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FINANCING STRATEGIES, OWNERSHIP STRUCTURE AND PERFORMANCE OF LISTED MANUFACTURING FIRMS IN NIGERIA

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Abstract

With the monumental surge in the state of manufacturing companies in Nigeria, it is pertinent to examine the moderating roles of financing strategies on the relationship between ownership structure and performance of the manufacturing firms in Nigeria. This study examined the relationship between ownership structure and performance of the manufacturing firms in Nigeria. The ownership structure was proxied by institutional ownership, managerial ownership, foreign ownership, and ownership concentration; the study also adopted the use of return on assets to serve as a proxy for performance (dependent variable). The study also examined the moderating roles of financing strategies on the relationship between ownership structure and the financial performance of manufacturing firms in Nigeria. The study also employed the use of debt financing to represent financing strategies (moderating variable). The study utilized secondary data that was drawn from a sample of thirty-seven (37) manufacturing firms for a period of ten (10) years from 2014 to 2023. The study employed the utilization of descriptive statistics and correlation analysis, as well as random-effect model regression for analyzing the data gathered for this study. The findings showed that institutional ownership has a negative and insignificant effect on the return on assets of listed manufacturing firms in Nigeria; managerial ownership has a significant and negative effect on return on assets of listed manufacturing firms in Nigeria; similarly, foreign ownership has a negative and significant effect on return on assets of listed manufacturing firms in Nigeria. Moreover, ownership concentration has a positive but insignificant relationship with return on assets of listed manufacturing firms in Nigeria, and financing strategies, which were measured as debt financing, have a strong negative and significant relationship with the financial performance of listed manufacturing firms in Nigeria. The study concludes that institutional ownership, managerial ownership, foreign ownership had negative effect on return on assets of listed manufacturing firms in Nigeria; while, ownership concentration has positive but insignificant relationship with return on assets of listed manufacturing firms in Nigeria; and financing strategies which was measured as debt financing does not have positive relationship with return on assets of listed manufacturing firms in Nigeria. Therefore, the study recommends that regulatory bodies in Nigeria should encourage more institutional involvement and participation in investment to boost industrialization and to foster better sustainability in operations in these firms and the economy at large.

Keywords: Financing strategies, Ownership structure, Listed manufacturing firms

Introduction

Firm performance is a critical indicator of a company's ability to efficiently allocate resources, generate profits, and sustain value for stakeholders. High performance is often associated with effective governance, optimal resource utilization, and strategic decision-making. Over the years corporate governance has played gigantic roles in the protection and promotion of the interests of investors and other stakeholders. However, world events concerning high-profile corporate malfeasance and the associated consequences of dozens of bankruptcies and collapse of firms that were majorly caused by leaders in their industries have prompted the growing interest on corporate governance practices by stakeholders (Securities and Exchange Commission, SEC, 2018). For instance, the collapse of Enron, one of the ten largest companies in the US and the largest ever business to collapse which led to reforms in corporate governance legislation and best practice recommendations around the globe. Immediately, thereafter there resulted more widespread collapse of prominent multinational corporations. This situation pre- monitored the activities of corporate governance world over (Shaba & Yaaba, 2023).

The sole objective of every business is to make a profit, which is naturally determined by their decision-making mechanisms. Corporate decisions have an impact on the company's capital base and plans for external funding (leverage). When a company borrows money and resources from the outside sources, it is referred to as debt financing (Yahaya & Lawal, 2018; Kerim et al., 2021). Every firm can create its own in different ways. A company's dream usually dictates the form of ownership structure it chooses (Shaba et al., 2016). The ownership structure consists of share capital as well as the position held by the shareholders. Ownership structure shows how the fraction of shares of corporate organization is owned. Shareholders make available capital for the firm which gives them the power to make decisions for the business. Moreover, Owners delegate authority to managers who are sometimes not the owners of the company (Nzau & Musa, 2022). Ownership structure shows how the proportion of shares of corporate organization is owned. Ownership structure varies from one organization to another due to differences in the environment's stability or legal regulations as well as economies of scale, among others.

In Nigeria, the ownership structure can be in the managerial, block, foreign, institutional forms (Farouk & Bashir, 2017). Shareholders make available capital for the firm which gives them the power to make decisions for the business. Furthermore, business owners delegate the authority and management rights to people that work in an organization to manage the affairs of the company on their behalf (Al-Ahdal et al., 2023). The composition of ownership affects the way the management would pursue the objectives of the organization. Zandi et al. (2020) claim that some firms are not doing well because some board of directors that were appointed by shareholders have no necessary knowledge of the business and as a result, they always rely on the decisions made by the management which are sometimes not in the best interest of the firm. Separation of ownership and control may inspire managers to distort information and manipulate firms‟ financial records for their own personal benefits.

The manufacturing industry in Nigeria is an economic sector that provides not less than 10 percent of total Gross Domestic Product (GDP) each year. Manufacturing activity is concentrated in large

cities like Lagos, Enugu, Port Harcourt, and Ibadan, in the southern part of Nigeria and some part of the Northern part in areas like Gboko, Kano, Gombe. Millions of people are actively participating in virtually all production activities such as household goods, consumer products, agriculture, mining, automobiles, cement and building materials to mention but few. The Nigerian manufacturing sector is dominated by the production of cement and building materials, food and beverages, tobacco, chemicals and fertilizers, wood, and textiles. Out of all, only 3 subsectors (food & beverage, cement, and textile) account for 77% of manufacturing output generating the greatest value in naira and other foreign currencies. Also, breweries and flour mills contribute well in the manufacturing sector.

Manufacturing firms are pivotal to Nigeria's industrial growth, employment generation, and economic diversification. However, the sector is plagued by performance challenges such as high operational costs, inefficient governance structures, and limited access to capital. Despite these challenges, manufacturing firms account for a significant portion of Nigeria's GDP, making their performance a critical area of study. Understanding the interplay between ownership structure and financing strategies could provide actionable insights to enhance performance. Therefore, the study resolved to examine the moderating role of financing strategies on the relationship between ownership structure and performance of listed manufacturing firms in Nigeria.

Statement of Problem

Firms of contemporary business world are characterized by large number of shareholders who are not closely involved in making business decisions on daily basis either due to their lack of expertise, experience, size, or even time. Instead, professional managers are engaged to represent owners‟ interests and make decisions on their behalf. This practice, according to early researchers such as Shaba and Yaaba (2016) gave birth to poor incentives for agents to manage the business effectively and efficiently, therefore, resulting into principal-agent problem. Consequently, the growth of these agents at the top of large corporations and the dispersion of ownership further worsened the agency problem. However, as observed by Shleifer and Vishny (2018), management does not necessarily act in the best interest of the shareholders. Put slightly differently, management is likely to pursue its own goals at the shareholders' expense (Akinleye & Adebusoye, 2023).

The studies in this area are largely foreign based, which mostly disclosed contradictory findings, the foreign studies among others include: Karuntimi (2022) found out that financing strategies play a significant role on financial performance. Maziarczyk and Ociesa (2021) found out that relationship between the levels of the NWC and the financing strategy and financial constraints exist, but only for manufacturing companies. The institutional ownership is only significant to return on equity (ROE) but insignificant to return on assets (ROA). The results in the above studies have indicated varied findings and these differences could be ascribed to differences in economic.

In Nigeria studies were also conducted on this area which relatively had few literatures which include studies of Ojonugwa et al. (2024) whose result showed that financing decision has no significant impact on firm performance. Babatunde (2024) result indicated a noteworthy and

positive correlation. Nmor et al. (2024) found to have a significant association with the performance of firms return on assets (ROA) in Nigeria. Shittu et al. (2022) found that institutional and managerial ownership has a positive and significant effect on earning management (EM). Yusuf et al. (2020) found that commercial bank loan and trade credit have significant positive effect on financial performance. As a result of the conflicting result, there is need to introduce a moderating variable.

Most studies on these financing strategies areas, such as Karuntimi (2022), Maziarczyk and Ociesa (2021) are mainly focused on relationship between financing strategies and corporate performance in the advanced markets. Consequently, the empirical knowledge on this relationship falls short of at least two main important components: first, the emerging markets' contextual experience, and secondly, knowledge on the moderating role of financing strategies on the relationship between ownership structure and financial performance of the listed manufacturing firm operating in both developing and developed markets. This knowledge is important base on the fact that, listed manufacturing companies in emerging markets rely much on ownership structures to enhance financial performances. The reliance is generally based on listed companies' non-compliance to corporate governance practices in emerging markets (Arslan & Alqatan, 2020), due to the markets being characterized with relatively weak legal systems (Ngilisho et al., 2022). Moreover, ownership structure priorities have always been dubiously volatile, as it most of the times pursues political and social welfare goals to serve communities (Loch et al., 2020), while in other cases, it pursues profitability to ensure going concern (Makhlouf & Al-Sufy, 2018; Wei, 2020) in listed companies. Consequently, this kind of confusion makes the major aims of financing strategies very important aspect to include in this present study. On the basis of this backdrop, the study decided to examine the moderating roles of financing strategies on the relationship between ownership structure and financial performance of listed manufacturing firms in Nigeria to cover the period of ten (10) years from 2014 to 2023.

Objective of the Study

The main objective of the study was to examine the moderating role of financing strategies on the relationship between ownership structure and performance of listed manufacturing firms in Nigeria. Other specific objectives were to:

i. examine the relationship between Institutional ownership on performance of listed manufacturing firms in Nigeria.
ii. determine the relationship between managerial ownership on performance of listed manufacturing firms in Nigeria.
iii. investigate the relationship between foreign ownership on the performance of listed manufacturing firms in Nigeria.
iv. assess the relationship between ownership concentration on performance of listed manufacturing firms in Nigeria.
v. evaluate the moderating role of financing strategies on the relationship between ownership structure and performance of listed manufacturing firms in Nigeria.

Hypotheses of the Study

The study presented these hypotheses in their null form as follows:

i. Institutional ownership has no significant effect on performance of listed manufacturing firms in Nigeria.
ii. Managerial ownership has no significant effect on performance of listed manufacturing firms in Nigeria.
iii. Foreign ownership has no significant effect on performance of listed manufacturing firms in Nigeria.
iv. Ownership concentration has no significant effect on performance of listed manufacturing firms in Nigeria.
v. Financing strategies have no moderating role on the relationship between ownership structure and financial performance of listed manufacturing firms in Nigeria

LITERATURE REVIEW

Performance

Performance is the concerted efforts used to indicate the hard work that assisted the study to achieve a particular goal. The attainments of goal include combination of human, fiscal and natural resources. The performance is an activity applied to a part or all of performance of an actions in a time period, often with connection to previous or proposed expenditure efficiency, management responsibility or accountability. Nuhu (2023) sees performance not only limited to the demonstration of something but it also indicates the satisfactory output of an organization. Samsonowa 2012 in Adeosun (2021) argues that all the performance measurement have one common characteristic; they are related to two terms: effectiveness and efficiency; effectiveness as an indicator of the degree of a goal attainment, and efficiency as an indicator of the resources that were consumed to attain the level of achievement.

Return on Assets

Return on assets (ROA) is a type of return on investment (ROI) metric that measures the profitability of a business in relation to its total assets. This ratio indicates how well a company performs by comparing the profit (net income) it is generating to the capital it invested in assets. The higher the return, the more productive and efficient management is in utilizing the resources of the business. Profit margins are computed by dividing profits by total operating revenue and thus express profits as a percentage of total operating revenue while return on assets is the ratio of income to average total assets, both before tax and after tax, and measures managerial performance (Singh et al., (2024). Return on assets measures a company's ability to use all assets to generate after-tax profits. Return on assets (ROA) indicates the level of efficiency of an asset. The formula for calculating return on assets is the net profit value divided by total assets value (Gunawan et al. 2022).

Ownership Structure

Ownership structure of a company refers to the specific distribution of ownership among different types of shareholders, including institutional shareholders, managerial shareholders, concentrated shareholders, family ownership, government ownership and host of others. Each type of ownership

can have a distinct impact on a company's performance and governance. Jensen and Meckling as cited in Kantudu and Umar (2021) observed that ownership structure can be classified in terms of capital contributions that comprise of inside investors (managers) and outside investors (debt holder and equity holders). Zraiq and Fadzil (2018) claimed that there are two ways of classifying ownership. The first distinguishes between those who directly affect firm decisions and activities; a situation that is called "involvement" and those who do not, which is called "detachment". The second way distinguishes firms that have stocks concentrated with some shareholders, which is called concentration.

Institutional Ownership

Institutional ownership is the amount of a company's available stock owned by mutual or pension funds, insurance companies, investment firms, private foundations, endowments or other large entities that manage funds on behalf of others. Institutional ownership usually constitute investors such as pension funds administrators, insurance firms, other firms or corporate investors like a bank holding shares in another bank for the purpose of increased financial performance (Saleh et al., 2017).

Foreign ownership

Foreign investment is playing a crucial and significant role in the long-term viability and competitiveness of local firms in different developing economies world over. This is because firms in developing countries are doing well to ensure they attract foreign investment in their various countries through numerous incentives ranging from tax incentives, peaceful environment, and host of other numerous incentives, all these in order to attract the foreign investors to increase their business capital. Yen et al. (2024) stated that it will do well to local firms if it encourages local firms to import their capital for investment in order to boost industrialization specifically in the emerging economies of the world.

Ownership Concentration

Ownership concentration is a vital internal governance instrument which owners of the firm can make use of in controlling and influencing the management of the firm to protect their interests for the good of all the stakeholders. The amount of share capital that is not actively traded in the open market and therefore, it represents a significant internal governance mechanism in which the block-owners can control and influence the management of the firm to protect their interests.

Financing Strategies

Financing is the process or the art of providing funds for business undertakings making purchases, or investing. Financial establishments such as banks are in the business of providing capital to businesses, consumers, and investors to help them achieve their goals. The use of financing is vital in any economic system, as it allows companies to purchase products out of their immediate reach. Financing is an important element for forming a new business, launching a new product or service, or expanding an existing business through internal development or acquisition. For example, cash is indispensable in order for a company to continue operations while awaiting payment from customers and anticipated increases in sales; expand the volume of sales of existing products

through increased advertising and promotion; develop or acquire new technical skills and assets, including acquisitions of other firms; enter specified new markets, including new facilities and recruitment of personnel; create new products that address a specified market need, including research and development; replace or upgrade aging or obsolete facilities or equipment; or comply with regulatory requirements, such as health standards or environmental laws (Gutterman, 2022).

Concept of Debt Financing

Debt financing is the act of raising capital by borrowing money from a lender or a bank, to be repaid back to the creditor at a future time. In return for a loan, creditors are then owed interest on the money borrowed. Lenders typically require monthly payments, on both short- and long- term arrangement depending on the terms of the debt. Ajose et al. (2023) stated that debt financing is a method of raising funds for a business by borrowing money from external sources such as banks, financial institutions, and bond markets. It is an important aspect of corporate finance and has a significant impact on a company's financial performance. Debt financing is a popular approach for companies to raise capital. A company borrows money from a creditor with the assurance of refunding the loan with interest at a certain agreed-upon time. Debt financing is available from different sources, including banks, private lenders, and bondholders.

Theoretical Review

Pecking Order Theory

The pecking order theory provides an influential model for thinking about how companies make these financing decisions. The pecking order theory was proposed by Stewart C. Myers and Nicolas Majluf in 1984, The theory suggests that companies to follow a defined hierarchy, selecting preferences of financing decisions by first considering internal funds, then debt financing option, and financing through equity as a last resort. In simple terms, the pecking order theory states that financial managers have option to finance their operations with internal funds, to be followed by debt financing and then equity financing as a last resort.

Myers and Majluf (1984) gave details on the preferred order of financing adopting all sources of funds (retained earnings, long term debt and stock) to have high performance. The theory asserts that there is asymmetric information between the insiders of a firm and the outside investors. Managers therefore know the true position of the firm as far as its value is concerned compared to outside investors. Myers (1984) affirmed that organizations prefer internal to external funds due to no flotation costs of internal funds. Company will therefore fund their projects using retained earnings when funding is required before considering any other source of capital. When the retained earnings remain insufficient, then debt is applied. It is only in risky cases when organizations use new stock. Therefore, the order of monetary sources preferred is the internal financing from profits (retained earnings), then debt and then the chosen equity is the last alternative. The theory forecasts that the issuance of equity (common stock) is the alternative source of financing. Organizations would prefer internal financing of retained earnings because there are no floatation costs as is the case of external financing. It is only at the point when the reserved incomes are not enough, then the organization may opt for debt financing as its second

option (Bhama et al., 2017).

Empirical Review

Previous studies indicated that institutional ownership has positive and significant effects on financial performance of sampled firms which is in tandem with the following studies: Nel et al. (2024) examined institutional and managerial ownership influence the connection between executive directors' pay and firm performance in South Africa. Employing panel linear regression models and Johnson-Neyman analysis, complex insights are revealed. This study revealed that institutional ownership acts as a double-edged sword, positively moderating the link between long-term and total incentive remuneration and return on assets (ROA), while negatively influencing the relationship with market-based metrics like Tobin's Q. This suggests that institutional shareholders play a dual role in enhancing long-term alignment and tempering short-term performance pressures. Managerial ownership also demonstrates mixed impacts, positively moderating the relationship between both short-term and total incentive remuneration, and return on assets (ROA), but negatively moderating the link between long-term incentive remuneration and total shareholder return (TSR).

Empirical studies showed that managerial ownership has significant positive effects on financial performance of listed manufacturing firms in Nigeria which aligned with the following studies: Zhang (2025) examined the impact of managerial ownership on firm performance according to analysis private enterprises and SOEs from China's A Share market. Based on China's special socialist background, the managerial ownership and management mode have significant difference. Compared to government-controlled structure of state-owned enterprises, private enterprises' share structure is more diverse, and ownership changes flexible (such as mergers and acquisitions, etc.). Managerial shareholding can promote the consistency of management and shareholders' goals through the theory of interest consistency, so as to improve firm performance. The study use Pearson correlation and ordinary least square (OLS) regression model to examine the connection between company performance and management ownership, which is meanly measured by return of assets (ROA). The control variables include firm size, leverage ratio, working capital and industry growth rate. The results show that managerial shareholding in private enterprises has a favorable impact on business performance while in state-owned enterprises, the incentive mechanism of managerial shareholding is not obvious, and may even have a negative impact.

Phan (2024) investigated the effect of foreign ownership on firm investment and how the country-level governance quality adjusts the relationship between foreign ownership and firm investment. Using the 2016–2022 World Bank Enterprise Surveys (WBES) database, the results reveal that foreign-owned firms exhibit a higher likelihood of making investments than domestic-owned firms. Specifically, the odds of research and development (R&D)/fixed asset expenditures for foreign-owned firms are 56.6/67.0% higher than the odds for domestic-owned firms. In addition, the country-level governance quality significantly influences the relationship between foreign ownership and firm investment.

Ismaila and Tanko (2023) investigating the impact of board diversity on the relationship between ownership structure and financial performance of listed manufacturing firms in Nigeria from 2013

to 2022 financial years. The ownership structure variables used in this study are foreign ownership and concentrated ownership while the financial performance used is represented by return on assets (ROA), and the moderating variable is board diversity. The sample of the study is all the fifty (50) listed manufacturing firms in Nigeria that make up the population of the study. The study uses secondary data and multiple regressions for the purpose of this study. The findings of the study reveal that foreign ownership has a positive and insignificant effect on financial performance. However, concentrated ownership has a positive and significant effect on performance. Board diversity has a positive effect on the relationship between foreign ownership, concentrated ownership and financial performance.

Manyanga et al. (2023) examined the effect of debt financing (short-term debt, long-term debt, and trade credit) on the financial performance of SMEs in Zimbabwe. Financing SMEs has been a challenge for many SMEs worldwide. Notwithstanding that SMEs contribute immensely to the growth of an economy, SMEs remain underfunded especially in developing economies. Their contributions include poverty reduction, increased job opportunities, competitiveness, and productivity in the industrial sector. This study adopted a positivism philosophy and a cross sectional survey design. Quantitative data were gathered from 210 SMEs using a structured questionnaire with Likert-type responses. The findings show that debt financing (short-term debt, long-term debt, and trade credit) positively influences the financial performance in emerging markets. This study contributes to studies that prove a significant relationship between debt financing and financial performance in sectors other than SMEs. Thus, SMEs are advised to use debt financing to improve their financial performance.

RESEARCH METHODOLOGY

This study adopts ex-post facto which is also known as "after-the- fact" research to serve as research design for the proposed study, can also be defined as a research method that looks into how an independent variable (groups with certain qualities that already exist prior to a study) affects a dependent variable. Therefore, the research will adopt ex post facto designs because of the relationship, which was premised on a cause-and-effect examination of the numbers. This study used a total of fifty-one (51) listed manufacturing firms of Nigeria to serve as the population of the study. to select the sample through the selection of the manufacturing companies in Nigeria that had been active and consistently operational, and the company must have been registered and listed on the Nigerian Stock Exchange on or before 1st January, 2014 and has remained active as at 31st December, 2023. Any listed manufacturing firm in Nigeria that fulfilled these criteria would be selected to form the sample size of the study, and those that could not meet up with the conditions laid down would be filtered out of the sample size.

The study after having perused through the portal of Nigerian Exchange Group, it was discovered that thirty-seven (37) out of the fifty-one (51) total population of the study successfully meet up with the benchmark pegged and therefore, were selected to serve as the sample for the study.

Model Specification

The model to be used in this study will examine the relationship between financing strategies, ownership structure and performance of listed manufacturing companies in Nigeria. This is consistent with the model employed by Maryanti and Dianawati (2024), Kirimi (2024), The linear regression model is stated in a functional form as;

Performance it = f(financing strategies $_{it}$ + Ownership structure $_{it}$).....(1)

$PF = \beta 0 + \beta 1 fs_{it} + \beta 2 os_{it}$.....(2)

Where βo = Intercept which indicates the performance growth in absence of financing strategies. The subscripts i and t represent the cross-sectional and time series dimension of the data respectively, while βo denotes constant (intercept), and β1 and β2 represent regression coefficients, respectively. Pf is performance and is to be measured by return on assets (ROA). FS denotes financing strategies and will be measured by debt financing (DF), while OS stands for ownership structure and is going to be measured by institutional ownership (io), managerial ownership (mo), foreign ownership (fo) and ownership concentration (oc).

Therefore:-

$roa_{it} = \beta_0 + B_1 io_{it} + \beta_2 mo_{it} + \beta_3 fo_{it} + \beta_4 oc_{it} + \mu$.....(3)

Where β0 stands for constant intercept, β1, β2, β3 β4 = Parameters that represents the coefficients of the regressions, μ is the error term.

The study tests the model with regressions analyses test. In order to examine the moderating role of financing strategies on the relationship, the study adds an interactive term in the models. Hence, Models 4 are designed as shown below to evaluate the moderating role of financing strategies on the relationship between ownership structure (io, mo, fo, and oc) and financial performance:

$roa_{it} = \beta_0 + \beta_1 io_{it} + \beta_2 mo_{it} + \beta_3 fo_{it} + \beta_4 oc_{it} + \beta_5 df_{it} + \beta_6 io * df_{it} + \beta_7 mo * df_{it} + \beta_8 fo * df_{it} + \beta_9 oc * df_{it} + \mu$ ..... (4)

RESULTS, DISCUSSION AND FINDING

Descriptive Statistics Result

Table 1: Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	370	0.0407735	0.1268156	-0.7862	0.63045
IO	370	0.5102503	0.2530358	0	0.96413
MO	370	0.0743335	0.1525251	0	0.59152
FO	370	0.2512722	0.3212115	0	0.87298
OC	370	0.5624543	0.2449941	0	0.96413
DF	370	0.5815431	0.3078827	0.03225	1.96966

Source: STATA output 14.0 based on data collected (2014-2023)

Note: ROA= Return on Asset; IO= Institutional ownership; MO = Managerial ownership; FO = Foreign ownership; OC = ownership concentration; DF= Debt of financing

Table 1 present the descriptive statistics. The variable Return on Assets (ROA) has a mean value of 0.0408, indicating that, on average, the firms in the study generate a 4.08% return on their total assets. The standard deviation of 0.1268 suggests moderate variability in ROA across the firms, with some firms performing significantly better or worse than the average. The minimum value of -0.7806 indicates that at least one firm experienced a substantial loss relative to its assets, while the maximum value of 0.6305 shows that some firms achieved a high return. This wide range (-0.7806 to 0.6305) highlights the diversity in financial performance among the firms in the country.

The Institutional Ownership variable has a mean of 0.5103, suggesting that, on average, institutional investors own about 51.03% of the firms in the sample. The standard deviation of 0.2530 indicates considerable variation in the level of institutional ownership across firms. The minimum value of 0 shows that some firms have no institutional ownership, while the maximum value of 0.9641 indicates that institutional investors own as much as 96.41% of certain firms.

The Managerial Ownership variable has a mean of 0.0743, indicating that, on average, managers own about 7.43% of the firms in the sample. The standard deviation of 0.1525 suggests significant variability in managerial ownership across firms. The minimum value of 0 shows that some firms have no managerial ownership, while the maximum value of 0.5915 indicates that managers own up to 59.15% of certain firms.

The Foreign Ownership variable has a mean of 0.2513, suggesting that, on average, foreign investors own about 25.13% of the firms in the country. The standard deviation of 0.3212 indicates substantial variability in foreign ownership across firms. The minimum value of 0 shows that some firms have no foreign ownership, while the maximum value of 0.8730 indicates that foreign investors own as much as 87.30% of certain firms. This wide range (0 to 0.8730) reflects the varying degrees of foreign investor participation in the firms studied.

The Ownership Concentration variable has a mean of 0.5625, indicating that, on average, the largest shareholders own about 56.25% of the firms in the country. The standard deviation of 0.2450 suggests moderate variability in ownership concentration across firms. The minimum value of 0 shows that some firms have no concentrated ownership, while the maximum value of 0.9641 indicates that the largest shareholders own up to 96.41% of certain firms. This range (0 to 0.9641) highlights the differing levels of ownership concentration and potential implications for corporate governance.

The Debt Financing variable has a mean of 0.5815, suggesting that, on average, firms in the sample finance about 58.15% of their operations through debt. The standard deviation of 0.3079 indicates significant variability in the use of debt financing across firms. The minimum value of 0.0322 shows that some firms rely very little on debt, while the maximum value of 1.9697 indicates that certain firms have debt levels that exceed their total assets. This wide range (0.0322 to 1.9697) reflects the diverse capital structures and risk profiles of the firms in the sample.

Correlation Result

Table 2: Correlation Result

	ROA	IO	MO	FO	OC	DF
ROA	1.0000					
IO	0.0900	1.0000				
MO	-0.2177	-0.2383	1.0000			
FO	-0.1642	0.1897	-0.0781	1.0000		
OC	0.0277	0.8071	-0.0438	0.2774	1.0000	
DF	-0.2460	-0.0483	-0.0445	0.2394	0.0020	1.0000

Source: STATA output 14.0 based on data collected (2014-2023)
Note: ROA= Return on Asset; IO= Institutional ownership; MO = Managerial ownership; FO = Foreign ownership; OC = ownership concentration; DF= Debt of financing

The correlation matrix in Table 2 presents the relationship between Return on Asset (ROA) and various independent variables, including Institutional Ownership (IO), Managerial Ownership (MO), Foreign Ownership (FO), Ownership Concentration (OC), and Debt Financing (DF). The correlation coefficients measure the strength and direction of these relationships, ranging from -1 to +1.

The relationship between ROA and IO is positive but weak (0.0900), suggesting that higher institutional ownership has a slight positive association with firm performance as measured by ROA. This implies that institutional investors may have a minimal influence on improving firm profitability.

Conversely, MO exhibits a negative correlation with ROA (-0.2177), indicating that increased managerial ownership is associated with lower firm performance. This could suggest the presence of entrenchment effects, where higher managerial ownership leads to reduced firm efficiency due to self-interest or risk aversion.

FO also has a negative correlation with ROA (-0.1642), suggesting that firms with higher foreign ownership tend to experience lower profitability. This might be due to challenges associated with foreign investors' lack of direct control over management decisions or potential agency conflicts.

OC, on the other hand, has a weak positive correlation with ROA (0.0277), indicating that concentrated ownership has little to no impact on firm profitability. This weak relationship suggests that ownership concentration does not necessarily lead to better firm performance.

DF is negatively correlated with ROA (-0.2460), implying that higher debt financing is associated with lower firm performance. This finding aligns with the trade-off theory of capital structure, which suggests that excessive debt may increase financial distress costs and reduce profitability.

Overall, the correlation matrix suggests that ownership structures and financial leverage have varying effects on firm performance, with managerial ownership and debt financing showing the most significant negative associations with ROA. However, these relationships do not imply causation, and further regression analysis is necessary to establish the true impact of these variables on firm profitability.

Table 3 Regression Results model

Variables	Fixed-Effect	Random-Effect	Pooled OLS (Robust)
Institutional ownership	-0.0965 (-1.98)	-0.0619 (-1.620)	0.0059 (-1.98)
Managerial ownership	-0.1594 (-2.72)	-0.1889** (-3.90)	-0.1945*** (-2.72)
Foreign ownership	-0.0914 (-1.46)	-0.0576** (-2.30)	-0.0574 (-1.46)
Ownership concentration	0.0483 (0.57)	0.0592 (1.26)	0.0252 (0.57)
Debt financing	-0.1582*** (-3.52)	-0.1283*** (-4.31)	-0.0911*** (-3.52)
Constant	0.1897*** (3.22)	0.1422*** (5.04)	0.1054*** (3.22)
R^2	0.0957	0.1199	0.1316
Adjusted R^2			0.1197
F-statistics	4.78	29.60	11.03
Prob value	0.003	0.000	0.000

Source: Source: STATA output 14.0 based on data collected (2014-2023)

Note: ROA= Return on Asset; IO= Institutional ownership; MO = Managerial ownership; FO = Foreign ownership; OC = ownership concentration; DF= Debt of financing. NOTE: ***, ** and * indicate 1% and 5% and 10% significance levels respectively; the t-value is presented in parenthesis while the other figures represent the coefficient

From the result of Table 3, The Hausman test and other diagnostic tests indicate that the Random Effects (RE) model is the most appropriate for this analysis, as it accounts for unobserved heterogeneity across entities while assuming that individual-specific effects are uncorrelated with the explanatory variables. The RE model shows an R^2 of 0.1199, suggesting that approximately 12% of the variation in Return on Assets (ROA) is explained by the independent variables. Although the Pooled OLS has a slightly higher R^2 (0.1316), it ignores panel structure, making RE more reliable. The F-statistic (29.60, $p = 0.000$) confirms the overall significance of the model.

Managerial Ownership (MO) has a coefficient of -0.1889 ($p < 0.01$) in the RE model indicates that a 1% increase in managerial ownership reduces ROA by 0.19%, it significant at the 1% level. This suggests that higher managerial ownership may lead to entrenchment or reduced performance, possibly due to agency conflicts.

Foreign ownership has a negative and significant impact (coefficient = -0.0576, $p < 0.05$), implying that greater foreign investor presence reduces ROA. This could reflect short-term profit-taking behavior or cultural mismanagement issues.

Institutional Ownership (IO) has a coefficient (-0.0619, $p > 0.10$) is negative but insignificant in RE, unlike Fixed Effects where it was significant. This suggests that institutional investors' influence on ROA is not robustly detrimental once unobserved heterogeneity is controlled.

Ownership Concentration (OC) has a positive coefficient (0.0592, $p > 0.10$) insignificant, indicating that concentrated ownership does not significantly affect ROA, contradicting some theories that expect better monitoring from large shareholders.

Debt financing has a strong negative effect (coefficient = -0.1283, $p < 0.01$), meaning higher leverage reduces ROA. This aligns with trade-off theory, where excessive debt increases financial distress costs, outweighing tax benefits.

The constant term (0.1422, $p < 0.01$) suggests that even when all explanatory variables are zero, firms have a baseline ROA of 14.22%, attributable to unobserved firm-specific factors or industry characteristics.

Conclusion and Recommendations

The study determined the relationship between institutional ownership and financial performance of listed manufacturing firms in Nigeria while it was revealed that institutional ownership has negative and insignificant relationship with performance of listed manufacturing firms in Nigeria. This implies that institutional ownership fails to exert significant relationship with performance of listed manufacturing firms in Nigeria. Therefore, the study concludes that there is no statistical evidence to proof whether institutional ownership has significant relationship with performance of listed manufacturing firms in Nigeria.

It was also found out that managerial ownership has a significant but negative effect on performance of listed manufacturing firms in Nigeria. This signifies that managerial institutional has failed to exercise significant effect on the performance of listed manufacturing firms in Nigeria. Therefore, the study concludes that there is no concrete evidence statistically to show whether managerial ownership has positive and significant effect on performance of listed manufacturing firms in Nigeria.

Also, it was established that foreign ownership has a negative and significant effect on the performance of listed manufacturing firms in Nigeria. This means that foreign ownership has failed to establish significant cordial effect on the performance of listed manufacturing firms in Nigeria. Therefore, the study concludes that there is no tangible evidence statistically to proof whether foreign ownership has positive and pleasant effect on performance of listed manufacturing firms in Nigeria.

Moreover, it was confirmed that ownership Concentration has positive but insignificant effect on performance of listed manufacturing firms in Nigeria. This indicates ownership Concentration did not establish significant and positive effect on performance of listed manufacturing firms in

Nigeria. As a result, the study concludes that there is no proof to show statistically whether ownership concentration has positive and significant effect on performance of listed manufacturing firms in Nigeria.

Financial strategies which was measured as debt financing has a strong negative and significant relationship with financial performance of listed manufacturing firms in Nigeria. This connotes that the financial strategies which was measured as debt financing has failed to justify whether debt financing has a strong negative and significant relationship with financial performance of listed manufacturing firms in Nigeria. Therefore, the study concludes that the financial strategies have failed to proof that debt financing has a strong negative and significant relationship with financial performance of listed manufacturing firms in Nigeria.

Based on the findings of this study, the following recommendations are made:

i. That, regulatory bodies should encourage more institutional involvement and participation in investment in order to boost industrialization and to foster better sustainability in operations in these firms and the economy at large.

ii That, the board of directors in the manufacturing firms in Nigeria should ensure that shareholdings of the insider managers is curtailed by providing ceiling on the insider managers' interest (shareholdings) in the firms, this is to avoid causing under-performance to these firms by the selfish activities of insider mangers.

iii That, the board of directors should intensify their efforts in ensuring that firms should put in place regulations that will guard against, a situation when the foreign investors withdraw their interest from the firms and its attendant negative consequences., which usually force the affected firms to collapse, therefore, minimal stake should also be allocated for the foreign investors avoid sudden collapse firms, if the decide to withdraw their interests in the firms.

iv. That, ownership concentration should be encouraged so as to encourage the owners to instill monitoring and strict supervision of the activities of those managing the activities of the business to avoid failures.

v. That, the insider managers of these firms should always work tirelessly in order to meet up with the conditionality of the creditors of the firms specifically financial institutions in order to encourage them through the fulfillment of their debt repayments as at when due. Redemption of debts owed will encourage the creditors to continue to supply funds for the credit worthy firms run their businesses with.

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