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EFFECT OF INSTITUTIONAL OWNERSHIP AND MANAGERIAL OWNERSHIP ON FIRM VALUE OF LISTED FINANCIAL SERVICES FIRMS IN NIGERIA

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Abstract

The study examined the effect of managerial ownership and institutional ownership on the firm value of listed financial services firms in Nigeria. Adopting an ex-post facto research design, the study utilized panel data drawn from the annual reports of forty-eight (48) financial services firms listed on the Nigerian Exchange (NGX) Group covering the period 2014–2023. Panel multiple regression analysis was employed to examine the dynamic relationship between ownership structure and firm value. The model specified firm value (FV) as a function of managerial ownership (MOW) and institutional ownership (INSTO). The result from regression analysis indicates that managerial ownership has a positive but statistically insignificant effect on firm value, while institutional ownership exhibits a negative but equally insignificant effect. These findings suggest that neither managerial nor institutional ownership significantly enhances firm value of listed financial services firms in Nigeria during the study period. The study concludes that while managerial ownership has potential to align managerial and shareholder interests, its current level is insufficient to drive value creation. Similarly, institutional investors' influence remains limited, reflecting weak shareholder activism and regulatory enforcement. The study recommends the strengthening of managerial incentives and encouraging active institutional participation in corporate governance to enhance firm value.

Keywords: managerial ownership, institutional ownership, firm value, listed financial services firms, Nigeria

1. Introduction

Ownership structure is important in shaping corporate governance and firm valuation with institutional ownership (INSTO) and managerial ownership (MOW) among the most influential forms of shareholding. Institutional investors such as pension funds, insurance companies, and mutual funds are generally viewed as capable monitors who can reduce agency costs and contribute to stronger firm performance. Likewise, managerial ownership aligns the interests of executives with shareholders, mitigating agency conflicts though excessive stakes may lead to entrenchment (Jensen & Meckling, 1976; Morck et al., 1988). Indeed, empirical studies from Nigeria in recent years affirm these theoretical expectations.

Salihu et al. (2024) reported that both managerial and institutional ownership significantly enhance firm performance among listed financial firms in Nigeria, based on panel regression analysis spanning 2014–2023. Their results reinforce agency and

stewardship theories by demonstrating that managerial investment and institutional monitoring effectively align with shareholder value. Similarly, Usman and Khadija (2024) find that managerial ownership positively and significantly moderates the relationship between intellectual capital and firm value. Their analysis covering a ten-year span from 2013 to 2022 indicates managerial stakes bolster the benefits of human and relational capital on firm valuation. This underscores the practical utility of managerial equity beyond mere alignment, by enhancing the firm's innovative and intangible assets.

It is not all evidence confirms a purely positive role for managerial ownership. Ogbonna, et al. (2022) examined systematically important Nigerian banks (2012–2021) and find that while tax aggressiveness and leverage significantly impact performance, managerial ownership shows no significant effect on return on equity. Their findings caution that managerial shareholding alone may not translate into improved outcomes in all contexts. On the institutional side, Nigeria has seen rapid growth in institutional investor participation. For example, pension assets under the Contributory Pension Scheme exceeded ₦13 trillion in 2022a substantial pool of capital mobilized by institutional investors (National Pension Commission, 2022). This expansion suggests an increasing potential for institutional ownership to influence corporate governance and firm value positively.

Institutional ownership is often associated with improved monitoring and reduced agency costs, as institutional investors have both the expertise and incentives to demand accountability from management (Nuhu & Ibrahim, 2023). Yet, in Nigeria, the extent to which institutional investors influence firm value is unclear due to issues such as weak enforcement of governance codes, limited shareholder activism, and the prevalence of passive investment strategies. In some cases, institutional investors may align with controlling shareholders to protect their own interests rather than enhancing firm value, thereby undermining minority shareholders (Adewuyi & Oboh, 2021).

Similarly, managerial ownership is expected to mitigate agency problems by aligning the interests of managers with those of shareholders. However, excessive managerial ownership may entrench management, leading to self-serving behaviours that erode firm value (Okoye & Nwankwo, 2024). This concern is particularly relevant in the Nigerian context, where board accountability is sometimes compromised, and ownership concentration allows managers significant control with minimal checks and balances. The persistence of bank distress, poor risk management practices, and cases of insider-related abuses further highlight the challenges of ownership dynamics in the sector (Oladipo &Olasanmi, 2025).

The financial sector plays a central role in fostering economic development, mobilizing capital, and enhancing investment efficiency. However, the value of listed financial firms in Nigeria has been volatile in recent years due to corporate governance weaknesses, ownership concentration, and market inefficiencies (Okafor & Uchenna, 2022). While ownership structure, particularly institutional and managerial ownership, has been widely recognized as a mechanism for aligning the interests of managers with those of shareholders, its effectiveness in the Nigerian financial sector remains ambiguous.

Despite the theoretical expectations of a positive link between institutional and managerial ownership with firm value, empirical evidence in Nigeria remains mixed and inconclusive. Some studies report a positive relationship (Ogunleye & Adeosun,

2022), while others reveal insignificant or even negative effects (Yahaya et al., 2023). This inconsistency underscores the need for further investigation into how ownership structures shape value creation in Nigeria's financial firms, especially against the backdrop of evolving corporate governance reforms by the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC).

Given the role of financial firms in ensuring systemic stability, the unresolved question of whether institutional and managerial ownership contribute positively or negatively to firm value in Nigeria presents a significant research gap. Therefore, this examined the effect of institutional ownership and managerial ownership on the value of listed financial firms in Nigeria.

Hypotheses

To further achieve the objectives of this study, the following hypotheses are raised:

H_{01}: Managerial ownership has no significant effect on the value of listed financial firms in Nigeria.

H_{02}: Institutional ownership has no significant effect on the value of listed financial firms in Nigeria.

2. Literature Review

Concept of Firms value

One of the objectives of a firm is to maximize firm value. A higher firm value shows the prosperity level of the company owners therefore, the higher the firm value, the higher the prosperity of the shareholders. Firm value therefore becomes the major concern of the investors. The prosperity level of shareholders and investors are reflected in an entity's firm value. In other words, firm value becomes the performance indicator for finance managers (Salvatore, 2005). Firm value represents the asset owned by the company and is considered as a crucial thing since it describes the prosperity of the company's owners. Therefore, a manager, as the representative of the company, is responsible for achieving the optimal firm value (Nurul, 2014).

A good firm value is able to arouse the interest of other parties in joining the company. Modigliani and Miller (1958) stated that firm value is determined by company's asset earnings power. The positive impact of asset earning powers shows that if a company has higher earned powers, then the asset turnover will be more efficient and the profit will be higher. As a result, firm value will also increase. Besides assets and profit, the company debt policy also influences changes in firm value. The higher the debt, the higher the stock price. However, it will be the opposite in certain conditions when the benefit of debt utilization is less than the cost incurred. The debt policy can create the expected firm value, but it depends on the firm size. This means firm size will influence the competition in the stock exchange.

Managerial Ownership

According to Bernard et al (2021), managerial ownership refers to the percentage of shares owned by the managers in a corporation. This definition highlights the alignment of interests between the managers and the shareholders. When managers own shares in the company they work for, it can create an incentive for them to make decisions that enhance the company's performance and value because their financial well-being is directly tied to the company's success. The higher the percentage of shares owned by managers, the greater their influence and stakes in the company's success, which can, in turn, impact the company's performance.

Linard (2018) viewed managerial ownership as the ownership of shares owned by parties who play an active role in making decisions in the company. This definition accentuates the dual role of these managerial figures: they are both company decision-makers and shareholders. This dual role creates an incentive for them to make decisions that contribute to the company's success because their financial well-being is directly tied to the company's performance.

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. This perspective assumes institutional ownership as an important dimension of a company's ownership structure, as it reflects the collective investment by organizations that manage significant sums of money on behalf of others. These institutional investors have the potential to influence a company's direction and performance. Institutions generally purchase large blocks of a company's outstanding shares and can exert considerable influence upon its management (Will, 2019).

According to Ramsey et al. (2005), institutional ownership is described as the ownership stake in a company that is held by large financial organizations, pension funds, or endowments. Institutional ownership represents the ownership of a company's stock by large financial organizations, pension funds, and endowments. These institutional investors are not passive shareholders; they often play an active role in the management of the company due to their significant ownership stakes.

Empirical Review

Managerial Ownership and Firms value

Ogabo, et al. (2021) studied the impact of managerial ownership on firm's value of the United Kingdom's FTSE 350 companies from the 2008-2018 fiscal years. Specifically, the impact of managerial on return on asset, return on equity, and Tobin's Q as measures of performance were investigated. A panel data set of 48 companies with 432 observations was analyzed using descriptive statistics, correlation matrix, and regression analysis. The results revealed that there is a significant positive impact of managerial ownership on firm's value without any entrenchment effect at managerial ownership above 5%.

Etale and Yalah (2022) investigated the impact of ownership structure and financial performance of listed consumer goods sector firms in Nigeria for the period of 2011-2020. The data were gathered from the published financial statements of consumer goods sector firms with return on asset serving as dependent variable while managerial ownership and institutional ownership were used as explanatory variables, and analyzed through the descriptive statistics; correlation analysis, panel regression and fixed and random effect regression. The result revealed that ownership structure has robust relationship with firm`s value and financial performance. However, this study focused on listed consumer goods sector. Also, the study only used two explanatory variables of ownership structure and panel regression and fixed and random effect regression estimators can produce inefficient parameter estimates and lead to biased standard errors. Thus, it becomes very difficult and unsafe to generalize based on the findings of the study. The current study was focused on quoted financial firms.

Ismail and Ali (2020) examined the effect of ownership structure on the financial value of listed financial firms in Nigeria. Data were collected from the financial

statements of 38 financial firms quoted in the Nigerian Stock Exchange (NSE) for the periods of 2010 to 2019. The technique employed by the study was ex-post facto to examine the ownership structure effect on financial performance of financial firms quoted in NSE. The data collected were subjected to pooled General Least Square, Random and Fixed Effects regression model in testing the hypotheses of the study. In this study, ownership structure is represented by institutional ownership, managerial ownership, and ownership concentration as independent variables. Firms' financial performance as the dependent variable was represented by book value per Share. This study found that ownership structure has positive significant effect on financial performance of the quoted financial firms except ownership concentration having negative effect. However, the study measures financial performance using book value per share, which is a common financial metric. However, the study did not to discuss why this specific metric was chosen and whether it accurately represents financial performance in the context of Nigerian financial firms.

Panji and Elan (2018) conducted a study on effect of Managerial Ownership and Profitability on Firm Value Partially Against Company Value, Population in this research is the financial statements of companies Food and Beverage Industrial sector from 2012 to 2015, while the type of data and analysis used is quantitative data by using judgment sampling method or purposive sampling as sample determination. Data analysis using multiple linear regression. Furthermore, to answer the existing hypothesis with partial test (t). The result of this study is managerial ownership has a positive and significant impact on value and profitability negatively significant effect on firm value.

Using financial statements of companies in the Food and Beverage Industrial sector from 2012 to 2015 is appropriate for studying the impact of managerial ownership and profitability on firm value. Nevertheless, the study should provide more information on how the companies were selected for inclusion in the sample using the judgment sampling method. Transparency in sample selection criteria is crucial for assessing the representativeness of the sample. conversely, the number of years covered in this study is small and it's likely to reveal unconvincing result which is a distortion to the authenticity of the findings.

Institutional Ownership and Firms value

Abedin, et al (2022), investigated the impact of institutional ownership on firm's value in the Bangladeshi setting. Using the Ordinary Least Square (OLS) estimation technique based on a sample of 180 listed firms from 2008 to 2018, Consistent with the "active monitoring" view, the results indicate that both domestic and foreign institutional investors have a positive effect on firm's value measured by Tobin's Q and Return on Asset (ROA). In addition, this study explores whether the other corporate governance attributes board size and board independence operate as mediators between institutional ownership and firm's value. Our findings indicate that both board size and board independence have a significant positive impact on the relationship between institutional ownership and firm's value. However, the findings of this study are not applicable to financial firms in Nigeria thereby justifying the present study.

Awais et al. (2018) conducted an analysis of how ownership structure impacts firm's value and valuation across various geographical regions within mainland China. The study categorized China into six distinct geographical regions and utilized cross-sectional data from companies with A-shares listed on domestic stock exchanges in China as of year-end 2015. By leveraging data from the CSMAR and Wind databases, they employed multivariate regression techniques to systematically examine the

consistency of the relationship between operational variables of ownership structure and corporate performance and valuation. Their findings revealed that institutional ownership and state ownership had a negative impact on market valuation across different geographical regions of China.

Additionally, in regions such as East, Northwest, South Central, and Southwestern China, managerial ownership and the concentration of shareholding among the top 10 shareholders positively influenced Return on Equity (ROE). Interestingly, institutional shareholding negatively affected Return on Assets (ROA), while institutional ownership showed a neutral effect on profitability margins in Northeast China, with a slightly positive relationship observed in the Northern part of China. Moreover, in the East China region, state ownership and ownership concentration demonstrated a direct proportional relationship with profitability margins. However, it's important to note that the use of cross-sectional data limited the study's ability to capture dynamic changes over time. Given that firm's value and ownership structures can evolve, incorporating longitudinal data or conducting a time-series analysis would offer a more comprehensive understanding of the relationships under investigation.

Etale and Yalah (2022) conducted research on the influence of ownership structure on the financial performance of listed consumer goods sector companies in Nigeria from 2011 to 2020. They collected data from the financial statements of these firms, with return on assets as the dependent variable and managerial ownership and institutional ownership as explanatory variables. The analysis included descriptive statistics, correlation analysis, as well as panel regression and fixed and random effect regression. The findings indicated a strong relationship between ownership structure and firm value and financial performance. However, the study was limited to the listed consumer goods sector and used only two explanatory variables, and the regression techniques employed could lead to inefficient parameter estimates and biased standard errors. Therefore, generalizing based solely on these findings may be challenging and risky. The current study will focus on quoted financial firms.

Theoretical Framework

Agency Theory

Agency theory, which has its root from the classical work of Berle & Means (1932), but modernized by Jensen and Meckling (1976). Jensen and Meckling (1976) define an agency relationship as a contract that involves one or more people (principal) with other parties (agent) to do something according to the principal's wishes. This contract includes the delegation of authority in making decisions from shareholders to the company. If the shareholder (principal) and company (agent) try to maximize their respective profits, it concludes that the agent will not always carry out the principal's wishes. When applied in the context of a company, the concept of principal and agent means the principal is the shareholder or other stakeholder, while the agent is the internal party of the company where stakeholders invest or delegate authority.

The Institute of Chartered Accountants (ICA) (2005) explains that agency problem arises due to lack of information, self-interest, lack of trust, and temptation to pursue personal goals by agents. The concept has extensively been adopted by different scholars and researchers to examine the information asymmetry between principals and agents (Donaldson & Davis, 1991; Selznick, 1994). It is also a delegation of authority from the owners to the managers to run daily operational activities. The agency theory states that an organization constitutes a set of interrelated contracts between the

managers and principals who have been authorized to control the significant body of work associated with these resources under the principal-agent framework (David & Slyke, 2007). Agency theory also covers the analysis of the organization to include managerial motivation to separate ownership and control in organizational governance (David & Sylke, 2007).

It was indicated by Jensen and Meckling (1976) and Fama and Jensen (1983), that agency problems were increased due to the asymmetry of information among owners and managers. Managers have an incentive to behave in an opportunist way to serve their interests, but this may abuse shareholders' interests. Hence, agency theory provides a valuable analytical framework for understanding and explaining the relationships between principals and agents in various organizational and economic settings. It offers a structured way to analyze conflicts of interest and develop solutions to mitigate agency problems.

The theory emphasizes the importance of aligning the interests of principals and agents to reduce agency costs. By designing effective incentive systems, contracts, and monitoring mechanisms, principals can encourage agents to act in ways that benefit the organization. Agency theory is applicable to a wide range of contexts, including corporate governance, contracts, and relationships within organizations. It has been widely used in fields such as finance, management, and economics to study and address issues related to agency problems.

The theory according to Shleifer and Vishny (1988) can be used to predict and explain behaviors and decisions in situations where there is a separation of ownership and control. However, according to Hirsch (1990), the agency theory is a concept that is sometimes unsuited to social life. It assumes that actors are self-interested and indivisible; and that the market is in no way influenced by social relations. In addition, it assumes that behaviour is motivated solely by personal financial interests and that cooperation indicates a contract between the parties.

Nevertheless, the action of the manager, like all social actions, is rooted in the social structures in progress and is not entirely determined by economic incentives and information asymmetries. Thus, it seems unrealistic that the agency theory adopts a vision in which individuals and organizations are being primarily motivated by financial gain (Hirsch, 1990). One knows from behavioural research that individuals are motivated by status, their community, their need for self-fulfillment, etc. Even if we accept the principle that individuals are rational, selfish and opportunistic, this does not undermine the role of non-monetary incentives such as prestigious awards as effective mechanisms for the reduction of agency problems.

The agency theory assumes that behaviours and consequences are relatively homogeneous and easily controlled, which is not true in the real world. In a complex network of dyadic relations for example, the simplicity of the dichotomous choice between the monitoring and the proposal of incentives to regulate the conduct or outcome is not effective. Also, to stay guarded against opportunistic behaviour can lead to stifled initiatives, creativity, entrepreneurship and innovation in companies, a cost that is often ignored by agency theorists (Davis and al. 1997).

The agency theory is so related to this study in the sense that it underlies the relationship between ownership structure, firm's value and firm value. The shares held by various class of individuals and institutions will cause these shareholders to have control or power to force the company to run optimally, both in operational, investment, and other corporate activities. The manager who also owns shares in a company will maximize all his abilities and powers such as investment decisions, funding decisions, and so on to achieve the best company performance. If the company's performance has

been able to meet the shareholders' expectations, they consider that the company's share price deserves a high value.

3. Methodology

This study adopts Ex post facto research design. The population of this study is made up of forty-eight (48) financial services firms listed on the floor of the Nigerian Exchange (NGX) Group from year 2014 to 2023.Panel multiple regression analysis was adopted to examined the dynamic relationship between managerial and institutional ownership and firms value over a specified time period for multiple entities.

FV = *f*(MOW, INSTOW). The said models is highlighted below:

$FV_{it}=\beta_0+\beta_1 MOW_{it}+\beta_2 INSTO_{it}+e_{it}$

Where: FV= Firms Value**;** B_0= (coefficient of β intercept)**;** MOW= Managerial ownership**;** INSTO= Institution ownership**;** β_1- β_2= Regression coefficients of independent Variables.

4. Result and Discussion of Findings

Descriptive Result

Table 1

Descriptive Statistics

	Mean	Max	Min	Std. Dev	Skew	Kurt	Obs
FV	0.379304	0.795000	0.016035	0.181063	0.005479	2.495337	480
MOW	0.278127	0.599333	0.000000	0.130498	-0.33214	2.400263	480
INSTO	0.517427	0.985000	0.000000	0.292810	-0.25713	1.661810	480

Source: ***E-Views Output 2025***

Table 1 presents the descriptive statistics for firm value (FV), managerial ownership (MOW), institutional ownership (INSTO)for the sampled listed financial companies in Nigeria over the study period. The results show that the average firm value (FV) stood at 0.3793, with a minimum of 0.0160 and a maximum of 0.7950. This finding indicates that, on average, the market valuation of the sampled financial firms is below unit, suggesting that the majority of these firms are undervalued relative to their book assets. The standard deviation of 0.1811 reveals moderate variation in firm value across the sample, while the near-zero skewness (0.0055) confirms that the distribution of firm value is fairly symmetric. The kurtosis value of 2.4953, which is slightly below the normal benchmark of three, suggests that the distribution is platykurtic, indicating thinner tails and less extreme outliers among the observations.

Managerial ownership (MOW) has an average of 0.2781, which implies that managers in the sampled financial companies own approximately 28% of the shares. This level of insider ownership is moderately high and suggests that managers have a meaningful stake in the firms, potentially aligning their interests with those of shareholders. The minimum value of zero indicates that some firms have no managerial ownership at all, whereas the maximum value of 0.5993 shows that in certain firms, managers control almost 60% of equity. The standard deviation of 0.1305 reflects some level of dispersion across firms. The skewness value of –0.3321 suggests a slight left skew, meaning that a higher proportion of firms are concentrated toward higher levels of managerial ownership. The kurtosis value of 2.4003, being slightly below three, indicates a distribution close to normal.

Institutional ownership (INSTO) averages 0.5174, suggesting that institutional investors such as pension funds, insurance companies, and investment firms hold the largest proportion of equity in Nigerian financial companies. This finding highlights the dominant role of institutional investors in shaping the ownership structure of the sector. The maximum institutional ownership recorded was 98.5%, indicating near-total control by institutions in certain firms, while the minimum of zero shows that some companies have no institutional involvement. The relatively high standard deviation of 0.2928 underscores significant variations in institutional holdings across firms. The skewness value of –0.2571 suggests a mild tilt toward higher institutional ownership, while the kurtosis value of 1.6618 indicates a flat or platykurtic distribution, meaning that institutional ownership is spread more evenly across firms without extreme outliers.

Table 2

Correlation Matrix

Correlation Probability	**FV**	**MOW**	**INSTO**
MOW	0.137239		
	0.0026		
INSTO	0.127074	0.003331	
	0.0053	0.9420	
OWC	0.250807	0.158520	0.543030
	0.0000	0.0005	0.0000
FOW	-0.130049	0.122692	-0.207577
	0.0043	0.0071	0.0000

Source: ***E-Views Output 2025***

The correlation matrix presented in Table 2 provides insights into the degree and direction of association among the study variables, namely firm value (FV), managerial ownership (MOW), and institutional ownership (INSTO). The correlation between FV and MOW is positive (0.1372) and statistically significant at the 1% level ($p = 0.0026$), indicating that as managerial ownership increases, firm value tends to improve, albeit modestly. This finding aligns with the entrenchment-alignment hypothesis, which suggests that when managers hold a stake in the firm, their interests are more closely aligned with shareholders, reducing agency costs and enhancing firm performance.

Similarly, FV and INSTO are positively correlated (0.1271) and statistically significant ($p = 0.0053$). This implies that institutional investors play an important monitoring role, and their presence contributes to better firm valuation. Institutions, due to their expertise and resources, can effectively reduce information asymmetry and enforce discipline in managerial decision-making.

Table 3

Variance Inflation Factors

Variable	Coefficient Variance	Centred VIF
MOW	0.003876	1.050708
INSTO	0.001091	1.488365
C	0.001529	NA

Source: *E-Views Output 2025*

Table 3 presents the Variance Inflation Factor (VIF) results, which are essential for diagnosing the presence of multicollinearity among the explanatory variables of the model. Multicollinearity arises when two or more independent variables in a regression model are highly correlated, leading to unreliable coefficient estimates and inflated standard errors (Gujarati & Porter, 2009). The commonly accepted threshold, according to Hair et al. (2019), is that a VIF value greater than 10 indicates severe multicollinearity, while a value close to 1 suggests the absence of the problem.

From table 3, the VIF values for the explanatory variables are: Managerial Ownership (MOW) = 1.05, Institutional Ownership (INSTO) = 1.49, In fact, the results suggest that the ownership structure variables included in the model managerial ownership, institutional ownership, are relatively independent of one another and do not introduce harmful multicollinearity into the regression analysis.

Table 4

Heteroskedasticity Test

Null hypothesis: Homoskedasticity			
F-statistic	4.239067	Prob. F(4,475)	0.0022
Obs*R-squared	16.54417	Prob. Chi-Square(4)	0.0024
Scaled explained SS	13.20430	Prob. Chi-Square(4)	0.0103

Source: *E-Views Output 2025*

Table 4 presents the heteroskedasticity test result for the regression model. The null hypothesis of the test is that the error terms are homoskedastic (i.e., they have constant variance across observations). The F-statistic of 4.239067 with a probability value of 0.0022, the Obs*R-squared statistic of 16.54417 with a probability of 0.0024, and the Scaled Explained SS statistic of 13.20430 with a probability of 0.0103 all indicate that the null hypothesis of homoskedasticity is rejected at the 1% significance level. This outcome suggests the presence of heteroskedasticity in the data, meaning that the error variances are not constant across the observations. Heteroskedasticity can bias the efficiency of the Ordinary Least Squares (OLS) estimators, leading to unreliable test statistics, even though the coefficient estimates remain unbiased.

To address this issue, robust standard errors (e.g., White's heteroskedasticity-consistent estimators) should be applied to ensure valid inferences about the relationships between managerial ownership (MOW), institutional ownership (INSTO), ownership concentration (OWC), foreign ownership (FOW), and firm value (FV). This adjustment helps to correct for the heteroskedasticity problem and ensures that the significance tests for the explanatory variables are reliable.

Table 5

Correlated Random Effects - Hausman Test

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.773052	4	0.0424

Source: *E-Views Output 2025*

The results presented in Table 4.5 show the outcome of the Correlated Random Effects Hausman Test, which is used to decide between the fixed effects model and the random effects model in panel data analysis. The test statistic (Chi-Sq.) is 6.773052 with 4 degrees of freedom, and the corresponding probability value is 0.0424. The null hypothesis of the Hausman test states that the random effects model is preferred because the unique errors are not correlated with the regressors, while the alternative hypothesis suggests that the fixed effects model is more appropriate. Given that the p-value (0.0424) is less than the 5% significance level, the null hypothesis is rejected. This implies that the random effects model would yield inconsistent estimates due to correlation between the error term and explanatory variables. Therefore, the fixed effects model is the most suitable estimator for this study as it provides consistent and reliable parameter estimates (Greene, 2018; Wooldridge, 2019).

Table 6

Regression Result

Dependent Variable: FV

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
MOW	0.034811	0.039208	0.887862	0.3751
INSTO	-0.012198	0.024503	-0.497812	0.6189
		R-squared		0.869703
		Adjusted R-squared		0.854177
		F-statistic		56.01564
Durbin-Watson stat	1.324040	Prob(F-statistic)		0.000000

Source: ***E-Views Output 2025***

The regression analysis investigates the effect of ownership structure variables. The coefficient of Managerial Ownership (MOW) is 0.034811 with a probability value of 0.3751, which is statistically insignificant at the conventional levels ($p > 0.05$). This suggests that although managerial ownership has a positive relationship with firm value, the effect is not strong enough to influence firm value significantly. In other words, increased managerial ownership does not necessarily translate into improved firm value within the sampled companies. This outcome may imply that managers, despite having stakes in the firms, may not be aligning their decisions optimally with shareholder wealth maximization.

The coefficient of Institutional Ownership (INSTO) is -0.012198 with a probability value of 0.6189, which is also insignificant. This negative but weak effect suggests that institutional investors' presence does not significantly affect firm value in the Nigerian industrial goods sector. It is possible that institutional investors are more

passive in their monitoring role or that their influence is not strongly felt in governance and decision-making, thereby failing to contribute meaningfully to value enhancement.

The model's overall explanatory power is high, with an R-squared of 0.8697 and an Adjusted R-squared of 0.8542, indicating that about 87% of the variations in firm value are explained by the ownership structure variables. The F-statistic of 56.01564 with a probability value of 0.000000 confirms that the model is statistically significant as a whole, meaning that the ownership structure variables jointly explain variations in firm value. The Durbin-Watson statistic of 1.3240 is slightly below the conventional benchmark of 2, suggesting some mild positive autocorrelation in the residuals, though not severe enough to undermine the validity of the results.

Discussion of Findings

The findings of this study provide empirical evidence on the effect of ownership structure on the value of listed financial firms in Nigeria. The results are consistent with the objectives of the study and are discussed in line with existing literature. Firstly, the result on managerial ownership (MOW) reveals a positive but statistically insignificant effect on firm value. This implies that although an increase in managerial shareholding is associated with higher firm value, the relationship is weak and not statistically meaningful within the Nigerian financial sector. This finding aligns with the alignment of interest hypothesis, which suggests that managers who hold equity stakes in firms are motivated to act in the best interest of shareholders. However, the insignificance may also indicate that the level of managerial ownership in Nigerian financial firms is relatively low, thereby limiting its potential impact on firm value. This is consistent with prior studies (Mohammed & Ibrahim, 2022) that observed a weak or insignificant role of managerial ownership in shaping firm outcomes within emerging markets.

The result on institutional ownership (INSTO) shows a negative but statistically insignificant effect on firm value. This implies that, although the involvement of institutional investors such as pension funds, insurance firms, and mutual funds is expected to improve governance quality and reduce agency problems, such expectations do not materialize significantly in the Nigerian financial sector. This outcome corroborates the arguments of Adegbite (2015), who emphasized that the institutional framework in Nigeria still lacks the robustness needed for effective shareholder activism.

Similarly, Okafor and Eze (2021) found that institutional investors in Nigeria often fail to exert significant influence on firm outcomes, largely due to limited enforcement of corporate governance codes and the possibility of collusion between institutional shareholders and management. In essence, while institutional ownership holds theoretical potential for enhancing firm value, the Nigerian context reflects a gap between theory and practice, highlighting the need for stronger regulatory support and more active participation of institutional investors in firm governance.

5. Conclusion and Recommendations

This study examined the effect of ownership structure on the value of listed financial services firms in Nigeria over the period 2014 to 2023. The study found a positive but statistically insignificant relationship between managerial ownership and firm value. This suggests that while managerial shareholding has the potential to align managers' interests with shareholders' objectives, in practice, the level of managerial ownership in Nigerian financial firms may not be substantial enough to significantly

enhance firm value. The results indicate a negative but statistically insignificant effect of institutional ownership on firm value. This implies that institutional investors in Nigeria may not be fully effective in influencing managerial decisions or enhancing value creation, potentially due to passive participation or regulatory limitations.

Based on the study findings and conclusions, the recommended that, financial firms should be threshold levels of managerial shareholding to strengthen alignment between management and shareholders. Also, regulatory authorities should promote active engagement of institutional investors in corporate governance. Policies that incentivize oversight, transparency, and long-term strategic involvement could help institutional investors positively impact firm value.

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