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Managerial Ownership and Return on Capital Employed of Listed Manufacturing Firms in Nigeria

[1]Okafor Justina Obiageli, [2]Okafor Michah Chukwuemeka & [3]Michael Chidiebele Ekwe
Department of Accounting
Michael Okpara University of Agriculture, Umudike

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Abstract

This study examined the effect of managerial ownership structure on the financial performance of selected quoted manufacturing firms in Nigeria for the period 2013-2022. While return on capital employed (ROCE), was used to proxy the dependent variable, managerial ownership (MON) was used as a proxy for the independent variable. The data for the study were sourced from the audited financial statements of the selected quoted manufacturing firms and from the publications of the Nigerian Exchange Group (NGX). Various preliminary statistical tests (normality test, heteroskedasticity test, Hausman test among others) were carried out before the hypotheses testing. Panel Generalized Method of Moment (GMM) method of data analysis was used to test the hypotheses. The study found that managerial ownership had a positive and statistically significant effect on the return on capital employed by the selected manufacturing firms. The study concludes that there is a robust relationship between concentrated ownership and the financial performance of listed manufacturing firms in Nigeria. The study recommended that manufacturing firms should allow ownership of manufacturing firms in the hands of a few competent and reliable managers who can define a new dimension of ownership structure where the concentration of all strategic decision-making processes in terms of production and distribution of goods and services will rest on the hands of few individuals; for the sake of efficiency and accountability in the management of shareholders wealth, ownership should not be separated from management to enable shareholders to hold the management liable for any mismanagement of resources.

Keywords*: Managerial Ownership, Return on Capital Employed, Listed Manufacturing Firms*

Corresponding Author: **Okafor Justina Obiageli**

Background to the Study

Effective corporate governance frameworks are essential for mitigating agency conflicts between shareholders and management. In Nigeria, where governance weaknesses often compromise corporate performance, ownership structure can serve as a vital internal governance mechanism promoting accountability and operational stability (Fadan and Osisioma, 2020). This study investigates the relationship between ownership structure and financial performance in listed Nigerian manufacturing firms, focusing on managerial ownership as a proxy for ownership structure. Literature reveals that different ownership structures, including managerial, institutional, government, concentrated, and foreign ownership, can influence firm performance (Sudsomboon and Ussahawanitchakit, 2009). The owner identity effect suggests that various owners may have distinct strategic objectives, influencing firms' decisions and performance (Ullah et al., 2011). Prior studies have yielded mixed results on the relationship between ownership structure and firm performance (Al-Malkawi and Pillai, 2018; Chandren et al., 2015; Ibrahim and Abdul Samad, 2011).

This study aims to demonstrate that a well-structured ownership configuration, specifically managerial ownership, can protect shareholder interests and enhance financial performance in Nigerian manufacturing firms. Strong governance practices, including effective ownership structures, are crucial for fostering a stable business environment, attracting investors, and promoting economic growth (Al-Matari et al., 2019).

The findings of this study contribute to the ongoing debate on the relationship between ownership structure and financial performance, providing insights for policymakers, investors, and corporate managers seeking to promote transparency, accountability, and sustainability in Nigerian manufacturing firms.

Literature review

Managerial ownership and financial performance (ROCE)

Managerial ownership refers to the percentage of a company's shares that are owned by its executives and managers. Higher managerial ownership means that the company's management holds a significant portion of its stock, while low managerial ownership means that managers own a smaller stake in the company. Ownership structure influences a range of corporate decisions, which can have a direct impact on financial performance metrics like ROCE. Return on capital employed (ROCE) is a financial ratio that measures a company's profitability and the efficiency with which it uses its capital. It is calculated as Profit for the year/Total Asset. ROCE is an important metric for assessing how well a company generates profits from its capital base.

According to Jensen and Meckling (1976), managerial ownership has the potential to align the interests of the manager and the shareholders. Recent studies have examined the relationship between managerial ownership and corporate performance. Jensen (1983), stated that the most powerful link between shareholders' wealth and executive wealth is

the direct ownership of shares by managers. This statement is supported by Porter (1992), who believed that outside owners should be encouraged to hold larger shares and to take a more active and constructive role in companies. Academics and researchers who carried out the study of the clash between the motivations of investors and managers found that the simplest way to resolve this conflict is to have a significant ownership commitment from corporate managers.

Large empirical literature investigates the relationship between managerial ownership and a firm's performance and provides mixed results. Jensen and Meckling (1976), argue that agency cost and managerial ownership are negatively related and have a positive relationship between managerial ownership and a firm's performance. The convergence of interest hypothesis suggests a positive relationship between managerial ownership and a firm's performance due to lower agency costs. A negative relationship between managerial ownership and a firm's performance is suggested by the entrenchment hypothesis which explains that managerial ownership above a certain threshold will have a destroying effect due to conflict between large block holders. A manager owning a large fraction of the shares in the firm bears the consequences of managerial action that either creates or destroys the firm's performance. Therefore, managerial shareholders are likely to work hard and create better investment decisions and high managerial ownership firms should perform better.

McConnell and Servaes (1990) in a study suggested that the impact of managerial ownership on the firm's value is nonlinear. Short and Keasy (1999), also investigate whether there is a non-linear relationship between managerial ownership and firm performance, based on return on shareholders' equity and market value, in the case of the UK. Their study adopts the cubic model to investigate this relationship. With this model, the coefficients of managerial ownership variables (DIR, DIR2, and DIR3) will be able to determine their turning points (indicating the maximum and the minimum points of managerial performance). Short and Keasy (1999), also suggest that performance (as measured by return on shareholders' equity) is positively related to managerial shareholding in the 0% to 15.58% range, negatively related in the 15.58% to 41.84% range, and becoming positively related again beyond 41.48%.

In the market return (as measured by Tobin's Q) regression, they suggest that Tobin's Q is positively related to managerial shareholding in the 0% to 12.99% range, negatively related in the 12.99% to 41.99% range, and turning positive again when managerial shareholding exceeds 41.99%. Han and Suk (1998), examine the non-linear relationship between insider ownership of 301 firms and average stock returns from 1988 to 1992. To capture the potential of the non-linear relationship, the inside ownership and inside ownership squared variables were applied. The inside ownership in this study consists of not only the board members but also the officers, beneficial owners, and principal stockholders owning ten percent or more of the firm's stock.

This study is anchored on Agency theory due to the problems that arise from the separation of ownership and control. Since the shareholders entrust their wealth in the hands of experts to manage for them, who in turn render account of their stewardship to them. Consequently, since the owners are not involved in the day-to-day running of the business it is the management that makes the business decision on their behalf. Due to perceived information asymmetry from the side of the management, there is always conflict between the shareholders and management.

Agency theory primarily deals with the conflicts that arise between principals (shareholders or owners) and agents (managers) who are hired to run the firm. The theory suggests that these two parties may have differing interests, with agents possibly acting in their own best interests rather than those of the principals. This conflict can lead to inefficiencies, such as managerial decisions that are not in the best interest of the shareholders, resulting in low financial performance. Agency Theory has been extensively exercised in literature to study the information asymmetry between principals (shareholders) and agents (management). The principal-agent association as illustrated in the agency theory is essential to understanding how the role of an auditor has developed. The essential premise of Agency Theory is that conflicts of interest arise in corporate relationships due to the divergence of the benefits of managers and shareholders.

The Agency Theory presumes that the role of the auditor is to manage the association between the manager and the owners. The manager and the owners must have a clear understanding that the auditor does not have the responsibility for the accounting. However, the auditor is responsible for making sure that the audit is adequate (Andersson and Emander, 2005). Agency theory, therefore, is a handy economic theory of accountability, which assists in clarifying the improvement of audit quality. The agency theory has its roots in economic theory and it dominates the corporate governance literature Daily, Dalton, and Canella (2003), point to two factors that influence the prominence of agency theory. Firstly, the theory is a conceptually simple one that reduces the corporation to two participants, interest is a generally accepted idea.

Definitions of Agency Theory

In its simplest form, agency theory explains the agency problems arising from the separation of ownership and control. It provides a useful way of explaining relationships where the parties' interests are at odds and can be brought more into alignment through proper monitoring and a well-planned compensation system (Davis, Schoorman, and Donaldson, 1997 in Ranti, 2011). In an assessment and review of agency theory, Eisenhardt (1989), cited in Semiu and Oso (2012), outlines two streams of agency theory that have developed over time; principal-agent and positivist. Principal-agent relationship: Principal-agent research is concerned with a general theory of the principal-agent relationship, a theory that can be applied to any agency relationship e.g., employer, employee, or lawyer-client. Eisenhardt describes such research as abstract and mathematical and therefore less accessible to organizational scholars. This stream has a

greater interest in general theoretical implications than the positivist stream. An empirical study by Dramani Angsoyiri (2021), examined the effect of Ownership Structure and Audit Quality on Firm performance in Ghana.

The population of the study comprised all the listed companies on the Ghana Stock Exchange. A purposive sampling method was employed and 20 companies were selected. Secondary data sources were used from 2012-2018. The following proxies were used for Dependent: Return on Asset (ROA) and Return on Equity (ROE) Independent: Ownership Structure (Institutional, Managerial). Audit quality (External Auditor Reputation) Audit committee (Audit Committee Size & Audit Committee Independence) Control Variables: Firm Size & Board Size. The findings of the study showed that there exists a weak positive correlation between Institutional ownership and managerial ownership and firm performance. There was a positive effect of Audit quality and firm performance. ACIND Was seen to harm firm performance. While board independence showed a positive effect on return on equity (ROE) and a negative effect on return on asset (ROA).

Consequently, Sitisuziyati Suman, Abdul Basit & Sahibzada Muhammad Hamza (2016) studied the impact of ownership structure on firm performance in Bombay. Independent variables: Ownership Structure; Proxied (Consown, Insown, Forown and Manown). Dependent Variable ROA. Companies were selected from three sectors; (Textiles, Oil Marketing, and distribution, Movies and entertainment) listed in the Bombay stock market. Fifty (50) companies were selected using Sampling techniques and Convenient sampling techniques. Data were collected based on secondary sources via Published Annual reports, articles, journals, etc. Moreover, six years later, Srivastava, (2011), researched Ownership Structure and Corporate Performance Evidence from India. He used the following performance indices ROA, ROE, Price-Earnings Ratio (P/E) Price to Book Value (P/BV), Free Floated Shares (FF), Debt to Equity ratio (D/E) while ownership structure was proxied by Concentrated Ownership (Conown). Accordingly, Amneh, Amneh, Hussam, and Mahmoud (2021) studied Ownership Structure's effect on financial Performance: An empirical analysis of Jordanian listed firms. Dependent Variables: ROA (Accounting FP), Tobin's Q (Mkt FP). Independent variables: Ownership Structure; Manown, Insown, and Consown. Control Variables: Liquidity, Company Size, Auditing Firm, Firm's Sector. All firms that are listed in the first market. The annual financial reports and other related data from 2012 to 2018 were analyzed. The annual report was selected based on complete financial information and 61 firms were selected such, as 26 firms from the financial sector, 14 from Manufacturing, and 21 from the Service sector. Descriptive statistics method was used in the study namely, mean, minimum, maximum & standard deviation.

MANOWN shows a negative and significant association with ROA. This indicates that Managements' ownership of firms with high ROA is conscious of business challenges. Furthermore, the association b/w Insown & ROA the coefficient is positive. This is in line with the study of (Sharma, 2004; Young, 2008). Moreover, the study explains the

relationship b/w CONOWN and ROA. The results show a positive relationship. On the contrary, Jarbou, (2018), concludes that Conown has a negative relationship with banks' performance and the concentrated investors may abuse their authority. The result equally indicated that Conown has a positive relationship with TQ. The following year, Akinwunmi, Abiodun. Adeyemi, Akeem, Alao, Abdul-Azeez, Ajayi-Owoeye, Olotu, (2020). They investigated Foreign Ownership Structure as a Monitoring Tool for Audit Quality: Evidence from Nigeria. The following variables were used, Independent Variable: Foreign Ownership Structure. Dependent Variable: Audit Quality- Audit fees, Audit firm size. Control Variables: Firm Size (FSize) & Financial Leverage (FLev).

The study adopted Correlational and experimental research designs. An explanatory method was used in assessing the impact of foreign ownership on audit quality. The descriptive method was employed in explaining the necessary characteristics of the firms used. The population consisted of 185 companies listed on the Nigerian Stock Exchange (NSE). The study sample frame was the entire 65 manufacturing companies quoted on the Nigerian Stock Exchange (NSE). 36 manufacturing firms were selected as sample size using a judgmental sampling technique and a two-point filter method. Consistent with the previous research on ownership structure, (Abu, 2018; Kiamehr, Moghaddam, Ali and Hajeb, 2015; Seyedeh, 2016), secondary data was used.

The data was obtained principally from the Nigerian Stock Exchange (NSE). The data on foreign ownership structure and audit quality (audit fees and audit size) was extracted from the annual reports and accounts of all the companies under consideration from 2007 to 2017. The study used panel regression results which involve the use of Random (RAM) and fixed (FID) effects regression models using E Views 10 to investigate the relationship between corporate Ownership structure and audit quality of Nigerian quoted manufacturing companies. The findings of this study showed that foreign ownership structure has a statistically significant impact on audit quality. Furthermore, Abdullahi, Norfadzilah Rashid, Umar Aliyu Mustapha, and Lateef Saheed Ademola (2020), investigated The Impact of Audit Quality on The Financial Performance of Listed Companies in Nigeria.

Dependent Variable: Financial Performance- ROA. Independent Variable: Audit quality- Audit Fee, Audit size, Audit Independence. Control Variable: Firm Growth & Firm Age. The target population of the study consisted of 169 companies that are listed on the board of the Nigerian Stock Exchange (NSE) as of December 2018. From this population, 56 companies, involving 504 firm-year observations which are from the financial services sector have been eliminated, leaving a total of 113 companies with 1,017 firm-year observations. Also, 18 firms encompassing 162 firm-year observations (15.93%) have been eliminated as a result of the fact that they were delisted by the Nigerian Stock Exchange in 2018. From the outstanding firms, 11 of the firms with 99 firm-year observations (9.73%) did not in any way disclose complete information. However, a final sample of 84 firms, consisting of 756 firm-year observations (74.34%) were engaged. The period of this present study covers 9 years from (2010 to 2018). The selection of this period is due to

several financial-related cases where many companies collapsed in Nigeria. This present study uses secondary data to generate data from the annual financial statements of the companies that form part of the Nigerian Stock Exchange and Thomson Reuters Data-stream Professional for the studied years. The study used Descriptive statistics, Correlation matrix, and Regression analysis in drawing their inference. Under the result of the balanced panel data analysis, two of the studied variables namely Auditor Size and Auditor Independence were established to be positively and significantly associated with the financial performance as being measured using return on asset (ROA).

The other variable AUDTF is found to be positive and insignificant to ROA. Our findings are similar to that of agency theory which suggests that the more firms audited by Big4 the better the financial performance of those companies. It might be practically difficult to influence the judgment of Big 4 auditors to go in contradiction of the established rules of auditing practices because they have a reputation to protect. Furthermore, a positive relationship was found between auditor independence and financial performance which entails that audit services rise depending on the amount paid as audit fees and also gives rise to more monitoring and commitment on the part of the auditors, in so doing reducing the tendency of a business to suffer from losses by way of excessive squandering of funds by the management and failure to observed the specified accounting standards.

Alhababsah (2019), Studied on Ownership Structure and Audit quality: An empirical analysis considering Ownership types in Jordan. Dependent Variables: Audit quality Proxied by Audit fees. Explanatory Variables are: - Family Own, Financial Insown, Non-financial Insown, Govown, Arab foreign own & Non-Arab Foreignown. Control Variables: Company size, Business Complexity Proxied by No of subsidiaries, leverage, profitability, risk level, Loss, Big-4 audit firms. The population of the study is the 177 listed non-financial firms in the ASE at the end of 2016. Financial companies are excluded because they are normally considered separately due to differences in their business and regulatory environment. The study covers the period from 2009-2016. The data are manually collected from the annual report and the Securities Depository Centre. The study uses a cross-sectional time series model for its analysis. The study found that Audit quality is significantly positively associated with Government ownership. Moreover, it discovered that both foreign own identities, Arab foreign ownership, and Foreign-non-Arab are significantly positively correlated with Audit quality. Also, the two foreign ownership types do not show a significant relationship with audit quality.

Moreover, Bakare (2019), Studied Board Independence and Audit Quality in Nigeria. Variables, Measurement, Sources. Audit Quality Dummy variable 1 if big four auditor exists and otherwise Abdullahi, et.al., (2008). Board Independence Percentage of non-executive directors to total directors (Kota and Tomar 2010). Leverage Long-term debt/equity (Che-Ahmad & Osazuwa, 2015). Profitability (PROF) Profit after tax/total equity (Che-Ahmad and Osazuwa, 2015). Firm Size (FSIZE) Natural log of total assets (Wan Hussin, Che-Adam, Lode, and Kamardin, 2005). The sample was selected from only non-financial companies. The selection was based on the availability of data as

several annual reports were not available at the Nigerian Stock Exchange library or the company's websites. The study focused on 71 companies for the period 2009 to 2016. The research has a descriptive and causal undertone. The descriptive aspect describes the characteristics of the variables, while the causal relationship shows the causal effect of relationships among the variables.

This was done using the binary regression analysis considering the dependent variable is measured using a dummy variable having two outcomes "1" and "0". The study made use of strata 12.0 econometric software. The binary regression results shows that board independence is significant and negatively related to audit quality (α =-0.79, p which suggests that an increase in the independence of the board leads to a decrease in the quality of the audit. Further, the binary regression result shows the results of the control variables used in the model. It was observed that an insignificant relationship exists between leverage and big four auditors (α =0.02, p>.10.), this implies that the debt-equity make-up of the firm has no relationship with the quality of the audit. Lastly, the result showed a positive relationship for both profitability.

Furthermore, Hamza, Kamel, Qawqzeh, Wan, Anisah, Endut, Norfadzilah, Rashid, Mohammad, Mustafa, and Dakhlallh (2019), examined ownership structure and financial reporting quality: influence of audit quality evidence from Jordan. Dependent variable - Financial reporting quality, Proxied by discretionary accruals. Audit quality (Mediator variable) Proxied by Audit fees independent variable: institutional ownership Proportion of institution ownership to the paid capital. Family ownership independent variable Proportion of family ownership to the paid capital Managerial ownership independent variable Proportion of managers' ownership to the paid capital Board's ownership independent variable Percentage of director's ownership in the board to the paid capital.

The population of this study is all listed companies in the Amman Stock Exchange (ASE) during 2009- 2017. The period was selected considering that in 2009 Jordan adopted corporate governance codes. The sample of this study consists of all existing companies that have disclosed information about their ownership structure. The period runs for nine years during 2009-2017 (180 companies). Data related to Mediator and Independent variables were collected manually from annual reports through ASE's website, and the data related to discretionary accruals was collected from the Data stream through the University Sultan Zainal Abidin's Library (UNISA). Panel data analysis was applied to select among Pooled OLS, Fixed/Random effect. Those tests are: the F-test (between Pooled OLS and Fixed effect (FE)), the Breusch-pagan test (Pooled OLS and Random effect (RE)), as well and the Hausman test (Random effect (RE) and fixed effect (FE)).

The findings revealed that Bdown and Fmown have a significantly negative influence on Fmown. It implies if these two independent variables increase, it leads to a decrease in Fmown, which also means that the boards and family ownership have a significantly positive influence on FRQ).On the other hand, Insown has a significant and positive impact on Fmown which shows that if Insown increases, Fmown will be increased

accordingly, (It reflects that the institutional ownership has a negative and significant impact on FRQ), Also; the results indicate that Maown has an insignificant impact on Fmown. However, the findings also didn't support the hypothesis that Managerial Ownership has a significant impact on Fmown.

Data analysis and discussion

Heteroskedasticity test

The decision rule in heteroskedasticity is to reject the null hypothesis if the p-value is less than the 0.05 percent level of significance. In panel data analysis, heteroskedasticity refers to the situation where the variance of the error terms differs across cross-sectional units or over time. This condition forms a common problem in panel data because, in most cases, the variances of the error terms are not constant across entities over periods. Therefore, for the model, the paper presented heteroskedastic results so as to establish the homogeneity of residuals. The table is presented below.

Table 1: Panel Cross-section Heteroskedasticity LR Test return on capital employed model

	Value	**df**	**Probability**
Likelihood ratio	11.2711	23	0.3450
LR test summary:			
	Value	df	
Restricted LogL	-462.1948	224	
Unrestricted LogL	-381.5593	224	

Source: computed by the researcher using e-view 10.0

Table 1 presented the panel cross-section heteroskedasticity likelihood ratio (LR) test, 11.2711 with probability values of 0.3450, indicating the presence of homogeneity in the residuals. Since the probability value is greater than 0.05, this paper accepted the null hypothesis that the residuals are homoscedastic. This implied that there is no heteroscedastic in the model. This further revealed that the result obtained from the mode was unbiased. The condition of homoscedasticity was justified in all observations (constant variance of errors). This implied that the variance of the error term did not vary by cross-sectional unit *I* and / or period *t*.

Hausman tests

This statistical test was used to determine whether the model's random effects estimator (typically in panel data analysis) was consistent by comparing fixed and random effects and evaluating whether the difference was statistically significant. It is particularly useful for comparing random effects and fixed effects models. The test helps decide whether to use a fixed effects or random effects model in panel data analysis.

Table 2: Correlated Random Effects - Hausman Test LQL Model

Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		42.525226	3	0.0017
LOGION	0.121815	0.117666	0.011309	0.0009
LOGBOS	-0.141702	-0.097683	0.032455	0.0070
LOGFMS	-0.001525	0.031541	0.000461	0.1235

Source: computed by the researcher using e-view 10.0

Test of hypothesis

Table 3 presented the result of the effect of managerial ownership on return on capital employed of the selected manufacturing firms in Nigeria.

HO_2: Managerial Ownership structure does not have significant effect on Return on Capital Employed of listed manufacturing firms in Nigeria.

Table 3: Panel GMM EGLS (Cross-section random effects

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOGMON	-0.113961	0.153188	-2.743931	0.0077***
LOGBOS	-1.193728	0.904262	-1.320113	0.0881*
LOGFMS	-0.109658	0.079985	-1.370977	0.0718*
C	2.621650	2.299772	1.139961	0.2555
Cross-section random			1.160285	0.3707
Idiosyncratic random			1.511733	0.6293
	Weighted Statistics			
R-squared	0.819639	Mean dependent var		-0.759987
Adjusted R-squared	0.806510	S.D. dependent var		1.518772
S.E. of regression	1.514868	Sum squared resid		514.0409
Durbin-Watson stat	1.809430	J-statistic		224.0000
Instrument rank	5	Prob(J-statistic)		0.000000

Source: Computed by the author using E-view 10.0; the lag structure of VAR was determined by AIC. Note: ***, **.and * represent 1%, 5% and 10% levels of significance respectively

From the result in Table 3, the study established that the coefficient of determination (R2) value of 0.81963 explained the total changes in the dependent variable (ROCE) which was jointly accounted for by the independent variable and the control variables included in the model. It implied that about 81.9% of the changes in the return on capital employed were due to the variations in the independent variables while all other variables valued at 0.1804% (1 – 0.8196 = 0.1804) were considered stochastic. More specifically, managerial ownership presented a coefficient of elasticity value of -0.119, a p-value of 0.0077, and a t-statistic value of 2.74393 respectively. This is an indication that a percentage decrease in

managerial ownership will cause a return on capital employed to decrease proportionately by 11.39% within the referenced period. The coefficient value of Board size was equally negative but statistically insignificant on the other hand, while firm size showed a slightly significant (though negative) effect on the return on capital employed by the sampled manufacturing firms in Nigeria. J-statistic confirmed the overall significance of the model with a coefficient of 224 at a 1% level of significance while the Dubbin Watson statistic value of 1.8 cleared the fear (absence of serial correlation) of serial autocorrelation in the model.

Furthermore, the result confirmed that managerial ownership was able to make a statistically significant contribution to the change in return on capital employed; though it exerted a negative influence on the variable (coefficient = -0.113961, t-stat.= -2.7439, p-val 0.0077 < 0.05). Therefore, this study failed to accept the null hypothesis and concluded that managerial ownership has a significant effect on the return on capital employed by selected manufacturing firms in Nigeria within the reviewed period.

Discussion of findings

The study examined the effect of managerial ownership structure on the financial performance of selected quoted manufacturing firms and was carried out in Nigeria for the period 2013 to 2022. return on capital employed (ROCE), was used as the dependent variable to specify the regression model. Three independent variables (including control variables) were included in the models to establish the linkage between ownership structure (OS) and financial performance (FP). On the other hand, the tested result of hypothesis 2 in Table 4.5 revealed the effect of managerial ownership (MON) and return on capital employed (ROCE). It was found (HO**2**: β = -0.113961, t = -2.743931, p = 0.0077 > 0.05) that MON exerted a negative and statistically significant influence on the financial performance variable (ROCE) of the reviewed manufacturing firms in Nigeria. The null hypothesis 2 which stated that there is no statistically significant effect of managerial ownership (MON) on return on capital employed (ROCE) was rejected. It was however found that this result was consistent with the findings of Alzoubi, (2016) on the study of ownership structure and earnings management as evidenced by Jordan manufacturing firms.

Conclusions and Recommendation

The study aimed to examine the effect of managerial ownership structure on the financial performance of selected quoted manufacturing firms and was carried out in Nigeria for the period 2013 to 2022. The Heteroskedasticity test, Hausman test, and panel Generalized methods of the moment (GMM) approach used for the data analysis established the existence of a strong relationship among the studied. After testing the stated hypotheses, the study found that managerial ownership had a statistically significant influence on the return on capital employed by the selected firms. The study established that there was a significant effect of managerial ownership structure on the financial performance of the selected quoted manufacturing firms in Nigeria.

The study recommends that for the sake of efficiency and accountability in shareholders wealth management, ownership should not be separated from management to enable shareholders and management to take full liability for any outcome of mismanagement of the firm's resources. Furthermore, with management as part of ownership, shareholders can set up disciplinary measures against defaulting managers who would fail in their responsibilities of enabling business-friendly environment and the assurance of better laws to boost the confidence of investors to tap the investments.

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