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Ownership Structure and Financial Performance of Listed Manufacturing Firms in Nigeria: Moderating Role of Board Diversity.

Hassan, Ismaila[1], Hassan Alhaji, Tanko[2]

[1, 2]Department of Accounting, Faculty of Management Sciences Kaduna State University, Kaduna, Nigeria

ABSTRACT: The financial performance of listed Manufacturing firms in Nigeria has been deteriorated considerably. There are other issues that could lead to the poor economic performance but the researchers are explicitly interested in investigating the impact of board diversity on the relationship between ownership structure and financial performance of listed manufacturing firms in Nigeria from 2013 to 2022 financial years. The ownership structure variables used in this study are foreign ownership and concentrated ownership while the financial performance used is represented by return on assets (ROA), and the moderating variable is board diversity. The sample of the study is all the fifty (50) listed manufacturing firms in Nigeria that make up the population of the study. The study uses secondary data and multiple regressions for the purpose of this study. The findings of the study reveal that foreign ownership has a positive and insignificant effect on financial performance. However, concentrated ownership has a positive and significant effect on performance. Board diversity has a positive effect on the relationship between foreign ownership, concentrated ownership and financial performance. The researchers therefore recommend that Regulatory bodies of manufacturing firms such as Standard Organization of Nigeria should ensure that board diversity in listed manufacturing firms in Nigeria is composed in such a way as to ensure diversity of experiences without compromising compatibility, integrity and independence. Should ensure that the diversity of experience without compromising compatibility, integrity and independence.

KEYWORDS: Ownership structure, performance, manufacturing, firms, Nigeria

Financial performance of a firm could not be separated from its ownership structure (Lawal et al. 2018). This is because owners make available the capital to the business. It is usually believed that the responsibility of every firm is for it to make profits for its owners. The market is competitive and for any company to continue to exist in the long run it should able to make returns. A firm that has a good record of performance will continue to joy the support of its investors, creditors as well as other stakeholders in the business.

Resources of the firm are controlled by owners (Musa & Nzau, 2022). Thus, company ownership is likely to affect different interpretations of company survival. The primary objective of investors is to make returns on their investments which make them to delegate to managers the decision making (Carney et al., 2019). Shareholders assign the responsibility of running the firm to directors.

Ownership structure shows how the proportion of shares of corporate organization is owned. Shareholders make available capital for the firm which gives them the power to make decisions for the business. Furthermore, Owners delegate authority to managers who are sometimes not the owners of the company (Musa & Nzau, 2022).

Business owners delegate the authority and management rights to people that work in an organization to manage the affairs of the company (Al-Ahdal et al. 2023). The composition of ownership affects the way the management would pursue the objectives of the organization.

Zandi et al. (2020) claim that some firms are not doing well because some board of directors that appointed by shareholders have no necessary knowledge of the business and as a result they are always relying on the decisions made by the management which are sometimes not in the best interest of the firm. Therefore, in order to regulate changes in both ownership structure and board of directors, many corporate governance codes were formulated.

Investors and other stakeholders are anticipating the board of directors to make sure that management run the business in compliance with the law in order to prevent the management from unethical behavior (Gurusamy, 2017).

Many studies were conducted on ownership structure and firm performance; however, there are differences in their findings. While the work Sawaka and Watanabel (2020), Oyedokun et al. (2020), Gupta, Agarwal and Jagwani (2021), Ali et al. (2021) found significant positive impact of foreign ownership on firm performance the studies of Alabdullah (2018), Amin and Hamdan (2018) revealed significant negative effect on financial performance.

Considering the disparities in results of above studies, the researchers then introduce a moderator into to care of the inconsistency in the results. This is one the gaps this study intends to fill.

The researchers have revealed several works on ownership structure and performance, none of them has used data that is up to 2022 financial years and therefore the period is extended from 2013-2022 financial years.

The researchers are interested in conducting the study on manufacturing industry in Nigeria because of the significant role it plays in boosting the Nigerian economy. The Guardian (2021) reports that the share price of many listed manufacturing companies in Nigeria has been not changing positively. This is due to negative sentiments that have overshadowed demand for the stock.

The Guardian also reports that several companies in the manufacturing sector in Nigeria are making losses. It said for instance, International Breweries Plc has incurred a loss of over N11 billion in the second quarter and the loss is three times the N3.7 billion loss it incurred in the corresponding quarter in 2020.

The main objective of this study is to investigate the moderating of women gender on the relationship between ownership structure and financial performance of listed manufacturing in Nigeria. Other specific objectives are as follows:

(i) To examine the effect of foreign ownership structure on the financial performance of manufacturing companies in Nigeria.

(ii) To investigate the impact of concentrated on the financial performance of listed manufacturing companies in Nigeria.

(iii) To assess the effect of women gender on the financial performance of listed manufacturing companies in Nigeria.

(iv) To examine the moderating role of women gender on the relationship between foreign ownership structure and the financial performance of listed manufacturing companies in Nigeria. (v) To investigate the impact of women gender on the relationship between concentrated ownership structure and the financial performance of listed manufacturing companies in Nigeria.

LITERATURE REVIEW

The review of related literatures of foreign ownership and financial performance and concentrated ownership structure and financial performance are carried out in this section.

Foreign Ownership and Financial Performance

Jinadu et.al. (2018) assessed the influence of foreign owners on corporate performance of multinational banks from 2010- 2014 in Nigeria and the source of the data was secondary. The study used panel regression technique to analyze the data and the population of the study was 8 multinational banks in Nigeria. The result revealed that the influence of foreign investors on financial performance was positively insignificant. The drawback of this study is that the study focused on multinational banks in Nigeria while the present study focuses on manufacturing companies in Nigeria. This study also did not cover the recent period. Therefore, the current study extends its period to 2022 financial year.

Nguyen et al.(2020) evaluated the effect of foreign ownership on firm performance using 30 listed firms in Vietnam from 2012-2018 using multiple regression technique and the sample size was 30 biggest listed companies. The finding revealed that foreign ownership has a positive effect on firm performance. This study was carried out in Vietnam while the current is conducted in Nigeria. The period of this work stopped in 2018 hence the present study extends its period to 2022 financial year

Koji et al. (2020) examined the impact of foreign ownership on firm performance of listed manufacturing firms in Japan from 2014-2018. The sample size was 1412 firms using multiple regression technique. The result showed that foreign ownership has positive significant impact on firm performance. This study was carried out in Japan while the present study is carried out in Nigeria. While the period of this study stopped in 2018 the current work extends its period to 2022 financial year.

Concentrated Ownership and Financial Performance

Ironkwe and Amefe (2019) assessed the impact of ownership concentration on firm performance of listed companies in Nigeria from 2008-2017. The study used secondary and multiple regressions. Empirical findings showed that concentration shareholders had no significant relationship with performance. Deficiency of the research of Ironkwe and Amefe is their study was on quoted companies while the present study is particularly on manufacturing companies in Nigeria. The period of this study stopped in 2017 financial year whereas the present study extends its period to 2022 financial year.

Dakhlallh, Rashid, Abdullah and Dakhlallh (2021) evaluated the effect of concentrated ownership on firm performance in Jordan from 2009-2017. The sample size was 180 companies and multiple regression technique was for analysis. The result showed that concentrated ownership has positive effect on firm performance. The period of this study stopped in 2017 while the period of the current study stops in 2022. This study was conducted in Jordan while the present study is carried out in Nigeria. The domain of this work was not specific while the domain of the current study is listed manufacturing companies in Nigeria.

Maswadeh (2021) investigated the impact of concentrated ownership on firm performance of Jordanian banks from 2013-2019 using a sample of 16 banks. The study used multiple regression technique to analyze the data. The result showed that concentrated ownership has a positive significant impact on firm performance. This study concentrated on banks while the current study focuses on manufacturing companies in Nigeria. This study was conducted in Jordan and its period ends 2019 while the present study is carried out in Nigeria its period is extended to 2022.

THEORETICAL FRAMEWORK

Agency theory stresses the information lopsidedness among executives and shareholders, in addition to the conflict amid directors and owners (Reddy & Jadhav, 2019). Nevertheless, the board's obligation is to confirm managers' active supervision (Fama and Jensen, 1986).

Ain et al. (2020) proved that boards showing substantial majority female directors register a better predisposition to lower agency costs as related to nominal membership. Thus, increased gender diversity may lead to an activist (Aggrawal et al. 2019).

METHODOLOGY

This study uses correlational research design and multiple regressions. The source of data is secondary and the population of this study is fifty (50) manufacturing companies listed on the Nigerian Exchange Group as at 31st December, 2022. The study uses all the 50 listed manufacturing companies in Nigeria using sampling technique as the complete data are obtained from all the fifty (50) listed manufacturing firms in Nigeria.

Variables Measurement

Variables Table 1	**Symbols**	**Definitions/ Measurement**
Dependent Variable	**DV**	
Return on Assets	ROA	As earnings after interest and tax divided by the total assets (Jiraporn & Liu 2008; Abdulwahab et al. 2022.).
Independent Variable	**IV**	
Foreign Ownership	FO	Measured as total number of shares held by foreign investors divided by the total number of shares issued (Amin &Hamdan, 2018).
Concentrated Ownership	CO	Measured as total number of shares held by concentrated investors divided by the total number of shares issued (Al- Saheed, 2018).
Moderating Variable	**MV**	
Board Diversity	BD	As number of women on board divided by board seats (Simionescu et al.2021)

SOURCE : *Developed by the Researcher based on Literature.*

The Model Specifications for the study are stated as follows.

.$ROA_{it}= \beta_0+ \beta_1FO_{it}+\beta_2CO_{it} + \beta_3BD_{it} + \mu_{it}$---------------------------------------i

$ROA_{it}= \beta_0+ \beta_1FO_{it}+\beta_2CO_{it}+ \beta_3BD_{it} + \beta_4FO_{it}* BD_{it} +\beta_5CO_{it} * BD_{it} + \mu_{it}$ ------------------------------ii

Where:
ROA=Return on Assets
β_0=Intercept or Constant
FO=Foreign Ownership
CO= Concentrated Ownership
BD= Board Diversity
β1- β2= Coefficient of the Independent Variables
β3= Coefficient of the Board Diversity
β4-β5= Coefficient of Independent variables and Board Diversity
i= Firms
t=Time
μ= Error Term

RESULTS AND DISCUSSION

Table 2 Descriptive Statistics

Variables	*Mean*	*Minimum*	*Maximum*	*Std. Dev.*
ROA	0.035	-0.531	0.283	0.067
FO	0.174	0.000	0.795	0.106
CO	0.466	0.101	0.828	0.182
BD	0.602	0.140	0.932	0.144

SOURCE: DATA OUTPUT, 2023

The table 2 above shows that the ROA has a mean value of 0.035 with the std. dev. of 0.067 and it minimum and maximum values are -0.531 and 0.283 respectively. In case of foreign ownership, the mean value is 0.174 with the std. dev. of 0.106 while its minimum and maximum values are 0.000 and 0.795 respectively. Concentrated ownership a mean value of 0.466 with the std. dev. of 0.182

and its minimum and maximum values are 0.101 and 0.828 respectively. Finally, board diversity has a mean of 0.602 with the std. of 0.144 and minimum and maximum values are 0.140 and 0.932.

Table 3 Matrix

Variables	*ROA*	*FO*	*CO*	*BD*
ROA	1.000			
FO	0.090	1.000		
CO	0.343	0.145	1.000	
BD	-0.526	-0.151	-0.057	1.000

SOURCE: STATA OUTPUT, 2023

The table 3 above depicts that the association btween the return on assets (ROA) and foreign ownership is 0.090 and ROA and concentrated ownership have a correlation of 0.345. The correlation between ROA and board diversity is -0.526. The correlation between foreign ownership and concentrated ownership is 0.145 and finally foreign ownnership, concentrated ownerships have a negative association with board diversity.

Table 4 Summary of Regression Results

Direct Model	*Robust OLS*	*Random Effects*		*Moderation*	*Model*	*Fixed Effect*
Variables	**Coefficients**	**z- values**	**p- value**	**Coefficients**	**t- values**	**p-values**
FO	0.011	0.11	0.914	-1.850	-3.230	0.000
CO	1.568	1.78	0.075	0.869	2.590	0.010
BD	-0.695	-42.44	0.000	-0.365	-4.830	0.000
CONSTANT	0.026	-0.09	0.914	-1.275	-5.170	0.000
FOBD				1.388	3.640	0.000
COBD				1.899	4.560	0.000
R-Square	**80**			**0.75**		
Wald chi2/ Sta	**8259.1**		**0.000**	**45.47**		**0.000**

SOURCE: STATA OUTPUT, 2923

Analysis of Direct Model

The cummulative R^2 (080.) in the model is the multiple coefficient of determination gives the proportion of the total variation in the dependent variable as explained by the independent variable jiontly. This is statistically supported by the Wald chi2 statistic of 8259.1 with a p-value of 0.000 whlevel ich is stastically significant at 1% level of significance.

The result of the regression in the direct model reveals that foreign ownership has a z- value of 0.11, coefficient value of 0.011 and a p- value of 0.914 which indicates that foreign ownership has a positive and insignificant effect on financial performance of manufacturing companies in Nigeria.

This result is in line with the researcher's prior expectation that foreign ownership has no positive significant impact on listed manufacturing firms in Nigeria since the foreign ownership is the minority shareholders.

The result of this study is in line with the study of Jinadu et al. (2018) and disagrees with the results of the studies conducted by Sawaka and Watanabel (2020) and Koji, Adhikary and Tram (2020), Oyedokun et al. (2020), Gupta,Agarwal and Jagwani (2021), Ali et al. (2021).

The regression result in direct model reveals a z- value of 1.78, coefficient value of 1.568 and a p- value of 0.075. This signifies that concentrated ownership has a positive and significant impact on financial performance of listed manufacturing firms in Nigeria.

The result is consistent with the studies done by Saifullahi et al. (2015), Yeddou and Pourroy (2020), Oyedokun et al. (2020), Siahaan, Bustaman and Sari (2020), Javeed, Ong, Latief, Muhamad and Soh (2021), Ali et al. (2021), Rashid et al. (2021), Bosnak (2021) and it is not consistent with studies carried Lawal et al. (2018), Jinadu et al. (2018), Yun, Ahmad, Jebran and Muhammed (2021).

Analysis of the Moderation Model

The cumulative R2 (0.75) in the model which is the multiple coefficient of determination gives the proportion or percentage of the total variation in the dependent variable as explained by the independent variable jointly. This is statistically supported by the F-statistics of 45.47 with a p- value of 0.0000 which is statistically significant at 1% level of significance.

The regression result in the moderation model shows a z- value of -4.830, coefficient value of -0.365 with a p- value of 0.000. This indicates that board diversity have a negative significant impact on financial performance of listed manufacturing firms in Nigeria. This study is in line with the study of (Terjesen, 2009) but disagrees with the study of (Perrault, 2015).

The result of the regression in the moderation model shows that board diversity have a positive significant role on the relationship between foreign ownership and financial performances of manufacturing firms in Nigeria. This can be seen by a t-value of 3.640, a coefficient value of 1.388 with a p- value of 0.000.
The regression result in the moderation model indicates that have a t- value of 4.560, a beta coefficient of 1.899 with a p- value of 0.000 which shows that board diversity have a positive significant role on the relationship between concentrated ownership and financial performance of listed manufacturing firms in Nigeria.

CONCLUSIONS

Based on the discussion and analysis in the preceding section, the study concludes as follows:
(i) The study provided both empirical and statistical evidence on the utility of two independent variables that made up the ownership structure foreign, and concentrated ownerships and board diversity in explaining and predicting returns on assets of the sample firms.
(ii) The study showed that there is a positive and insignificant relationship between foreign ownership and financial performance of listed manufacturing firms in Nigeria.
(iii) Concentrated ownership has a positive relationship with the financial performance of listed manufacturing firms in Nigeria.
(iv) Board diversity has a negative and significant relationship with the financial performance of listed manufacturing firms in Nigeria.
(viii.)The study revealed that independent director has a positive and significant effect on the relationship between foreign ownership and financial performance of listed insurance firms insurance in Nigeria.

The study revealed that board diversity has a positive and significant effect on the relationship between concentrated ownership and financial performance of listed insurance firms insurance in Nigeria.

RECOMMENDATIONS

In line with the findings and conclusions of the study, the following recommendations are proffered.
(i) The Regulatory bodies of manufacturing firms such as Standard Organization of Nigeria should ensure that board diversity in listed manufacturing firms in Nigeria is composed in such a way as to ensure diversity of experiences without compromising compatibility, integrity and independence.
(ii) The concentrated ownership has proven empirically positive to firm financial performance in this study. This was linked by the researcher to the fact that concentrated owners frequently deploy their knowledge, resources and experience to the firms towards corporate goals. Therefore, concentrated ownership should be increased for better performance. This is because the higher the ownership concentration the higher the motivation to monitor and protect that investment.
(iv) The number of board diversity on the boards should be reasonably increased as that could enhance their effect on the relationship between ownership structure and financial performance of listed manufacturing firms in Nigeria.

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