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Ownership Diversity and Corporate Performance: Evidence from Nigerian Conglomerates Firms

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Abstract: Firm performance comes as a result of the contribution of different factors among which is the shareholding structure of such firm. This paper investigates the impact of shareholding structure on the performance of listed conglomerate firm in Nigeria. The sample of the study is all the 6 firms representing the whole population of the study. The study adopted ex-pot facto research design; using secondary data extracted from the annual report and account of the sampled firms within the period of 2008/2013. Panel multiple linear regression technique was used as a technique of data analysis. The study found that managerial ownership and independent director's ownership has a negative but strong and significant impact on the performance of listed conglomerate firms in Nigeria, whereas institutional and ownership concentration were found to have a positive, strong and significant impact on the performance of listed conglomerate firm in Nigeria. On the other hand foreign ownership was found to have no significant impact on the performance. It is therefore recommended that management of firms in the conglomerate sub-sector should advice and lobby institutions and individual block holders to subscribe more of their shares as it increase the firm performance, while managers should be discourage by the board to hold a substantial unit of shares by instituting a policy that will restrict the number of their holdings to avoid decrease in performance.

INTRODUCTION

Ownership diversity is the distribution of equity with regard to votes and capital as well as the identity of the equity owners. These diversities sometimes refers to structures are of major importance in corporate governance because they determine the incentives of managers and thereby the economic efficiency of the corporations they manage (Jensen and Meckling, 1976). The corporate governance framework according to Imam and Malik (2007) is the widest control mechanism (both internal and external) since it encourages the efficient use of corporate resources and ensures accountability for the stewardship of those resources utilised. Lins (2002) further contend that ownership structure could help align the interests of individuals, corporations and society through a fundamental ethical basis and it will fulfil the long-term strategic goal of the owners, building shareholder value and establishing a dominant market share.

More equity ownership by the manager may increase corporate performance because it means better alignment of the monetary incentives between the manager and other equity owners (Jensen and Meckling, 1999). Also Oswald & Jahera (1991), Yeboah-Duah (1993) argues that when managerial personnel hold a proportion of shares in the firm (managerial ownership), the interest of shareholders and managers are aligned. As a result, the agency problems decrease and in turn the firm's performance increases. More equity ownership by the manager may increase corporate performance because the managers are more capable of opposing a takeover threat from the market for corporate control and as a result, the raiders in this market will have to pay higher takeover premiums (Stulz 2001). On the other hand, Fama and Jensen (2000) content that increased ownership concentration (any kind of owner) decreases financial performance because it raises the firm's cost of capital as a result of decreased market liquidity or decreased diversification opportunities on behalf of the investor.

In addition, an important aspect of ownership structure is the shareholding of institutional investors. Supporters of institutional holdings contend that institutional investors tend to have more expertise than individual investors in Investment selection and monitoring. In addition, institutional investors can also influence firm performance in several ways. For instance, monitoring is particularly enhanced in the presence of a lending relationship where periodic financial reports are required. On the other hand, a different strand of thought argues that institutional investors diminish efficiency due to their passivity, myopic goals, or legal constraints. Firm performance can also be negatively influenced as institutional ownership rights are exercised by the representatives (Raquel & Rosina 2009). In this regard, the ownership-performance relationship is expected to be less clear, depending on which force

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dominates. In light of this, the study considers the relation between firm performance and institutional ownership.

Several attempts in the literature explain this relationship focusing the attention to the information asymmetries between managers and owners in the firm decision-making process. On the one hand, the literature pointed that large shareholders have strong incentives in profit maximization and enough control over the assets of the firm to put pressure on managers to have their interest respected and risky projects maintained (Shleifer & Vishny, 1997). In the same line, some studies explain that the concentration of capital in a small number of owners helps to align the management team with the shareholders' interests, leading to reducing high risk investment policies such as the ones of innovation, and to a loss of some of the benefits of specialization (Hill and Snell, 1988; Burkart *et al.,* 1997).

Foreign shareholders are endowed with good monitoring capabilities, but their financial focus and emphasis on liquidity results in them unwilling to commit to a long-term relationship with the firm and to engage in a process of restructuring in case of poor performance. These shareholders prefer strategies of exit rather than voice to monitor management (Aguilera & Jackson, 2003). Consequently, foreign shareholders are postulated to have a great impact on firm performance. Their financial focus leads to short-term behavior and a preference for liquid stocks while their domestic affiliation often results in a complex web of business relationship with the firm and other domestic shareholders (Claessens *et al*., 2000; Dharwadkar *et al*., 2000). Therefore, these shareholders are expected to have a great positive influence on firm performance because of their exposure, experience, managerial and monitoring expertise.

Independent directors as an internal control mechanism are concerned with the improvement of corporate governance, which thus increases firm value and maximizes shareholder wealth in a corporation. There is no consensus as regards the impact of independent directors on firm performance (Wenge 2014), because empirical evidence on the correlation between independent directors and firm performance is not consistent and even controversial. This may lead independent directors to become the target of public criticisms for their role as effective monitors in policing management performance. Among the studies with positive significance impact are; (Sanda, Garba & Mikailu 2008, Swan, 2010; Masulis *et al.,* 2012). Whereas studies like Nur and Basiru (2014), Siti, Ong and Mohd (2012) and Wenge (2014) found negative impact on the performance. However, Duchin et al. (2010) and Dalton et al. (1998) found no correlation between the variables. No matter how controversial the result is, independent directors exist in corporate governance as a given. However, their existence is not only for the improvement of corporate governance but also for the enhancement of corporate performance. This is because good corporate governance is but a means of bringing about better corporate performance. Therefore, it would be inconvincible to study the effectiveness of independent directors in corporate governance without a further investigation of the relationship between independent directors and firm performance.

Ownership structure has been explored in prior literatures on how they relates to firm performance, and of course the studies in this area have divergent views as some concluded that Ownership proxies do not contribute to firm performance (Wenge 2014, Morck, shleifer and Vishny, 1998, Bhagat & Black 2002). On the contrary researchers like Morck, shleifer and Vishny, (1998), Han and Suk (1998), Tsai & Gu (2007), Rwegasira (2000) and shehu *et al.* (2012) posited that ownership structure has significant impact on firm performance. Studies like Dalton (1986), Baysinger and Butler (1985), Chagati et al. (1985) and Duchin et al. (2010) found no correlation. These different views motivated the study as the findings were all controversial and conflicting. However another important gap the study will fill is the methodological gap as most of the studies uses cross sectional data which will not give room to look at the individual characteristic and time variant of their peculiarities. In addition a robustness test for hetroscedesticity, fixed and random effect, hausman specification and Breusch and pegan lagrangian multiplier test for fixed and random were considered to improve the validity and reliability of the statistical inferences derivable from the result. However, environmental and sector is another important observation that motivate the study as most of the above studies were conducted in a develop economy with different behavior compared to Nigeria. In such case hadn't been the same study will be carried out in a developing or growing economy like Nigeria will be rewarding especially in the conglomerate sub-sector. Independent director's ownership is also included as most of the literatures reviewed did not take care of it. The main purpose of this study is to examine the influence of ownership structure on performance of conglomerate firm in Nigeria. Other specific objectives are;

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i. To examine the impact of managerial shareholding (MGO) on the return on Assets of listed conglomerate firms in Nigeria.
ii. To investigate the influence of institutional shareholders (INST) on the return on Assets of listed conglomerate firm in Nigeria.
iii. To measure the level of impact of ownership concentration (ONCON) on the return on Assets of listed conglomerate firms in Nigeria.
iv. To determine the impact of foreign ownership (FRO) on the return on asset of listed conglomerate firms in Nigeria.
v. To ascertain the influence of independent non- executive directors (IND) on the return on asset of listed conglomerate firms in Nigeria

The following null hypotheses were formulated base on the objectives.

Ho_1 Managerial ownership has no significance effect on return on Assets of conglomerate firms in Nigeria.

Ho_2 Institutional shareholders have no significance influence on the return on Assets of listed conglomerate firms in Nigeria.

Ho_3 Ownership concentration has no significant impact on the return on Assets of listed conglomerate firms in Nigeria.

Ho_4 Foreign ownership has no significant influence on the return on Asset of listed conglomerate firms in Nigeria.

Ho_5 Independent non-executive directors have no significant impact on the return on asset of listed conglomerate firms in Nigeria.

The theoretical and practical contributions of the paper is; it add to the existing body of knowledge for the potential researchers to build on it and it will be of benefit to the Nigerian manufacturing companies especially those in conglomerates sub-sector as it will guide them on their shareholding composition, overall the management stands a better chance to benefit from the outcome of this research. However, The findings of this study is expected to have particular implications to the regulators such as Security and exchange commission, Nigerian Stock exchange and corporate affairs commission among others for coming up with standards and policies that will control the opportunistic accounting practiced by some managers. Specifically the paper is organize as follows; section two deals with the literature review, section three discuss the methodology while section four discuss the result as the section five concludes.

2.1 Literature Review and Theoretical Framework

Corporate governance involves a system by which governing institutions and all other organizations relate to their communities and stakeholders to improve their quality of life (Ato, 2002). Corporate governance is therefore important to ensure transparency, accountability and fairness in corporate reporting. In this regard, corporate governance is not only concerned with corporate efficiency, it relates to company strategy and life cycle development (Mayer, 2007). It is also concerned with the ways parties interested in the wellbeing of firms (stakeholders) ensure that managers and other insiders adopt mechanism to safeguard the interest of the shareholders (Ahmadu, Tukur & Sanda 2005). Numerous recent studies emanating from academic research shows that good corporate governance lead to increase valuation, higher profit, higher sales growth and lower capital expenditure (Wolfgang, 2003). Analysis of data indicates that there is positive relationship between corporate governance and financial performance. Stewardship functions of management cannot be effective and efficient without sound governance practices which can objectively be measured through financial performance. This reflected the view of the respondents as they support the assertion that corporate governance is positively related to financial performance.

2.1.2 Managerial ownership and firm performance

Managerial shareholding is the portion of equity shares held the managers of an entity and the reason behind discussing this corporate attribute is nothing more than the agency theory which assumes that managers that are actively participating in the managing the affairs of an entity tends to act in a way that will maximize the value of firms. Sanda, Mika'ilu and Garba (2005) posited that director shareholding is significantly negatively related to firm performance. This compares with outside directors and ownership concentration, which are not significant in all cases. This finding also does not support Adenikinju and Ayorinde (2001), who saw no significant relationship between firm performance and insider ownership. In addition, McConnell and Servaes (1990) credited a significant curvilinear relationship between insider ownership and firm performance. On the other hand a non-significant relationship exists in the work of (Loderer and Martin 1997). Managerial ownership has negative and strong impact on firm performance of study with 8 sample firms (faruk and mailafia 2013). This study support the study of Morck, shleifer and Vishny, (1998) who analyzed the relationship between the manager's percentage of shares and

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firm performance. They gave a positive for holding withing three ranges, 0% to 5%, beyond 25%, but negative one between 5% to 25%.

2.1.2 Institutional ownership and firm performance

Institutional investors are very sensitive governance variable that has been central in corporate governance discussions. The argument to categorize it as an endogenous mechanism is supported by the fact that corporate disclosure, together with firm characteristics such as size, financial performance, and risk may affect institutional ownership and accruals quality simultaneously (LaFond & Roychowdhury, 2008). Prior literature has acknowledged that institutional presence can serve as an effective monitoring mechanism in the firm (Shehu, 2011: Bowen, Rajgopal 2008). Institutions are particularly important in corporate governance discussions because, they hold a substantial proportion of total equity shares of a good number of firms and are thus relevant to policy making. It is therefore, quite possible that these institutions have an effect on firm performance as well as the discretionary behavior of managers. Perhaps, the predominant view is that because institutions have the required resources and financial expertise to monitor and discipline managers and thereby reducing agency problems. However, it can be argued that if institutions hold a large amount of equity shares of company, that in it may exert an enormous pressure on the part of managers to manipulate figures so that the financial report may not present the true and fair view of the entity which invariably affect firm performance. Farouk and mailafia (2013) in a study of chemical and paints firms in Nigeria with a sample study of 8 companies posited that Institutional ownership has no significant influence on firm performance, this findings contradict with that of McConnell and Serveas (1999), Han and Suk (1998), Tsai & Gu (2007) who found that Institutional ownership has a positive significant influence on firm performance.

2.1.3 Ownership concentration and firm performance

Another shareholding structure variable examined in the study is ownership concentration, which is also referred to as block holders. It is the proportion of shares (usually more than 5%) owned by a certain number of shareholders. It is argued that the higher the number of shares owned by the block holders, the more mangers action will be regulated and monitored to act in the interest of the shareholders (Sanda et al. 2005). Large ownership concentration has more incentives to enhance firm performance because the expected benefit from equity holding in the firm outweighs the cost associated with monitoring managers, If then we expect ownership concentration to be significantly related to firm performance. However, some researchers observe that high ownership concentration beyond a certain level may lead to abuse of power, which could be detrimental to the value maximization goal of the firm (Sanda *et al*. 2005). The argument that usually supports this is that the largest shareholders have more incentive to monitor and discipline managers because monitoring cost is less than the expected benefits from their large investments (Klein, 2002: Schleiffer & Vishney, 1986). The different national system of corporate governance reflected major differences in ownership structure of firms in different countries and particularly, differences in ownership concentration (Shleifer and Vishney. 1997). This resulted from the variation in country's legal, regulatory, institutional, historical and cultural factors that separate ownership from control of firms (agency function). Corporate governance was therefore practiced throughout the world depending upon the relative Power of owners, managers and providers of capital (Craig, 2005). Rwegasira (2000) posited that corporate governance is a structure within which corporate entity or enterprise receive it basic orientation and direction. Farouk & Mailafia (2013) argued that Ownership concentration has no significant relationship with firm performance. For the purpose of these research Agency theory is used to anchor the study as it was found much suitable for the study that looks into the principal and agent relationship (Jensen, M.C. and W.H. Meckling 1976).

2.1.4 Foreign ownership and Firm Performance

The effect of foreign ownership on firm performance has been an issue of interest to academia, researchers, and policy makers. As posited by Gorg and Greenaway (2004), the main challenging question in the international business strategy is the outcome gained from foreign ownership of firms. It is duly accepted that foreign holding plays a crucial role in firm performance, particularly in developing and transitional economies, researchers such as Aydin *et al*. (2007) have concluded that, on average, multi-national enterprises have performed better than the domestically owned firms. It is therefore, not surprising that the last two decades have witnessed increased levels of foreign direct investments in the developing economies. Aitkin and Harrison (1999) conclude from a sample of Venezuelan firms that foreign ownership is correlated with productivity improvements. Using detailed plant-level information from Mexico, Perez- Gonzales (2005) finds that multinational control leads to large improvements in total factor productivity,

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particularly in industries that rely on technological innovations from their parent companies. Arnold and Javorcik (2005) use plant-level data from Indonesia and find that foreign ownership leads to significant improvements in productivity in the year of acquisition as well as in subsequent years. Petkova (2008) conducts a similar study using Indian plant level data and concludes that foreign owned plants only experience improvements in productivity at a three-year horizon.

2.1.5 Independent directors and firm performance

The board of directors is accountable and responsible for the performance and affairs of the company. It should define the company's strategic goals and ensure that it human and financial resources are effectively deployed towards attaining those goals (Sec 2011). The composition of the board of directors is expected to play an important role in alligning the interest of the managers and that of the shareholders. Corporate governance structure in Nigeria requires that in composing the board of directors there should be representation from an independent person who does not have any business with the firm and his shareholding if any should not exceed 0.1%. Also, these independent directors most be appointed base on experience and competence (Shehu *et al*. 2012).

The discussion here is that since the outside directors do not possess or have an insignificance proportion of shareholding of the firm, in order to maintain their reputation, they are expected to act in such a manner that will improve the financial performance of a firm. The relation between between board composition and firm performance has been explored previous literature. In a study conducted by shehu *et al.* (2012) in Nigerian manufacturing sector between the period of 2008-2010 using a sample of 25 firms where they use OLS regression technique found that there is a significant relationship between independent directors and firm performance. Also Lee *et al*., (1999); Ferris *et al*., (2003); Hillman, (2005); Honeine and Swan, (2010); Masulis *et al*., (2012) also are of the opinion that a board with a high representation by independent directors will have a strong significant influence on the performance. On the contrary studies like wange (2014) fail to establish any significance relationship between the presence of independent non-executive directors on board and performance using Chinese listed companies. The same thing is true by (Bhagat and Black 2002). The finding is also in alignment with a stream of other empirical works (Daily and Dalton, 1993; Klein, 1998; Anderson et al., 2000; Beiner et al., 2004; Boone et al., 2007; Bhagat and Bolton, 2008).

The separation of ownership and control in modern business creates conflicts of interest between managers and stakeholders. Following this conflict was between the principal and the agent, companies are obliged to use control mechanisms to reduce agency costs and information asymmetry. For the purpose of this research agency theory is used to anchor the dependent and independent variables of the study. The ability of mangers to manage and utilize the asset of the firm for a better return are seen as the agent and the shareholders are seen from the other hand as the principals.

3.1 Methodology and Model Specification

This study uses ex-pot factor research design. The population of the study is the entire six firms listed under the conglomerate sub-sector of the Nigerian manufacturing sector "between" 2008-2013 which represent the sample size of the study. Only secondary data extracted from the annual report and account of all the sampled firms were used. Panel multiple linear regression was used as a technique of data analysis. The justification for the use of the technique was as a result of it ability to predict relationship between variables. In investigating the impact of shareholding structure on the performance of listed conglomerate firms in Nigeria, a longitudinal balanced panel multiple linear regression model is specified. The model captures the contribution of managerial ownership, institutional ownership, ownership concentration, foreign ownership and independent director's ownership on the performance measured by return on asset of conglomerate firms in Nigeria. The model that test hypothesis of the study is presented as follows:

$$PERF_{it} = \alpha_0 + \beta_1 MGO_{it} + \beta_2 INST_{it} + \beta_3 OWNC_{it} + \beta_4 FRO_{it} + \beta_5 IND_{it}\ €_{it}$$

Where:

α= Constant
β1 toβ5 = Coefficient of the parameters
€= error term
i= firm
t= time

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Table 1 Variable definition and measurement

S/No	Variable	Definition	Measurement	Source
1	PER	Performance (ROA)	Profit after tax over total asset	Sunday,Charles & Abojede, 2012
2	MGO	Managerial ownership	% of shares held by managers to total number of shares	Farouk & Luka 2013, Shehu et.al. 2012
3	INST	Institutional ownership	% of shares held by institutions to total number of shares	Hamze, Bentolhoda & Hamed 2012, Shehu et.al. 2012
4	OWNCN	Ownership concentration	% of shares held by measure shareholders to total number of shares	Farouk & Luka 2013 & Shehu et.al. 2012, 2013
5	FRO	Foreign ownership	% of shares held by foreigners to total number of shares	Shehu et.al. 2012
6	IND	Independent directors	% of shares held by independent directors total number of shares	Wange 2012

Source: by author

4.1 RESULT AND DISCUSSION

This section present and analyze the result, test the hypothesis. Descriptive statistics table is presented and analyzed first, followed by the correlation matrix table which looks in to the association of the variables, robustness test summary finally regression summary table which present the beta coefficient of the individual variables.

Table 2 shows that the measure of performance (ROA) of the conglomerate sub-sector in the Nigerian manufacturing sector has a mean value of 0.0801389 with standard deviation of 0.0139901, and minimum and maximum values of 0.045 and 0.113 respectively. This implies that the average efficiency of conglomerate sub-sector is 0.0801389 to 0.113, and the deviation from both sides of the mean is 0.0139901. This suggests a wide dispersion of the data from the mean because the standard deviation is quiet high. The table also indicate a minimum performance of 0.045 implying that the ROA as a measure of performance did not cover much portion of performance; on the other hand, it reveal a maximum performance of 0.113 implying a situation where the ROA covered 11% of the performance of conglomerate sub-sector. The peak of the data is indicated by the kurtosis value of 3.283676, suggesting that most of the values are higher than mean, hence the data did not meet a normal distribution assumption. The coefficient of Skewness of 0.07093 implies that the data is positively and normally skewed (that is, the data are on the veil shape curve), thus, the data meet the symmetrical distribution assumption.

The Table indicates that the average managerial ownership is 31% with a standard deviation of 13%, and minimum and maximum of 17% and 66% respectively. This suggests a wide dispersion of the data from the mean because the mean value is far away from the standard deviation. The peak of the managerial ownership data is indicated by the kurtosis value of 2.952839, suggesting that most of the values are higher than mean, and the data meet a normal distribution assumption. The coefficient of skewness of 0.873713 implies that the data is positively and normally skewed (that is, most of the data are on the normal curve), implying that the data meet the symmetrical distribution assumption. The Table also indicates an average institutional ownership of 48% with standard deviation of 16%, with minimum and maximum percentage of 27% and 91% respectively. This also suggests a wide dispersion of the data from the mean because the standard deviation is close to the mean value. The peak of the INST data is indicated by the kurtosis value of 2.823997, suggesting that most of the values are higher than mean, and the data did not meet a normal distribution assumption. The coefficient of Skewness of 0.6062006 implies that the data is positively and normally skewed (that is, most of the data are on the normal curve), implying that the data does meet the symmetrical distribution assumption.

Table 2: Descriptive Statistics

	ROA	MGO	INST	OWNC	FRO	IND
Mean	0.0801389	0.3103611	0.4844167	0.06875	0.0422778	0.1622222
Std. Dev	0.0139901	0.1305008	0.1595485	0.0144704	0.449861	0.1722347
Minimum	0.045	0.165	0.267	0.035	-0.074	0.006
Maximum	0.113	0.657	0.911	0.106	0.107	0.658
Skewness	0.07093	0.873713	0.6062006	0.2144671	-1.417422	1.442277
Kurtosis	3.283676	2.952839	2.823997	3.486765	4.250736	4.134081

Source: STATA output 2015

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Moreover, Table 2 shows an average OWNC of 7% with standard deviation of 1%, and minimum and maximum of 4% and 10% respectively. This suggests a wide dispersion of the data from the mean because the standard deviation is far away compared to the mean value. The kurtosis value of 3.486765 suggest that most of the values are higher than mean, and the data did not meet a normal distribution assumption; the Skewness value of 0.2144671 implies that the data is normally skewed, implying that the data does not meet the symmetrical distribution assumption. Similarly, the results in Table 2 indicate that the FRO has a mean of 4% with standard deviation of 44%, and minimum and maximum of 7% and 10% respectively. This suggests a wide dispersion in the data because the standard deviation is far away from the mean value. The peak of the data is represented by the kurtosis value of 4.250736 and a skewness value of -1.417422, suggesting that most of the values are higher than the mean value and that most of the data negatively skewed. More so the data did not meet the normal distribution assumption and symmetrical assumption. However independent director's ownership has an average value of 0.1622222 and a standard deviation of 0.1722347, with a minimum and maximum value of 0.006 and 0.658, this suggests a wide dispersion of the data because the mean value is very close to the standard deviation. The peak of the data is represented by the kurtosis value of 4.134081 signifing that the data is not normally distributed, the skewness value of 1.442277 indicating that the data is within the symmetrical assumption.
The analysis of the descriptive statistics of the study variables shows the nature and extent of dispersion of the data, which strongly suggested that the data did not follow the normal curve as indicated by the higher values of standard deviations, skewness and kurtosis. Therefore, the test of normal data is conducted and the results are presented in table 4.

Under Shapiro-Wilk (W) test for normal data, null hypothesis principle is used to check a variable that came from a normally distributed population (the null hypothesis of the test is that, the data is normally distributed).

Table 3: Results for Normal Data Test

Variables	W	V	Z	P-Values
ROA	0.98945	0.385	-1.998	0.97716
MGO	0.90213	3.569	2.660	0.00390
INST	0.94940	1.845	1.281	0.10014
OWNC	0.98020	0.722	-0.681	0.75201
FRO	0.79851	7.347	4.170	0.00002
IND	0.79706	7.400	4.185	0.00001

Source: STATA Output 2015

Table 3 indicates that data from MGO, FRO and IND variables of the study did not follow the normal distribution, because the P-values of the test statistics (Z-Values) are statistically significant at 1% level of significance. More so variables like ROA, INST and OWNC are normally distributed and also meet the symmetrical assumptions. Thus, the null hypothesis (that, the data is normally distributed) is rejected for MGO, FRO and IND variables. This implies that the model of the study may require more generalized estimators.
However, to avoid any problem arising from unit root in the data, a further test is applied to avoid those factors that could bias the results. Hadri Langrange Multiplier (LM) Test for unit root is employed to ascertain whether the data of the variables is stationary or not, the results of the test are presented in table 4.

Table 4: Results of Unit Root Test (Langrange Multiplier)

Variables	Z-Statistic for LM Test	P-Values
ROA	1.0359	0.1501
MGO	3.0472	0.0012
INST	2.1182	0.0171
OWNC	1.5871	0.0562
FRO	0.5787	0.2814
IND	-0.0679	0.5271

Source: STATA Output 2015

The LM test for panel data unit root has the null hypothesis that all the panels are (trend) stationery. The result from table 4 shows that all the variables of the study (ROA, MGO, INST, OWNC, FRO &IND) have no unit root (they are stationary). The p-values of the LM Z-Statistics for the respective variables prove the trend or stationerity of the data used for all the variables and this suggest that biasness will not pose a threat to the inferential statistics result.
Therefore, having analyzed the descriptive statistics, normal distribution of the data and the Staionarity of the data, the inferential statistics of the data collected from which the hypotheses of the study are tested are presented and interpreted in the following section.

Table 5: Correlation Matrix

	ROA	MGO	INST	OWNC	FRO	IND
ROA	1.0000					
MGO	0.4478	1.0000				
INST	0.4456	0.9158	1.0000			
OWNC	0.9173	0.5899	0.5135	1.0000		
FRO	0.2779	0.3700	0.3479	0.3252	1.0000	
IND	0.3940	0.7651	0.6720	0.5494	0.3965	1.0000

Source: STATA Output 2015

Table 5 is a correlation matrix table, which shows the relationship between all pairs of variables in the regression model. The result reveals a positive correlation between all the independent variable and the dependent variable return on asset, and also the table indicates that there is a positive correlation between all the independent variables and themselves. But the positive correlation is not

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very strong. Hence the behavior between the endogenous variables and themselves are all in the same direction, but that is not strong enough to course for collinearity. More so to further check for collinearity another robustness check was conducted. The test for multicollinearity using the variance inflation factor (VIF) and tolerance value (TV) reveals the absence of multicollinearity as all factors are below 10 and tolerance values are below 1.0.

Table 6: Robustness Check Regression Result

Variable	Statistics	P-values
R Square	0.8553	
Wald chi2 (5)	5389.24	0.0000
Het-test	9.22	0.0024
Hausman	1.80	0.8764
LM test	0.00	1.0000

Source: STATA Output 2015

Table 6 shows that the model of the study is fit, the variables of the study are properly selected, well utilized combined and used as indicated by wald chi2 statistics and it probability. Considering the fact that the data are panel and there is a possibility that the data are not homoscedastic, we test for the hetrocedesticity which reveals that the panel data are heterogeneous. To correct this, robust (heteroskedasticity corrected standard errors) is applied to the model. The table also show that OLS regression model is the most appropriate for the study as indicated by the random effect test, Breusch and Pagan Lagrangian Multiplier Test for Random Effects, which indicates that there is no statistically significant variance among the units in the panel, implying that OLS technique is appropriate (although the Hausman specification test 1.80, p-value of 0.8764, suggested Random effect regression model for the study).

The Table on the other hand indicates that the independent variables (components of ownership structure) explained 85% of the total variations in the return on asset (performance) of conglomerate sub-sector from the coefficient of determinations (R square value of 0.8553). However, to check the problem of colinearity, the VIF and TV are analyzed.

Table 7: Collinearity Test Results

Variables	VIF	T-values
MGO	8.76	0.114201
INST	6.32	0.158151
OWCN	1.62	0.618173
FRO	1.22	0.819492
IND	2.60	0.384296

Source: STATA Output 2015

Table 7 indicates the absence of perfect multicolinearity among the explanatory variables, as shown by the highest VIF of 8.76 and the lowest TV of 0.11. The decision rule for the VIF is that, a value of 10 and above implies the presence of perfect multicollinearity. Following the fitness of the model, the test of the research hypotheses is conducted in the following section.

Table 8 shows that the managerial ownership has a t-value of -3.38 with a beta coefficient of -0.0462237 which is significant at 1%. This indicates that managerial ownership has negatively, strongly, significantly and statistically impacted on the performance of listed conglomerates firms in Nigeria. This further explained that for any 1% increase in the shares held by managers of conglomerates firms in Nigeria, the performance of the firm will decrease by 1%. The result is not surprising as in many cases managers tend to satisfy their personal interest first instead of aligning their interest with that of the firms, therefore achieving goal congruence. Thus the finding validates the Agency theory that conflict of interest do exist between the managers (Agent) and the Principals. However the result is in line with reality of practice by some managers where they rank their selfish interest first to the detriment of the firm objective. However the policy implication derivable from this finding is that management of conglomerate sub-sector of the Nigerian manufacturing firms should define a percentage limit of shares beyond which managers should not hold. The findings also provide an evidence of rejecting the first null hypothesis of the study that managerial ownership has no significant impact on firm performance. The finding is in line with Sanda *et al* (2005), Farouk *et al* (2013).

Table 8: Robust OLS Estimators

Variable	Coefficient	t-values	p-values
MGO	-0.0462237	-3.38	0.001
INST	0.0326945	4.41	0.000
OWNCN	0.9955125	14.35	0.000
FRO	0.0034851	0.22	0.823
IND	-0.0078635	-2.02	0.044

Source: STATA Output 2015

$$ROA = 0.011334 - 0.0462237(MGO_{it}) + 0.0326945(IS_{it}) + 0.9955125(OWNC_{it}) + 0.0034851(FRO_{it}) - 0.0078635(IND_{it}) + 0.0042673_{it}$$

In testing the null hypothesis which state institutional ownership has no significant impact on firm performance. The institutional ownership has a t-value of 4.41 and a beta coefficient of 0.0326945 which is statistically significant at 1%. This finding explains that institutional ownership has positively statistically and strongly impacted on the performance of listed conglomerate firms in Nigeria. It further suggest that for any 1% increase in the shares held by the institutions in listed conglomerate firms in Nigeria it will have a direct impact on their performance up to 3% increase. This finding may be as a result of institutions hold

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a substantial proportion of total equity shares of a good number of firms and are thus relevant to policy making of the firm. The result is in line with reality that institutions always monitor the activities of the managers not to act in such a way that will undermine the objective of the firm. The result of the study is in line with agency theory which suggests that institutional shareholders serve as a monitoring mechanism. The policy implication here is that the management of conglomerate sub-sector should increase the unit of shares allotted to institution as it help increase their profitability. The result also gives an evidence of rejecting the second hypothesis. This finding also support the finding of Shehu (2011), Bowen and Rajgopal (2008), McConnell and Serveas (1999), Han and Suk (1998), Tsai and Gu (2007). The result also contradicts with that of Wahal (1996) and Farouk *et al* (2013).

In other to investigate the impact of ownership concentration on the firm performance we found that it has a t-value of 14.35 and a beta coefficient of 0.9955125 at 1% significant level. This implies that ownership concentration has positively, strongly, significantly and statistically impacted on the performance of listed conglomerate firms in Nigeria. It further suggest that for every 1% increase in the shares held by concentrated shareholders normally those with 5% and above shareholding interest in the conglomerate firms, the performance of the firm will increase by 0.99k. This result is also not surprising as block holders are normally people of high caliber and profile which have the tendency of influencing prospective investors and customers to invest and patronize the shares and product of listed conglomerate firms in Nigeria, which will invariably impact on performance of the firms. This study also is in line with agency theory by reducing the cost of producing share certificate and other document issued to customers holding small unit of shares by producing small number for block holders, this will result in cost saving which will invariably increase the performance of conglomerate firms. The findings provide an evidence of rejecting the third null hypothesis which states that ownership concentration has no significant impact on firm performance. This result contradicts the finding of (Hamze *et al.* 2012; Farouk *et al*. 2013).

Further, looking at the relation between foreign ownership and financial performance, a positive relation emerged which is not statistically significance. This insignificance relationship indicates that is not in an way impacting on the performance of Nigerian conglomerate firms. This result is not surprising considering the fact that Nigerians now are getting more civilize and acquainted with better skill of business strategies which help them in understanding the nook and cranny of foreigner's manipulation of expatriating our resources to their own motherland. In addition another important point supporting the findings of this study is the level of foreign direct investment (FDI) in to Nigeria which is considered poor going by the security threat now facing the country. Consistent with the argument that foreign investors in Nigeria are short-term oriented and create incentives for managers of their portfolio firms, these foreign investors focus excessively on current performance (Aydin *et al*. 2007). The result of foreign ownership on firm performance found in this study gives an evidence of failing not to reject the fourth null hypothesis of the study. The findings contradict the result of Gonzales (2005), Arnold and Javorcik (2005), Petkova (2008) and Aitkin and Harrison (1999).

Regarding the independent director's ownership, which is the fifth ownership structure of this study, a negative and statistically significant relationship has emerged between return and asset and independent director's ownership. This is surprising because of the fact that the expectation is large number of shares held by independent directors is expected to help improve performance because of independent mind of the non-executive independent directors. On the other hand the result may not be surprising because some independent directors are more inclined to those that appoint them which constraint them of performing their monitoring role rather they are more interested to satisfy their appointees or bosses. Another interesting point that supports the result may be the insignificance proportion of shares allowed by the corporate governance code to be held by independent directors which may not give them motivation to perform their monitoring role since they fill they have not much interest in the firm. This may suggest that independent directors may primarily play an advisory role but not a monitoring role (Wenge 2014). This implies that the independent directors measured by the proportion of shares held by independent directors to the total number shares are not free from managerial influence which affect their capability to monitor them efficiently which will undermine the value maximization of firms and negatively affect the financial performance of Nigerian conglomerate firms. The finding is however consistent with prior studies by Zahra and Stanton (1988), Fosberg (1989), Hermalin and Weisbach (1991), Agrawal and Knoeber (1996), Yermack (1996), Bhagat and Black (1996). The finding is also in alignment with a stream of other empirical works (Daily and Dalton, 1993; Klein, 1998; Anderson et al., 2000; Beiner et al., 2004; Boone et al., 2007; Bhagat and Bolton, 2008). On the otherhand studies that found insignificance relationship includes (Chagati et al. 1985 & Dalton

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et al. 1998, Hermalin & Weisbach 1991 and Duchin et al. 2010).

The study has several theoretical, practical and regulatory implications. These implications represent the contributions of the study which are expected to benefit the existing body of knowledge within the accounting field of research, regulators and professional service providers. The findings also have important policy implications since they suggest the need to encourage the application of corporate governance principles by using all the proxies use in this study as they provide effective monitoring of managers in Nigerian quoted conglomerates sub-sector firms. This suggests that similar efforts in other sectors especially manufacturing companies would be of benefit in controlling the managers, to enhance the reliability and transparency of financial report in order to promote economic efficiency.

5.1 CONCLUSION AND RECOMMENDATION

The paper investigates the effect of shareholding structure on the performance of listed Conglomerate firms in Nigeria. The managerial ownership, institutional ownership, ownership concentration, foreign ownership and independent director's ownership form the proxies for explanatory variable while Return on asset as measured by the ratio of profit after tax to total asset represent the explained variable. It was found that managerial ownership and independent director's ownership has negatively, impacted on the performance of the selected firms, while institutional ownership and ownership concentration has positive effect on the performance of the selected firms. On the other hand it was found that foreign ownership has not in any way impacted on the performance of the selected firms. It is therefore recommended that the management of the listed Nigerian conglomerate firms should advice and lobby institutions and individual block holders to subscribe more of their shares as it increase the firm performance, while managers should be discourage by the board to hold a substantial unit of shares by instituting a policy that will restrict the number of their holdings to avoid decrease in performance. However the management are also advice not to increase or rather to reduce the number of shares allotted to managers, independent directors and foreigners as it was proved that it reduces their performance and policy makers especially the corporate affairs commission and security and exchange commission to provide a strong regulation especially with regards to shareholding formation of companies in the manufacturing sector.

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