OWNERSHIP STRUCTURE AND FINANCIAL PERFORMANCE OF QUOTED BUILDING MATERIALS FIRMS IN NIGERIA

BY

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BEING A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, AHMADU BELLO UNIVERSITY ZARIA, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE DEGREE (M.Sc.) IN ACCOUNTING AND FINANCE

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DECLARATION

This dissertation "titled" Ownership structure and financial performance of quoted building materials firm in Nigeria is the product of my research effort. The study was carried out by me under the supervision of Dr. Salisu Mamman. To the best of my knowledge, this work has not been submitted elsewhere for the award of any degree or any certificate. I take the sole responsibility of all errors there in and all materials borrowed from various sources are duly acknowledged in the reference.

_____ _____

Yakubu ABUBAKAR **Date**

CERTIFICATION

The dissertation entitled "Ownership Structure and Financial Performance of Quoted Building materials Firms in Nigeria" by Yakubu ABUBAKAR meets the regulation governing the award of Master of Science degree in Accounting & Finance (M.Sc) of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

This study is dedicated to the Almighty God, who has given me the strength and wisdom for this achievement.

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My special gratitude goes to the Almighty God who made everything possible in His own time. Indeed His mercies are without bounds.

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ABSTRACT

Various studies on Ownership structure and firm's financial performance have been conducted in different parts of the globe with different findings that are mixed and inconclusive. In Nigeria, studies conducted in this area are mostly focused on the financial sector which is a gap that needs to be filled. This study fills the gap by examining the impact of ownership structure on financial performance of quoted building materials firms in Nigeria. The population of the study consists of six (6) cement firms quoted on the Nigerian stock exchange as at 31st December 2013. Four (4) firms were selected using two criteria. Cement companies that made available their annual report of eight years and cement companies quoted on the Nigerian stock exchange before 2004. The study uses multiple regression as a tool for analysis and tested for fixed and random effect. The study reveals that institutional ownership and managerial ownership showed a positive significant impact on the financial performance of quoted building materials firms in Nigeria, while ownership concentration showed no significant impact on the financial performance of quoted building material firms in Nigeria. The study concludes that ownership structure affects financial performance of building materials firms in Nigeria and therefore recommends that Security and Exchange Commission should encourage more potential managers and Institutional shareholders to invest long term in building materials industry as both managers and Institutional shareholders enhances financial performance of quoted building materials firms in Nigeria.

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CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Ownership structure and firm's financial performance has been a subject of importance in corporate finance literature. The effects of ownership forms on financial performance of firms has been of particular research interest in the literature of corporate finance. Often times, the interest of managers and shareholders are usually not aligned, which results to problems that reduces firm's value as well as financial performance (Tatiana & Stela, 2013). Shareholders are always regarded as the corporate owners, while directors are agents or representatives of shareholders who are supposed to allocate business resources in a way to increase their wealth (Benjamin, Love & Kabiru 2014).

Beni & Alexander (1999) found that owner-managers firms are more efficient than non-owner managers firms because owner-managers have stakes in the firm while non-owner managed firms are less efficient because the non-owner managers seek after their own personal interests at the expense of other shareholders and the organization at large. To the issues of managerial ownership there are two opposing views: incentive and entrenchment effect as stated by Beyer, Czarnitzki & Kraft, (2011). From the point of view of incentive effect, managerial ownership is supposed to have a positive relationship with firm financial performance because of the remuneration attached to managers performance. On the other hand, entrenchment effect is a situation where the manger is powerful enough to use his discretion, which usually leads to protecting his own interests rather than pursuing the goals of institutional owners and concentration owners. (Beyer *et al* 2011).

There are three determinants of firms' financial performance. The first is associated with external factors that are beyond the control of the firms. The second refers to factors that are internal and under the direct purview of the firms. These constitute managerial efficiency, governance structure and ownership structure among others that affect the ability of the firms to cope with external factors. Lastly, the other factors that affect firms' financial performance are firm size, leverage, and the type of industry (Kechi, 2011).

The relationship between managerial ownership and firm financial performance can be described in two ways. First, managers who own shares in the company will perform better than non-manager owners who will seek after their personal benefits without taking into consideration the concentration and institutional owners. Secondly as managers', equity ownership further increases the efficiency of the managers because they are involved in the day to day activities of the company and this involvement will in turn increase the financial performance of the company.

The relationship between institutional ownership and firm financial performance is that institutional owners have greater incentive to monitor managers because of the substantial amount of shares invested by them in the company. Also, large institutional owners have the opportunity, resources and ability to monitor, discipline and influence managers. This corporate monitoring by institutional owners can result in managers focusing more on corporate performance and less on opportunistic or self-serving behavior (Edmans & Manso 2010).

Hence, ownership concentration is related to firm financial performance due to the fact that traditional theories argued that when ownership of a firm is concentrated in the hand of large shareholders, they have incentive to monitor the managers' action through direct intervention to reduce agency problem (Chen & Swan, 2010). In addition, in the studies of diversification

strategy, it was found that ownership concentration enhance corporate diversification and performance of a firm because it constitute the largest investment in a corporate firm (Genc & Angelo 2012).

Based on previous literatures, it is observed that various forms of ownership structure have impacted on the financial performance of firms. However, the study chooses to focus on whether the form of ownership structures have significant impact on financial performance of quoted building materials firms and to consider how desirable such impacts are, if they exist.

1.2 Statement of the Problem

There are several studies conducted on ownership structure and firms financial performance in developed economies like the United States, Taiwan, Russia, and France. Some of the studies are Harold and Belen (2001), Wang (2003), Pavel and Alexander (2001) and Eric (2011). Harold and Belen (2001) found no statistically significant relation between ownership structure and firm financial performance. Wang (2003) showed that managerial ownership had a negative relationship with financial performance of firms and a positive relationship exist between institutional ownership and financial performance of firms. Pavel and Alexander (2001) found out that the association between ownership by different groups of owners' ownership concentration, state ownership and firm's financial performance was relatively weak. Eric (2011) found out that there was no significant difference between type of ownership and financial performance. The results in the above studies have shown mixed findings and these differences could be attributed to difference in economic structure of the countries studied as well as firms characteristics. In addition, most of these foreign studies used different industries as

their domain. For instance, Pavel and Alexander (2001) used blue chips firms as their domain and Eric (2011) used firms in the financial sector as their domain. This could influence the results and the conclusions arrived at because every industry in the economy has its own inherent attributes, which could have a significant impact on the results and conclusions. However, this study focuses on the manufacturing sector specifically the quoted building material industry in Nigeria to get a better picture of the relationship between dependent variable (Return on Equity) and independent variables (managerial ownership, institutional ownership and ownership concentration).

In Nigeria, there are studies that have been conducted on ownership structure and firm performance which include studies of Ogbulu & Francis (2007), Ioraver & Wilson (2011) and Uwalomwa & Olamide (2012). Ogbulu and Francis (2007) used all the firms quoted on the Nigerian Stock Exchange as the population. Purposive sampling technique was used to select the sample size using survey research design. Ioraver & Wilson (2011) on the other hand, used all listed financial firms as their population. Uwalomwa & Olamide (2012) used all firms in the financial sectors as their population. The two out of the three studies which are the studies of Ioraver and Wilson (2011) and Uwalomwa and Olamide (2012) used firms in service sector as their domain. The findings of studies that used firms in the service sector as their domain cannot be the same with the findings of studies that use firms in the manufacturing sector as their domain because of the nature of operation of business. The service firms are customer satisfaction oriented while the manufacturing firms are production oriented. This is the gap the study wants to fill. To this point, the study addressed the gap by looking at the manufacturing sector specifically the building material firms to see if its findings are different from the financial sector. Also, studies of Ogbulu & Francis (2007), Ioraver & Wilson (2011) and Uwalomwa &

Olamide (2012) in Nigeria have not taken into consideration multicollinearity and fixed and random effect. However, this study took into consideration multicollinearity and fixed and random effect. This is also a gap that the study wants to address.

This study to this end basically, seeks to investigate precisely whether or not ownership structure impact on financial performance of Quoted Building Materials firms in Nigeria.

1.3 Objectives of the Study

The main objective of the study is to determine whether ownership structure impacts firm financial performance of quoted building materials firms. The specific objectives are:

i. To determine the extent to which managerial ownership significantly impact on financial performance of quoted building materials firms in Nigeria.
ii. To determine the extent to which institutional ownership significantly impact on financial performance of quoted building materials firms in Nigeria.
iii. To determine the extent to which ownership concentration significantly impact on financial performance of quoted building materials firms in Nigeria.

1.4 Research Questions

For the purpose of this study, the following research questions are addressed:

i. To what extent does managerial ownership impact on financial performance of quoted Building Materials firms in Nigeria?

ii. To what extent does Institutional ownership impact on financial performance of quoted Building Materials firms in Nigeria?

iii. To what extent does ownership concentration impact on financial performance of quoted Building Materials firms in Nigeria?

1.5 Research Hypotheses

In line with the objectives, three Null Hypotheses are formulated as follows:

H_{O1}: Managerial ownership has no significant impact on financial performance of quoted building materials firms in Nigeria.

H_{O2}: Institutional ownership has no significant impact on financial performance of quoted building materials firms in Nigeria.

H_{O3}: Ownership concentration has no significant impact on financial performance of quoted building materials firms in Nigeria.

1.6 Scope of the Study

The impact of ownership structure on financial performance of quoted building materials firms as related to the manufacturing sector of the economy cannot be over emphasised. The population of the study is Six Building Material firms quoted on the Nigerian Stock Exchange (NSE) as at 31st December 2013. Four firms are selected based on two criteria to eliminate the company considered not suitable for the study. The first criteria is; companies who are eligible to form part of the sample must have publish their annual financial report for the years under review and such documents must be accessible. Secondly, such companies must have been listed on the Nigerian Stock Exchange before 2004. The period of ten (10) years spanning from 2004-2013 was chosen for the study, this period is considered long enough for the variables to form a pattern in combination with the economic activities of the industries. The period of study also envelops economic activities before, during and after the global economic meltdown.

1.7 Significance of the Study

The Significance of the study arises from the fact that many studies have been conducted on Ownership structure and firm financial performance of quoted firms at different time and in different parts of the world, most of the studies are well documented in accounting and finance literature but to the best of our knowledge no studies have been carried out on Ownership structure and firm performance of quoted building materials firms in Nigeria.

The following benefits are expected from the study:

The outcome of the research will assist the potential investors of the building materials firms in Nigeria to know whether ownership structure made impact on firms' financial performance, which will guide them in taking relevant investment decision.

The regulatory authority, Security and Exchange Commission (SEC) will benefit from the outcome of the study which will enable them examine the effectiveness of their monitoring instruments as well as review and upgrade them as appropriate.

The study will be useful to accounting educators, thereby serving as an input and a motivation for further research.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

The relationship between ownership structure and performance of firms has been a hot topic for decades and authors have not come to a consensus on it. The ultimate concerns for companies, policy makers and economists alike is whether ownership structure affects corporate financial performance, and if so, how desirable is the effect. Hu & Izumida (2008) argued that the fundamental issue on the relationship between ownership structure and performance is the separation of ownership from control of modern companies which naturally reduces management incentives to maximize corporate efficiency. Since the ownership structure and performance relationship is subject to controversy in theory, empirical researches become more important to examine.

Fazlzadeh, Ali & Kazem (2011) examined the relationship between ownership structure and firm financial performance and discovered that institutional ownership had a positive significant effect on firm financial performance. Wahla, Shah & Hussain (2012) also examined the relationship between ownership structure and firm performance and found out that managerial ownership had a negative effect on firm performance and opined that agency problems arises due to increase in managerial shareholding in Pakistan. However, this section reviews relevant and related literature of previous works on ownership structure and firm financial performance and how it will be beneficial to corporate organizations.

2.2 Concept of Ownership Structure

Ownership structure is seen as the classes or group of owners that exercise control over activities of a firm. Various scholars have different definition for ownership structure. According to Demstz & Lehn (1983), ownership structure is regarded as the fraction of shares owned by a firm's most significant shareholders, with much attention given to the fraction owned by the five largest shareholders. Demstz & Lehn (1985) also saw 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. In the works of Chiara (1997) viewed ownership structure as a combination of concentrated ownership and large stockholdings by institutional owners for productivity. Ram & Camela (1998) defined ownership structure as directors' equity which could be summed up as the percentage stake owned by beneficiary and non-beneficiary directors. Beni & Alexander (1999) viewed ownership structure as the composition of diffused ownership and non-owner managed firms. Demsetz & Belen (2001) viewed Ownership structure as the combination of the fraction of shares owned by important shareholding families and the fractions owned by management. This definition puts into perspective the issue of family ownership in conjunction with organisational ownership.

Pavel & Alexander (2001) viewed Ownership structure as the composition of percentage of voting shares in the hands of the top three shareholders without drawing distinction between state-controlled holdings and percentage of voting shares in the hands of the top three private investors. Wang (2003) viewed Ownership structure as the combination of three different groups of ownership namely; managers, control group and institutional investors. Sahut & Gharbi

(2010) viewed Ownership structure as the combination of ownership concentration, managerial ownership and institutional ownership.

Alipour & Amjadi (2011) defined ownership structure as the composition of the biggest five shareholders, which includes a combination of institutional shareholders, individual and managerial shareholders. Shah, Safdar & Mohammad (2011) saw Ownership structure as the percentage of shares held by Directors. Khalil, Syed, & Zahid, (2012) viewed Ownership structure as the composition of managerial ownership and concentrated ownership. Uwalomwa & Olamide (2012) viewed ownership structure 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.

However, the basic composition of ownership structure studied by this work is a combination of managerial, institutional and ownership concentration, and separate authors describe them differently. Ram & Carmela (1998) used percentage of directors' equity ownership as proxy for managerial share ownership. Manoranjan (2005) viewed Managerial ownership as the fraction of equity shares held by Insiders and Promoters. Vethanayagam & Kanapathy (2005) viewed Managerial ownership as the proportions of director's equity ownership which includes their deemed interest. Andy, Xiaolan, & Alan (2006) documented that managerial ownership is the percentage of a firm's ordinary shares owned by the Chief Executive, or Managing Partner. Panayotis & Sophia (2006) viewed Managerial ownership as the percentage of shares owned by firm's management that is, the composition of board members, CEO and top management. Arifur, Balachandran, & Paul, **(**2008**)** viewed Managerial Ownership as the percentage of ordinary shares owned by the directors, executive directors and independent directors. Wenjuan, Gary, & Shiguang (2009) viewed Managerial Ownership as the

proportion of managers' stock ownership. Laiho (2011) viewed managerial ownership as the insider holdings by the board of directors and the management team.

On the other hand, Institutional Ownership composition also varies from author to author. Gordon & Edward (2006) defined institutional ownership in two ways; first as the total fraction of ownership held by all institutional investors and second as the ownership held by institutional block investors that is, the five/ten largest institutional investors. Per-Olof, Johan & Daniel (2007) defined Institutional owners as specialized financial institutions who manage savings collectively on behalf of other investors toward a specific objective in terms of acceptable risk, return maximization, and maturity of claims. Surya, Suresh & Albert (2009) measured institutional ownership by the five largest institutional investors. Jean & Hidaya (2010) described institutional ownership as the percentage of shares owned by the actors available at the time of publication of a complete and audited financial statement. Feng (2010) viewed institutional ownership as the percentage of equity owned by the governmental institutions, financial institutions, corporate institutions, mutual funds, foreign financial institutions, foreign institutions, foreign mutual funds and other institutions. Demiralp, Ranjan, Frederik &Venkat (2011) defined Institutional Ownership as shares held by registered institutions such as insurance firms, investment companies, pension funds, banks, and money managers. Imad (2012) measured Institutional ownership by dividing institutional ownerships of common stock over total common stock.

In the same vein, ownership concentration composition also varies from author to author. According to Waseem & Nailar (2011) ownership concentration is the sum of squares of the fraction of total equity held by each large shareholder. Kamran, Sehrish, Saleem, Yasir & Shehzad (2012) defined ownership concentration as the portion of shares held by top

shareholders of the firm. Genc & Angelo (2012) saw ownership concentration as the percentage of ownership shares of the largest shareholders. Lina, Mohammad, Nimer & Alnimer (2013) saw ownership concentration as the percentage of the largest and the second largest managerial block holders who owns at least 10% of the total shares in a firm. Andrei, Rostislav and Natalya (n.d) saw ownership concentration as the percentage of share held by the largest shareholder. Javid & Robina (n.d) defined ownership concentration as the percentage of top five shareholders of the firm.

However for the purpose of this study, ownership structure can be viewed as the combination of managerial ownership which is the percentage of shares held by directors, institutional ownership which is the percentage of shares held by institutional investors in other firms which could be used to monitor the opportunistic behaviour of managers and ownership concentration which is seen as the portion of shares held by top share holders in relation to the percentage of shares held by controlling shareholders.

2.3 Concept of Firms' Financial Performance

Firm financial performance is used to describe the state of affairs of a firm. In analyzing a firm financial performance, emphasis should be made in formulating an adequate description of the concept of a firm's financial performance which uncover the different dimensions upon which firm's financial performance should be evaluated.

In terms of measurement, several scholars measures firm financial performance differently. Demstz & Lehn (2001) measured firm financial performance as accounting profit rate. Uadiale (2010) measured firm performance by Return on Equity as the proportion of profit after tax to Issued share capital and Return on Capital Employed as the proportion of profit after

tax to issued share capital plus reserves. Kechi (2011) measured firm financial performance by Return on Asset (ROA) and Profit Margin (PM). Fazlzadeh *et.al.* (2011) measured firm financial performance as the Net Income to total assets and ordinary income to total assets. Uwaloma & Olamide (2012) measured firm financial performance as Return on Asset (ROA).

For the purpose of this study, firm financial performance is defined as Return on Equity measured by the proportion of profit after tax to total shareholders' equity at book value.

2.4 Ownership Structure and Management of Firms

The relationship between ownership structure and management of firms is called agency relationship as owners of the firms are seen as Principals who delegate authority to agents who are the board of directors who are fully involved in the activities of the firm. The separation of ownership from the day to day management of firms may lead to a possible conflict between owners and managers because both owners and managers have different objectives and this conflict may naturally reduce management incentives to maximize corporate efficiency. Dong & Jootae (2007) examined the impact of outside directors as well as the effect of large shareholder and managerial ownership rate on corporate performance of firms listed on the Korea Stock Exchange (KSE). A total of 647 firms were listed on the Korea Stock Exchange of which 347 firms were taken as the sample based on the criterion of firms that provided data pertaining to the participation rate of outside directors. Moderated regression analysis were employed to analyze their data and their empirical analysis showed a weak positive impact between outside directors and firm profitability and a negative relationship between large shareholder ownership and block shareholder ownership and profitability of firms. The managerial ownership rate did not show any significant moderating effects with firm profitability.

Kurt (2009) examined the relationship between the ownership structure and the role of the board and how it affects performance. His study found out that the ownership structure has an important influence on the priorities set by the board, and that these priorities will determine the optimal composition of the board of directors and influence on firm financial performance.

Govert & Brian (2010) examined the case of management-controlled and owner-controlled firms and opined that the incentives of managers in the maximization of economic returns may differ across the different ownership structures which may lead to heterogeneity in firm's competitive behavior. They used two primary sources for their analyses. The first was from a publicly available tax file from the state Texas comptroller's office and the second source was from a private database. Their analyses showed that the relationship of entry, exit and pricing behaviors to market conditions differs across management-controlled firms and owner-controlled firms.

Martin & Adri (2010) studied the relationship between executive compensation packages and ownership structures for a sample of firms listed on the Stockholm Stock Exchange over the period of ten years (1999 to 2008). They conducted the study to see whether strong chief executive officers (CEO) can set their own salaries and bonuses given the composition of group management and institutional ownership. The result of their findings showed a relationship between compensation levels and the strength of the CEOs and institutional holdings. In addition, firms with high foreign institutional ownership were associated with higher compensation to the CEO but reduced the power of the CEO.

Uadiale (2010) examined the impact of board structure on corporate financial performance in Nigeria. His study used survey research design and a sample of thirty (30) quoted companies were used that consisted of companies listed on the Nigerian Stock Exchange which

was considered a good representation of quoted companies in Nigeria since the ultimate test of a sample design was how well it represented the characteristics of the population. Ordinary Least Squares (OLS) regression was used to estimate the relationship between corporate performance measures and the independent variables. The findings of his study showed that there is strong positive association between board size and corporate financial performance, a positive association between outside directors sitting on the board and corporate financial performance and a negative association between directors' stockholding and firm financial performance measures.

Sanda, Tukur & Aminu (2011) examined the relationship between board independence and firm financial performance in Nigeria. They used data of varying sample size ranging from 89 firms for regression to 205 firms for descriptive analysis obtained from the Nigerian Stock Exchange for the period 1996 to 2004. They found out that share ownership was highly concentrated in Nigeria, and this structure tended to engender board structures with close family affiliations in which the chief executive officers (CEOs) were active members of audit committees. While family affiliation of board members was found to support firm growth, they found out that audit committee membership of chief executives hurt firm performance. They also found that foreign chief executives performed better than their local counterparts. They recommended that Nigerian firms needed to adopt better corporate governance mechanisms in order to make the boards of directors more independent and avoid unnecessary intervention of CEOs in important committees.

Obembe, Adebisi & Adesina (2011) opined that bank loans through bank-firm relationship is expected to enhance the performance of firms because of the possession of private information on the firms that is not readily available to other outside investors. They said that

this special relationship is deemed to be very important in performing monitoring function on the management especially in the period of economic crisis. Data for 76 non-financial firms were collected from the Nigerian Stock Exchange between 1997 and 2007 and were analyzed using Ordinary Least Square, FE and GMM models to verify the impact of bank loans and ownership structure on firm productivity. The results of their findings showed that bank loans and director ownership had negative impact on the efficiency of firms and was significant for the director ownership.

Kumar (2012) documented that Outside Directors and Corporate Governance influenced Firm Performance in India. The study investigated that monitoring by non-independent directors and independent director influences firm performance. The study employed Initial Ordinary Least Square as tool for analysis for 200 Indian firms as population of which 157 firms was used as the sample. The findings of this study revealed that the independent director's proportion had an insignificant positive effect on firm value and a significant implications for devising a board model for companies in India that have a significant ownership concentration and insider control.

However, the relationship between ownership structure and firm financial performance for the purpose of this study can be seen in three ways; managerial ownership and firm financial performance, institutional ownership and firm financial performance and ownership concentration and firm financial performance.

2.4.1 Managerial Ownership and Firm Financial performance

There are various studies that attempted to assess the relationship between managerial ownership and firm financial performance. Kim, Pattanaporn & John (2002) explored the relationship between managerial ownership and the change in firm financial performance. They investigated operating performance of 133 Post - (Initial Public Offer) IPO that go public in Thailand. Their findings showed that firms with low and high levels of managerial ownership experience positive relationships between managerial ownership and the change in financial performance and firms with intermediate levels of managerial ownership exhibit a negative relationship between managerial ownership and the change in financial performance.

Hu & Zhou (2006) examined the relationship between managerial ownership and financial performance of a sample of non-listed Chinese firms. The ownership structure was essentially exogenously determined, subject to government policies irrelevant to incentive contracting. In matching-sample comparisons, they found out that firms with significant managerial ownership performed superiorly relative to those whose managers do not own equity shares. Their results indicated a strong and robust positive effect of managerial ownership on company's financial performance. In contrast to existing studies, their results were not likely to suffer from an endogeneity problem that was often difficult to resolve with conventional data of publicly traded companies.

Arifur *et. al.*, (2008) investigated the relationship between managerial share ownership and operating financial performance of Australian companies during the period of 2000 to 2006. They first used earnings to examine the relationship, as earnings management may affect earnings. They removed discretionary accruals and also use adjusted earnings as an alternative measure of performance. They documented a negative relationship between managerial share

ownership and performance followed by a positive relationship after controlling for endogeneity and reverse-causality. They also documented that managerial ownership affects financial performance but only when they use adjusted earnings. They also posited that executive directors and independent directors have different ownership financial performance incentives and examining these relationships separately. Their analyses revealed a similar relationship between ownership and financial performance for executive directors as for managerial ownership as a whole. However, they found no significant relationship between share ownership by independent directors and either earnings or adjusted earnings.

Cheung, Fung & Tsai (2008) examined the impacts of managerial and institutional ownerships on firm financial performance in USA. Their study provided new perspective on relationship between managerial and institutional ownerships and firm performance. Their study used sample of 49,907 US firms from NYSE, AMEX, and NASDAQ from 1989 to 2006. The findings of their study showed that managerial ownership and firm financial performance are non-linearly related; the positive relationship was stronger for firms with less informative prices or more agency problems, institutional ownership had a significant positive impact on firm financial performance with larger impact for firms with less informative prices or good governance. Managerial ownership which controlled for internal governance had strong positive effect compared to institutional ownership with weaker positive effect which reflected external monitoring. However, the interaction between managerial ownership and institutional ownership had a significant positive impact on firm financial performance and synergistic effects of internal and external corporate governance mechanisms in improving firm value. Their study recommended that poor governance and uninformative price increased the importance of

managerial value creation for their firms by improving internal governance (Cheung, Fung & Tsai, 2008).

Din & Javid (2011) examined the impact of managerial ownership on the firm's financial performance and financial policies in the context of Pakistani market for sixty non-financial firms for the period of 2000 to 2007. Their analysis supported that the concentration of managerial ownership affects firm financial policies, mainly the leverage and dividend policies. Their empirical analysis found out that leverage policy variable influenced managerial ownership negatively, supporting that the lower leverage level leads to high profitability in firms that engage in low managerial ownership. The result also shows a negative and significant association between the managerial ownership concentration and dividend policy of the firms.

The result is supported by the agency theory prediction, which suggested that as firms have high managerial ownership, the asymmetric information would decrease and directly decrease the effectiveness of the dividend policy. Beside this, firms with higher managerial ownership decrease their perquisites, so the conflict between manager's shareholders can be settled. It was also observed that the managerial ownership concentration in general had a positive relationship with the performance in the corporate culture of Pakistan, where major firms were family oriented. In addition, when managerial ownership was divided in three levels, low level (0 -5%), moderate level (5%-25% and high concentrated (above 25%), the performance positively affected only low and moderate level managerial owners. The ownership beyond 25% had a negative association with performance (Din & Javid, 2011).

Ioraver & Wilson (2011) examined the relationship between ownership structure and financial performance of listed companies in Nigeria. The sample of their study consisted of 73 companies listed on the Nigerian Stock Exchange covering the period 2001 to 2007. They used

Ordinary Least Squares (OLS) for their analysis. The results of their study showed that dominant shareholding, concentrated ownership, and foreign ownership structures have no significant effect on firm performance while insider ownership was inversely related to firm performance.

Although evidences from literature shows divergent views, this study expects that managerial ownership will impact positively on financial performance of quoted building material firms because generally managers are profit seekers.

2.4.2 Institutional Ownership and Firm Financial performance

Institutional shareholding has continued to dominate capital market. Empirical evidence on the effect of institutional shareholding and accounting issue are very limited. The presence of institutional investors should lead to higher firm financial performance. The fact that institutional investors have more expertise, resource and ability to control and monitor management should enhance firm financial performance. Institutional owners try to prevent management from hiding corporate resources and restrict them from opportunistically manipulating earnings as corporate performance is related with institutional ownership (Abdul, 1999).

Henry & Zheng (2007) examined the impact of institutional ownership on firm financial performance in the restaurant industry during the period 1999 to 2003. After considering the endogeneity of ownership structure, the result of their findings showed that there was a significant and positive relationship between institutional ownership and firm financial performance measured by proxy Tobin Q. Jianguo & Dar-Hsin (2007) investigated the relationship between the institutional ownership and corporate financial performance of New Zealand non-financial companies. They found out that total number of institutional ownership in New Zealand increased the firm values as measured by Tobin's Q and operational return on

equity and the top institution's share ratio is negatively related to the firm value measures. They also found out that institutional investors can make a positive contribution by cost-effective monitoring management's behavior.

Per-Olof, *etal* (2007) examined the relationship between iinstitutional owners and firm financial Performance of Swedish listed firms from an investment performance perspective. They used marginal q to measure investment performance and Marginal q was the ratio of the return on investments to the cost of capital. They found out that institutional owners positively influence the financial performance of firms. Prasad & Michael (2007) examined the relationship between the different classes of institutional investors and firm's financial performance. They segmented the institutional investors into classes and recognized the joint determination of firm financial performance and institutional ownership. Three stages least square was used for their analysis. The result of their study showed that institutional investors with likely investment and business ties with firms have negative effect on firm financial performance.

Marcia, Alan, Anthony & Hassan (2007) examined the relationship between institutional investor and the operating financial performance of large firms in the United States. They found a significant relationship between a firm's operating cash flow returns and both the percent of institutional stock ownership and the number of institutional stockholders. However, this relationship was found only for those less likely to have a business relationship with the firm. These results suggested that institutional investors with potential business relationship with the firms in which they invest were compromised as monitors of the firm.

Hamadi & Heinen (2009) examined the effect of very large controlling shareholders who are mostly organized in voting blocks and business groups on financial performance in a sample of Belgian firms. They used a non-parametric panel data analysis that does not impose functional

restrictions on the relationship between ownership structure and financial performance. The findings of their study indicated a negative effect of large shareholders on firm financial performance for non-family firms while the non-parametric analysis showed that the effect of performance varies depending on the size of ownership stakes. Jean & Hidaya (2010) examined the relationship between institutional ownership and firm financial performance. They proposed a new typology of institutional investors based on their behaviors (active or passive) and the principal factors that may influence them. Their sample consisted of 121 French firms for the period 2006-2008 and using panel data. Their results showed a positive impact of institutional owners' activities on firm performance. The result also confirmed that the effects of institutional owners on firm financial performance depend on their behaviors and that institutional active behavior is more apparent with the grouping of its influential factors. They also found out that the relationship between institutional ownership and firm financial performance was bilateral.

Charfeddine & Abdelaziz (2011) examined the relationship between institutional ownership and firm financial performance for 35 companies listed on the French Financial Market from 2002 to 2005. The result of their findings showed that there was a significant negative relationship between institutional ownership and firm financial performance measured by a proxy Tobin's Q.

Shohreh, Seyedeh, Mir & Armin (2015) investigated the relationship between Institutional ownership with financial policies and Financial Performance of listed companies in Tehran Stock Exchange. The study selected a total of 90 companies for the period 2006 to 2010. Pearson correlation and multiple regression analyzes were used in order to achieve the research objectives. The results showed that institutional ownership has a positive and significant relationship with dividend policy and a significant negative relationship with financial leverage.

The result also showed a positive and significant relationship between institutional ownership and financial performance using return on equity (ROE).

Although, literature appears inconsistent based on the type of relationship existing between institutional ownership and firms' financial performance. The expectation of this study is that institutional ownership should impact financial performance of quoted building materials firms negatively, because institutional owners are assumed to be conservative and not much of risk takers.

2.4.3 Ownership concentration and Firm Financial performance

Reuben & Narine (2004) examined the impact of managerial shareholding and shareholder concentration on the financial performance of Armenian companies. The company's operation was evaluated by tree-factor model where the company operation index was determined by labor resources and investment amount, as well as with some vector of variables characterizing the structure of property. They found out that ownership concentration had no significant impact on financial performance of Armenian companies. Lina *et. al.* (2013) examined the relationship between ownership concentration and company financial performance using pooled data of Jordanian non-financial listed companies over the period spanning from 1994 to 2005. Their results showed that ownership concentration had no significant effect on firm's performance when it was measured by accounting measures but had a significant effect on the largest managerial block-holder when using market measure of firm's performance.

Kamran *et.al.* (2012) examined the in depth relationship existing between ownership structure and financial performance. They used panel data of 100 non-financial firms listed on Karachi stock exchange from 2005 to 2010. Concentrated ownership was negatively correlated

with market performance and positively correlated with both the indicators of financial performance. Waseem & Naila (2011) investigated the impact of ownership concentration on the operating performance of Pakistani firms. 50 non-financial firms were selected from 100 index of Karachi Stock Exchange of Pakistan. Descriptive analysis and Regression analysis were employed for their study. They found out that there was a significant positive correlation between ownership concentration and firm performance in Pakistani firms.

Pınar, Mandaci, Guluzar & Kurt (2008) examined the effects of ownership concentration and managerial ownership on the performance of non-financial firms listed on the Istanbul Stock Exchange in the context of an emerging market. They measured the firm's performance by Return on Assets (ROA) and Tobin's Q ratios. After controlling for investment intensity, leverage, growth and size, they found out that ownership concentration has a significantly positive effect on both firm performance measured by Return on Asset and Tobin's Q ratios.

The prior expectation of this study is that ownership concentration should have an impact on financial performance of quoted building material firms. This impact could be positive or negative based on the prevalent attributes of the concentration i.e conservative or active risk takers.

2.5 Institutional Versus Individual Ownership

Institutional ownership is a situation where institutions own shares in a firm while individual ownership is the situation where individuals own shares in a firm. Institutional owners trade more than individual owners because individual owners simply neglect their clients' accounts and since portfolio managers earn a living through active management, they may have incentive to trade more even if they have no private information (Dow & Gorton, 1997). John &

Richard (1999) found out that there exist strong positive correlation and feedback between changes in institutional ownership and returns than individual owners. Paul & Andrew (1999) opined that changes in the demand of the representative investor implied a shift of investment discretion from individual owners to institutional owners and one possible cause of differences between individual owners and institutional owners is the legal environment in which institutional owners face as fiduciaries. Patrick & James (2001) documented that institutional owners are more informed than individual owners because institutional owners can create an informational advantage by exploiting economies of scale in information acquisition and processing.

Kortelainen (2007) investigated whether family ownership represented by individual ownership was a more profitable ownership form than institutional ownership. He used the linear regression analysis method. His results indicated that individual ownership was outstandingly more profitable than institutional ownership and appeared that individually owned-SMEs perform better than institutionally owned SMEs. Ravi (2007) opined that high dividend-paying firms attract institutional owners than individual owners because institutions generally face lower tax rates. He also opined that if agency costs can be limited through monitoring capabilities, individual owners may have a stronger preference for cash payouts of both dividends and share repurchases than institutional owners.

Namazi & Kermani (2008) examined the impact of ownership structure on corporate performance of listed companies in Tehran Stock Exchange using institutional and individual ownership. Their findings showed a negative and significant relationship between institutional ownership and firm performance and in the case of individual ownership, there was no significant relationship.

Philippe, John & Luigi (2008) opined that there are several reasons for believing that institutional ownership may actually help in fostering greater innovation. One of the reasons for this is that in relation to individual owners, institutional owners may have a greater incentive and ability to reduce the informational asymmetry between managers and owners. Since institutional owners typically own a large block of equity, they have greater incentives to monitor. Moreover, since there are economies of scope in monitoring firms, the fact that institutional owners have major blocks in many companies enables them to spread these costs over a larger number of companies and enhances their ability to gather information than individual owners.

Shah, Ullah, & Hasnain (2011) documented that on like individual owners, Institutional owners play an effective role at monitoring management because of their investment size and the resources at their disposal. Institutional owners have better incentive and capabilities to collect and evaluate information pertaining to their investments than individual owners who possess small investments in a firm.

2.6 Determinants of Ownership Structure

Aslihan & Ameziane (2000) found out that the fundamental determinant of ownership structure was the relationship between firm value and ownership structure. Derek, Panu and Niels (2003) documented that choice of ownership structure and firm performance may affect ownership structure positively or negatively. They found out that economic efficiency is a determinant of ownership structure.

Chu & Cheah (2004) examined the determinants of ownership structure of the 147 firms listed on the Kuala Lumpur Stock Exchange in Malaysia. While considering the following

theories i.e nature of firm theory; asymmetric information, agency conflicts and risk. Proxies for ownerships concentration are dispersed, dominant minority, and majority controlled firms. In addition, they introduced ownership identities which consisted of family controlled, conglomerate, others institution, state, foreign and dispersed firms to explain the dispersed, dominant minority and majority controlled firms. The result partially proved that ownership structures are able to extract cost and benefits of governance issues. They further provided evidence of the influences of ownership identities on asymmetric information, and risk. In terms of performance, family controlled firms appear to be pursuing maximization of sales and shareholder's value objectives well. Conglomerate firms were found to exploit firm's value but declare high dividend. However, dispersed ownership structure did not conform to maximization of sales and maximization of shareholders hypotheses.

Bala, Darryl & Matthew (2005) analyzed the effects of market structure components and other performance measures to understand the dynamics and determinants of performance in the Malaysian palm oil sector. While they considered the effects of firm size and firm ownership on the level of profitability in the sector, their findings suggested that size was negatively related to performance while privately owned plantation companies are more profitably managed. These results supported the recent move by the Malaysian government to postpone the listing of the Federal Land Development Authority (FELDA), a government agency responsible for managing government land schemes and commercial development of plantations. It also lends support to the ongoing strategy of improving the performance of Government Linked Corporations (GLC) in Malaysia.

Woochan, Youngjae & Taeyoon (2005) opined that group control motive is a determinant of ownership structure in business conglomerates made by two major contributions ; First, they introduced the concept of group control motive and empirically showed that this motive greatly shapes the controlling-minority ownership structure. Specifically, they showed that controlling families increase their direct shareholdings in firms that are more effective in bringing in additional cash flow rights over voting rights. Secondly, they found out that the level of disparity between voting and cash flow rights is significantly higher than the levels previously on Korean firms that included non-public firms and adopt a control concept that is more flexible and closer to reality.

Ungki & Chang (2005) examined ownership structure of multi-firm conglomerates in two dimensions; the degree of direct ownership and the amount of family stake. The determinants of the two dimensions were investigated simultaneously using unrelated regression model. The results of their study showed that the conglomerates with a higher leverage and the bigger proportion of non-manufacturing businesses tend to have a direct ownership. On the other hand, the conglomerates with a bigger size and a larger proportion of non-voting shares tend to have a pyramidal ownership. As for the family stake, conglomerates with focused business lines tend to have a larger family stake and conglomerates that use more nonvoting shares and have more listed firms tend to have a lower family stake.

2.7 Review of Empirical Studies on Ownership Structure and Firms' Financial Performance

There are several studies conducted on ownership structure and firm performance in developed and developing countries. These include that of Beni & Alexander (1999) which

examined the effect of ownership structure on firm's financial performance. They studied the relative differences among family controlled firms, firms controlled by partnerships of individuals, concern controlled firms, and firms where block holders have less than 50%. The samples of 280 Israeli firms were used and Data Envelopment Analysis technique was used in analyzing the work. The findings of their study showed that owner manager firms are less efficient in generating net income compared to firms managed by a professional (non-owner) manager, and that family firms run by their owners perform (relatively) the worst. They recommended that modern form of business organization should open corporation with disperse ownership and non-owner managers to promotes firm financial performance.

Wang (2003) examined the relationship between ownership structure and firm's financial performance in Taiwan. The study classified ownership into three categories (managerial owners, institutional owners and the control group) for listed manufacturing firms in Taiwan. Using piecewise and the Granger causality to test relationships between ownership structure and firm's financial performance, the findings showed that a positive relationship exist between institutional ownership and firm's financial performance and a negative relationship exist between managerial ownership and firm financial performance. John, Jacob & Daniel (2004) examined the link between ownership structure and firm's financial performance in Sweden. The study period was 1999-2003 consisting of 87 firms. Five specific research questions were applied to explore the relationships between the vote fraction held by controlling owner/owners and financial performance and vote differentiation and financial performance. The results of their finding indicate that companies with a dispersed ownership structure, meaning the largest owner holds less than 20% of total votes, were associated with worse financial performance.

Kapopoulos & Lazaretou (2006) examined the impact of corporate ownership structure and Firm's financial Performance of Firms in Greece. Their study investigated whether there is strong evidence to support the notion that variations across firms in observed ownership structures result in systematic variations in observed firm's financial performance. 175 Greece listed firms were used as sample for the study. Following Demsetz and Villalonga (2001), they modelled ownership structure, as an endogenous variable and considered two different measures of ownership structure reflecting different groups of shareholders with conflicting interests. Their findings showed that a more concentrated ownership structure positively relates to higher firm profitability and a higher firm profitability requires a less diffused ownership.

Francis & Ogbulu (2007) investigated to find out whether the ownership structure of Nigerian firms results in systematic variations in their financial performance. The population of their study consisted of companies quoted on the Nigerian stock exchange as at 31st December, 2006, while their sample size was chosen based on the criterion of companies whose data required were available. They used cross sectional survey research design and purposive sampling technique to select their sample size. Their findings showed a negative significant relationship between insider (managerial) ownership and firm's financial performance and a significant positive relationship between outsider (institutional) ownership and firm performance.

Kim & Park (2011) examined the relationship between the ownership structure of firms and their export performance in Korea. Their study used unbalanced panel data that consist of annual time-series data for 463 Korean manufacturing firms during 1994-2005, with a total of 5,557 observations. The sample covered all manufacturing firms quoted on the Korean Stock Exchange. The main contribution of their study is to help remedy this serious gap in the

empirical literature on ownership and performance. Their findings indicated that Korean firms with more concentrated ownership are more likely to be exporters and will export more.

Alipour & Amjadi (2011) examined the effect of ownership structure on corporate financial performance of listed companies in Iran. Their study hypotheses were based on the type of relationship between ownership structure and corporate performance. To test each hypothesis, four models were used on dependent variables. The sample consisted of 68 companies from 2006 to 2010. The data being panel in nature their findings indicated a significant negative relationship between ownership with biggest shareholder and firm performance, a positive significant relationship between ownership of five greater shareholders and firm's financial performance while a significant negative relationship exist among ownership of institutional shareholders, ownership of managerial shareholders and ownership of individual shareholders.

Eric (2011) examined the relationship between ownership structure and corporate governance and its effects on financial Performance in Kenya. Survey design was employed along side with Stratified sampling to select the sample of the study. The Descriptive ways of Statistical Package for Social Sciences (SPSS) were used to analyze the data into frequencies and percentages. One-way Analysis of Variance (ANOVA) was used to test the hypotheses. His study recommended that corporate entities should promote corporate governance to send a positive signal to potential investors, Central Bank of Kenya (CBK) should continue enforcing and encouraging firms to adhere to good corporate governance for efficiency and effectiveness of financial Institutions and finally, regulatory agencies including the government should promote and socialize corporate governance and its relationship to firm financial performance across industries.

Shah *et.al* (2011) examined the relationship between ownership structure and performance of the listed companies in Asia. Marris Ratio was used to represent Performance of the firms and Tobin's Q represented the market based measures of companies' performance whereas Return on Equity and Return on Investment captured the financial reporting perspective. Percentage of shares held by the Board of Directors was used as the proxy for ownership structure. Sample was divided into three groups by using Cluster analysis. Chi square test for homogeneity provided that the groups were significantly different. Their findings showed that companies with concentrated ownership at Board showed weak financial performance whereas the companies with independent Board performed better.

Ioraver & Wilson (2011) examined the relationship between ownership structure and financial performance of listed companies in Nigeria. The sample of their study consisted of 73 companies listed on the Nigerian Stock Exchange covering the period of 2001 to 2007. They used Ordinary Least Squares (OLS) for their analysis. The results of their study showed that dominant shareholding, concentrated ownership, and foreign ownership structures have no significant effect on firm financial performance while insider ownership was inversely related to firm financial performance.

Wahla *et.al.* (2012) analyzed the relationship of ownership structure and firm financial Performance in listed non-financial companies in Pakistan for the period of 2008 to 2010. Ownership structure was represented by managerial ownership and ownership concentration and Tobin's Q was used as a proxy for firm performance. The findings of the study showed that managerial ownership has a significant negative relationship with firm financial performance, while ownership concentration showed insignificant relationship with firm financial Performance.

Uwalomwa & Olamide (2012) examined the relationship between ownership structure and the financial performance of listed firms in the financial sector of the Nigerian economy. The population for their study comprised of all listed firms in the financial sector of the Nigerian economy as at 31 December 2010. The selected sample size for their study included listed firms in the financial sector of the economy which summed up to 31firms. The multivariate multiple regression analysis method was used to test the research propositions. The findings of study showed that institutional ownership had a significant positive impact on the performance of the selected listed firms in Nigeria and a significant positive relationship between foreign ownership and the firm financial performance in Nigeria.

Benjamin, love & Kabiru (2014) examined the impact of ownership structure on the financial performance of listed insurance firms in Nigeria. The study used panel data of seventeen (17) firms for the period of 2001 – 2010. The study focused on two aspects of ownership structure: namely managerial and institutional shareholding. Firm's financial performance was measured through Return on Asset (ROA) and Return on Equity (ROE). Findings indicate that there is a positive significant relationship between ownership structure and firm's performance as measured by ROA and ROE. The study recommended that, the code on owner's equity of listed insurance companies should be sustained and encouraged so that the firms can have a perpetual life, because the stake of this owners could serve as a check and balance mechanism to further strengthen the corporate governance of the insurance firms in order to give room for enhanced financial performance of the listed insurance companies in Nigeria.

Do & Wu (2014) examined the impact of ownership structure and capital structure on firms' financial performance in the context of an emerging transitional economy. The research findings showed that capital structure had a negative impact with statistical significance on financial performance measured by ROA, ROE. There was no statistical significance of the impact of managerial ownership on financial performance. The study found out that the level of entrenchment of managers in state-owned enterprises was higher than that of businesses of other types. Nora & Anis (2015) examined the impact of different types of ownership structure on bank performance. They used secondary data for the empirical analysis of this study of Malaysian commercial banks during the period of 2000 to 2011. Multiple regression with fixed effects model was used to test the research model. Testing on five categories of ownership structure such as insider, family, government, institutional and foreign ownership, the results suggested that bank performance varies with different types of ownership structure.

2.8 Theoretical Framework

There are several theories that explain the relationship between ownership structure and firm's financial performance in the literature of accounting. But only three theories are related to the study namely shareholders theory, opportunistic theory and agency theory.

Shareholder theory believes that businesses do not have any moral obligations or social responsibilities at all, other than to maximize their own profit. Shareholders are those individuals and organizations who own a business, or a part of a business. For instance, they might own shares of stock in a business. As owners, the shareholders of a business have employed certain

managers to run their company for them and there is one goal that they have set for these managers and that is profit maximization. Therefore, the primary purpose of a business enterprise is to make profit and where the business does not make profit, it inevitably fails (Friedman (n.d).

Opportunistic theory is a theory that explains the behaviour of managers' seeking personal interest and this interest are manifested in the form of stealing, cheating, dishonesty and withholding information. This opportunistic behaviour negatively affects firm financial performance, hence other shareholders monitors the managers in order for them not to exhibit such behaviour since they have more shares in the firm than managers (Glenn, 2007).

The Agency theory view managers as the agent of the shareholders and therefore there is a need for them to act in the best interest of the shareholders. In this situation the agent sometime may not act in the best interest of the shareholders which result to an agency cost situation. The agency theory stresses the separation of ownership, control and management (agent) in an organization, therefore it is believed that managers may sometime 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 management (directors) as an agent to the shareholders that will mitigate conflicts and serves as the guardian to shareholders since they are involved in the day-to-day activities of the firm and are also mandated to own certain unit of shares (Hermalin & Weisbach 2000 and Fama & Jessen 1988).

This study adopts agency theory because of its relevance in resolving conflict that may arise between managers (agent) and shareholders (principal) of the companies which captures the relationship between three independent variables(managerial, institutional ownership and

ownership concentration) of the study and the dependent variable (Return on Equity). This conflict of interest can be resolved when managers (agents) are encouraged through; performance-based incentive plans, direct intervention by shareholders, the threat of been fired by owners and the threat of takeover and more importantly the fear of losing their investment in terms of shares owned by them.

2.9 Summary

This chapter explains the concept of ownership structure for the purpose of this study by defining ownership structure as the combination of managerial ownership (percentage of shares held by directors), institutional ownership (percentage of shares held by institutional investors in other firms) and ownership concentration which could be used to monitor the opportunistic behaviour of managers.

Most of the literature that were reviewed on ownership structure and financial performance used the financial sector as their domain. This is the gap that this study has identified. Therefore this study filled the gap by concentrating on the manufacturing sector precisely the building material industry.

Three theories namely shareholders theory, opportunistic theory and agency theory were discussed in this study out of which agency theory was adopted. Agency theory was adopted because it best explains the relationship between principals (shareholders) and agents (managers) while considering the objective of profit and wealth maximization.

CHAPTER THREE
STATEMENT OF METHODOLOGY

3.1 Introduction

This chapter presents the methodology of the study which comprises the type of research design adopted, the population of study, the selection of sample size and the sampling technique adopted, the technique used in analysing data and the justification of the technique used.

3.2 Research Design

For the purpose of this study, correlation research design was adopted. A correlation research design determines whether two variables are related, meaning an increase or decrease in one variable corresponds to an increase or decrease in the other variable.

Correlation research design was considered adequate and appropriate for this study because it can describe the statistical relationship between independent variables of the study (managerial ownership, institutional ownership and ownership concentration) and the dependent variable (Return on Equity).

3.3 Population of the Study

The study population consists of all six building materials manufacturing firms quoted on the Nigerian Stock Exchange as at 31st December 2013. For the purpose of this study, building material manufacturing firms consist of cement producing firms. The study covered a period of ten years (2004-2013). The period of the study on ownership structure and financial performance of building materials firms in Nigeria was considered because it was during the period 2004 to 2013 that the country experienced economic stability as well as recession.

3.4 Sample Size and Sampling Technique

In taking into account the nature of the population, the study used two filter criteria to arrive at the final sample for the study. Cement companies that do not meet or conform with the filter criteria below are eliminated.

1. Cement companies must make available their annual report of ten (10) years under study i.e 2004-2013.
2. Cement companies must be quoted on the Nigerian Stock Exchange before 2004.

In line with this, the final sample size is four (4) quoted building material firms, which includes; Ashaka cement Plc, Dangote cement Plc, Lafarge Wapco cement Nigeria Plc and Cement Company of Northern Nigeria. The firms excluded are Elephant cement plc and Ibeto cement plc.

3.5 Source of Data Collection

This study employed secondary sources of data collection. The data were obtained from the annual reports and accounts of the sample companies and Nigerian Stock Exchange (NSE) Fact Book in order to achieve the objectives of the study. This is due to the fact that corporate annual reports of listed companies were readily available and easily accessible.

3.6 Technique of Data Analysis

There are several techniques of data analysis but for the purpose of this study, the multiple regression analysis is used. Multiple regression analysis is an extension of simple linear

regression. It is used when there is need to predict the value of a variable based on the value of two or more other variables. The variable to be predicted is called the dependent variable, while the variables used in predicting are referred to as the independent variables.

The Ordinary Least Square (OLS) method adopted in this study is a parametric statistical test that is based on a number of assumptions, the violation of which could affect the reliability of the results. The Pearson correlation and t-test statistics were used for inferential analysis. Two of the most commonly encountered problems in studies like this relates to normal distribution of the variables, and multicollinearity of the independent variables. Descriptive statistics was used to test for normality using specifically the Z kurtosis and Z skewness and Tolerance value and variance Inflation factor was employed for the test of multicollinearity.

The study also tested for fixed and random effect to respectively refer to the population average and subject specific effects and finally, Durbin Watson was used to test for autocorrelation using statistical package for social sciences (SPSS 20).

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3.6.1. Model Specification

The model below is used to test the null hypotheses formulated for the study. The null Hypotheses are tested considering the results for the P-values at 1%, 5% and 10% level of significance. The first model is the functional model from which the second model Ordinary Least Square (OLS) was derived that is firm performance model.

$ROE = f(\beta_1 MANOWN + \beta_2 INSTOWN + \beta_3 OWNCON)$

$ROE = \alpha + \beta_1 MANOWN + \beta_2 INSTOWN + \beta_3 OWNCON + FSIZE + LEV + \epsilon_i$

Where each of the variables is explained on the table below:

Table 3.6.1 Definition of Variables in the Model

Variable	Specification	Measurement
Managerial ownership	MANOWN	Percentage of shares held by directors which was measured by Ram and Carmela 1998 and Khalil Syed and Zahid 2012.
Institutional ownership	INSTOWN	Percentage of shares held by institutional investors which was measured by Gordon and Edward 2006.
Ownership Concentration	OWNCON	Percentage of shares held by controlling shareholders which was measured by Fazlzadeh *et. al* 2011.
Firm Size	FSIZE	Natural log of the total assets which was measured by Bala, Darryl and Mathew 2005 as a control variable
Leverage	LEV	Total liabilities / Total assets which was measured by Olokoyo, 2012 as a control variable
Return on Equity	ROE	Net profit after tax / equity in book value which was measured by Eric 2001 and Shah *et. al.* 2011.
A	The intercept	
ϵ_i	Error term	

Source: Author's Compilation 2015

3.6.2. Variable Measurement

For the purpose of this study, the following independent variables was used; managerial ownership, Institutional ownership and ownership concentration. The dependent variable is ROE (Return on Equity) and the control variables used for the study are firm size and leverage. The table below shows how they are measured.

Table 3.6.2 Description of Variable Measurement

Variable	Specification	Measurement
Managerial ownership	MANOWN	Number of shares owned by Directors / Number of issued ordinary shares
Institutional ownership	INSTOWN	Number of shares owned by institutional investors / Number of issued ordinary shares
Ownership Concentration	OWNCON	Number of shares owned by controlling shareholders / Number of issued ordinary shares
Firm Size	FSIZE	Natural log of the total assets which was measured as a control variable
Leverage	LEV	Total liabilities / Total assets which was measured as a control variable
Return on Equity	ROE	Net profit after tax / equity in book value
A	The intercept	
ϵ_i	Error term	

Source: Author's Compilation 2015

3.7 Justification of the Technique

Multiple regression analysis is used to determine the relationship between dependent and independent variables and explain the level of changes in dependent variable for a given level of changes in the independent variables. It is also used in predicting the linear relationship between dependent variable and independent variable.

Finally, multiple regression analysis was used for this study because of the present day statistical computer packages. For the purpose of this study, Statistical Package for Social Sciences (SPSS 20) was used in carrying out the statistical analysis.

3.8 Summary

This chapter highlighted the research methodology adopted for the study. Correlation research design was employed for the study because the study has to do with the relationship between the independent variables (managerial ownership, institutional ownership and ownership concentration) and the dependent variable (Return on Equity). Secondary data was collected for analysis; while six quoted, building materials firms was used for the population out of which 4 firms were chosen. They are firms whose data are available in the annual report and Fact Book and those firms quoted before 2004.

The scope of the study is from 2004 to 2013, using multiple regression analysis to determine the relationship between dependent and independent variables and explain the level of changes in dependent variable for a given level of changes in the independent variables.

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the analysis of the secondary data collected from the Nigerian Stock Exchange Fact Book and the companies' annual report. Hypotheses formulated in chapter one are tested.

Two types of data analysis; namely descriptive analysis and inferential analysis are used. The descriptive analysis helps us to describe the relevant aspects of the phenomena under consideration and provide detailed information about the normality of each variable used. For the inferential analysis, we used the Pearson correlation, the multiple regression analysis, the t-test statistics and test for fixed and random effects. Pearson correlation measures the degree of association between variables under consideration; the regression estimates the impact of the ownership structure variables on performance proxy return on equity and the t-test statistics was used to reject or fail to reject the hypothesis initially formulated. The data presentation and analysis also is to provide stronger basis for the summary, conclusions and recommendations in chapter five.

4.2 Data Presentation

This part of this chapter presents the results of the descriptive statistics and regression results on the impact of ownership structure on financial performance of quoted building material firms in Nigeria. Three explanatory variables and two control variables are employed for the purpose of explaining and predicting the impact of ownership structure on financial

performance of quoted building material firms in Nigeria. Table 4.2 below shows the descriptive statistics: The full results are contained in Appendix (II).

Table 4.2 Descriptive Statistics Table for the Variables

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Roe	40	.3372	.30109	2.485	.374	8.811	.733
Manown	40	-2.1783	1.06246	.648	.374	-.329	.733
Instown	40	.1722	.16383	.855	.374	-.456	.733
Owncon	40	.4660	.18478	.177	.374	1.039	.733
Lev	40	.4772	.18248	.372	.374	-.563	.733
Fsize	40	7.7838	1.28070	.472	.374	-.748	.733
Valid N (listwise)	40						

Source: Author's computation using SPSS 20

From the above table, considering the independent variables, the mean and standard deviation of managerial ownership of building material firms are 2.1783 and 1.06246 respectively which showed that the standard deviation is concentrated around the mean because the standard deviation is lower than the mean. Institutional ownership's mean and standard deviation are 0.1722 and 0.16383 respectively which revealed that the standard deviation is concentrated around the mean because the standard deviation is lower than the mean. Ownership concentration's mean and standard deviation are 0.4660 and 0.18478 respectively which showed that the standard deviation is concentrated around the mean because the standard deviation is lower than the mean. On the other hand, considering the control variables, the mean and standard deviation of leverage are 0.4772 and 0.18248 respectively which showed that the standard deviation is concentrated around the mean because the standard deviation is lower than the mean. On other hand, the mean and standard deviation of firm size are 7.7838 and 1.28070 respectively which showed that the standard deviation is concentrated around the mean because the standard deviation is lower than the mean.

4.2.1 Test of Normality

For this study, Z skewness and Z Kurtosis are used to test normality of the three independent variable; namely, managerial ownership, institutional ownership and ownership concentration. The Z skewness was computed as skewness divided by standard error of skewness and the Z kurtosis was computed as kurtosis divided by standard error of kurtosis.

Table 4.2.1 shows the skewness, kurtosis and Z skewness and Z kurtosis.

Table 4.2.1 Descriptive Statistics Table for the Variables

Variables	Skewness	Standard Error	Z Skewness	Kurtosis	Standard Error	Z Kurtosis
MANOWN	.648	.374	1.732	-.329	.733	0.4488
INTSOWN	.855	.374	2.286	-.456	.733	0.6221
OWNCON	.177	.374	.4732	1.039	.733	1.4174

Source: Author's computation using SPSS 20

In small samples like that of this study which the number of observations is 40, values of Z skewness and Z kurtosis greater or lesser than 1.96 are sufficient to establish normality of the data. The results of Skewness for managerial ownership, institutional ownership, ownership concentration are 0.648, 0.855, and 0.177 respectively. The Z skewness of managerial ownership is 1.732 which is less than 1.96 shows that the data is normal which indicates that the data for managerial ownership relates linearly to the dependent variable (Return on Equity). The Z skewness of institutional ownership is 2.286 which are greater than 1.96 shows that the data is normal which indicates that the data for institutional ownership relates linearly to the dependent variable (Return on Equity) while ownership concentration is 0.4732 which is less than 1.96

shows that the data is normal which reveals that the data for ownership concentration relates linearly to the dependent variable (Return on Equity). The results of the Kurtosis for managerial ownership, institutional ownership, ownership concentration are 0.329, 0.456 and 1.039 respectively. The Z kurtosis of managerial ownership, institutional ownership and ownership concentration are 0.4488, 0.6221 and 1.4174 respectively showing that the data for the three independent variables namely managerial ownership, institutional ownership and ownership concentration are less than 1.96 and therefore, are normal which indicates that the data for managerial ownership, institutional ownership and ownership concentration relates linearly to the dependent variable (Return on Equity) (Ghasemi & Zahediasl 2012). .

Table 4.2.2 shows the correlation between managerial, institutional ownership, ownership concentration, leverage and firm size.

Table 4.2.2 Correlation Matrix of Dependent and Independent Variables.

	ROE	MANOWN	INSOWN	OWCON	LEV	FSIZE
ROE						
MANOWN	.583 .000***					
INTSOWN	.368 .019**	.212 .189				
OWCON	.078 .633	.063 .697	.160 .323			
LEV	.232 .150	.262 .103	-.276 .085	.416 .008***		
FSIZE	.487 .271	-.384 .015**	-.214 .185	.273 .089*	.139 .393	

Source: Author's computation using SPSS 20

The symbol * represents significance at 10%

The symbol ** represents significance at 5%

The symbol ***represents significance at 1%

The results from the table above shows that managerial ownership correlates positively with the dependent variable (Return on Equity) at 1% level of significance and institutional ownership correlates with the dependent variable (Return on Equity) at 5% level of significance Ownership concentration has no correlation with the dependent variable (Return on Equity). Leverage and firm size have a positive insignificant correlation with the dependent variable (Return on Equity). Institutional ownership has a positive insignificant correlation with

managerial ownership while ownership concentration has positive insignificant correlation with managerial ownership and institutional ownership.

Leverage correlates positively with ownership concentration at 1% level of significance and positive but not significant with managerial ownership and a negative correlation with institutional ownership. Firm size is significantly correlated with managerial ownership at 5% level of significance and a negative correlation with institutional ownership but a positive and insignificant correlation with ownership concentration and leverage.

The implication of the result is that an increase in managerial ownership results in better monitoring of the firms activities which may result to better financial performance and less misappropriation of shareholders fund. For institutional ownership, the more the number of institutional owners in the firms, the more the monitoring of managers and the less the mismanagement of the shareholders fund in the firm, which in turn improves financial performance of quoted building materials firms. However, ownership concentration as far as quoted building material firms in Nigeria are concern does not relationship with financial performance.

4.3 Test of Hypotheses

In chapter one, three testable hypotheses were formulated to test the relationship between ownership structure and financial performance of quoted building materials firms in Nigeria. In this chapter, based on the firm financial performance model, we subject each of the individual variables to testing and generally testing the three hypotheses collectively to draw conclusions from the results of inferential statistical analyses.

4.3.1 Ownership Structure and Financial Performance of Firms

Table 4.3.1 shows the coefficient, T-value, P-Value, R, R^2, Adjusted R^2, F-stat., F-sig., and Durbin Watson of managerial, institutional ownership and firm size. The full results are contained in Appendix (II).

Table 4.31 Ownership Structure and Financial Performance of Firms from OLS Regression Results

Variables	Coefficient.		T-value	P-Value
Constant	0.253		0.915	0.367
MOWN	0.135		3.154	0.003
INOWN	0.701		2.546	0.016
OWCO	-0.239		-.946	.351
LEV	.430		1.597	.120
FSIZE	0.021		0.607	.548
R		0.672		
R^2		0.452		
Adj R^2		0.372		
F stat		5.611		
F-Sig		0.001		
DW		2.734		

Source: Author's computation using SPSS 20

The estimated equation of the study is presented as follows:

ROE = 0.253 + 0.135 (MGOWN) + 0.701(INOWN) - 0.239(OWCON) + 0.430 (LEV) + 0.021 (FSIZE) + ϵ_i

The financial performance of firms measured by Return on Equity would be equal to 0.253 when all other variables are held to zero. A one unit change of managerial ownership while

other variable are held constant will bring a corresponding positive change in return on equity of about 1.35%. holding every other variable constant, a unit change in institutional ownership will lead to a positive change of about 7.01% in return on equity. Although ownership concentration, leverage and firm size have no significant impact on return on equity, holding all other variable constant, ownership concentration shows a negative impact of 2.39%, leverage would have a positive impact of 4.3..5 and firm size would have a positive impact of 0.21% on return on equity respectively.

The three hypotheses are tested as follows:

H_{O1}: Managerial ownership has no significant impact on financial performance of quoted building materials firms in Nigeria.

The regression result of the study shows that the beta coefficient in respect of managerial ownership is (0.478) and the t-value is (3.154). Managerial ownership's impact on Return on Equity is significant at 1% level of significance, which means that managerial ownership has a positive significant impact on the financial performance of quoted building material firms in Nigeria. The implication of this is that, the higher the managerial ownership, the more the financial performance of the building material firms in Nigeria. The result implies that shareholders fund of building materials firms in Nigeria are utilised and saved from misappropriation because managerial owners are involved in the day to day running of the firms. This provides an evidence of rejecting hypothesis one stating that managerial ownership has no significant impact on performance of quoted building materials firms in Nigeria.

H_{O2}: Institutional ownership has no significant impact on financial performance of quoted building materials firms in Nigeria.

Again, in the case of institutional ownership, the beta coefficient of institutional ownership is (0.382) while the t-value is (2.546) and institutional ownership impact on Return on Equity is significant at 5% level of significance, which means that institutional ownership has positive significant impact on the financial performance of quoted building materials firms in Nigeria. The result implies that the monitoring functions by institutional owners has resulted to better financial performance as a result of minimal misappropriation of shareholders fund by managers in quoted building materials firms in Nigeria. The implication of this is that the more institutional investors in quoted building materials firms in Nigerian, the more shareholders interest are protected from managers' misappropriation. Hence, the result provides us with sufficient evidence of rejecting null hypothesis two of the study, which stated that; Institutional ownership has no significant impact on financial performance of quoted building materials firms in Nigeria.

H_{O3}: Ownership concentration has no significant impact on financial performance of quoted building materials firms in Nigeria.

For ownership concentration, the beta coefficient is (0.239) and t-value is (0.946) and it is not significant as far as building material firms is concern theoretically. The implication of this is that, concentrated owners in the building materials firms in Nigeria, does not have any significant impact on financial performance of the firms, which is contradicting the real life situation because while observing the individual firm annual report majority declared profit and

among those firm declaring profit there exist major ownership concentrations. However, the result does not provide enough evidence to reject hypothesis three, which state that ownership concentration have no significant impact on financial performance of quoted building material firms in Nigeria.

Lastly, ownership structure impact on performance of quoted building material firms in Nigeria. The total impact of the independent variables put together is able to explain the dependent variable up to (67%) this shows a strong relationship as indicated by the R value and the remaining (33%) are controlled by other factors. The coefficient of determination R^2 (45%) means that only 45 percent of the variation in financial performance (ROE) is explained by the various forms of ownership structure of quoted building materials firms. Adjusted R^2 is (37%). Similarly, the result of the F- statistic shows the overall fitness of the model. The F- statistic has a value of (5.611) and is significant at 1% which implies that the model is fit because it is significant at all levels of significance. Durbin Watson of (2.734) shows that there is no problem of autocorrelation in the data set. On the other hand, Tolerance value of managerial ownership, institutional ownership, ownership concentration are 0.702, 0.718 and 0.668 respectively which are not less than 0.10 this shows absence of harmful multicolinearity. Variance Inflation Factor of managerial ownership, institutional ownership, ownership concentration, leverage and firm size are 1.425, 1.394, 1.496 respectively which is lesser than 10 which confirms the absence of harmful multicoleanearity (Sabari, 2011).

4.4 Results and Discussions

Managerial ownership has a positive significant impact on the financial performance of quoted building materials firms in Nigeria. This result shows that managers' in the building

material firms have the tendency of improving financial performance of firms and the funds of the company are properly monitored and protected. This finding is in line with Hu and Zhou (2006), Cheung, Fung and Tsai (2008), Din and Javid (2011), Ioraver and Wilson (2011) and not in line with Wang (2003), Francis and Ogbulu (2007), Alipour and Amjadi (2011) and Wahla *et. al* (2012).

The result also revealed that institutional ownership has a positive significant impact on financial performance of quoted building materials in Nigeria, and this could imply that the institutional shareholders play a role of monitoring managers and protecting other shareholders funds in quoted building materials firms in Nigeria. The finding is in line with that of Henry and Wang (2003), Zheng (2007), Per-Olof *et.al* (2007), Jean and Hidaya (2010), Shohreh *et.al* (2015). The finding is not in line with Prasad and Micheal (2007), Charfeddine and Abdelaziz (2011).

On the other hand, ownership concentration has no significant impact on financial performance of quoted building material firms in Nigeria. The implication of this is that, concentrated owners in the building materials firms in Nigeria despite their large funds do not have any impact on performance of firms in the building material industry which contradict the practical reality which shows that the presence of concentrated owners enhances financial performance of building material firms in Nigeria. This finding is in line with Reuben and Narine (2004), Pinar *et.al.* (2008), Ioraver and Wilson (2011), Kamran *et.al.* (2012) and Lina *et.al* (2013), however, the result is in contrast with Pinar *et.al.* (2008) and Waseem and Naila (2011).

Comparing this result with prior studies in Nigeria, the result is in contrast with Francis and Ogbulu (2007), Uwalomwa and Olamide (2012) and Ioraver and Wilson (2011). The difference could be due to differences in population and industries selected by each study.

Francis and Ogbulu (2007) and Ioraver and Wilson (2011) used the 28 sectors of the Nigerian Stock Exchange as the population of their study, Uwalomwa and Olamide (2012) used all firms listed in the financial sector as their population.

4.5 Policy Implication of the Findings

The findings in respect to each of the hypotheses considered in this study have many policy implications for regulatory bodies. The results of the study have shown the explanatory variables that have important effect on the explained variable Return on Equity of quoted Building materials firms in Nigeria. From the area of regulatory authorities most especially SEC, these findings should aid in monitoring the activities of the firms so that agency problems between the shareholder and management will eventually be reduced.

The results showed that managerial ownership is an important variable that can be emphasized to show strong relationship between ownership structure and financial performance of the quoted building material firms in Nigeria. The relationship between the dependent (Return on Equity) and independent variable (managerial ownership) is positive and significant. The implication of this is that, the higher the managerial ownership, the lesser the tendency of managers to misappropriate fund. SEC should encourage managers to invest in the building material firms in Nigeria.

The result indicates that the institutional ownership shows a positive and significant impact on the financial performance of quoted building material firms in Nigeria. The implication of this finding is that the presence of the institutional ownership monitors the activities of the managers and therefore protects other shareholders funds. The outcome of the analysis also indicates that

corporate monitoring by the institutional investors reduces agency problems in the building material firms.

However, the result revealed that ownership concentration has no significant impact on financial performance of quoted building materials firms. Although the relationship and impact is not significant, it remains positive, which indicates that the more concentrated owners in the building materials firms, the potential of positive significant impact can be expected. It is worthy of note that in practical terms, the presence of concentrated owners enhances financial performance of quoted building material firms in Nigeria.

4.6 Summary

The chapter highlighted the data presentations related to the tested hypothesis, the findings of the study discussed shows that there is a positive significant impact between institutional ownership and managerial ownership on Return on Equity. Return on Equity was the only proxy used to measure financial performance because it measures how shareholders earn from their investment in a firm and it also indicates how profitable a firm is. Therefore, this study clearly showed that the higher the institutional ownership, the better the monitoring of managers and shareholders wealth is protected. In the same vein, managerial ownership showed a positive significant impact on Return on Equity and therefore the null hypothesis was rejected. It also shows that the higher the managerial owners, the less tendency for misappropriation of funds and the more the financial performance. However, ownership concentration shows no significant impact on the financial performance of quoted building materials firms in Nigeria and therefore the null hypothesis was not rejected.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

Ownership structure and firm financial performance has been a subject of importance in corporate finance literature. The effects of ownership forms on financial performance of firms have been of particular research interest in the literature of corporate finance.

This thesis comprises of five chapters. The study began with the background to the study followed by the development of three objectives preceded by the formulation of three hypotheses for the research. Hypotheses were formulated with a view to test them at the end of the study with a scope of 10 (ten) years from 2004 to 2013. This was followed by a statement of research that stated that despite the numerous studies on ownership structure and firm financial performance in Nigeria, most of the studies concentrated on the financial sector, which is a service-oriented sector. This study focuses on the quoted building material sector to see whether the results are different from other studies conducted in the financial sector.

Relevant literatures were reviewed, explaining the concept of ownership structure and firm financial performance, the relationship between ownership structure and management of firms, ownership structure and firm financial performance. Finally, three relevant theories namely shareholders theory, opportunistic theory and agency theory were discussed out of which agency theory was adopted for the study because it best explains the relationship between principals (shareholders) and agents (managers) and how their functions and activities affects financial performance of quoted building material firms in Nigeria.

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The research methodology adopted for the study was correlation research design. The population of the study was 6 (six) quoted building materials firms out of which the sample size was taken based on two criteria to arrive at 4 (four) quoted building materials firms.

Data presentations related to the three tested hypothesis; managerial ownership, institutional ownership and ownership concentration. The result showed that managerial ownership and institutional ownership have positive significant impact on return on equity, while ownership concentration does not show any significant impact on return on equity. This result was used in testing the formulated hypotheses for the study. There was enough evidence to reject hypotheses one and two, while there was no enough evidence to reject hypothesis three.

Therefore, this study clearly showed that the higher the institutional ownership, the better the monitoring of managers and shareholders wealth is protected. In the same vein it also shows that the higher the managerial owners, the less tendency for misappropriation of funds and the more the performance of firms. However, contrary to reality and the prior expectation of the study, ownership concentration has no impact on the financial performance of quoted building materials firms in Nigeria.

5.2 Conclusions / Findings

The following are the conclusions that are drawn from the findings of the study:

i. Managerial ownership has positive significant impact on financial performance of building materials firms, which means that having more managerial owners in the building material firms, will make better the financial performance of the firms. For example, in Dangote cement plc, the presence of managerial owners shows enhanced financial performance through the high profit after tax reported in their annual report.

ii. Institutional ownership has positive significant impact on financial performance of firms in the building material industry, which shows that the higher the number of institutional owners in the building material firms, the better the financial performance of the firms. For example, in Lafarge-Wapco cement plc, the presence of institutional owners shows enhanced financial performance through the high profit after tax reported in their annual report.

iii. Ownership concentration does not impacts on financial performance of building material firms which contradicts the reality showing that the presence of concentrated owners enhances the financial performance of the building material firms in Nigeria. For example, in dangote cement plc, the presence of concentrated owners shows enhanced financial performance through the high profit after tax reported in their annual report which do not conform to the finding of the study which states that ownership concentration do not impact significantly on financial performance.

5.3 Limitations of the Study

The limitations faced by the researcher in the course of carrying out this work include:

1. The variables of the study: the study used only three variables as proxies for ownership structure which are managerial ownership, ownership concentration and institutional ownership whereas there are other proxies such as family ownership, individual ownership and state ownership not same as ownership concentration.
2. The use of Return on Equity (ROE) as the only proxy to financial performance.
3. Annual report: The study used data from annual reports. If there are falsifications of figures in those annual reports, it may likely affect the application of the study.

These limitations however, does not reduce the quality of the work rather it adviced for caution in the generalisation of the study.

5.4 Recommendations

Below are the recommendations that are drawn from the conclusions of the study:

i. SEC as a regulatory body should encourage potential managers to invest more in any company in the building material industry to enable them manage the firm well as their funds are invested in the firm.

ii. To ensure that ownership structure impact on firm financial performance of quoted building materials firms in Nigeria, SEC should ensure that potential institutional investors are encouraged to invest more as institutional ownership impact on financial performance of building materials firms in Nigeria.

iii. Potential concentrated shareholders should invest in building material firms because in reality the presence of concentrated owners in the building material industry enhances financial performance as opposed to the findings of the study.

5.5 Suggestion for Further Research

The impact of ownership structure on financial performance of quoted building material firms of the Nigerian economy requires more research effort, especially in areas that were not covered in this study.

i. Similar study can be carried out on the relationship between ownership structure and financial performance of the firms using different scales for variable measurement and tool of analysis.
ii. A study can be conducted on this same research employing different ownership structure and financial performance proxies other than managerial ownership, institutional ownership, ownership concentration and return on equity.
iii. Similar study can be conducted using a different industry or a combination of industries to see how the subject matter reflects on the economy of the country in broader terms.

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APPENDIX 1

Regression

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Roe	40	.3372	.30109	2.485	.374	8.811	.733
Manown	40	-2.1783	1.06246	.648	.374	-.329	.733
Instown	40	.1722	.16383	.855	.374	-.456	.733
Owncon	40	.4660	.18478	.177	.374	1.039	.733
Lev	40	.4772	.18248	.372	.374	-.563	.733
Fsize	40	7.7838	1.28070	.472	.374	-.748	.733
Valid N (listwise)	40						

Correlations

		roe	manown	Instown	Owncon	lev	fsize
	Pearson Correlation	1	.583**	.368*	.078	.232	-.178
Roe	Sig. (2-tailed)		.000	.019	.633	.150	.271
	N	40	40	40	40	40	40
	Pearson Correlation	.583**	1	.212	.063	.262	-.384*
manown	Sig. (2-tailed)	.000		.189	.697	.103	.015
	N	40	40	40	40	40	40
	Pearson Correlation	.368*	.212	1	.160	-.276	-.214
instown	Sig. (2-tailed)	.019	.189		.323	.085	.185
	N	40	40	40	40	40	40
	Pearson Correlation	.078	.063	.160	1	.416**	.273
owncon	Sig. (2-tailed)	.633	.697	.323		.008	.089
	N	40	40	40	40	40	40
	Pearson Correlation	.232	.262	-.276	.416**	1	.139
Lev	Sig. (2-tailed)	.150	.103	.085	.008		.393
	N	40	40	40	40	40	40
	Pearson Correlation	-.178	-.384*	-.214	.273	.139	1
Fsize	Sig. (2-tailed)	.271	.015	.185	.089	.393	
	N	40	40	40	40	40	40

APPENDIX 2

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.672[a]	.452	.372	.23869	2.734

a. Predictors: (Constant), fsize, lev, instown, manown, owncon

b. Dependent Variable: roe

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.598	5	.320	5.611	.001[b]
	Residual	1.937	34	.057		
	Total	3.536	39			

a. Dependent Variable: roe

b. Predictors: (Constant), fsize, lev, instown, manown, owncon

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.253	.276		.915	.367		
	Manown	.135	.043	.478	3.154	.003	.702	1.425
	Instown	.701	.275	.382	2.546	.016	.718	1.394
	Owncon	-.239	.253	-.147	-.946	.351	.668	1.496
	Lev	.430	.269	.261	1.597	.120	.605	1.653
	Fsize	.021	.035	.090	.607	.548	.727	1.375

a. Dependent Variable: roe

APPENDIX 3

FIXED AND RANDOM EFFECTS

tsset id yr, yearly

panel variable: id, 1 to 4

time variable: yr, 2004 to 2013

. xtreg roe manown instown owncon lev fsize, fe

Fixed-effects (within) regression Number of obs = 40

Group variable (i): id Number of groups = 4

R-sq: within = 0.3018 Obs per group: min = 10

between = 0.9507 avg = 10.0

overall = 0.4444 max = 10

F(5,31) = 2.68

corr(u_i, Xb) = 0.4670 Prob > F = 0.0399

roe	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
manown	.1030529	.062562	1.65	0.110	-.0245431	.230649
instown	.6908115	.3090659	2.24	0.033	.0604675	1.321155
owncon	-.199159	.2635513	-0.76	0.456	-.7366753	.3383574
lev	.3829092	.2916893	1.31	0.199	-.2119951	.9778135
fsize	.0273336	.0404012	0.68	0.504	-.0550651	.1097323
_cons	.1404347	.2969581	0.47	0.640	-.4652153	.7460846
sigma_u	.07917126					

```
    sigma_e |  .24293892
        rho |  .09600761   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0:     F(3, 31) =     0.67                 Prob > F = 0.5768

. est store fixed

. xtreg roe manown instown owncon lev fsize, re

Random-effects GLS regression                   Number of obs      =        40
Group variable (i): id                          Number of groups   =         4

R-sq:  within  = 0.2960                         Obs per group: min =        10
       between = 0.9499                                        avg =      10.0
       overall = 0.4524                                        max =        10

Random effects u_i ~ Gaussian                   Wald chi2(5)       =     28.09
corr(u_i, X)       = 0 (assumed)                Prob > chi2        =    0.0000


------------------------------------------------------------------------------
         roe |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
     manown |   .1367643   .0431643     3.17   0.002     .0521637    .2213649
    instown |   .6991838   .2763879     2.53   0.011     .1574734    1.240894
     owncon |  -.2479883   .2535639    -0.98   0.328    -.7449644    .2489879
        lev |   .4277545   .2698212     1.59   0.113    -.1010853    .9565944
      fsize |   .0215863   .0351116     0.61   0.539    -.0472313    .0904038
      _cons |    .258523   .2768917     0.93   0.350    -.2841748    .8012207
-------------+----------------------------------------------------------------
```

```
    sigma_u |          0
    sigma_e |  .24293892
        rho |          0   (fraction of variance due to u_i)
------------------------------------------------------------------------------
. est store random
. hausman fixed random
                ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |     fixed        random       Difference          S.E.
-------------+----------------------------------------------------------------
      manown |    .1030529     .1367643       -.0337114        .0452863
     instown |    .6908115     .6991838       -.0083724        .1383164
      owncon |    -.199159    -.2479883        .0488293        .0718653
         lev |    .3829092     .4277545       -.0448453        .1108114
       fsize |    .0273336     .0215863        .0057473        .0199856
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg
    Test:  Ho:  difference in coefficients not systematic
                  chi2(5) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =        1.65
                Prob>chi2 =      0.8950
. xttest 0
unrecognized command:  xttest
```

r(199);

. xttest 3

unrecognized command: xttest

r(199);

. xttest;0

unrecognized command: xttest

r(199);

. xttest0

Breusch and Pagan Lagrangian multiplier test for random effects:

roe[id,t] = Xb + u[id] + e[id,t]

Estimated results:

| Var sd = sqrt(Var)

---------+----------

roe | .0912256 .3020357

e | .0590193 .2429389

u | 0 0

Test: Var(u) = 0

chi2(1) = 0.72

Prob > chi2 = 0.3946

APPENDIX 4

year	id	manown	instown	owncon	lev	fsize	roe
2004	1	-0.98	0	0.5	0.56	7.03	0.47
2005	1	-1.33	0.27	0.5	0.47	7.59	1
2006	1	-0.85	0.46	0.5	0.32	7.54	0.26
2007	1	-0.87	0.22	0.51	0.69	6.73	0.59
2008	1	-0.88	0	0.5	0.69	6.92	0.36
2009	1	-0.41	0.21	0.49	0.35	7.19	0.71
2010	1	-0.81	0.04	0.51	0.75	9.21	0.14
2011	1	0.69	0.27	0.42	0.92	7.26	1.66
2012	1	-0.87	0	0.5	0.66	7.07	0.27
2013	1	-2.8	0.11	0.25	0.34	7.41	0.42
2004	2	-2.95	0.03	0.51	0.81	9.19	0.02
2005	2	-1.08	0.1	0.43	0.38	6.92	0.37
2006	2	-2.89	0	0.5	0.45	10.03	0.13
2007	2	-3.15	0.11	0.29	0.31	7.52	0.34
2008	2	-3.03	0.02	0.51	0.65	9.5	0.04
2009	2	-1.08	0.08	0.66	0.63	6.98	0.2
2010	2	-3.08	0	0.5	0.4	10.11	0.14
2011	2	-3.09	0.1	0.29	0.29	7.61	0.12
2012	2	-2.79	0.19	0.73	0.55	9.6	0.38
2013	2	-1.75	0.5	0.66	0.62	7.14	0.25
2004	3	-2.96	0	0.5	0.38	10.12	0.07
2005	3	-2.11	0.1	0.29	0.12	8.64	0.07
2006	3	-3	0.14	0.85	0.62	9.63	0.43
2007	3	-1.13	0.5	0.53	0.31	7.38	0.33
2008	3	-2.93	0.03	0.03	0.39	7.21	0.19
2009	3	-3.12	0.05	0.35	0.49	7.68	0.1
2010	3	-3.9	0.19	0.64	0.58	9.69	0.26
2011	3	-2.74	0.5	0.97	0.22	7.71	0.5
2012	3	-2.63	0.02	0.29	0.41	7.28	0.19
2013	3	-3.06	0.09	0.26	0.33	7.75	0.15
2004	4	-3.82	0.16	0.68	0.72	9.85	0.33
2005	4	-2.43	0.5	0.07	0.23	8.47	0.66
2006	4	-2.87	0.01	0.39	0.48	5.73	0.19
2007	4	-2.63	0.11	0.32	0.32	5.7	0.27

2008	4	-3.03	0.11	0.63	0.67	6.6	0.23
2009	4	-1.35	0.35	0.6	0.6	6.66	0.57
2010	4	-3.07	0.41	0.3	0.3	7	0.06
2011	4	-2.32	0.24	0.43	0.43	5.95	0.05
2012	4	-2.25	0.32	0.36	0.3	5.87	0.37
2013	4	-1.77	0.33	0.39	0.34	7.91	0.6