investment opportunities to increase the possibility of large payoffs (Prendergast, 2002). Hence equity-based compensation contracts that give the executive a share in the outcome of his actions could effectively utilize the company's assets and encourage executives to expend efforts to take actions that are expected by shareholders (Prendergast, 2002). The use of equity compensation (i.e., stock options and restricted shares) to motivate executives has recently come under increased public and congressional scrutiny. The resulting concerns have led to demands for greater transparency in executive stock option programs and, possibly, to elimination of the programs altogether because they are claimed to be poor way to measure an executive's contribution to firm performance. Murphy (1999) shows several features of executive compensation. Among them equity compensation plays a vital role in influence CEO decision, since stock returns fluctuate with firm performance and firm performance varies with CEOs decisions. Therefore, equity-based compensation in the executive compensation package provides the incentive to the managers to make decisions that will enhance the firm performance, which will have a positive effect on Net profit margin and capital employed and ultimately increase the director's wealth. Stock options as part of executive compensation can help decrease the risk preference and the goal difference between shareholders and executives since shareholders and director are always interested in maximizing their own wealth. This can be achieved through effective asset utilization. The alignment between firm performance and compensation can help executives make decisions that will reward them as well as reward the shareholders (Amihud & Lev, 1981). Smith and Stulz (1985) also documents that equity-based compensation awarded to managers can overcome managerial risk aversion behavior and encourage them to engage in efficient risk-taking behavior.

Ownership Structure and Financial Performance

Ownership structure, including concentration, managerial, institutional, and foreign ownership, significantly impacts firm performance by mitigating or exacerbating agency conflicts. While concentrated ownership often enhances monitoring, results on its effect on performance are mixed, showing positive, negative, or insignificant relationships. Effective structures align management and shareholder interests to improve efficiency. Financial performance is a method of assessing how the resources deployed by the owners of the business is utilized and the extent to which the shareholders intentions are met There are many methods or yardstick for assessment. Financial performance although a subjective modus operandi of assessing the well-being of a business entity enhances industry comparison evaluation of how well a firm can use assets from its primary mode of business and generate revenue. There is an obvious connection between ownership structure and performance of an entity. Prior studies (Adeyemi and Olowu .2024); Balogun and Nwachukwu ,2024; Eneh et al. 2024; Odum and Umejiaku ,2024; Sasa et al. 2024; Abdul et al. ,2023; Bamidele and Hassan ,2023; Eze and Mohammed, 2023; Musa et al. 2023; Oshim et al.2023; Smith and Johnson ,2024; Williams and Carter .2023; Müller and Schmidt ,2022; Nguyen et al. ,2021; Davis and Green ,2020). Some of these studies provide evidence of a negative association between performance and ownership structure. Conversely other studies provide a positive association. Therefore, prior studies reported mixed outcome and motivates further study. The goal of this research is therefore to examine the effect of ownership structure on firm performance

Empirical Review

Olanisebe, Bawa and Tanko (2025) examined the impact of ownership structure on the financial performance of listed consumer goods firms in Nigeria over a ten-year period (2015–2024 The outcome showed ownership structure consisting institutional ownership, managerial ownership, and foreign ownership has an insignificant effect on Return on Assets (ROA).

Salihu, Baede and Adamu (2024) investigates relationship between ownership structure and firm performance of quoted Nigerian financial firms in Nigeria listed on the Nigerian Exchange Group (NGX) between the years 2014 to 2023. Findings showed significant positive effects of managerial ownership, institutional ownership, and ownership concentration on firm performance.

Mosimanyane, L., & Marozva, G. (2024) addresses the problem of agency cost by examining the impact of ownership concentration on the performance of the JSE-TOP 40 listed companies, using the profitability and market variable over a period from 2010 to 2018. The findings revealed that company performance deteriorated with managerial ownership for JSE-TOP40 companies. Likewise, results showed that foreign ownership concentration negatively impacted performance.

Nashier and Gupta (2023) examined ownership concentration and performance of Indian firms using generalized method of moments (GMM) on a large sample of 11,136 firm-year observations to get efficient and reliable results. Study revealed ownership concentration affects both market and accounting performance of a company, positively. The results suggest that concentrated ownership reduces agency costs as block holders

actively monitor the management of the company, thereby leading to better firm performance. Boshnak (2023) investigated impact of ownership concentration and managerial ownership on firm performance in Saudi listed firms. The results show that ownership concentration and managerial ownership positively affect firm performance, thus supporting agency theory and alignment effects arguments. Further, sales growth, audit firm size, and firm age positively affect firm performance while firm leverage, liquidity, and size have a negative effect. Pandey, Sahu and Manna (2021) examined the non-linear effect of large ownership on the enterprise value of 112 Indian manufacturing firms. The study establishes a U-shaped relationship between large ownership and enterprise value of the sampled firms. Large promoters until 34% of ownership are found to exert a negative effect on enterprise value which signifies expropriation effect along with poor alignment of interest with the firms. However, for ownership concentration by promoters after the said threshold, the effect is found to be positive signifying improved alignment of interests, efficient monitoring and disciplining of managerial opportunistic behavior. Samarawickrama, Wanniarachchige and Weerasinghe (2021) investigates whether ownership concentration affects firm performance using data gathered from 2015 to 2019 from 66 firms listed under banks, diversified financials, and insurance sectors in the Colombo Stock Exchange (CSE).. In line with the predictions in stewardship theory, the findings of the study suggest that higher ownership concentration improves firm performance.

Wang et.al (2019) examined ownership concentration and identity affect firm performance in an important emerging economy-China. It hypothesizes that differences in firm performance are a result of various ownership structures and ownership identity. Using data of Chinese listed companies from 2007–2017, it tests those hypotheses and finds that ownership concentration has a positive effect in firm performance and corporate ownership leads to higher firm performance than financial ownership. The study shows that firms in China benefit more from foreign ownership than firms with only domestic ownership. Sahrul and Novita (2020) examine and analyze the mediating effect of firm performance on ownership structure on firm value. The independent variables are ownership concentration and managerial ownership. The dependent variable is firm value, while the mediating variable is firm performance. The research sample is mining sector companies listed on the IDX in 2016-2018. Data analysis uses Eviews 10. The results show that ownership concentration positively affects company performance, while the opposite results are found in managerial ownership. Then, direct managerial ownership and firm performance positively affect firm value, while ownership concentration does not affect firm value. Firm performance mediates the relationship between ownership concentration and firm value, but firm performance fails to mediate the relationship between managerial ownership and firm value. Yasser and Mamun (2017) examined ownership structure and performance. Result show that there is a significant positive association between ownership structure and both market-based performance measures and also economic profit. The ownership proportion of the institutional shareholding and foreign shareholding is also positively associated with firm performance. Al-Saidiand Al-Shammari (2015)investigate the relationship between ownership structure (ownership concentration and ownership composition) and firm performance in Kuwaiti non-financial firms using ordinary least squares regressions on 618 observations (103 listed firms) from 2005 to 2010. The overall concentration ownership by large shareholders showed no impact on firm performance. However, when the type of shareholders was introduced, only the government and individuals (families) ownership categories influenced firm performance.

Gap in Literature

The dangers of large concentration of shareholders are enormous and can dovetail the firm into bankruptcy and illiquidity. Many studies however have been conducted on concentrated ownership structure and its impact on the firm. Many of these studies (Nwaogu, Odesa and Nzoegbu,(2019; Nnubia and Fabian (2018 Ifurueze et al (2019); Annah, Ogbodo and Isaac, 2022) produce mixed outcome. Nwaogu, Odesa and Nzoegbu (2019) show director's equity holding have significant positive effect on performance. Nnubia and Fabian (2018) investigates the effect of director's equity holding on firm performance of quoted companies in Nigeria. Director's equity holding has negative significant effect on Performance. It is important to note these studies were based on the same industry (consumer goods) and yet the result revealed conflicting findings. Also, Ifurueze et al (2019) study examined the effect of directors' shareholding on performance of quoted manufacturing companies in Nigeria. The results show that Director's equity holding is negative and has significant effect on performance of quoted manufacturing companies in Nigeria. However, the study by Annah, Ogbodo and Isaac (2022) investigated the effect of directors' shareholding on financial performance of selected listed Deposit Money banks in Nigeria revealed a positive relationship. These conflicting findings by researchers in Nigeria and other countries create gaps for further studies. These gaps therefore motivate the author to carry out a more comprehensive study on ownership structure and financial performance of manufacturing firms in Nigeria

Methodology

Research Design

The study adopted ex-post facto design on a panel data framework. Data was obtained from manufacturing companies financial statement for the period 2003 to 2024. . Purposive and census sampling method were adopted based on market capitalization, total assets and availability of financial statements. Hausman test was adopted for selection of model and Multiple Regression was used to determine nature of relationship. Post estimation tests were carried out including test of stability for Regression.

Variables of study

Independent variables

a) Directors equity Holding:

The study adopts Kun and Xing (2012) and Nubia and Obiora (2022) and proxy director equity holding as directors total share ownership divide by total equity

$$\frac{\text{Director's equity holding}}{\text{Total equity}}$$

b) Ownership Concentration

Following Demsetz and Lehn,several author estimated ownership structure expanding the initial specification (Himmelberg et al., 1999; Demsetz and Villalonga, 2001) the researcher measures ownership concentration as the share of the voting rights of the largest shareholders, however the researcher modifies the method to include shareholders with 5% shareholding and above

Dependent variable

The dependent variables for this study are:

Tobin Q

Tobin Q (TQ) = ratio expresses the relationship between market value of a firm and the cost of replacing the asset.

We adopt Chung and Pruitt's approximating formulation of Tobin's Q = MVE + PS +DEBT/TA

Where:

- MVE = Firm's stock price multiplied by number of outstanding equity shares.
- PS = Value of a firm's outstanding preferred stock on liquidation
- Debt = Sum of short-term liabilities minus short term assets plus the book value of long term-debt;
- TA = Total book value of all assets.

Return on Capital Employed

Following Ahsen et al. (2012); Sayeda (2011), Amal et al. (2012) and Khalaf (2013) we adopt Returns on capital employed as a proxy for financial performance. The ratio is expressed as earnings before interest and taxes divided by capital employed

Return on Equity (ROCE) is expressed mathematically thus:

Return on Equity (ROCE) = Earnings before interest and Taxes

Capital employed

- **Net Profit margin** = Sales revenue minus operating expenses, interest, amortization, depreciation and taxes
- **Market price per share** = Price per share as published by Nigeria Stock Exchange on daily price equity list

Moderating variables

The moderating variables used in this study are Audit committee independence, firm size, leverage, Chief executive Duality (Jiang et al., 2010; Liu & Tian, 2012;Qian& Yeung, 2015), Board independence, firm size is measured as the logarithm of the assets owned by the company (Wijaya et al., 2011), large company size, helps to increase its performances (William & Sanjaya, 2017). Chief executive duality (Jiang et al., 2010; Liu & Tian, 2012; Qian & Yeung, 2015) is a dummy variable assigned value of 0 when the chief executive is the Chairman of the Board as well as the Managing director and 1 when it is different persons occupying the position. In summary we have :

- SIZE *i*, *t* = Natural logarithm of total Sale of firm *I* in year *t* as a proxy of the size of the firm.
- GRW*i*, *t* = Change in total asset divided by total asset of firm *I* in year *t* as a proxy of growth of the firm.
- Board Independence = Number of non-executive and independent directors divided by Total number of directors on the board
- Board Size = Number of directors sitting on the board
- Chief Executive Duality = Dummy variable assigned zero when there chairman is not also the MD and zero when there is duality as Chairman and MD
- Audit Committee Financial Expertise = Number of directors with Financial expertise sitting on the audit committee.

Measurement of Variables summarized on Table 3.1 below:

Independent Variable	**Measurement**	**Expected Sign**
Ownership Concentration	Ownership concentration as the share of the voting rights of the largest shareholders, however the researcher modifies the method to include shareholders with 5% shareholding and above as required by BOFID(Himmelberg et al., 1999; Demsetz and Villalonga, 2001)	Negative
Director's equity Holding	Directors equity divide total equity (Kun and Xing (2012); Nubia and Obiora (2022)	Negative
Dependent		
Net Profit Margin	Sales revenue minus operating expenses, interest, amortization, depreciation and taxes	Negative
ROCE	Earnings before Interest and Taxes / Shareholders' Equity	Negative
TOBIN Q	Market value of Equity + MV of debt / Total assets	Negative
Market price per share	Price of quoted share as published by NSE daily	Negative
Moderating Variables:		
Firm size	Natural log of Total assets	Positive
Growth	change in total asset / Total assets year 1	Positive
Board Independence	Number of independent directors divide by total number of Directors	positive
Board size	Number of directors on the board	Positive
CEO Duality	Dummy variable assigned zero when there chairman is not also the MD and zero when there is duality as Chairman and Managing Director	Negative
Audit committee Financial Expertise	Number of audit committee members with Financial training divided by number of Board MEMBERS	Positive

Model Specification

In an attempt to examine the effect of Tunneling on corporate performance with corporate governance and firm level factors as moderating variables, the study modifies the model in the works of Idris and Suleiman (2019) and Inyiama (2013). In line with their models, the model for this study is formulated as follows:

$ROCE = \beta_0 + \beta_1 OWNC + \beta_2 DESH + \beta_6 PBID + \beta_7 GRW + \beta_8 ACE + \beta_9 LOGFIS + \beta_{10} BDS + \beta_{11} CED \quad U_1, t \ldots\ldots\ldots$ (vi)

$NTPM = \beta_0 + \beta_1 OWNC + \beta_4 DESH + \beta_6 PBID + \beta_7 GRW + \beta_8 ACE + \beta_9 LOGFIS + \beta_{10} BDS + \beta_{11} CED + U_2, t$

$MARP = \beta_0 + \beta_1 OWNC + \beta_2 DESH + \beta_3 PBID + \beta_4 GRW + \beta_5 ACE + \beta_9 LOGFIS + \beta_{10} BDS + \beta_{11} CED + U_3, t$ (vii)

$TBNQ = \beta_0 + \beta_1 OWNC + \beta_2 DESH + \beta_3 PBID + \beta_4 GRW + \beta_5 ACE + \beta_6 LOGFIS + \beta_7 BDS + \beta_8 CED + U_4, t \ldots\ldots$ (viii)

Results and Discussion

Descriptive Statistics

Table 1 presents annualized mean, annualized standard deviation and other summary statistics on the financial performances of the selected firms and the other variables in Nigeria. The descriptive statistics show that, for the performance variables, average Tobin's Q for the banks is 6.58, suggesting relatively low performance of the selected firms in terms of significance in the market. The Table also shows that certain firms had very low Tobin's Q ratios for certain years, while some other firms had values up to 14.76 percentage points. Average NTPM is lower than average ROCE for the firms, although the standard deviation of ROE is quite high at 3.23 which shows that there were wide variations in the performance of ROE among the firms or over the years. This is also confirmed by the high skewness value of 4.39, which suggests a very positive skewness among the data and show that much of the ROCE values for the firms actually lie below the reported average value on Table 4.1.

Table 4.1: Descriptive Statistics of the Data

	Mean	Med	Max.	Min.	S.D.	Skew	Kurt	J-B	Prob.
TOBINQ	6.58	6.57	14.76	-0.47	2.35	0.20	7.20	75.58	0.00
NTPM	0.09	0.07	0.38	-0.30	0.11	-0.25	3.92	4.64	0.10
ROCE	0.27	0.21	3.23	-0.50	0.49	4.39	27.25	2827.12	0.00
MARP	9.93	10.10	15.13	4.15	2.75	-0.05	2.25	2.41	0.30
BID	0.54	0.57	1.50	0.19	0.18	1.31	10.23	251.30	0.00
SIZE	3.11	3.06	5.93	-0.94	1.78	-0.22	2.17	3.72	0.16
GRW	-8.34	0.06	0.80	-855.79	84.74	-9.95	100.01	41675.50	0.00
BDS	1.59	1.40	11.70	-2.19	1.42	4.57	31.32	3763.04	0.00
CED	0.27	0.21	6.99	-1.66	0.81	5.96	49.25	9692.95	0.00
DESH	11.58	9.01	16.50	8.06	3.75	0.39	1.20	16.41	0.00
OWNC	0.05	0.00	1.60	0.00	0.22	5.26	32.00	4044.67	0.00

Average MARPP is 9.93. For the explanatory variables, average leverage is 0.54, which shows that over 50 percent of the assets of most of the firms is made up debt instruments. The standard deviation of 0.18 is relatively low, suggesting that the leverage of the firms is evenly distributed, though the skewness value of 1.31 shows slight leaning towards lower values of the mean reported. Average growth in assets is negative at -8.34, while average BDS for the firms is not too high at 1.59. Average CED ratio is 0.27, which is relatively low,

The J-B tests for each of the categories are high and easily passed the significance tests at the 1 percent level indicating that the datasets are non-normally distributed. These show clear cases of heterogeneity in the data sets across the firms. Essentially, the non-normal distribution shows that there are strong firm-specific influences on the outcome of each of the datasets reported on the table.

Correlation Analysis

The correlation Table for the financial performance variables in the study is shown below on table 4.2. From the Table, it is seen that, positive correlations exist among all the performance variables in the study. This shows that when each of the performance indicators among the companies are increasing, the other indicators are also increasing. Thus, all performance indicators move in the same direction. Moreover, the correlations among the variables are significant (at least at the 5 percent level).

Table 4.2: Correlation Matrix for performance variables

	TOBINQ	NTMP	ROCE
NTMP	0.22		
	0.03		
ROCE	0.13	0.25	
	0.19	0.01	
	0.01	0.01	0.03
MARP	0.79	0.30	0.14
	0.00	0.00	0.16

The correlations among the Tunneling variables and financial performances among the firms are also presented in this section. This correlation analysis helps to present the initial patterns of relationship among the independent variables and also to consider the level of multicollinearity among the explanatory variables. It should be noted the multicollinearity may occur in estimates where the correlations among independent variables are very high, thereby rendering the estimated coefficients highly inefficient and biased. From the correlation matrix in Table 4.3, it can be seen that the correlations among each of the variables are very low. More importantly, the low correlation among the variables shows that the problem of multicollinearity among the variables would not arise since all the variables are shown to exhibit less relationships among each other.

Table 4.3: Correlation Matrix for Ownership Structure and moderating Variables

	BID	FMS	GRW	BDS	CED	DESH
SIZE	0.09					
	0.38					
GRW	0.12	0.23				
	0.23	0.02				
BDS	-0.17	-0.09	0.03			
	0.09	0.37	0.75			
CED	0.02	-0.12	0.01	-0.05		
	0.86	0.24	0.88	0.64		
DESH	-0.02	-0.01	0.07	0.16	-0.02	
	0.87	0.89	0.49	0.11	0.83	
OWNC	-0.09	0.21	0.02	-0.01	0.01	0.03
	0.36	0.04	0.82	0.92	0.92	0.77

In general, the correlation matrix shows that BID (Board independence) has a negative correlation with other variables except SIZE, GRW), while firm size (FMS) also has a mostly negative correlation with other variables. In the same vein, it can be seen that more variables have negative correlations with other variables than positive correlation. Some important positive correlations among the variables include between SIZE and GRW. Moreover, it shows that bigger firms have more growth prospects

Cross-section Dependence Test

the cross-section dependence tests are conducted. Given that the number of cross-sectional units in this study is greater than the time period , the standard Breusch and Pagan (1980) LM test for cross-equation correlation is also appropriate for testing cross-sectional dependence in a panel data model (Baltagi, Feng & Kao, 2012). Thus, this study, adopt the cross-sectional dependence (CD) test developed by Pesaran (2004) which uses a pair-wise average of a sample correlation to test the existence of cross-sectional dependence.

Table 4.3: Cross-section Dependence Test Results

Variable's series tested	**Pesaran CD**	**P-value**	**Breusch-Pagan LM**	**P-value**
TBQR equation	7.63	0.00	300.8	0.00
NTPM equation	3.28	0.00	275.4	0.00
ROCE equation	3.04	0.01	277.6	0.00
MARP equation	9.39	0.00	337.6	0.00

Source: Author's computations

The results of cross-section dependence test are reported in Table 4.4. From the result, it is seen that the Peseran CD test and Breusch-Pagan LM test for each of the equations on firm performance pass the significance test at the 5 percent level, suggesting the absence of cross-sectional dependence for the estimation structure. The absence of cross-sectional dependence implies that the estimations are efficient even with heterogeneous

operational structures among the firms in the sample. Apparently, the test above rejects the null of presence of cross-section dependence.

Empirical Results on the Panel Analysis

Hausmann Test

The results of the OLS estimates among the relationships are essentially biased since heterogeneity issues have been noted in the J-B statistics test above. The results of the Hausman test are presented in Table 4.7 and indicates that the null hypothesis is rejected for both the each of the Equations. From the Hausman test results, the statistic provides little evidence against the null hypothesis that there is no misspecification when the fixed effect model is employed for the performance Equations. Hence, the best method to apply is the Fixed-effect strategy.

Table 4.4: Hausman Test for Cross-Section Random Effects

Model	*Chi-Sq. Statistic*	*Chi-Sq. d.f.*	*Prob.*
Tobin's Q	12.41	8	0.019
NTPM equation	12.25	8	0.016
ROCE equation	13.47	8	0.00
MARP equation	13.37		0.00

Source: Author's computations

Panel Estimation Analysis

In this study, we report the fixed effects estimates and use the results for conclusions drawn. In the results also, the estimates are presented for their effects on firm performance. The result of the fixed effects model for firm performance (using Tobin's Q ratio as indicator) are presented in table 4.5 below. The goodness of fit statistics is impressive for the results. The adjusted R-squared value shows that about 98 percent of systematic variations in Tobin's Q is captured in the models with control and without control. This also shows that the model has high explanatory power.

Table 4.5: Ownership Structure and financial performance (Dependent variable is *Tobin's Q)*

Variable	Coeff.	t-Stat.	Prob.
C	9.37	37.95	0.00
BID	0.25	0.53	0.60
SIZE	-0.90	-48.03	0.00
GRW	0.00	-1.19	0.24
BDS	-0.02	-1.58	0.12
CED	-0.10	-5.25	0.00
DESH	-0.02	-2.69	0.03
OWNC	0.73	2.89	0.02
Adj. R-sq.	0.98		
F-statistic	149.22		

The particular effect of the explanatory variables on Tobin's Q ratio is determined by observing the coefficients of the estimates in terms of signs and significance. From the result of the estimates with control, it can be seen that the coefficients SIZE and CED passed the significance test at the 1 percent level (prob < 0.01), while DESH and OWNC passed the test at the 5 percent level ($p < 0.05$). This shows that for the selected firms, the size of a firm and the Chief executive duality have very strong negative impacts on its market performance based on the Tobin's Q ratio. Also, ownership concentration all have significant positive impact on Tobin's Q ratio implying that when these variables increase in a firm, the market performance of the firms will also increase. The coefficients of BID, GRW, and board of director's size do not have any significant impact on firms' Tobin's Q ratio among the firms.

Table 4.6 shows the result of the effects of ownership concentration on firms' Net profit margin (operational performances). From the result, it can be seen that the diagnostic statistics are all high and impressive. The adjusted R-squared statistic is very high at 0.958, suggesting that over 95 percent of the variations in net profit margin was captured in the model. The individual contributions of the explanatory variables to the performance of Net profit margin in the model is demonstrated by the coefficients of the explanatory variables. From the results in Table 4.6, it can be seen that only the coefficients of SIZE, GRW, and ownership concentration passed the significance test at the 1 percent and 5 percent levels. This result shows that among the main variables of the study, only firm size, growth prospects are relevant influencers of Net profit margin. Bigger firms and those with higher growth prospects tend to perform better in terms of Net profit margin in Nigeria. It should be noted that between the ownership concentration indicators of Tobin's Q and Net profit margin, size is a strong factor. This suggests that these the higher the size of a firm is a very important factor that contribute to over financial performance of firms in Nigeria. All the other variables in the model, including board independence, Chief executive Duality,

board size all fail the significance test even at the 5 percent level. This implies that these variables are not important factors that influence of Net profit margin for firms in Nigeria.

Table 4.6: Ownership Structure and financial performance (Dependent variable is NTPM*)*

Variable	Coefficient	t-Statistic	Prob.
C	-0.034	-1.025	0.309
BID	0.004	0.110	0.913
SIZE	0.003	3.886	0.000
GRW	0.001	3.730	0.000
BDS	-0.010	-0.561	0.577
CED	-0.001	-1.169	0.246
DESH	-0.001	-1.302	0.197
OWNC	0.024	2.436	0.017
Adjusted R-squared	0.958		0.168
F-statistic	79.03		1.324355

The result for ROCE is also shown in Table 4.7 below and it suggests an impressive goodness of fit statistics for the model. The adjusted R-squared value of 0.917 is very high. It shows that the model exhibits are very high explanatory power and the main ownership concentration factors affecting of ROCE has been captured in the model. The F-statistic value of 38.79 is also highly significant at the 1 percent level, which shows that the model has impressive overall significance. Indeed, the result of the F-test shows that a significant relationship exists between ROE and all the independent variables combined.

Table 4.7: Ownership Structure and financial performance (Dependent variable is ROCE*)*

Variable	Coefficient	t-Statistic	Prob.
C	-0.194	-2.169	0.033
BID	0.629	6.038	0.000
SIZE	0.011	1.897	0.062
GRW	0.001	0.623	0.535
BDS	0.000	-0.158	0.875
CED	-0.003	-0.802	0.425
DESH	0.002	1.237	0.220
OWNC	-0.195	-5.294	0.000
Adjusted R-squared	0.917		
F-statistic	38.789		

A close examination of the individual coefficients of the explanatory variables reveals that the coefficients of BID, passed the significance test at the 1 percent level, while those of the other variables fail the significance test even at the 5 percent level. This shows that the main ownership factors that influence ROCE among the firms are independence of the board and ownership concentration. The result also shows that board has positive impacts on ROCE, while ownership concentration has negative impacts on ROCE. On the other hand, firm size is shown to be unimportant in explaining the behavior of ROCE among the firms, even though size was an important factor in the determination of both Tobin's Q ratio and NTPM.

Finally, the result for MARP is also shown in Table 4.9 below and it also suggests an impressive goodness of fit statistics for the model. The adjusted R-squared value of 0.996 is very high. It shows that the model exhibits are very high explanatory power and the main determinants of MARP have been captured in the model. The F-statistic value of 775.9 is also highly significant at the 1 percent level, which shows that the model has impressive overall significance. Indeed, the result of the F-test shows that a significant relationship exists between MARP and all the independent variables combined.

Table 4.9: Ownership Structure and financial performance (Dependent variable is MARP*)*

Variable	Coefficient	t-Statistic	Prob.
C	9.945	43.271	0.000
BID	0.061	0.176	0.861
SIZE	0.030	3.193	0.002
GRW	0.001	2.849	0.029
BDS	0.011	0.649	0.518
CED	0.088	9.393	0.000
DESH	-0.018	-2.418	0.018
OWNC	0.965	2.282	0.025
Adjusted R-squared	0.995		
F-statistic	775.97		

For Tunneling and MCP, the coefficients of the explanatory variables are considered in terms of signs and significance. It is seen that the coefficients of SIZE and Chief executive Duality pass the significance test at the 1 percent level, while the coefficients of GRW and DESH pass the significance test at the 5 percent level. Thus, the result show that the factor of MARP is firm size, chief executive duality, and growth prospects and director's shareholding. In particular, the result shows that the size of firms, growth prospects, chief executive duality and directors pay all tend to promote MARP in the firms. Bigger firms that have better growth prospects tend to perform better in terms of MCP among the firms. On the other hand, directors' shareholding reduces firm performance by decreasing MARP among the firms. It is only in this result that both coefficients of firm size and growth prospects are both significant and have the same positive sign.

Discussion of Findings

The goal of the study was to determine the effect of Ownership structure on performance of manufacturing firms in Nigeria. For the purpose of the study director's shareholding and ownership concentration were considered as proxies for tunnelling while performance was measured using market price, net profit margin, Tobin Q and Returns on capital employed. The moderating effect of corporate governance was also examined. Four hypotheses in line were tested and result is discussed below

- **HO_1There is no significant effect of ownership concentration and directors' equity holdings, directors on Returns on Capital employed**

From the result on table 4.7, we make the following inferences. Directors' shareholding has a positive co-efficient of 0.002 and p-value of 0.220>0.05. indicating insignificant relationship.

Therefore, we accept the hypothesis which states that there is no significant relationship between directors pay and returns on capital employed. The implication of this outcome is that an increase in director's shareholding does not impact returns on capital significantly. However, this finding aligns with the study of Odesa and Nzoegbu (2019) and Annah, Ogbodo and Isaac (2022) who found similar results but negate the study of Nnubia and Fabian (2018); and Ifurueze et al (2019). Ownership concentration has a negative co-efficient of -0.195 and p-value of 0.000<0.05 implying significant relationship between ownership concentration and returns on capital employed. We therefore reject the hypothesis which states that there is no significant relationship between ownership concentration and Returns on Capital employed. Increases in ownership concentration reduces returns on capital employed. This finding disagrees with the finding of Boshnak (2023), Wanniarachchige and Weerasinghe (2021) who found positive association while agreeing with the study of Mosimanyane, L., & Marozva, G. (2024) In terms of corporate governance, board independence passed the significance test. This shows that the corporate governance factors that influence ROCE among the firms is board independence which provides positive effect on returns on capital employed. Increased board independence plays its moderating role by reducing tunneling thereby improving performance

- **HO_2: There is no significant effect of ownership concentration, directors' equity holdings on Net Profit margin**

From the result on table 4.8, Directors' shareholding has a negative co-efficient of -0.001 and p-value of 0.197>0.05 implying insignificant relationship. Therefore, we accept the hypothesis which states that there is no significant relationship between directors pay and Net profit margin. This finding revealed that director's shareholding is a weak tool for tunneling and has insignificant effect on performance. An increase in share holding of directors reduces Net profit margin insignificantly. Conversely, Ownership concentration has a negative co-efficient of 0.024 and p-value of 0.017<0.05 implying significant relationship between ownership concentration and Net profit margin. We therefore reject the hypothesis which states that there is no significant relationship between ownership concentration and Net Profit Margin. This finding revealed that significant shareholding reduces net profit margin. This finding suggests that concentrated ownership can be abused and used as a tool for asset expropriation which ultimately reduces performance. This finding agrees with the study of Mosimanyane, L., & Marozva, G. (2024) who also found negative association while disagreeing with the study of Boshnak (2023), Wanniarachchige and Weerasinghe (2021) who found positive association

- **HO_3: There is no significant effect of ownership concentration and directors' equity holdings, on Tobin Q of commercial banks in Nigeria**

From the result on table 4.9, Directors' shareholding has a negative co-efficient of -0.002 and p-value of 0.03>0.05 indicating significant relationship. Therefore, we reject the hypothesis which states that there is no significant relationship between directors pay and Tobin Q and state that there is a significant negative relationship between directors' shareholding and Tobin Q. The implication of this is that increases director's shareholding is perceived by the market as bad news and therefore market value measured by Tobin Q is reduced. This finding disagreed with the study of Boshnak (2023) which found a positive association between directors' shareholding and performance while agreeing with Sahrul and Novita (2020). Conversely, Ownership concentration has a positive co-efficient of 0.73 and p-value of 0.002<0.05 implying significant relationship between ownership concentration and Tobin Q. We therefore reject the hypothesis which states that there is no significant relationship between ownership concentration and Tobin Q. Concentrated ownership improves market value of the studied firms. This finding agrees with the study of Sahrul and Novita (2020); and Nashier and Gupta (2023) which also found positive result .Board independence and growth do not significantly play its moderating role while chief executive duality and firm size plays its moderating role by mitigating tunneling and increasing performance

- **HO_4: There is no significant effect of ownership concentration and directors Equity holdings, on Market price**

Directors' shareholding has a negative co-efficient of -0.018 and p-value of 0.018<0.05 implying significant relationship. Therefore, we reject the hypothesis which states that there is no significant relationship between directors pay and Market price. Increased shareholding by directors reduces market price of shares. This finding disagreed with the study of Boshnak (2023) which found a positive association between directors' shareholding and performance while agreeing with Sahrul and Novita (2020). Ownership concentration has a negative co-efficient of 0.965 and p-value of 0.025<0.05 implying significant relationship between ownership concentration and Market price. We therefore reject the hypothesis which states that there is no significant relationship between ownership concentration and Market price. Increased ownership concentration reduces market price as the market perceives it as bad news. This contrast with the findings of Yasser and Mamun (2017), Boshnak (2023), Wanniarachchige and Weerasinghe (2021); and Wang et.al (2019) which found a positive association between ownership concentration and performance while agreeing with the result of Mosimanyane, L., & Marozva, G. (2024) who also found negative association. Firm size, growth and Chief executive duality significantly and positively played its moderating role of reducing tunneling and increasing market price. Conversely, board independence and board size played weak moderating roles

Conclusion

The goal of the study is to determine the tunneling effect of director's share ownership and ownership concentration on performance of manufacturing firms in Nigeria. The study tried to determine whether allowing directors to partake in shareholding increases performance and whether block shareholding improves performance. From, another perspective does director shareholding and block ownership mitigate agency problem. Based on the result of the study we make the following conclusions: Directors' shareholding had insignificant relationships with all the variables of study. We conclude tunneling activities is not done through shareholding by directors

1) Ownership concentration had negative significant relationship with market performance measures and positive significant relationship with accounting measures. We conclude a trade-off of investors' perception and accounting performance of ownership concentration.
2) We also conclude majority shareholders indulge in tunneling profits.
3) Directors' shareholding has negative significant relationship on performance. We conclude agency problem are not mitigated by increased director shareholding

Recommendations

Based on findings it is recommended as follows:

a) that regulators should set a ceiling for share acquisition by individuals and companies to prevent asset expropriation.
b) Increased corporate governance oversight by regulators
c) Policy makers in the firm should devise a strategy to cushion the trade-off effects exhibited by ownership concentration on accounting and market performance to enhance wealth maximization goal of the firms

Implication of the Study for Theory

The findings of this study align with the agency theory and the bonus compensation plan embedded in Positive accounting theory. Agency conflict is a situation where agents deviate from the goal of the principal to seek self-aggrandizement. We have found that increased directors shareholding does not mitigate agency problem but rather increases agency problem by reducing performance. Contrastingly, the efficient transaction hypothesis suggest shareholders will always act to promote transparent and efficient transaction that promotes the goal of the enterprise thus any transaction consummated in the normal course of business is in the overall economic benefit of the entity. In this context, shareholders will always act in the overall interest of the firms, the positive results shown by this study which indicate that block share ownership improves performance aligns with the efficient transaction hypothesis

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