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OWNERSHIP ATTRIBUTES AND FIRM VALUE OF LISTED FINANCIAL SERVICES FIRMS IN NIGERIA

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Abstract

This study examined the ownership attributes and firm value of listed financial services firms in Nigeria. Panel data were obtained from the annual reports of selected financial services firms listed on the Nigerian Exchange (NGX) Group over a ten (10)-year period and the data were analyzed using panel regression techniques. The findings revealed that ownership attributes exert a negative and statistically insignificant influence on firm value, suggesting that excessive concentration of ownership may not enhance firm performance or market valuation. Conversely, foreign ownership was found to have a negative and statistically significant impact on firm value, the study concludes that while diversified ownership may promote accountability and monitoring, excessive concentration of shares and dominant foreign influence could weaken long-term value creation. It recommends that regulators encourage a balanced ownership structure to safeguard firm value, while firms should strategically engage foreign investors in ways that enhance governance, innovation, and competitiveness.

Keywords: foreign ownership, ownership concentration, firm value, listed financial services firms, Nigeria

1. Introduction

The structure of equity ownership is foundational to how firms are governed and valued, particularly in commercial and merchant bank such as Nigeria's. Two ownership dimensions are especially salient; foreign ownership, which links local firms to international capital and expertise, and ownership concentration, which determines the balance of control between block holders and dispersed investors. In principle, foreign shareholders can enhance firm value by importing managerial know-how, governance discipline, and access to low-cost global funding classic predictions of resource dependence and signalling perspectives (Donaldson & Davis, 1991; Selznick, 1994).

At the same time, concentrated block holdings may either strengthen monitoring and reduce agency costs or, conversely, encourage private-benefit extraction and minority-shareholder expropriationambivalence captured by agency and entrenchment arguments (Fama& Jensen, 1983; Morck et al., 1988; Shleifer &Vishny, 1988).

In the Nigerian context, these theoretical predictions play out against a distinctive institutional and macroeconomic backdrop. The last decade has seen recurrent foreign-exchange volatility, episodic monetary and regulatory tightening, and renewed bank recapitalization initiatives, all of which shape the payoff to foreign participation and the incentives of controlling owners in financial firms (Greene, 2018; Wooldridge, 2019). Pension reforms have simultaneously deepened the domestic

institutional investor base, but foreign portfolio flows remain sensitive to currency risk and policy credibility factors that can attenuate the value benefits commonly associated with foreign stakes (National Pension Commission, 2022; Nuhu & Ibrahim, 2023; Okafor & Uchenna, 2022).

The financial services firm plays a crucial role in driving economic stability and development in Nigeria, accounting for about 3.5% of the nation's Gross Domestic Product (GDP) in 2023 National Bureau of Statistics (NBS, 2023). Yet, the sector has faced persistent challenges relating to ownership structure, governance, and firm value creation. The structure of ownership attributes and value has become a topical issue in corporate governance and finance literature because of its implications for monitoring effectiveness, capital inflows, risk-taking, and ultimately, firm value (Salihu et al., 2024; Adewuyi & Oboh, 2021).

Ownership concentration in Nigeria is historically high, with dominant block holders often families, state institutions, or strategic investors controlling significant portions of shares in financial firms. While concentrated ownership can reduce agency problems through closer monitoring (Shleifer &Vishny, 1988), it may also lead to entrenchment effects, where majority owners pursue private benefits at the expense of minority shareholders, undermining firm value (Fama& Jensen, 1983; Okoye & Nwankwo, 2024). Empirical evidence from Nigeria is inconclusive, as some studies suggest concentrated ownership enhances monitoring and performance, while others find it exacerbates expropriation and reduces firm value (Etale et al., 2023).

Similarly, foreign ownership has attracted significant attention due to its dual role in financial markets. On one hand, foreign investors are perceived as sophisticated shareholders who introduce global best practices, improve governance standards, and enhance firm valuation through capital, technology, and expertise (Awais et al., 2018; Usman & Khadija, 2024). On the other hand, excessive foreign ownership raises concerns about profit repatriation, limited local reinvestment, and potential vulnerability of domestic financial firms to external shocks (Oladipo & Olasanmi, 2025). In Nigeria, foreign investors held an estimated 26.9% of equities in the Nigerian Exchange (NGX) by mid-2023, reflecting a significant stake in determining firm value dynamics (NGX, 2023).

Despite these realities, the effect of foreign ownership and ownership concentration on firm value in Nigeria's financial sector remains largely underexplored and inconclusive. Prior studies have produced mixed findings: while some argue that foreign and concentrated ownership enhance firm performance by strengthening governance (Donaldson & Davis, 1991; Adegbite, 2015), others highlight their detrimental effects on firm value due to entrenchment, conflict of interest, and short-term profit orientation (Berle & Means, 1932; Hirsch, 1990; Selznick, 1994).

Moreover, most Nigerian studies have focused on industrial or consumer goods sectors, with limited attention given to the financial sector, which operates under distinct regulatory, structural, and risk conditions. Given the increasing globalization of capital markets, the Nigerian government's drive to attract foreign investment, and the strategic importance of financial firms to economic growth, there is a pressing need to empirically investigate how foreign ownership and ownership concentration shape firm value in listed financial institutions. The study examined the effect of foreign ownership and ownership concentration on the value of listed financial services firms in Nigeria.

Hypotheses

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

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

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

2. Literature Review

Concept of Firm's value

Güleryüz (2009) said that firm value was the acquisition and the trade value of the company anticipated by volunteer buyers and sellers with thorough information about the company free from any problem. This is an indicator that study on firm value is relevant in all aspects of business. This is the reason why different measurements of firm value were used, such as Earnings Capitalization Model, Market Value Added, Economic Value Added, Market Value of year-end stocks (Huang, et al., 2006), Return on Asset, Earnings Per Share (Gherghina, 2014) and Tobin's Q.

To measure the value of the firm, the study will use Tobin's Q. Tobin's Q measures the relationship of the firm stock market value to the firm's resources replacement cost (Sahay & Pillai, 2009). It is considered as the best predictor of market correction (Pett, 2013) and it can also explain the majority of the investment variability (Cooper &Ejarque, 2003). It can also be applied in the financial condition analysis of the company which means that the investors who acquire the firm stock would first calculate the Tobin's Q. A high firm value indicates that the replacement value of the plant and equipment of the company was low and vice versa. By this, the companies with high Q coefficient were deemed appropriate (Jahani, et al., 2013). Due to data limitations, a substitute measure of Tobin's Q ratio is used for the present study. It is calculated by first adding the market value of equity, book value of preferred stock and book value of debt and then dividing the sum with book value of assets (Sweety & Mandeep, 2014).

Concept of Foreign Ownership

Foreign Ownership represents the ratio of shares held by foreign investors to the total common outstanding shares of the company. This term refers to the ownership of a company's shares by investors or entities that are based in foreign countries. These foreign investors may include individuals, institutional investors, foreign corporations, or foreign government entities.

Udisifan (2020) sees foreign ownership as the number and value of shares owned by foreigners that are non-citizen of where the company is domicile. This captured the extent to which a company is globally connected and how international investors impact its ownership structure and, consequently, its business operations and performance. Foreign ownership is assessed by considering both the quantity (number) and the total market value (monetary worth) of shares held by non-citizens. This information helps gauge the level of foreign influence and investment in the company.

Concept of Ownership Concentration

Ownership concentration refers to the spreading of the shares owned by a certain number of individuals or institutions; the ownership mix on the other hand, is related to certain institutions or groups such as government, private company or foreign partners among the shareholders (Claessens & Fan, 2002). Ownership concentration, as defined by Thomsen and Pedersen (2000), refers to the presence of significant or large block holders in a firm. Large block holders are individuals or entities that hold a substantial portion of a company's shares.

These block holders typically have significant ownership stakes, which can grant them considerable influence and control over the company's decision-making processes and performance. Ownership concentration describes the concentration degree of voting rights which is evaluated by the voting right of the largest shareholder, and also by the summation of voting rights of both the second and third largest shareholders. Ownership concentration can also be exemplified by the divergence ratio of the largest shareholder. Owner identity is measured by the type of the largest shareholder; whether foreign, domestic or state owners (La Porta, et al. 2002).

Empirical Review

Foreign Ownership

Suleiman and Nasamu (2021) conducted a study on the effect of foreign ownership on the firms` value and financial performance of listed oil and gas companies in Nigeria for the period of 2006-2019. Secondary data was extracted from the financial reports and accounts of the sample companies. Robust OLS as the best estimator of the regression model was used to analyzed the data extracted. The study found that foreign ownership has a positive significant effect on the firms` value and financial performance of oil and gas companies in Nigeria. However, the study only made use of one ownership structure attribute, ignoring others that are equally of immense importance. Meanwhile, this current study integrates other attributes.

Doung et al., (2021) examined the relationship between foreign ownership and listed firms' performance in Vietnam. This study employs an extensive set of panel data comprising 288 non-financial listed Vietnamese firms, over a period from 2015 to 2019 taken for analysis. The results showed that the higher the foreign ownership ratio, the higher the performance, however, the relationship between foreign ownership and firms value is U-shaped. In contrast, when the foreign ownership ratio is becoming too high, it will reduce the firms value and firm size, liquidity, financial leverage, capital intensity, and growth opportunities. Furthermore, the study also found that foreign ownership and performance are linked by an inverted U-shaped relationship. A firm's value increases with greater foreign ownership up to the range of 36.26%, and declines thereafter. The studies were robust enough employing an expensive number of variables. However, the result still may not completely rely upon, due to the setting of the research data that is non-African.

Muhammad (2021), examined the relationship between ownership concentration and owner identity on firm's value of non-financial listed firms of Pakistan by taking firm-level control variables of size, age, liquidity, financial leverage, and growth of the firm. Secondary data is collected from annual reports of 65 non-financial listed firms for the year 2008 to 2012. The least-square dummy variable model followed by the random effect model has been employed to statistically determining the impact of ownership structure on firm's value. The results of the least square dummy variable model reveal that the ownership concentration has a significant positive impact on firm's value. The owner identity (such as dispersed, family, institutional, and government ownership) has a significant causal effect on firm's value.

Firm's Value

Mohammad (2019), examined the effect of foreign ownership on firm's value using a panel data consisting of 66 non-financial firms listed in the Indonesia Stock Exchange. Five-year period data from 2014 to 2018 is considered. The result of the random effects model indicates that foreign ownership has a positive and significant effect on firm's value; foreign firm ownership is found to have more roles in encouraging performance than what foreign institutional investors can do.

Khadijat and Rodiat (2018), examined the effects of ownership concentration on firm value of Nigerian deposit money banks. The study used a sample of fifteen (15) banks quoted on the Nigerian Stock Exchange. The study employed secondary data which was obtained from Audited Report of Nigerian deposit money banks for a period of nine years (2008-2016). The data obtained were subjected to System Generalized Moment Method. Findings reveal that only institutional ownership has positive and significant effect on financial performance.

Theoretical Framework

Signaling Theory

Signaling Theory was first developed by Michael Spence in 1973 as part of his work on information asymmetry in the labor market. In his seminal paper "Job Market Signaling," Spence demonstrated how individuals (job seekers) could signal their ability to potential employers by obtaining educational qualifications. His theory explained how one party (the sender) can credibly convey information to another party (the receiver) in situations where there is an asymmetry of information. This concept has since been applied widely across various fields, including economics, finance, and corporate governance, to explain how firms signal their value and prospects to outside investors through actions such as ownership structure, dividend payouts, and corporate strategies.

One of the core strengths of signaling theory is its ability to mitigate the challenges posed by information asymmetry, where one party (e.g., insiders) has more or better information than another party (e.g., external investors). By signaling their intentions or capabilities, firms can help balance this information gap. The theory provides a framework for understanding how investor behavior is influenced by observable actions taken by firms, such as changes in ownership structure or financial policies (Morck et al, (1988). These actions can serve as signals of future performance or risk.

Incentivizes Strategic Behavior

The theory highlights the importance of strategic behavior by firms and individuals. In corporate settings, management or key shareholders may take specific actions, such as increasing managerial ownership or paying dividends, to signal firm value to external stakeholders. However, one key limitation of signaling theory is that signals must often be costly to be credible. For example, for a firm to credibly signal its value through ownership structure or dividend policy, there may be significant costs involved, such as dilution of control or loss of financial flexibility.

Riley (2001) explains that for signals to be credible, they often need to involve a cost. For example, in the case of increased managerial ownership or dividend payouts, these actions come with financial costs or loss of flexibility, making them credible only if firms are genuinely signaling future strength. If the cost of signaling is too high, it might deter firms from using this approach. Similarly, Signals are open to interpretation, and different investors may interpret the same signal in different ways. For instance, while increasing managerial ownership may be seen as a positive signal by some, others might view it as a sign of entrenchment, where managers are securing their positions for personal benefit rather than maximizing shareholder value**.**

Healy and Palepu (2001) argued that different stakeholders may interpret the same signal differently. While some may view increased managerial ownership as a positive indicator of alignment between management and shareholders, others might perceive it as a sign of entrenchment (Shleifer and Vishny, 1997), where managers are securing their position for personal gain rather than maximizing shareholder wealth.

Firms or individuals may attempt to send false signals or manipulate the perception of their value without genuinely improving their fundamentals. For example, a firm might artificially inflate its stock price by increasing dividends or manipulating financial reports to signal profitability when the true situation is less favorable.

This theory relates to this study because its plays a critical role in understanding how ownership structure in firms can convey valuable information to the market and investors. Significant managerial ownership serves as a strong signal of management's confidence in the firm's future. If management holds a large portion of the firm's shares, it signals to external investors that management has faith in the firm's long-term profitability and stability. This alignment of interests between management and shareholders is particularly important in Nigeria, where agency problems may be more pronounced due to governance challenges.

3. Methodology

This study adopts Ex post facto research design. The population of this study is made up of 48 financial firms listed on the floor of the Nigerian Exchange Group (NGX) 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*(OCW, FOW).

The said models are as highlighted below:

$FV_{it}=\beta_0+\beta_1 OCW_{it}+\beta_2 FOW_{it}+e_{it}$

Where: FV= Firms Value; B_0= (coefficient of β intercept)**;** OWC= Ownership concentration; FOW= Foreign ownership**;** β_1- β_2= Regression coefficients of independent Variables.

4. Result and Discussion of Findings

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
OWC	0.635242	0.978000	0.122000	0.222412	-0.54908	2.234293	480
FOW	0.294164	0.500000	0.085000	0.088304	-0.32894	2.668200	480

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

Table 1 presents the descriptive statistics for firm value (FV), ownership concentration (OWC), and foreign ownership (FOW) 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 unity, suggesting that the majority of these firms are undervalued relative to their book assets. Such a valuation trend is consistent with the broader challenges facing Nigeria's capital market, including issues of liquidity, investor confidence, and regulatory uncertainties. 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.

Ownership concentration (OWC) reveals an average of 0.6352, suggesting that ownership in Nigerian financial firms is generally concentrated in the hands of a few block holders. With a maximum concentration of 97.8%, some firms are almost entirely controlled by large shareholders, whereas the minimum of 12.2% reflects relatively dispersed ownership in other firms. The standard deviation of 0.2224 demonstrates substantial heterogeneity in concentration levels. The skewness of –0.5491 indicates that most firms tend toward higher ownership concentration, while the kurtosis of 2.2343 shows a near-normal but slightly flatter distribution. This high degree of concentration raises questions about the potential dominance of controlling shareholders and its implications for minority shareholder rights and market valuation.

Foreign ownership (FOW) has an average of 0.2942, meaning that foreign investors account for approximately 29% of the equity in the sampled firms. This result suggests moderate foreign participation in Nigeria's financial sector. The maximum value of 0.5000 indicates that foreign investors own up to half of the equity in certain companies, while the minimum of 0.0850 shows limited foreign involvement in others. The standard deviation of 0.0883 indicates relatively low variation in foreign ownership compared to institutional or blockholder ownership. The negative skewness value of –0.3289 suggests a tendency toward higher foreign ownership levels, while the kurtosis of 2.6682 indicates a slightly peaked distribution, implying that foreign ownership is more clustered around the mean.

Table 2

Correlation Matrix

Correlation Probability	**FV**	**INSTO**	**OWC**
	0.0053		
OWC	0.250807	0.543030	
	0.0000	0.0000	
FOW	-0.130049	-0.207577	-0.066656
	0.0043	0.0000	0.1448

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), ownership concentration (OWC), and foreign ownership (FOW). The correlation between FV and OWC is also positive and relatively stronger (0.2508) with high statistical significance (p = 0.0000). This suggests that concentrated ownership is associated with higher firm value, possibly because concentrated shareholders have both the incentives and the power to monitor management effectively. However, in some contexts, excessive concentration may lead to expropriation of minority shareholders, although the present result suggests that, on average, concentration benefits firm value.

On the contrary, the relationship between FV and FOW is negative (-0.1300) and statistically significant (p = 0.0043). This indicates that higher levels of foreign ownership are associated with lower firm value. A possible explanation could be that foreign investors might lack adequate local knowledge, face regulatory or cultural constraints, or adopt a short-term investment horizon, which may not always translate into improved valuation.

Table 3

Variance Inflation Factors

Variable	Coefficient Variance	Cantered VIF
OWC	0.001868	1.471018
FOW	0.008565	1.063108
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: Ownership Concentration (OWC) = 1.47, and Foreign Ownership (FOW) = 1.06. All these values fall below the critical threshold of 10, implying that the independent variables in this study are not highly correlated. In fact, the results suggest that the ownership structure variables included in the model managerial ownership, institutional ownership, ownership concentration, and foreign 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.

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

Result of the Analysis

Dependent Variable: FV				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
OWC	-0.024714	0.034358	-0.719325	0.4723
FOW	-0.129796	0.059085	-2.196771	0.0286
R-squared	0.869703			
Adjusted R-squared	0.854177			
F-statistic	56.01564			
Prob(F-statistic)	0.000000			
Durbin-Watson stat	1.324040			

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

The regression analysis sought to examine the effect of ownership concentration (OWC) and foreign ownership (FOW) on the value of listed financial firms in Nigeria. The results presented in Table 6 indicate that ownership concentration (OWC) has a negative but statistically insignificant effect on firm value ($\beta = -0.0247$, $p > 0.05$). This suggests that concentrated ownership, often associated with large block shareholders, does not significantly enhance or diminish firm value in Nigerian financial firms. This finding aligns with Berle and Means (1932), who argued that concentrated ownership can lead to entrenchment, thereby limiting managerial accountability. However, it also supports the view of Fama and Jensen (1983), who noted that while ownership concentration may reduce agency costs, its benefits depend largely on the institutional and governance context of the firm. In Nigeria, weak enforcement of investor protection laws and potential collusion between large shareholders and management may neutralize the expected positive effect of concentrated ownership on firm value (Adegbite, 2015).

Foreign ownership (FOW), on the other hand, exhibits a negative and statistically significant relationship with firm value ($\beta = -0.1298$, $p < 0.05$). This implies that an increase in foreign shareholding is associated with a decline in the market value of listed financial firms. This finding is contrary to the common argument that foreign investors bring superior managerial expertise, technology transfer, and global best practices, which should enhance firm performance (Awais et al., 2018; Bernard et al., 2021). Instead, it supports the argument that foreign ownership may introduce conflicting interests, repatriation of profits, and limited long-term commitment to domestic economic development (Davis & Slyke, 2007). In the Nigerian context,

foreign investors often prioritize short-term capital gains and may divest during periods of economic instability, thereby negatively impacting firm valuation (Etale &Yalah, 2022).

The high R-squared value (0.8697) indicates that approximately 87% of the variation in firm value is explained by ownership structure variables, suggesting a strong explanatory power of the model. The overall model is statistically significant, as evidenced by the F-statistic (56.0156, $p < 0.01$). However, the Durbin-Watson statistic (1.32) suggests some degree of positive autocorrelation, which may point to underlying time-series dynamics in the data that were not fully captured.

5. Conclusion and Recommendations

This study examined the effect of the effect of foreign ownership (FOW) and ownership concentration (OWC) on the firm value (FV) of listed financial firms in Nigeria. The results reveal that ownership concentration has a negative but statistically insignificant relationship with firm value, suggesting that concentrated ownership structures in Nigerian financial firms may not significantly contribute to enhancing shareholder wealth. Conversely, foreign ownership exhibited a negative and statistically significant effect on firm value. This result is noteworthy, as it challenges the traditional belief that foreign investors bring superior monitoring, expertise, and capital infusion, which should enhance firm performance.

Based on the study findings the study recommended that firm should sstrengthen corporate governance regulations to ensure that ownership concentration does not result in minority shareholder exploitation. Also, firms should diversify their ownership structure to strike a balance between domestic and foreign investors, ensuring stronger monitoring and accountability.

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