



Ownership Structure and Financial Performance of Listed Consumers Firms in a Developing Economy

BIAZE, Preye k., KPOLODE, Oghenevwo P., EKIODIRIBO, Kelvin A., and GBENANA, Yinzuo

**Department of Accountancy, Delta State Maritime Polytechnic Buru, Nigeria.*

¹Department of Accountancy, Niger Delta University, Amasoma, Bayelsa State, Nigeria

²Department of Business Administration, Delta State Maritime Polytechnic Buru, Nigeria

³Department of Business Administration and Management, Delta State Maritime Polytechnic Buru, Nigeria

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Abstract

The essence of private venture is to multiply shareholders and stakeholders wealth, in the same vein stakeholders are looking for entity that will multiply their wealth and not the one that will keep it stagnant, hence An ex-post factor was adopted using E-view and regression analysis on secondary data of selected Consumers firms quoted on the Nigeria Exchange Group covering from 2013 to 2024 to know the impact of ownership structure on entity performance. We discover a non-statistical significant relationship between ownership structure and performance, this implies that ownership structure doesn't influence entity performance, we therefore recommended that a good management or board of directors that will can take investment decision that will impact positively on the shareholders wealth.

Keywords: Performance, ownership structure, firm

I. INTRODUCTION

The structure of a firm will go a long way in determining the performance, this is because the structure determine how fund and financial resources that are available or at the firm disposal are organized to achieve the entity goals. Etale, Edoumiekumo, Kpolode and Nkak (2020) ownership structure involves all the money both obligations and values the organizations source to back its activities, on the grounds that any off-base blend or choices taken may lead the firms into insolvency or elimination. Some scholars over the years has opined that structures of an entity has nothing to do with his performance however others have a contrary view, this has really make us to pick interest in this area of research. The essence of

private venture is to multiply shareholders and stakeholders wealth, in the same vein stakeholders are looking for entity that will multiply their wealth and not the one that will keep it stagnant, hence structuring the finances is very pivotal since each stakeholders has its own objective hence in attaining the said purpose structuring is inevitable.

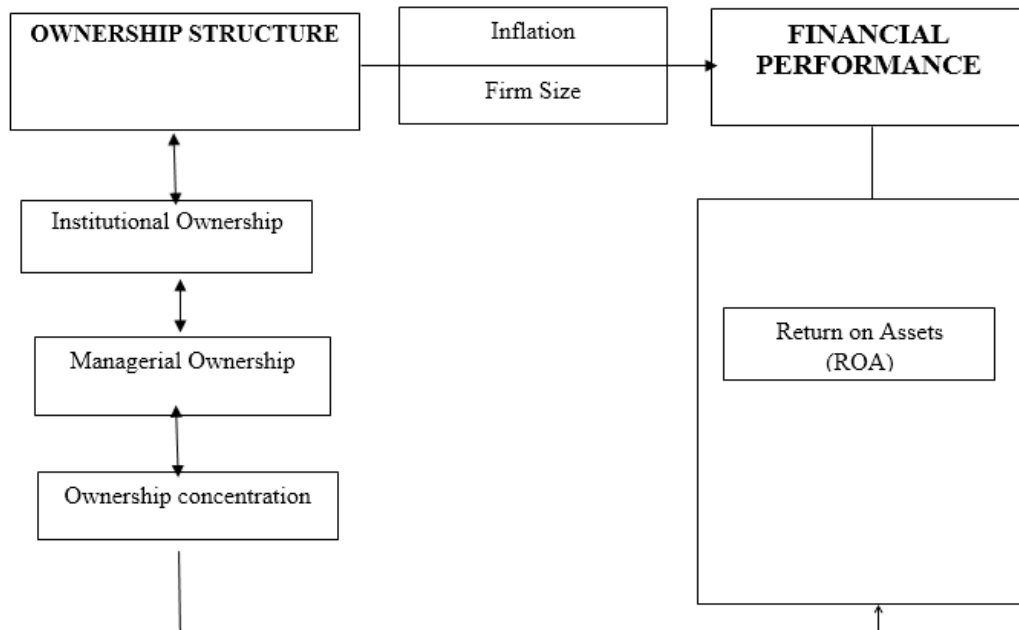
One of the surest way for firms in developing economy to attract stakeholders and financial inflow is to improve her performance while also meeting up with her financial obligations, this is because no investors will invest in an entity that cannot perform. Adesola (2009) opined that any wrong capital mix may lead the firm to bankruptcy; hence the future of capital structure decision is unknown. The determination of capital structure has been a source of concerned by different stakeholders on which sources of finance would yield the maximum returns with lesser risk. Zandi, Singh, Muhamad and Ehsanullah(2020) asserted that most entities are not doing well because most board of directors that appointed by shareholders have no acumen 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 and shareholders, therefore, in order to regulate changes in both ownership structure and board of directors, many corporate governance codes were formulated in order to curtail this unethical behavior.

Bingilar and Kpolode (2021) found that entity structure has a way of influencing the entity, this was discovered in there study of Nigerian oil and gas firms, this assertion was supported by the study of Okpolosa (2024) when he examined Equity structure and financial performances of listed food and beverages firms in Nigeria



II. REVIEW OF LITERATURE

2.1 Conceptual framework



2.2 Performance Overview

Many methods have been used in the past to quantify and represent performance by different entities; this has made firms adopt various approaches since there is no one method in measuring performance, some may decide to use return on Asset (ROA); Return on Equity (ROE); Earning per share (EPS) to mention but a few, although in the course of this study, return on assets will be used by the researchers. Financial performance is the measure of how well an entity can use its viable economic assets from its primary business to generate revenues (Dahiru, 2013). Most entities refer to profitability as the bottom line of the financial statement and is a major factor that influences shareholders' investment decision.

2.3 Empirical Review

Okpolosa (2024) used an ex post facto research design. The population of the study was eight (8) food and beverage firms in the Nigerian Exchange Group (NGX) and the time frame considered for this study was 2014-2023. The sample size was six (6) listed food and beverage firms using census sampling technique. The data used in this study was sourced from annual reports and statements of accounts of the selected companies. This study employed descriptive, unit test, and panel least square multiple regression analysis. The study findings indicated that there is a

negative and significant effect of ordinary share capital on earnings per share, there is a positive and insignificant effect of share premium on earnings per share, and finally, there is a negative and significant effect of retained earnings on earnings per share of listed food and beverage firms in Nigeria. Based on findings, the study concluded that there is a positive and significant effect of equity structure on financial performance of listed food and beverage firms in Nigeria under the period of study between 2014 and 2023. It was suggested amongst others that listed food and beverage firms should maximise the ordinary share capital options available to them in order to increase financial performance.

Norfaiqah and Saizal (2024) examined the influence of firm's characteristics using variables such as profitability, firm size, asset tangibility, and liquidity, as well as oil price, on the financial leverage of oil and gas listed firms. This study utilises a quantile regression panel data model to analyse 100 observations in the 25th, 50th (median), and 75th percentiles. Data is sourced from Bursa Malaysia over 2012-2021. Three explanatory variables demonstrated their relationship to financial leverage with consistent significance in each percentile, namely profitability, firm size, and liquidity. Firms with higher profits and liquidity have low debts as they use retained earnings and liquid assets for their financial obligations. In



addition, bigger firms have larger debts due to their capacity to meet interest obligations. Meanwhile, other variables show inconsistent significance where the asset tangibility is significant in the 25th and 75th percentiles, while the oil price is only significant in the 75th percentile. The approach utilised provides insights into the varying degrees of impact and significance across percentiles. The findings can assist managerial decision-making in determining the optimal debt level for firms' operations while mitigating financial risk. The results also act as a source of reference for policymakers in developing effective policies to stabilise the financial leverage of the oil and gas industry by addressing the volatile nature of firm characteristics and oil prices.

Aribaba, Asenuga and Egbewole (2022) examines the effect of ownership structure on financial performance of quoted building material firms in Nigeria. Ex-post-facto type of qualitative research design was used, the population of the study consists of six (6) cement firms quoted on the Nigerian stock exchange as at 31st December 2020. Four (4) firms were selected using purposive and random sampling techniques. The data were sourced through the secondary sources of data between the period 2011 to 2020 annual published financial reports of building material firms. The method of data analysis used was descriptive and ordinary least square regression statistics to measure the inference of the independent variables on the financial performance of the firms. The unit root stationarity test was used to measure the normality of the data. The study reveals that supervisory ownership with the coefficient value of ($r - 0.135 > 0.05$) and institutional ownership ($r - 0.701 > 0.05$) showed a positive and significant effect on the financial performance of quoted building material firms in Nigeria, while ownership concentration with the coefficient value of ($r - -0.239 > 0.05$) showed negative but significant effect on the financial performance of quoted building material firms in Nigeria. The study concludes that ownership structure affects the financial performance of quoted building material firms in Nigeria, and thus suggested that the Securities and Exchange Commission encourage more potential managers and institutional shareholders to invest long term in the building materials industry, as both managers and institutional shareholders improve the financial performance of quoted building material firms in Nigeria.

Abosede and Kajola (2011) investigated the relationship between firms' ownership structure and financial performance in Nigeria, using a

sample of thirty listed companies between 2001 and 2008. Using pooled OLS as a method of estimation and after controlling for four firm-specific characteristics, our results show a negative and significant relationship between ownership structure (director shareholding) and firm financial performance (ROE). This is in support of Entrenchment hypothesis. Also, our study does not support a non-linear relationship between ownership structure and firm performance.

Hassan and Hassan (2010) 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.

Etale, Edoumiekumo, Kpolode and Nkak (2020) analyzed the nexus between capital structure and firm's performance of quoted industrial goods on Nigeria Stock Exchange (NSE). Five firms were selected for the study with secondary data covering for six years (2014-2019). We employed the multiple regression model in testing our hypotheses, return on equity (ROE) serve as the dependent variable for measuring performance while the



independent variables are measured by three variables which Non-current debt to total assets (NCD), current debts to total assets (CD) and total debts to equity (TDE). Our findings revealed that two of our independent variables (NCD and TDE) have a statistical significant relationship with ROE however TDE have a negative relationship with ROE, while the other independent variable CD has no statistical significant on performance. We therefore recommend that in considering the capital mix/structure of the firms long term financing should be consider first, while CD should be consider last and also proper matching should be carried out between equity and debt

2.4 Evidence of research gap

Bingilar and Kpolode (2021) found that entity structure has a way of influencing the entity, this was discovered in there study of Nigerian oil and gas firms, this assertion was supported by the study of Okpolosa (2024) when he examined Equity structure and financial performances of listed food and beverages firms in Nigeria. However other scholars such as Abosede and Kajola (2011) has a contrary view in their study of ownership structure and firm performance: evidence from Nigerian listed companies.

III. METHODOLOGY

An ex-post factor was adopted to analysed secondary data of selected Consumers firms quoted on the Nigeria Exchange Group, this approached was to ensure data used are reliable as the researchers have no power to manipulate the

1.3 Model of Specification

Variable	Acronym	Type	Measurement	Source
Institutional Ownership	IO	Explanatory variable	% of total shares owned by institutions	Tandiono and Ratnaningsih, (2015)
Managerial Ownership	MO	Explanatory variable	% of shares held by managers and executive directors.	Salehi, Mohmoud and Heydari (2012)
Ownership Concentration	OC	Explanatory variable	Proportion of shareholder holding 5% above of total issued shares	Shehu and Ahmed, 2012; Namazi and Kermani, 2008
Inflation	IR	Moderating	Consumer Price Index (CPI)	Akpovofene and Kpolode (2023)
Firm Size	FS	Moderating	natural logarithm of total asset	Salehi, Mohmoud and Heydari (2012)
Return on Assets	RA	Dependent variable	Net income divided average total assets	Ajibola, Wisdom and Qudus (2018).

data. regression analysis was adopted by the researchers following the specified model (Bingilar&Kpolode, 2021). The hypotheses were tested using the analysed result from the study; the decision rule was to reject the hypotheses if the calculated the p-value is less than 5% (0.05).

3.1 Population of the Study

As at the time of carrying out this research, the total consumerfirms listed on Nigeria Exchange are 21, and they include Buafoods Plc, Cadbury Nigeria Plc, Champion Brew. Plc. , Dangote Sugar Refinery Plc, DnTyre& Rubber Plc , Flour Mills Nig. Plc, Golden Guinea Brew. Plc., Guinness Nig Plc, Honeywell Flour Mill Plc, International Breweries Plc., Mcnichols Plc, Multi-Trex Integrated Foods Plc, N Nig. Flour Mills Plc., Nascon Allied Industries Plc, Nestle Nigeria Plc., Nigerian Brew. Plc., Nigerian Enamelware Plc., P Z Cussons Nigeria Plc., Unilever Nigeria Plc., Union Dicon Salt Plc., VitafoamNig Plc.

3.2 Sample and Sampling Techniques

Forteen (14) firm was selected base on availability of the companies data, hence the sample firms for this study constitute 67% of the study population. Thus the sample companies include: Buafoods Plc, Cadbury Nigeria Plc, Dangote Sugar Refinery Plc, Flour Mills Nig. Plc, Guinness Nig Plc, Mcnichols Plc, N Nig. Flour Mills Plc., Nascon Allied Industries Plc, Nestle Nigeria Plc., Nigerian Brew. Plc., Nigerian Enamelware Plc., P Z Cussons Nigeria Plc., Unilever Nigeria Plc., VitafoamNig Plc.



The study adopted a model which applied by other researchers such as mention in the study. The model is as follows:

$$ROA = (\text{IO}, \text{MO}, \text{OC}, \text{IR}, \text{FS})$$

The above was modified and transformed into regression equations as follows:

$$ROE = \alpha + \beta_1 \text{IO} + \beta_2 \text{MO} + \beta_3 \text{OC} + \beta_4 \text{IR} + \beta_5 \text{FS} + \mu$$

Where:

α = constant in the equation above μ = residual $\beta_1 -$

β_5 = the slope of the equation or coefficient of the independent variables

IV. RESULTS AND DISCUSSION OF FINDINGS

Data were extracted from the published annual report of the sampled companies which are presented in Table 1 below. These figures represent aggregate figures of the fourteen (14) samples companies for the period covering 2013 to 2023, the absolute aggregate figures of book values was used.

Table 1: Descriptive Statistics

	IR	ROA	IO	MO	OC	FS
Mean	2.512727	4.113636	7.363636	11.38455	8.575091	12.64545
Median	2.460000	2.650000	9.470000	13.00000	8.218000	12.09000
Maximum	3.400000	8.430000	14.34000	18.05000	17.85600	19.20000
Minimum	2.090000	-1.620000	0.500000	0.500000	2.200000	7.280000
Std. Dev.	0.377891	3.434828	4.635214	5.624133	5.861176	4.286666
Skewness	1.095651	-0.092375	-0.322686	-0.758871	0.183540	0.259752
Kurtosis	3.745310	1.659841	1.769335	2.526734	1.508617	1.654866
Jarque-Bera	2.455426	0.838823	0.885061	1.158446	1.081196	0.952999
Probability	0.292962	0.657434	0.642409	0.560333	0.582400	0.620953
Sum	27.64000	45.25000	81.00000	125.2300	94.32600	139.1000
Sum Sq. Dev.	1.428018	117.9805	214.8521	316.3087	343.5338	183.7551
Observations	11	11	11	11	11	11

Source: E-view 10 output

The descriptive statistics of the Mean 2.512727, 4.113636, 7.363636, 11.38455, 8.575091 and 12.64545. Median 2.460000, 2.650000, 9.470000, 13.00000, 8.218000 and 12.09000. Maximum 3.400000, 8.430000, 14.34000, 18.05000, 17.85600 and 19.20000. Minimum 2.090000, -1.620000, 0.500000, 0.500000, 2.200000, and 7.280000. Standard deviation 0.377891, 3.434828, 4.635214, 5.624133, 5.861176 and 4.286666 of the variables (IR, ROA, IO, MO, OC

and FS) for the study respectively. The indication is that OC the most dispersed variable in the study while IR is the least dispersed among the variables. Jarque-Bera statistics and the associated probability values also showed that the IR, ROA, IO, MO, OC and FS are normally distributed with probabilities of 0.292962, 0.657434, 0.642409, 0.560333, 0.582400 and 0.620953 (which are greater than 5%) respectively.

Table 2: Regression Output

Dependent Variable: ROA

Method: Least Squares

Date: 12/21/24 Time: 22:18

Sample: 2013 2023

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
IR	-0.001292	0.040187	-0.032144	0.9756
IO	0.002034	0.021129	0.096260	0.9271
MO	0.007464	0.018566	0.402023	0.7043
IR	-0.013363	0.027698	-0.482431	0.6499
FS	0.069108	0.022864	3.022636	0.0293



C	1.658771	0.552928	2.999976	0.0301
R-squared	0.732933	Mean dependent var		2.512727
Adjusted R-squared	0.465866	S.D. dependent var		0.377891
S.E. of regression	0.276180	Akaike info criterion		0.566923
Sum squared resid	0.381376	Schwarz criterion		0.783956
Log likelihood	2.881926	Hannan-Quinn criter.		0.430113
F-statistic	2.744379	Durbin-Watson stat		2.066518
Prob(F-statistic)	0.146036			

Source: E-view 10 output

The analytical output in Table 2, the independent variables combined significantly explained the variations in the dependent variable with F-statistics probability value of 0.146036 (at 5% significant level). The R-squared (coefficient of determination) value 0.732933 indicates that 73% of changes in the dependent variable are accounted for by the combined effect of variations in the independent variables, which indicates that the model used in testing the hypotheses for the study is a proper and good fit, with a confidence level of approximately 73% for acceptance of the goodness of the study model. Durbin- Watson statistics value 2.066518 is approximately equal to the 2.0 benchmark, which indicates the non-existence of serial auto correlation among the independent variables.

V. CONCLUSION AND RECOMMENDATIONS

We examined ownership structure and financial performance of listed consumers firms in a developing economy quoted on the Nigeria Exchange Group from 2013 to 2023, data were extracted from the published financial statement of the companies, the regression showed a non-statistical significant relationship between ownership structure and performance, this implies that ownership structure doesn't influence entity performance, hence all firm need is good management and availability of resources to plough into viable project, this study also agree with other researchers such as Abosede and Kajola (2011) in their study of ownership structure and firm performance: evidence from Nigerian listed companies while contradicting the findings of Etale, Edoumiekumo, Kpolode and Nkak (2020) Therefore, we recommended Shareholders should employ directors with tack records and have the requisite acumen to take a good investment decision that will improve and increase their wealth. Lastly government should create an enabling business environment through a positive and fiscal and

monetary policy that will help firm in developing economy to strive.

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