

Foreign Ownership and Firm Financial Performance of Nigerian Listed Conglomerates

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Abstract

This study was undertaken to examine the relationship between foreign ownership and firm financial performance of quoted conglomerates in Nigeria. To achieve the objective, this study used panel regression model to analyse the data obtained from the financial statements of the five (5) conglomerates quoted on the Nigerian Stock Exchange (NSE) for a period of 15 years (2006 – 2020) and market data on share prices were obtained from the NSE historical market data portal. Return on Assets (ROA) and Tobin's Q were used as proxies for financial performance measuring performance from both accounting based and market-based perspectives. The data collected were estimated by fixed-effects and random-effects regression estimations and Hausman Test of Specification was applied to determine the better estimator for the models. The findings revealed that foreign ownership has significant negative effect on ROA of the quoted conglomerates in Nigeria but insignificant negative relationship when measured with Tobin's Q. The study therefore recommends that Government of Nigeria and its agencies should ensure they put policies in place which will encourage Foreign Direct Investment (FDI) and at the same time check practices of those foreign owned companies to ensure they are not involved in practices that amounts to repatriation of profits abroad while reporting losses to avoid payment of tax; and Managers or Directors are advised to maintain optimal capital structure so as to maximize firm performance and to avoid embarking on projects that add no value to the organisation as a whole.

Keywords: Foreign Ownership, Firm Financial Performance, Listed Conglomerate, Nigeria

INTRODUCTION

Every corporate entity has its rightful owners. These are the ordinary shareholders that have voting right concerning issues that affect the company. These shareholders or owners are of different categories and could be of different compositions. For example, they could be insiders or outsiders; managers or non-managers; individuals, family, government or institutions; local or foreign owners; concentrated or diffused holders. This categorisation of owners or shareholders into different compositions is termed Ownership Structure. Hence, Ownership Structure of a firm can be viewed as the nature in which firm's equity holdings are categorised. It may also be viewed as stakeholder ownership proportion in the firm. Ownership structure is one of the core mechanisms of Corporate Governance (CG). The manner in which this ownership is composed of plays a key role in determining the firm financial performance and provides policy makers with insights for enhancing corporate governance system. Ownership structure has been a subject of discussion by both scholars and analysts. The pioneering study in the theory of the firm on contemporary firm was conducted by Berle and Means (1932). Ownership structure is very important and influential in determining the efficacy of the market by giving information about two significant things (Carvalho-da-Silva & Leal, 2004). Firstly, it will show the extent of risk diversification of shareholders and secondly, it will give possible agency problems encountered during managing the firm. Several studies have shown that the nature of firm's ownership has a great impact on firm's performance. The modern organization emphasizes the divorce of management and ownership; in practice, the interests of group managing the company can differ from the interests of those that supply the capital to the firm (Srivastava, 2011). Shareholders of publicly held corporations are so numerous and hold small units of shares that they are unable to effectively control the decisions of the management team, and thus cannot be assured that the management team represents their interests. Many solutions to this problem have been advanced, that is, the disciplining effect of the takeover market, the positive incentive effects of the management shareholding stake and the benefits of large monitoring shareholders.

Most of the empirical literature studying the link between ownership structure and firm performance usually consider different aspects of this corporate governance mechanism (ownership structure) such as

Managerial ownership, Institutional ownership, ownership concentration, government ownership and foreign ownership. This paper focuses on the relationship between foreign ownership and performance of Nigerian listed conglomerates. Foreign ownership is the proportion of the firm's shares owned by foreign investors either as individuals or corporate bodies. Governments in developing economies have encouraged foreign investors and companies to come and invest in their countries through Foreign Direct Investment (FDI) in order to boost their local economies. It is believed that if a significant portion of the firm's shares is held by foreign shareholders, it may be an indication that foreign shareholders trust those companies which may result in the higher companies' valuation. Hence, foreign ownership has the tendency to influence the performance of the firms positively. The confidence reposed on the foreign owners by existing and potential investors may lead to increase in share price (which increases Tobin's Q) and higher profits (which means higher Return on Assets). However, this may not be the case where there are no strong Corporate Governance principles and appropriate tax laws that protect foreign investors and allow them to get adequate return on their investments. Researches mostly in developed economies and few in developing economies have been conducted to establish the extent and nature of relationship between different aspects of ownership and firm financial performance. The studies have continued to report mixed findings. This is due to different Corporate Governance environments, data issues, variable measurements, and estimation methods.

In the Nigerian context, few of such studies have been conducted with focus on different sectors or industries of the economy. Gugong, Arugu and Dandago (2014) focused on the Nigerian Insurance companies, using Return on Assets (ROA) and Return on Equity (ROE) as proxies for financial performance. Obiyo and Lenee (2011) sampled 10 firms from banking, food, construction and oil industries and used Return on Equity (ROE), Net Profit Margin (NPM) and Dividend Yield (DY) as performance proxies. Others are Tsegba and Ezi-Herbert (2011), and Uwuigbe and Olusanmi (2012). However, of the known studies conducted in the Nigerian context, no research on foreign ownership – performance relation has been conducted on the listed conglomerates. Also, of the known studies conducted in Nigeria, no study has attempted to use Tobin's Q as a measure of performance which has been considered a strong measure of performance by many Researchers in other countries. Tobin's Q which is the ratio of the market value of firm's assets to their replacement cost is considered as a forward-looking measure of performance. Combining Return on Assets and Tobin's Q as proxies for performance means measuring performance from both inside and outside, accounting based and market based, from short term and long-term perspectives. The objective of this study is to determine the relationship between foreign ownership of Nigerian quoted conglomerates and firm financial performance. It specifically seeks to investigate the relationship between foreign ownership and firm performance of Nigerian quoted conglomerates by determining the extent to which foreign ownership significantly affects the financial performance of quoted conglomerates in Nigeria as measured by Return on Assets and Tobin's Q. It is believed that the results and outcome of this study should be of particular interest to several parties including regulatory authority of capital market (Security and Exchange Commission), existing and potential investors, accounting educators and other stakeholders in general. The outcome will enable SEC to examine the effectiveness of their monitoring instruments as well as review and improve Corporate Governance code and guidance on the conduct of public companies. On the side of investors, both existing and potential, the findings will help the investors know whether the proportion of foreign ownership of a Nigerian conglomerate significantly affects its financial performance and appropriate investment decisions will be taken. Finally, accounting educators and other researchers will find it as a motivation for further research and the research work will contribute to the existing empirical literatures on Ownership Structure and Firm Performance from emerging economies.

LITERATURE REVIEW

The relationship between ownership structure and firm performance has been a long subject of discourse. Several empirical studies have been conducted to prove or disprove theoretical underpinnings relating to ownership structure and firm performance. Berle and Means (1932) laid the foundation for the debate while Jensen and Meckling (1976) were first to propound the agency theory.

Conceptual Framework

Concept of Ownership Structure

Several authors and scholars have made attempts to explain what constitutes ownership structure. According to Jensen and Meckling (1976), ownership structure is the distribution of equity with regard to votes amongst shareholders, capital and also by the identity of the equity owners. Demsetz and Lehn (1985) documented that ownership structure represents the fraction of shares owned by a firm's most significant shareholders with most attention given to the fraction owned by the five largest shareholders. However, when looking at ownership structure from managerial perspective, Demsetz and Lehn (1985) see ownership structure as the fraction of shares owned by firm's management which include shares owned by members of the corporate board, Chief Executive Officer (CEO) and top management. Zhang (2005) defines ownership structure as stock-holders ownership proportion. Shah, Safdar and Mohammad (2011) see ownership structure as the percentage of shares held by Directors while Wahla, Shah, and Hussain (2012) view Ownership structure as the composition of managerial ownership and concentrated ownership. However, Uwalomwa and Olamide (2012) consider a broader view where ownership structure is seen as decisions made by those who own or who would own shares. They measured ownership structure as the composition of Board ownership, Institutional ownership and foreign ownership. This is obvious that authors have viewed ownership structure from different lenses – whether from ownership concentration, managerial, institutional, family, government or foreign ownership. One fact stands out, Ownership structure is simply a proportion or a share or a percentage of equity held by an individual, group of individuals, organisation or government. However, for the purpose of this study, ownership structure can be seen as the proportion of equity holding own by foreign investors either as individuals or institutions.

Foreign ownership, whether through individual investors or institutions, can boost market performance by offering a high level of financing, and the transference of their experience and knowledge to the market where they are investing (Gurunlu&Gursoy, 2010). Foreign ownership is measured by the ratio of foreign ownership stake to total shareholding as evidenced by Al Manaseer, Al-Hindawi, Al-Dahiyat and Sartawi (2012), Chari, Chen and Dominguez (2012) and Uwuigbe and Olusanmi (2012). There is lack of support to this variable in the previous empirical studies but the current study believes that foreign ownership is a factor that helps to align the interrelationship between owners and manager and at the same time mitigates the agency cost between the owners and managers. Foreign investors are of the most fundamental factors that help the separation between owners and shareholders and also helps the company to expand control over managers in the decision making process. It also provides established foreign expertise that gives a clear picture about the foreign investments. Finally, the foreign ownership helps to improve performance of firms. Moreover, if a significant portion of the firm's shares is held by foreign shareholders, it may be an indication that foreign shareholders trust those companies which may result in the higher companies' valuation (NazliAnum, 2010). More importantly, the opening of national economies to foreign trade and investment has great significance on corporate governance practices in the economies (Kim & Yoon, 2007). Other concepts of Ownership often studied are Managerial Ownership, Institutional Ownership, Ownership Concentration, Family Ownership and Government Ownership. However, for this paper focuses on Foreign Ownership. This is because studying foreign ownership helps to look at the effects of Foreign Direct Investment (FDI) at the micro level and among the firms being studied (listed Conglomerates), some are subsidiaries of foreign companies and hence have foreigners as members of the management team.

Concept of Performance

Firm performance is used to describe the state of affairs of a firm. In analysing a firm performance, emphasis should be made in formulating an adequate description of the concept of a firm's performance which will uncover the different dimensions upon which firm's performance should be evaluated. The measurement of performance can be very subjective, and different studies on how ownership structure

influences performance have used different indicators or proxies to depict performance. Proxies frequently used by previous researchers are Return on Equity (ROE), Return on Assets (ROA), Earnings Per Share (EPS), Net Profit Margin (NPM) (Obiyo&Lenee, 2011; Najjar, 2012; and Uwuigbe&Olusanmi, 2012). However, recent studies have considered Tobin's Q as a better measure of performance and hence, have used it solely or in conjunction with other accounting measures to determine firm performance (Ganguli& Agrawal, 2009; Jadoon and Bajuri, 2015; and Nuryanah& Islam, 2011).

Tobin's Q is the ratio of market value of assets to its replacement cost (Hu &Izumidia, 2008). It is considered a better measure of performance because in time perspective, it is forward-looking and it is market based valuation of a firm by investors which is beyond accounting measures that use data from accounting records that are influenced by accounting practices. However, in calculating for Tobin's Q, most researches use depreciated book value of assets as denominator of Q instead of replacement cost due to lack of data on replacement cost of assets. On the other hand, accounting profit rates such as ROA and ROE are backward looking measures of performance that use accounting records and are heavily determined by accounting practice. The pertinent question asked by Demsetz and Villalonga (2001) is whether it is more sensible to look at an estimate of what management *has* accomplished or at an estimate of what management *will* accomplish. The answer to the above question is to look at both. Hence, this paper looks at Tobin's Q in conjunction and in comparison with Return on Assets (ROA) as proxies for performance. This is to measure performance from what management has accomplished and what they will accomplish, to look at both backward and forward perspectives, to assess the long term and short term impact of corporate actions, and to measure the firm both from inside and outside perspectives.

Empirical Review

Generally speaking, theoretical and empirical researches supplement each other. Since the ownership-performance relation is subject to controversy in theory, empirical research becomes more important to examine which of the logically possible explanations is the most probable. Several studies have examined the relationship between corporate performance and different types/dimensions of ownership structure. This paper reviews only studies that focus on the relationship between foreign ownership and firm performance. There are many studies around the world that have investigated the relationship between foreign ownership and firm performance in both the developed countries and developing countries. In the end, they found a positive relationship. On the contrary, other authors have examined the association between foreign ownership and firm performance in both developed and developing countries and found no relationship (insignificant) between foreign ownership and firm performance. Uwuigbe and Olusanmi (2012) studied 31 financial firms in Nigeria from year 2006 to 2010 and used Multivariate Multiple Regression to estimate the model. They found a significant positive relationship between Foreign Ownership and firm performance when measured in terms of ROA. Same results were earlier documented by Ghahroudi (2011) when the ownership advantages and firm factors influencing performance of foreign affiliates in Japan were studied. 3500 Japanese foreign firms were studied in 2006 using Binary Logistic Regression method and Net Profit, ROA and ROS as proxies for performance.

However, few studies have found no relationship between Foreign ownership and firm performance both in developed and developing economies. From developing countries, Tsegba and Ezi-Herbert (2011) in their study of 73 Nigerian listed firms using OLS method and MPS and EPS as dependent variables found no relationship between Foreign ownership and firm performance. Gurbuz and Aybars (2010) reported the same results from Turkey when they used 205 non-financial listed companies for a 3-year period using quantile regression method and ROA as proxy for performance. Evidence of no or insignificant relationship between foreign ownership and firm performance from developed countries is also documented in the study of Shan and McIver (2011). They studied 540 Chinese firms from non-financial sectors listed on the Hong Kong Stock Exchange over 2001 – 2005 using OLS fixed effects estimation method and Tobin's Q as dependent variable and also reported no relationship between the variables. However, no study has reported a negative relationship between Foreign ownership and firm performance. Therefore, it can be seen from the previous empirical studies that there is no consensus among researchers as to the nature of relationship between foreign ownership and firm performance whether from developed or developing countries. In Nigeria, most researches have used solely accounting measures as performance proxies. For example, Gugong, Arugu and Dandago (2014) used ROA and ROE as proxies for performance, Obiyo and Lee (2011) used Return on Equity (ROE), Net Profit Margin (NPM) and Dividend Yield (DY). Hence, this paper attempts to look at this relationship in the Nigerian context using both Accounting based measure (Return on Assets) and Market based measure (Tobin's Q) as proxies for performance to determine the relationship between foreign ownership and firm of listed conglomerates in Nigeria. This is the gap which this paper seeks to address.

Theoretical Framework

There are several theories that explain the relationship between ownership structure and firm performance in the literature of Accounting. But only three theories are closely related to the study, namely: Shareholders' Theory, Opportunistic Theory and Agency Theory. Jensen and Meckling (1976) argued that agency relationship takes place when the principals engage the agents to perform some of their duties on their behalf. Agency cost arises because of conflicting interests of the managers and owners. The Agency Theory stresses the separation of ownership (principal) and managers (agent) in an organization. Therefore, it is believed that managers may sometimes pursue opportunistic behaviour which may conflict the goal of the owners (principals) and therefore destroy the wealth of the shareholders. Advocates of the Agency Theory viewed the manager (directors) as an agent to the shareholders that will mitigate conflicts and serve as the guardian to shareholders since they are involved in the day to day activities of the firm (Hermalin & Weisbach, 2000). As argued by Carvalhal-da-Silva and Leal (2004), agency problem between the managers and the shareholders can take place since managers may not be maximizing the shareholder's value. This paper adopts Agency Theory due to its relevance in resolving conflict that may arise between managers (agent) and shareholders (principal) of the companies which captures the relationship between the independent variables of the study and the dependent variables. Empirical evidence by the study conducted by several scholars on Ownership structure and firm performance in Nigeria and patterns of Nigeria's companies capture the key postulations of Agency Theory which serves as bases for the adoption.

METHODOLOGY

A research design encompasses the methodology and procedure employed to collect, measure and analyse data in doing a scientific research (Jim-Suleiman, 2015). This paper adopts descriptive research design to investigate the relationships between variables and to estimate the effect of foreign ownership on firm performance as proxies by ROA and Tobin's Q. This study uses secondary data obtained from the financial statements of all the sampled firms in the study and from the Nigerian Stock Exchange (NSE) fact book for the period covered by the study (2006 – 2020). The study focuses on all the conglomerates listed on the Nigerian Stock Exchange (NSE) as at 31st December 2020 and operating throughout the period of study (2006 – 2020). Conglomerates are companies composed of several unrelated and diversified number of businesses. On the NSE, they are classified under diversified industry. Because conglomerates engaged in unrelated and diversified businesses, they can be considered as the miniature of the companies listed on the stock exchange.

Model Specification and Variables Definition

This study employed Return on Assets (ROA) and Tobin's Q as proxies of firm performance. On the other hand, Foreign ownership is modelled as independent variables. Alongside the independent variables are Firm size and Firm leverage as control variables. Control variables are variables that help in explaining the relationship between dependent and independent variables. These are other factors that can affect the relationship between the dependent and independent variables. The modified models and variables were adapted from the studies of Jadoon and Bajuri (2015); and Uwuigbe and Olusanmi (2012).

The study modelled performance (ROA and Tobin's Q) against three explanatory variables (one independent and two control variables). The regression is specified into two empirical models representing the two proxies for performance. The models of the study are mathematically expressed as follows:

$$ROA_{i,t} = \beta_0 + \beta_3 FGOWN_{i,t} + \beta_4 FSIZE_{i,t} + \beta_6 FLEVI_{i,t} + \epsilon_{i,t} \dots (1)$$

$$Q_{i,t} = \beta_0 + \beta_3 FGOWN_{i,t} + \beta_4 FSIZE_{i,t} + \beta_6 FLEVI_{i,t} + \epsilon_{i,t} \dots (2)$$

Where:

$ROA_{i,t}$ = Return on Assets of conglomerate i in period t . It is a proxy for accounting rate performance measured by dividing firm's net income by total assets.

$Q_{i,t}$ = Tobin's Q of conglomerate i in period t . It is a proxy for market based performance measured as a ratio of firm's market value (year-end market value of common stock, and the book value of debt) to its replacement cost (year-end book value of its total assets).

$FGOWN_{i,t}$ = Foreign Ownership of conglomerate i in period t . Ratio of Foreign ownership stake to total shareholding

$FSIZE_{i,t}$ = Size of conglomerate i in period t (control variable). Natural log of the total assets

$FLEV_{i,t}$ = Leverage of conglomerate i in period t (control variable). Ratio of total debt to total assets

$\epsilon_{i,t}$ = component unobserved error term.

β_0 = the intercept or constant term

$\beta_1 \beta_2 \beta_3, \beta_4, \beta_5$ and β_6 = are slopes to be estimated.

i = conglomerate identifier (UACN, CHEL, JOHH, SCOA and TRAN) – (5 Conglomerates)

t = time variable (2006, 2007, ... 2020) – (Twenty Years).

Methods of Data Analysis

This study adopts the multivariate data analysis with Panel data regression. The reason for adopting panel data regression is that the study involved more than one conglomerate and data is collected at different periods of time. Moreover, following the panel nature of the data, the study employs both Fixed Effect (FE) model and Random Effect (RE) model. For the choice of a more consistent method between Fixed Effect Model and Random Effect Model, Hausman test of significance is employed as suggested by Torres-Reyar (2009). The study also conducted robustness tests to ensure the validity and fitness of the results. These include test for descriptive statistics, correlation analysis, Heteroskedasticity and Multicollinearity, to ensure that the results produce estimators that are best linear unbiased estimators. Heteroscedasticity test is conducted in this study to ascertain whether the error among the population is constant or not. If they are present, they are said to be Heteroscedastic and if absent, Homoscedastic is present as it is in agreement with assumption number 4 of Classical Regression Model which states that the covariance of the cross section error term is constant with the independent variables. Multicollinearity test is conducted using Variance Inflation Factor (VIF) and Tolerance Value (TV) to determine if the independent variables are highly correlated among themselves. Assumption number 6 of Classical Regression Model stipulates that there should not be multicollinearity among the variables. To ensure that this assumption is fully met, the study therefore carried out the tests in order to improve the validity of the result.

RESULTS AND DISCUSSIONS

The study employed econometric analysis method to realize the objective of the study. Data for 15 years were collected from the financial statements of the 5 quoted conglomerates under review. Descriptive and correlation statistics were estimated for the variables used in this study and are presented below. The summary of the descriptive statistics of the data collected is presented in Table 3.

Table 3: Summary of Descriptive Statistics of the Variables

	ROA	Q	FSIZE	FGOWN	FLEV
Mean	0.012303	1.020364	17.15211	0.366499	0.665541
Median	0.022600	0.930700	16.51760	0.530000	0.694300
Maximum	0.201200	2.923600	19.63910	0.682500	0.984200
Minimum	-0.301400	0.568800	15.07060	0.000000	0.333700
Std. Dev.	0.079181	0.378654	1.261943	0.305119	0.163974
Skewness	-1.174396	2.587247	0.493418	-0.331797	-0.247729
Kurtosis	6.282770	11.72512	1.778006	1.206822	2.252528

Jarque-Bera	50.91689	321.5721	7.709738	11.42451	2.513106
Probability	0.668393	0.469446	0.201176	0.300305	0.284633
Sum	0.922700	76.52730	1286.408	27.48740	49.91560
Sum Sq. Dev.	0.463947	10.61003	117.8451	6.889217	1.989662
Observations	75	75	75	75	75

Source: EVIEWS Output

Table 1 presents the descriptive statistics of the data collected for the research variables. The table indicates that the accounting measure of financial performance of quoted conglomerates in Nigeria, Return on Assets (ROA) has an average value of 0.0123 with standard deviation of 0.0792, minimum value of -0.30718 and 0.2012 as the maximum value. The mean value indicates that the conglomerates have an average ROA of 1.23% and the standard deviation of 0.0792 implies that the deviation from the mean value, from both sides is 7.92%, implying that the data is widely dispersed from the mean because the standard deviation is high compared to the mean value. The minimum and maximum ROA of the quoted conglomerates during the period covered by the study are -30.72% and 20.12% respectively indicating the lowest and highest ROA reported by the quoted conglomerates within the period covered.

Table 1 also shows that the market-based measure of financial performance of the quoted conglomerates in Nigeria, Tobin's Q (Q) has a mean value of 1.203 and a standard deviation of 0.3787. This result indicates that on an average, the firms market values for the period were slightly higher than their book values by 20.3%. This implies that on the average, the shares of the conglomerates have not appreciated significantly for the period under review. The minimum value of 0.5688 and standard deviation of 0.3787 for Q show that there are conglomerates whose book values were higher than their market value during the period implying that their share prices were valued lower than the nominal value during the period under review.

On the other hand, zero as the minimum value for foreign ownership indicates that there are quoted conglomerates which are wholly indigenous while the maximum value of 0.6825 shows that the firm has 68.25% foreign ownership. Table 2 below explains the degree of association between the regressand (dependent variable) and the regressors (independent variables) and also the association between the regressors themselves. The values were extracted from the Pearson correlation of two-tailed significance.

Table 2: Correlation Matrix

	ROA	Q	FSIZE	FGOW N	FLEV
ROA	1	-0.07364			
Q	-0.07364	1			
FSIZE	0.08519 4	-0.21549	1		
FGOW N	-0.17755	0.20547 6	-0.9182	1	
FLEV	-0.38645	0.27322 2	-0.5548 2	0.70193	1

Source: EVIEWS Output

Table 2 presents the results of Pearson’s correlation coefficient between the dependent and independent variables of Nigerian quoted conglomerates. Correlation matrix shows the degree of association that exists between variables. Foreign ownership (FGNOWN) negatively correlated to ROA and positively correlated to Tobin’s Q by 17.76% and 20.55% respectively. This relationship is significant at 95% confidence level. On the control variables, leverage is significantly and negatively related to the dependent variable (ROA) by 38.65% while positively significant to Tobin’s Q at 27.32%. Firm size significantly and positively relates to ROA at 8.52% and negatively to Tobin’s Q at 21.55%. This research estimated the parameters using econometric software known as EVIEWS and three different regression models (Fixed Effects, Random Effects and Pooled Regression Models) were estimated for comparative analysis. Table 3 shows the results of some robustness tests for models one and two using EVIEWS.

Table 3: Summary of Regression Estimations

	Model 1: Random Effects		Model 2: Fixed Effects	
	Statistics	P-value	Statistics	P-value
Hausman Test: Chi2	1.45	0.6939	16.3066	0.0010
Breusch-Pagan / Cook-Weisberg: Hetttest	4.9787	0.0064	2.6550	0.0664
R ²	0.3626		0.1776	
F-Test	4.5946	0.0053	5.8063	0.0000

Source: EVIEWS Output

Table 3 presents the results of some robustness tests conducted to ensure valid and reliable interpretation of the estimation results of the models. Hausman Specification Test is applied to choose between Fixed Effects and Random Effects models as the better estimator. While Breusch-Pagan/Cook-Weisberg test is designed to detect any linear form of heteroscedasticity. Hausman test of Specification reports show that Random Effects is a better estimator of Model 1 while Fixed Effects is better for Model 2. This forms the basis of which regression model to use and test the hypothesis. The R² (R Squared) measures the overall fitness of a regression model. Table 3 reports R² value of 0.3626 for model one and 0.1776 for model two. This means that of all the factors affecting ROA and Q of Nigerian quoted conglomerates, 36.26% and 17.76% can be jointly explained by the independent and control variables in the models respectively. The F-test is designed to determine the overall significance of a regression model. Both models 1 and 2 show that the independent variables are jointly significant to ROA and Q at confidence level of 99%.

Hypotheses Testing

Tables 4 show the coefficients for Model one (ROA) and Model two (Q) with their associated p-values estimated using EVIEWS. The two models are stated as follows:

$$ROA_{i,t} = \beta_0 + \beta_1 MGOWN_{i,t} + \beta_2 OWNCO_{i,t} + \beta_3 FGOWN_{i,t} + \beta_4 FSIZE_{i,t} + \beta_5 FAGE_{i,t} + \beta_6 FLEVI_{i,t} + \epsilon_{i,t} \dots (1)$$

$$Q_{i,t} = \beta_0 + \beta_1 MGOWN_{i,t} + \beta_2 OWNCO_{i,t} + \beta_3 FGOWN_{i,t} + \beta_4 FSIZE_{i,t} + \beta_5 FAGE_{i,t} + \beta_6 FLEVI_{i,t} + \epsilon_{i,t} \dots (2)$$

Table 4: Summary of Regression Coefficients for ROA and Q

	Model 1: Random		Model 2: Fixed	
	Coefficient	P-Value	Coefficient	P-Value
Fgnown	-0.02688	0.01696**	-0.01167	0.1201
Leverage	-0.22219	0.0055***	0.96891	0.0059***
Firmsize	-0.01697	0.3592	-0.05747	0.5096
Constant	0.46115	0.1677	5.64071	0.0005

N	75	75
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Dependent Variable: *ROA and Q*

Note: *, **, *** shows significance at 1%, 5% and 10% respectively

Source: EVIEWS Output

Table 4 presents the coefficients with their associated p-value of the relationship between the dependent variables (ROA and Q) and the independent variables and the magnitude of the impact of the independent variables on the dependent variables. Fixed effects and random effects regressions as well as pooled regression model were run using EVIEWS. However, the results of Hausman Specification Test for both models shows that Random effects is the better estimator for Model 1 (ROA) and the Fixed Effects is the better estimator for Model 2 (Q). In Table 4, FGOWN (Foreign Ownership) shows negative effect of -0.02688 on ROA at significant level of 5% implying that rise in Foreign Ownership of Nigerian quoted conglomerates will lead to a decrease in 2.69% in the Return on Assets. On the other hand, a negative and insignificant effect of -0.01167 of FGOWN on Q. This means for every 1% increase in foreign ownership of Nigerian quoted conglomerates, their value of Tobin's Q will insignificantly reduce by 1.17%. The Hypothesis states that there is no significant relationship between foreign ownership of Nigerian conglomerates and firm financial performance. The results show a negative significant relationship between foreign ownership and firm performance as measured by Return on Assets suggesting a rejection of the null hypothesis. On the other hand, there is no significant relationship between foreign ownership and firm performance with Tobin's Q as a measure of firm performance. Hence, the null hypothesis is accepted with respect to Tobin's Q as a measure of firm financial performance.

Leverage as a control variable has a very high negative and significant effect of -0.22219 on ROA at 1% level of significance. This means that a 1% increase in total liabilities of a Nigerian conglomerate without a corresponding increase in Equity will lead to a decrease of 22.22% of its Return on Assets while reverse is the case of the relationship between leverage and Q in Model two. The result shows a positive and significant effect of 0.96891 of LEVERAGE on Q. This implies a 1% increase in total liabilities of a quoted Nigerian conglomerate will lead to a 96.89% increase in the value of Tobin's Q which signifies a rise in the market value of its shares. Firm Size shows a negative and insignificant effect of -0.01697 on ROA, implying that for every 1% increase in the firm size which is the natural logarithm of the total assets of a Nigerian quoted conglomerate will lead to a fall of 1.70% in its Return on Assets. The same negative and insignificant relationship is observed between Firm Size and Q. There is a -0.05747 effect of Firm Size on Q, implying a 1% rise in firm size will result in a fall of 5.75% of its Tobin's Q. This might be as a result of managers using free cash flow to embark on projects that have negative net present value on the shareholders' wealth. From the analysis of the data collected and the results of the hypothesis tested, the study found that there is a significant relationship between foreign ownership and firm financial performance using Return on Assets as a basis for measurement. However, when Tobin's Q is used to measure performance, the study found a negative insignificant relationship between foreign ownership and firm performance.

CONCLUSION AND RECOMMENDATION

Following the result of the empirical analysis of the relationship between ownership structure and firm financial performance, the following conclusion are drawn with respect to Nigerian quoted conglomerates; there is a relationship between foreign ownership and firm financial performance (measured by ROA after controlling for firm leverage and firm size).

Based on the findings of this study and the conclusion drawn therefrom, the following recommendations are deemed pertinent:

- i. Government of Nigeria and its agencies should ensure that they put policies in place that will encourage Foreign Direct Investment (FDI) and at the same time check practices of those foreign

owned companies to ensure that they are not involved in practices to repatriate profits abroad while reporting losses to avoid payment of tax.

- ii. Managers of Nigerian quoted conglomerates should ensure that they maintain optimal capital structure and avoid using company's free cash flow to invest in projects which can only benefit them and affect the company negatively. They should look for other means of increasing the assetbase of the firm and avoid using debts especially debts with higher costs.

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