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Nigerian Listed Brewery Companies Ownership Structure Effects

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Abstract

The study looked at the impact of ownership structure on Nigeria's listed brewing firms from 2014 to 2018. Secondary data were used, which were taken from the financial statements and reports of the businesses that made up the study's sample. Data analysis is done using panel data analysis with fixed and random effect models. The findings demonstrated that institutional ownership and management control have a considerable impact on the market value of listed brewery firms on the Nigeria Exchange Group. Managerial ownership significantly increases the value of the company. The agency theory and a number of empirical studies are in agreement with this finding. The value of listed brewery companies, however, is negatively and significantly impacted by institutional ownership. According to the study, managers at listed beer firms in Nigeria should be granted a larger piece of the stock. This will inspire and incentivize them to work more and improve their worth.

Keywords: Managerial ownership, Tobin's Q, institutional ownership, and firm size

Introduction

Companies become increasingly professional as a result of globalization, which results in a gap between company ownership and firm control. Although separating ownership from management may be an important factor in helping businesses achieve their ideal goals, in reality, this conflict of interest leads to agency issues. Ownership structure will have an impact on how well a company performs and how well it is governed. However, different effects of managerial ownership or institutional ownership on business performance were found in the results of previous studies (Rosyeni and Muthia, 2019; Lawal, Agbi, and Mustapha, 2018). The percentage of shares owned can indicate strong firm performance, which encourages investors to put more money into the business (Orumo, 2018). Performance of the company is one of the criteria for evaluating agency issues. Firm value is a crucial piece of information that investors should take into account when making stock investment decisions. It is a significant issue that affects the economic analysis and decision-making of creditors and shareholders. According to Worlu, Eriogenesi, Ajagbe, and Okoye (2015), ownership structure would positively impact the company's worth and go hand in hand with an increase in profit. The focus of studies in financial management, particularly within the conceptual framework of agency theory, has been the impact of managerial and institutional ownership on company performance as measured by return on assets and return on equity. The findings of the researchers in the current investigations are conflicting. This study's relevance is due to the previous literature's ambiguous conclusions, as well as the study's focus on Nigerian brewing enterprises.

Despite the brewing firms' significance to the overall economy of Nigeria, there has been relatively little interest in the impact of ownership structure on firm value, in addition to the opposing points of view. Perterson and Olayinka (2017), Yahaya and Lawal (2018), Orumo, 2018, Fakile and Adigbole, 2019, Oyedokun, Isah, and Awotomilusi, 2020, Jelil, 2020, and Falade, Nejo, and Gbemigun 2021) are the few studies in Nigeria on this topic. To fill the vacuum in the literature, this study, however, expanded the work to include the most recent years of 2016 to 2020.

Additionally, the majority of studies in this field did not perform several reliable tests to strengthen the validity and dependability of the statistical inferences drawn from the investigations. However, this study uses Lagragian tests, Hausman heteroskedasticity, and other statistical methods. Thus, the impact of ownership structure on business value is examined in this study. The increase in activity levels in the brewery companies influenced the choice of the time period. The dependent variable is the firm's value (Tobin's Q), and the independent variables are managerial ownership and institutional ownership.

Literature Review

The ownership structure of a company refers to the allocation of equity in terms of capital and voting rights as well as the identity of equity owners. There are two levels at which to examine ownership structure, according to Peter (2017). The first one shows the degree of ownership concentration by showing the percentage of shares held by the five largest shareholders. The identity of ownership, or the proportion of shares held by various shareholders, is the second factor.

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Through the identification of shareholders, the ownership structure plays a monitoring function in the financial operations of the company. The achievement of organizational goals is greatly influenced by ownership structure. They appear to have a significant impact that cannot be understated (Helen & Bature, 2016). Orumo (2018) asserts that a strong ownership structure is crucial to raising a company's market value since strong ownership structures provide for easier access to the capital markets.

On the other hand, performance assesses how successfully and efficiently a company uses its assets to generate revenue and is a crucial tool for many corporate stakeholders. These parties include management, bondholders, employees, creditors, and investors. Each stakeholder has a unique interest in monitoring a company's performance (Peter, 2017). An organization's financial report is a legally required document that all publicly traded companies are required to produce. The report gives stakeholders precise, trustworthy facts that give a snapshot of the business's performance. Tobin's Q is used in this study to gauge performance. Tobin's Q was selected as the performance statistic for this study because it was thought to be one of the most significant market performance metrics.

The ratio between a physical asset's market value and its replacement value is known as Tobin's Q. It is determined by dividing the price market value of the shares by the ratio of assets to liabilities in the book (Do, 2020).

Because the interests of the firms would take precedence over their personal interests, managers who are also the owners would work in the best interests of the companies (Okewale, Mustapha & Aina, 2020). This is backed up by Robins and Judge in David, Cyrus, and Winnie (2021), who emphasized that improving the working environment is a result of reducing agency problems. Consequently, when agency costs are reduced, this improves operational, financial, and investment activities, which has a greater impact on the performance of the firms.

Empirical Review

Kajola, Apelogun, and Owuru (2017) employed panel data regression analysis with a fixed effect model and least squares estimation techniques to examine the association between the capital structure and management ownership of non-financial Nigerian listed companies. A positive and statistically significant link between leverage and managerial share ownership was discovered. According to the study, debt might be a useful tool for monitoring and reducing managerial opportunism. It was also suggested that Nigerian enterprises support managers' ownership of company stock. When determining a proxy for ownership structure, differences in characteristics and methods were discovered in these two research. In contrast to the current study, which incorporated both managerial and institutional ownership, the previous analysis solely took managerial ownership into account. It is also important to note that, as opposed to panel data regression analysis and fixed effect models with least square, the current study used pooled ordinary least square regression analysis, fixed effects regression models, and random effects regression models.

By examining the effect of board size and ownership structure on deposit money banks' financial performance in Nigeria from 2011 to 2015, research by Musa, Ahmed, and Umar (2020) built on earlier studies. The findings of the regression model revealed that, although not statistically significant, the size of the board had a negative impact on ROA and ROCE, but the other dependent variables revealed a positive impact on ROCE. A strong and comprehensive corporate governance framework should be built, consolidated, and reviewed as needed, according to the report's recommendations. The prior research did not incorporate firm value indicators like Tobin's Q. In addition, publicly traded brewery businesses participated in the research.

Methodology

In this study, ex-post facto research design was used. This methodology was used because it is more effective at establishing the relationship and magnitude of ownership structure effects on performance in our study, allowing for prediction.

The four Nigerian breweries that are listed on the Nigerian Exchange Group plc as of December 31, 2016, make up the study's population. Golden Guinness Nigeria Plc, Nigeria Brewery Plc, International Brewery Plc, and Guinness Nigeria Plc are the listed breweries in Nigeria as of December 31, 2016. However, only two publicly traded breweries—Nigeria Brewery plc and Guinness Nigeria Plc—are chosen as the study's sample in order to obtain complete data during the time period. Brewery companies were chosen since the industry is characterized by businesses with a range of ownership structures.

The annual financial report and accounts of the chosen companies from 2016 to 2020 served as the primary secondary source for the data used in this study. Because it offers a realistic time range of five (5) years from which pertinent data may be gathered and inferences can be drawn, the review period was deemed appropriate (Andow and David 2016). The information is quantitative and panel-based.

In order to determine how a variable varies over time and how a variable differs between people, panel data is used. Because it is effective and efficient at evaluating the statistical impact of various independent factors on the dependent variable, the multiple regression technique is used in this study (Andow and David, 2016). The study used a variety of regression models, including the Pooled Ordinary Least Square (POLS) Model, Fixed Effect (FE) Model, and Random Effect (RE) Model, due to the panel structure of the data (cross-sectional and time series).

Test for Multipliers. In order to adhere to the traditional POLS premise, extra tests for heteroskedasticity, autocorrelation, and muilticollinearity were done.

The balanced panel data used in the study is a model that was taken from the work of Andow and David (2016). and is shown as follows:

$FV_{it} = \beta_{oit} + \beta_1 MO_{it} + \beta_2 IO_{it} + SIZE_{it} + \mu_{it}$

Where:

FV = Firm value of firm i in year t (Tobin's Q)

MO= Managerial Ownership of Firm i in year t

IO = Institutional Ownership of firm i in year t

βi-β 3 = Coefficient of explanatory variables i in year t

$\beta 4$ = Firms Size i in year t

βo = Constant or Intercept

μ = Error Term

i = Individual firm identifier

T= time

Results and Discussion

Managerial ownership and institutional ownership served as proxies for the firm's ownership structure. Tobin's q was used as a proxy for the firm's performance. By using various descriptive statistics, the features of the variables were examined. The variable's mean reveals that the average Tobin's q was 3.235. 2.4722 was the standard deviation. This suggests that the firms' performance was not greatly erratic. Furthermore, the institutional ownership variable showed that, on average, fewer than 50% of the shareholders were made up of institutional investors. The standard deviation also showed that institutional ownership was not distributed among the enterprises.

Institutional ownership ranged from 0.072% at the lowest end to 74.8% at the highest. The variable has a normalcy coefficient of 0.3044 and a p-value higher than 0.05. More specifically, it shows positive skewness. Average managerial ownership reports range from 3.739 to 11.134 with a minimum of 1.437. At the 5% level of significance, the normalcy result of 24.079 suggests that management ownership is non-normal. The greatest firm reported 19.77 assets, and the lowest reported 14.84 assets. The size of the firm was 17.80 on average. The findings indicate that the sampling companies' sizes are evenly distributed, and the Jarque-Bera findings indicate that the size variable has a normally distributed distribution.

Table 1: Descriptive Statistics

	TBQ	IO	MO	SIZE
Mean	1.335894	2.519803	1.437345	14.84568
Median	2.519803	0.396861	2.932802	18.28440
Maximum	13.75782	0.748562	11.13436	19.77849
Minimum	11.38196	3.320162	5.260930	1.692080
Std. Dev.	2.472265	0.156708	2.255648	1.467359
Skewness	2.890577	0.158493	1.653896	-0.209425
Kurtosis	11.38196	3.320162	5.260930	1.692080
Jarque-Bera	13.75782	0.748562	11.13436	19.77849
Probability	0.000000	0.858784	0.000006	0.243031
Observations	36	36	36	36

Additionally, a correlation analysis of the variable was performed to determine the strength of the relationship between the independent variables. Institutional ownership and managerial performance revealed a weak connection (r=0.1034, p=0.5484). Institutional ownership and firm size also showed a statistically insignificant link (r=0.0885, p=0.6074). Managerial ownership and business size did not significantly correlate (r=-0.3051, p=0.0703). This finding indicates that there was no statistically significant correlation between the explanatory variables, which suggests that collinearity issues will be minimal.

Conclusion

The results of the data analysis and the subsequent discussion lead to the following conclusion: The ownership structure has a variety of implications on business value. On Tobin's Q, managerial ownership has a favorable impact. This demonstrates how managerial ownership can have an impact on firm value. This bolsters agency theory. Companies' decision-making agents, such as company managers, have a vested interest in increasing business value through the issuance of policies.

Additionally, the study's regression results support its conclusion that institutional ownership has a negative, significant impact on the value of Nigeria's listed beer firms.

According to the study, the value of listed brewery companies will inevitably decline in the future if some shareholders have the authority to override the judgment of all other shareholders and managers, for instance, if institutional shareholders' votes during the decision-making process are considered the deciding vote.

The following suggestions were made in accordance with the study's conclusion: in order to raise the firm value, listed brewery businesses in Nigeria should increase managerial ownership as this will inspire and motivate them to maximize their efficiency and generate more wealth for themselves. Furthermore, it shouldn't be possible for institutions to own the majority of the shares in Nigeria's listed beer firms. if the ownership structure of Nigerian beer businesses that are publicly traded becomes biased. As a result of the one-sided ownership structures, many investors will be forced to sell off their shares because their opinions will never count.

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