

# Relationship Between Ownership Structure and Financial Performance of Quoted Consumer Goods Companies in Nigeria

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## ABSTRACT

This study examines the relationship between ownership structure and financial performance of listed companies in Nigeria. Drawing from agency theory, the study investigates how managerial ownership and blockholder ownership influence firm performance, proxied by return on assets (ROA). The separation of ownership and control in modern corporations creates agency conflicts between managers and shareholders, potentially leading to managerial opportunism and expropriation of minority interests. Ownership structure is therefore considered a key corporate governance mechanism capable of mitigating agency problems. Using an ex-post facto research design, panel data were collected from 74 companies listed on the Nigerian Exchange Group covering the period 2012–2021, yielding 740 firm-year observations. Data were sourced from annual financial statements and analyzed using multiple regression techniques. The findings reveal that blockholder ownership has a significant negative effect on financial performance, suggesting that excessive ownership concentration may enable controlling shareholders to pursue private benefits at the expense of firm value. Conversely, managerial ownership exhibits a significant positive relationship with financial performance, supporting the alignment hypothesis that managerial equity participation reduces agency costs and enhances firm outcomes. The study concludes that ownership structure plays a significant role in shaping corporate performance in emerging markets such as Nigeria. The findings provide policy implications for regulators and investors regarding optimal ownership design and minority shareholder protection.

**Keywords:** Ownership structure, managerial ownership, blockholder ownership, agency theory, financial performance, Nigeria.

## INTRODUCTION

Many large corporations are not run by the people who own them. The managements are normally divorced from control. This separation of ownership and control of modern corporations naturally decreases management incentives to maximize corporate profit which is one of the objective of establishing business (Scholten, 2014).

According to Berle and Means (1932) and leads to a conflict of interests between corporate insiders (managers) and outside investors (Lemmon and Lins, 2003). Jensen and Meckling (1976) referred to this as ‘agency theory’, a theory of the corporate ownership structure. The central premise of this theory is that managers can act in their own short-term and financial interest. The potential behavior of the managers may not be consistent with maximizing value of the owners (shareholders). This process of using control power to maximize own benefits and therefore redistributing wealth from others is referred to as expropriation of minority shareholders by Claessens, Djankov, Fan, and Lang (2000). Counteracting this is the main goal of corporate governance. The above suggests that ownership structure may be an important determinant for agency problems.

Shareholding structure remains a central issue in corporate governance research due to its significant implications for firm control, accountability, and financial performance. In theory, an optimal ownership structure is expected to enhance effective monitoring of management and align the interests of shareholders with those of the firm. However, empirical evidence on the effect of shareholding structure on corporate outcomes remains largely inconclusive, particularly in emerging economies.

In many developing countries, including Nigeria, corporate ownership is predominantly concentrated in the hands of a few major shareholders, families, government entities, or institutional investors. While concentrated ownership may reduce the classic agency problem between managers and shareholders, it often gives rise to principal–principal conflicts, where controlling shareholders pursue private benefits at the expense of minority shareholders. This has heightened concerns about expropriation, weak protection of minority interests, and abuse of control rights, thereby undermining corporate transparency and firm value.

Despite the growing body of empirical literature on shareholding structure, several methodological and contextual challenges persist. First, ownership structure is inherently endogenous, as firm performance may influence ownership patterns just as ownership may affect performance, making causal inference difficult. Second, measurement challenges arising from inadequate disclosure of beneficial ownership, cross-holdings, and indirect control structures limit the reliability and comparability of ownership variables used in prior studies. Third, the dynamic nature of ownership—driven by regulatory reforms, mergers, privatization, and capital restructuring—further complicates longitudinal analysis.

Moreover, institutional and regulatory differences across countries constrain the generalizability of findings from developed markets to emerging economies. In Nigeria, weak enforcement mechanisms, evolving corporate governance codes, and inconsistencies in ownership disclosure practices exacerbate these challenges. Consequently, existing studies have produced mixed and conflicting results regarding the impact of different shareholding structures on firm performance, leaving a significant gap in empirical understanding.

Given these unresolved theoretical, methodological, and contextual issues, there is a compelling need for a comprehensive empirical investigation of shareholding structure that adequately addresses endogeneity concerns, improves ownership measurement, and reflects the institutional realities of emerging markets. Such a study is essential to provide clearer evidence on how different forms of shareholding structure influence corporate outcomes and to inform policymakers, regulators, and investors seeking to strengthen corporate governance frameworks. This study examines the relationship between ownership structure and financial performance of quoted consumer goods company in Nigeria.

## LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### Managerial Ownership

Managerial ownership also called insider or Director. This is referring to as ownership fraction of shares by the directors of the company. Director or managerial ownership is not only intended for growth of the equity of the organization but also to serve as incentives to those managing the firm. This will serve as an encouragement for them to align their interests with that of the interests of the company. Director ownership is measured by the natural logarithm of equity held by the management in a firm (Ohiani et al. 2018).

Early empirical evidence from developed markets documents a nonlinear relationship between managerial ownership and firm performance. Morck, Shleifer, and Vishny (1988), using a sample of U.S. firms, found that firm value initially increases with managerial ownership but declines beyond certain ownership thresholds, suggesting that alignment effects dominate at low ownership levels while entrenchment effects prevail at higher levels. Similarly, McConnell and Servaes (1990) reported an inverted U-shaped relationship between managerial ownership and Tobin's Q, indicating that excessive managerial control may reduce firm value. Based on the above empirical justification, the below hypothesis is developed.

H1 there is a significant relationship between managerial ownership and firm performance

### Blockholder Ownership

Blockholder ownership refers to a situation in which a firm's equity is held by shareholders with relatively large ownership stakes, often described as concentrated ownership. Blockholders are typically defined as individuals or institutions that own 5% or more of a company's outstanding equity (Anderson & Reeb, 2003). Due to their substantial financial investment, blockholders possess strong incentives to actively monitor managerial actions

and firm operations. Such monitoring helps to mitigate agency conflicts between managers and shareholders by discouraging opportunistic behavior and promoting decisions that enhance firm value. Consequently, blockholder ownership plays a critical role in corporate governance by aligning managerial actions with shareholders’ interests and protecting investors’ wealth. In empirical studies, blockholder ownership is commonly measured as the natural logarithm of the shares held by the largest shareholder in a firm.

H1 there is a significant relationship between blockholder ownership and firm performance

## **THEORETICAL REVIEW**

Various theories can explain the dynamics of corporate governance, financial reporting and performance. These theories include, signaling theory (Spence, 1973) agency theory (Jensen & Meckling, 1976), resource dependency theory (Payerle & Pfeffer, 1978) and shareholders theory Hetherington, (2014), however, this study adopts agency theory.

### **The Agency Theory**

This study is anchored on the agency theory. This theory is propounded by Jensen and Meckling, (1976). The theory is based on the idea of separation of ownership (principal) and management (agent). This is the theory is considered perfect because when the management are is too large, it could lead to management opportunistic behaviour therefore leading to conflict of interest. The theory holds that information asymmetry can be solved, the agent is likely to pursue interest that may conflict with that of the principal. The theory provide means of balancing the interest between the managers and the owners. The theory therefore suggests

“An optimal debt level that would arise as a result of agency cost. The theorists suggested a situation whereby the interest of the managers in the firm should increase in order to be aligning with the owners. The debt level should also be motivated to control managers’ tendency for extra consumption. Free cash flow in a firm can be controlled by increasing the managers’ stake in the firms or debt in the capital structure thereby reducing the amount of free cash available to managers. Agency theory is a theory that has been applied to many fields in the social and management sciences: politics, economics, sociology, management, marketing, accounting and administration. The agency theory is a neoclassical economic theory and is usually the starting point for any debate on the corporate governance”. (Jensen & Meckling, 1976)

## **METHODOLOGY**

### **Research Design**

This study uses ex-post facto research design because the data are historical in nature having been generated through past corporate activities. The panel data for blockholders ownership (BLKOWN), director ownership (MANOWN).

The population of the study shall consist of all the ten (148) companies listed on the Nigerian Stock Exchange group. The sample size of this study is 74 companies listed in Nigeria from 2012- 2021. The sample size was arriving after all companies without listing information and companies that is outside sample frame. The data for this study were sourced from the financial statements of the 74 listed companies obtainable from their websites. The data were analyzed using multiple regression with the aid of stata statistical software. The table below shows the detailed population by sectors and the sampled companies.

### **Sample Frame**

	<b>Sector</b>	<b>Population</b>	<b>Sample</b>	<b>Filter</b>
1	Agriculture	5	3	
2	Conglomerates	6	1	

3	Construction and Estate	7	2	<p><b>1. The listing information of the other companies are not available on the stock exchange group.</b></p> <p><b>2. Companies outside the study frame were excluded from the sample. That is, companies listed between 2012-2021 and companies listed within 2012 and 2021.</b></p>
4	Consumer goods	21	12	
5	Financial services	49	30	
6	Health Care	7	3	
7	ICT	9	1	
8	Industrial goods	13	6	
9	Natural resources	4	3	
10	Oil and Gas	10	2	
11	Services	16	11	
	<b>TOTAL</b>	<b>148</b>	<b>74</b>	

Source: Stock Exchange Group Website, 2023

### Model Specification

The dependent variable for the study is audit quality proxied with audit firm type while the independent variables which is Ownership structure is represented by blockholder ownership, managerial ownership and foreign ownership

$$FP = f(BLKOWN + MANOWN + e) \dots\dots\dots 1$$

Where:

FP= a predictor representing Financial Performance

BLKOWN = a predictor representing blockholder ownership (a proxy for independent variable)

DIROWN = a predictor representing director ownership (a proxy for independent variable);

$\mu$ = Error term (Residual).

### Variable Measurement and Justification

Table 1 below defines the variables of this study

Variable	Acronym	Type	Measurement	Justification
Financial Performance	FP	Dependent	. ROA=Total AssetsNet Profit After Tax divide by total assets	Faouzi at al., (2021),Shakhatreh and Alsmadi(2021),
Blockholder Ownership	BLKOWN	Independent	Percentage of shareholders holding above 5% outstanding shares	Hussaini et al (2018); Al- Amameh (2014); Kinuri (2013)
Managerial Ownership	MANOWN	Independent	The percentage of shareholdings owned by the executive directors	(Khamis, Hamdan, Elali, 2015)

Source: Researcher’s compilation, 2023.

**Data Presentation**

The set of data used for this study comprising 2012-2021 data for blockholder ownership and financial performance as the dependent variables.

**Descriptive Statistics of the Variables**

Table 2 shows the descriptive statistics of variables with the total observation of 740. The variables are the board structures and FP. Blockholder ownership shows the mean of 0.347 with minimum of 0 and maximum of 0.79. More so, the director ownership shows the following; mean is 5.261, the maximum is 21.5. The details of descriptive statistics are found in table below.

**Descriptive Statistics of the Variables**

Variables	Mean	Minimum	Maximum	
FP	.7567568	-0.69	0.47	0.11
BLKOWN	.3471162	0	.7989	
MANOWN	5.261194	.0000447	21.5762	

Note: ROA is Return on Asset, BLKOWN is blockholder ownership, DIROWN is director ownership and audit committee gender

**The Pearson Correlation Matrix**

The Pearson correlation matrix in this research is presented in Table 4.2. Generally, all correlations between independent variables are less than 0.80, thus it is said that there is no issue of multicollinearity. Details of explanation are provided in Table below

**Pearson Correlation Matrix of the Variables**

Variables	BLKOWN	DIROWN	FP
BLKOWN	1.000		
FRNOWN	0.2588	1.000	
FP	0.0804	0.5430	1.000

Note: Since there is no correlation of above 0.80 between DIROWN and BLKOWN and Also between FP there will be no need to conduct variance inflation factor to test the effect of the multicollinearity on the regression estimators (Hair et al, 2010).

**Multiple Linear Regression and Test of Hypotheses**

Table 4.6 presents the results of multiple regressions analysis between the shareholding structure and audit quality with the corresponding coefficient, t-value and the probability value (P-value). The model was produced to capture the relationship between all the variables.

**Multivariate Regression Analysis Between the Variable**

Variables	COEFFICIENT	t	P-value
BLKOWN	-1.362445	-4.70	0.000***
MANOWN	.0209598	11.37	0.000***
CONSTANT	-.2378134	-3.15	0.000

R-squared = 0.6626

Adj R-squared = 0.6608

Prob = 0.0000

N = 740

Note \*p<.10, \*\*p<.05, \*\*\*p<.01

**Hypotheses Testing**

In testing the Hypotheses, if the Tabulated t-statistics: df at 45 at 0.05 level of significance ranges from- 2.021 to + 2.021. Where the t-calculated is less than the t-tabulated, the null hypothesis will be accepted, while the alternative hypothesis will be rejected. Where the t-calculated is more than the t-tabulated, the null hypothesis will be rejected, while the alternative hypothesis will be accepted.

**Test of Hypothesis One**

H<sub>01</sub> There is no significance effect between managerial ownership and financial performance listed deposit money banks in Nigeria.

From the result on table above, it can be seen that managerial ownership and financial performance is indicated by a critical t-statistics value of -4.70 which is more than the tabulated t-statistics value of 2.021 at 0.05 level of significance, which shows that there is significant contribution of blockholder ownership and audit quality in Nigeria. Based on the results, the null hypothesis is rejected and the alternate hypothesis accepted.

**Test of Hypothesis Two**

H<sub>02</sub> There is no significance effect between blocholder ownership and financial performance listed deposit money banks in Nigeria.

From the result on table above, it can be seen that foreign ownership and audit quality is indicated by a critical t-statistics value of 20.11 which is more than the tabulated t-statistics value of 2.021 at 0.05 level of significance, which shows that there is no significant contribution of foreign ownership and financial performamce in Nigeria. Based on the results, the null hypothesis is rejected and the alternate hypothesis accepted.

**DISCUSSION OF FINDINGS**

Result from Table shows that blockholder ownership has an significant negative effect on financial performance. This finding implies that if all other variables are held constant, a unit increase in the number of block-holder ownership can leads to significant enhancing in financial performamce. This finding is in line with Hussain et al. (2018) and Citak (2011) who reported that block-holder ownership has a negative significant effect on performance.

Managerial ownership has an significant positive effect on audit quality. This finding implies that if there is significant managerial ownership, there is likely hold that the management will ensure that the audit quality is enhanced. This finding corroborates those of Adewumi et al. (2018) and Ohiani et al. (2018),

## CONCLUSIONS

This research concludes that audit committee gender moderates the relationship between the ownership structure and audit quality of listed companies in Nigeria.

## RECOMMENDATIONS

The results of this study provide recommendations, especially to the public limited companies, policymakers and regulatory bodies. Based on the findings of this thesis, the following recommendations are hereby proffered:

1. In relation to blockholder ownership, this study supports less block shareholders. This is because, the presence of too many blackhokders can lead to expropriation of minority interest by the majority interest.
2. On managerial ownership, empirical research states that managerial opportunism persists in the absence of equity holder large enough to enforce their own interests of profit and wealth maximization. Therefore, this structure recommends management participation and ownership of shares. This will lead to alignment of the management to the company's goal.

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