



## Research Article

Volume-05|Issue03|2025

# Ownership Structure and Firm Value: A Quantitative Study of Listed Money Deposit Banks in Nigeria

DESHI Nentawe Nengak<sup>1</sup>, SUNDAY Samuel Kargwak<sup>2</sup>

<sup>1</sup>Department of Accounting, Faculty of Management Science, Plateau State University, Boko – Nigeria

<sup>2</sup>Financial management, College of private sector accounting, ANAN University kwall, Jos, Plateau State – Nigeria

### Article History

Received: 13.06.2025

Accepted: 28.06.2025

Published: 30.06.2025

### Citation

DESHI, N. N., SUNDAY, S. K. (2025). Ownership Structure and Firm Value: A Quantitative Study of Listed Money Deposit Banks in Nigeria. *Indiana Journal of Economics and Business Management*, 5(3), 82-98.

**Abstract:** This research aims at investigating how the ownership structure of directors, foreign ownership, institutional ownership, and state ownership impact the firm value of the listed deposit money banks in Nigeria. The research design is a quantitative one and ex post facto. The population consists of all the 14 commercial banks ranked on the Nigerian Exchange Group (NGX) as of 2023, and 12 banks were picked through purposive sampling method due to availability of data and consistency. The sources of secondary data included audited annual reports and financial statements between the year 2013 and 2023. The analysis of the data was performed with the help of the robust pooled Ordinary Least Squares (OLS) regression, which was justified by the diagnostic tests of multicollinearity and heteroskedasticity. The result indicates that the ownership by directors positively and statistically insignificantly affects the value of the firm whereas foreign, institutional, and state ownerships show significant negative impacts on the value of the listed deposit money banks in Nigeria. It is concluded in the study that ownership by directors in the listed deposit money banks in Nigeria has a minor role in the determination of the market valuation in that context. The foreign ownership reveals that, higher the foreign equity participation, the lower the market valuation of the listed deposit money banks in Nigeria. The state ownership also reveals that there is a relationship between government shareholding and low performance of firms in the market sense among the listed deposit money banks in Nigeria. Whereas institutional ownership demonstrates that the existence of institutional investors in these banks is associated with lower value of the listed deposit money banks in Nigeria. The policy implications of the study involve suggestions to the policymakers that they should concentrate on enhancing institutional frameworks, independence in the boardroom, and more active roles as stewardship of institutional and foreign investors. The governance and investment guidelines provided by the regulatory authorities like the Securities and Exchange Commission (SEC), Central Bank of Nigeria (CBN) and Nigerian Investment Promotion Commission (NIPC) ought to be amended so as to increase the shareholder value of the listed deposit money banks in Nigeria.

**Keywords:** Firm Value, Ownership Structure, Directors' Ownership, Foreign ownership, Institutional ownership and State Ownership.

Copyright © 2025 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC 4.0).

## INTRODUCTION

Firm value is at the center of financial economics, which reflects the evaluation of the ability of a firm to bring sustainable returns and shareholder value by the market. Firm value which has traditionally been proxied by measures like Tobin's Q or market-to-book ratio is not just a consequence of internal operations efficiency but a consequence as well of external governance mechanisms, and one important element of these is ownership structure. Ownership structure, which refers to the mix and allocation of equity holders in a company, it is also one of the most critical factors that determines the behavior of managers, strategy and eventually, the valuation of the company. It also includes a wide range of typologies (directors' ownership, institutional ownership, foreign ownership and state ownership) that have different implications on agency conflict, control rights and the effectiveness of monitoring (Shleifer and Vishny, 1997; La Porta *et al.*, 2002).

The association amid ownership structure and firm value has been an issue of long-standing scholastic examination mainly instigated by the agency principle and the resource-based perspective of the firm. In their seminal articles Jensen and Meckling (1976) assume that concentrated ownership, and in particular managerial ownership (directors' ownership), can reduce agency costs by forcing a convergence between managerial and shareholder interests. Nonetheless, there are diminishing returns to this alignment effect, because too much control by managers can result in entrenchment of the decision-making process and less accountability by the board. Foreign ownership is commonly linked to increase in firm value as it is commonly linked to international capital, high managerial skills, and implementation of transparency (Nguyen & van Dijk, 2020). Similarly, it is anticipated that institutional investors (because of their resources and long investment horizons) will serve as efficient monitors, thus enhancing better firm governance and valuation (Fan, *et al.*, 2022). On the other hand, the impact of state ownership is less certain, and while it can provide strategic benefits such as resource access and regulatory help, it is frequently

accused of fostering political influence, inefficiency, and a lack of market discipline.

The ownership-value relationship in the African context is also complicated by endemic structural issues of poor legal institutions, ownership concentration, and poor transparency as well as low investor activism. Empirically, this has been revealed in markets such as South Africa and Kenya, where foreign and institutional investors have been expanding the governance and value of firms (Mangena, *et al.*, 2012; Ochieng & Ahmed, 2021). The ownership structure of most African companies is skewed in favor of the directors which might hinder the independence of the board and external control. Although state ownership plays a crucial role in national economic planning, it usually fails to deliver because of minimal managerial freedom and a lack of performance incentives (Asongu & Odhiambo, 2019).

In the case of Nigeria, this pattern of ownership is of particular concern to the banking sector, which occupies a central position in the financial intermediation and the stability of the economy. The deposit money banks, also referred to as listed commercial banks, form the nucleus of the capital market of Nigeria in regards to market capitalization, systemic criticality and regulatory sensitivity. Since they are publicly listed companies, these banks should maintain superior transparency and corporate governance standards. But the ownership of these banks is complicated and non-transparent as a big share is owned by directors, domestic institutions, foreign investors and in some cases the government too. Such varied ownership patterns do not only impact risk appetite and lending pattern, but also regulate compliance and performance of the market.

In Nigeria, ownership by directors can be a source of useful insight and strategic continuity in board service and at the same time, excessive insider control tends to constrain board independence and external accountability (Okike, 2007). Although foreign ownership is linked with better transparency and innovation, it is limited by the regulation barrier, the unsettled currency, and political risk. Institutional ownership can improve the governance, yet the institutional investors in Nigeria do not always have the freedom or activism as in the advanced markets (Olokoyo *et al.*, 2021). The role of state ownership still remains, mostly in the energy sector, infrastructure and agricultural. But inefficiencies associated with a bureaucratic oversight and the absence of performance incentives tend to devalue firms and crowd-out private investment (Uwuigbe *et al.*, 2020).

A number of studies have been conducted on this ownership--value nexus in the Nigerian banks, yet the results are not consistent. As an example, some findings say that there are positive associations between foreign or institutional ownership and the value of firms (Olokoyo *et al.*, 2021; Uwuigbe *et al.*, 2020), whereas

others find negative or inconsequential impacts (Ismaila & Tanko, 2024). In the same vein, the impact of the ownership of directors is also positive (Purnomo *et al.*, 2025) and negative (Egolum *et al.*, 2021), in different contexts and varying methodological strategies. The case of state ownership is highly controversial, as it is indicated that it can destroy value because of political intervention (Okike, 2007), whereas others have noted minimal or context-specific effects (Thanapin, 2023).

In the current study, the authors investigate the impact of different types of ownership (namely, the directors ownership, institutional ownership, foreign ownership and state ownership) on firm value among listed companies. Locating these forms of ownership in the regulatory, economic, and institutional context of the Nigerian context, the research aims at contributing to the existing empirical body of knowledge and evidenced-based policy and corporate governance reform.

## LITERATURE REVIEW

### Conceptual Review

#### Firm Value

Firm value is generally defined as the economic worth of a firm in the mind of stakeholders who are mostly the investors. It covers material and immaterial aspects of company success, such as profitability and growth potential, strategic situation, and governance. Nyberg and Fulmer (2022) state that firm value shows the way the market evaluates the potential of a firm to earn sustainable returns and be competitive in the long-term. On the same note, Olayemi *et al.* (2023) define firm value as a comprehensive metric that indicates investor sentiment regarding the financial health status, efficiency of its management, and prospects of a firm or company.

Value of a firm can be measured using many financial metrics, based on the goal of analysis. Popular proxies are market capitalization, earnings per share, Return on equity and Tobins Q. In this research, the value of Tobin Q as a firm value measure is used because it has the capacity to reflect the market perception as well as efficiency of the assets. Tobin Q is a ratio that is obtained by dividing the market value of the equity and liabilities of a firm by the book value of the total assets of the firm (Zhao & Zhang, 2021). A ratio higher than one implies that the investors anticipate high future earnings, and therefore it seems that the company is generating value exceeding the cost of its assets. On the other hand, a ratio of less than one could be an indication of inefficiencies in operations or a falling confidence in the market. In theoretical terms, firm value plays a primary role in the agency theory where it is used as a proxy of the degree to which managers are optimizing their decision to the benefit of shareholders (Agyei-Boapeah *et al.*, 2021). High firm value entails good governance, efficient utilization of resources and low agency cost, particularly in the environment where ownership is concentrated or dispersed.

### Ownership Structure

Ownership structure refers to the structure of equity ownership by the various types of shareholders, such as insiders, institutional investors, foreigners and governments. It is a focal point of corporate governance, which affects the way the decisions are made, control systems, and the responsibility of the managers to the stakeholders. According to Chen and Yu (2020), the ownership structure defines the power relation in a company and influences the incentive that guide strategic decisions and operational conduct. In the same manner, Asma *et al.* (2022) point out that concentration or dispersion of ownership has a substantial influence on corporate control, monitoring efficiency, and firm performance.

In the current study, the main four ownership forms include directors' ownership, foreign ownership, institutional ownership and state ownership. The different forms present varying incentives and governance consequences, especially in controlled sectors such as the banking industry, where transparency, stability and regulation compliances are essential.

#### • Ownership of Directors.

The percentage of the equity of a firm owned by the board members and the executive managers is referred to as directors' ownership. It is based on the premises of agency theory, according to which, when the managers are the owners of a large stake in the company, they will be more inclined to pursue the interest of shareholders (Jensen & Meckling, 1976; reviewed in Afza & Nazir, 2021). The basic idea is that ownership facilitates convergence between the financial objectives of the directors and the investors and so ownership minimizes the opportunistic behavior, and it is expected to maximize the long-term value.

The study suggests that ownership increases strategic alignment and the quality of decisions made by directors, with the effect being stronger in case of moderate ownership levels (Almashaqbeh *et al.*, 2023). In moderate levels, it acts as a governance mechanism that encourages directors to engage in policies that create firm value. Yet, researchers such as Li and Liu (2022) warn that very high director ownership can decrease the board independence and allow entrenchment, in which managers pursue their own interests at the expense of shareholder wealth. These concerns notwithstanding, the ownership by directors is still an important internal governance tool especially in emerging markets where external checks by regulators or by shareholders are few. Its existence is an indication of managerial interest, operational engagement, and it may have superior disclosure practices (Rahman *et al.*, 2020). It is therefore a key variable in the determination of the ownership structure firm value relationship in the Nigerian listed deposit money banks.

#### • Foreign Ownership

Foreign ownership of a firm is the equity interest in the firm by non-domestic individuals, institutions, or corporate bodies. It has been considered an important aspect of corporate governance and firm performance particularly in the emerging economies where foreign capital may act as a growth, innovation, and accountability factor. As Chen and Wang (2021) note, foreign shareholders can significantly improve strategic capabilities of the firm they invest in because they usually come with superior managerial skills and knowledge, require greater transparency, and can introduce foreign best practices.

In theoretical perspective, the foreign ownership is linked with the resource-based theory and agency theory. The resource-based theory perceives foreign investors as the suppliers of strategic resources (capital, technology, and knowledge) which local companies might be unable to possess (Barney, 1991; Nguyen *et al.*, 2022). The agency view implies that foreign shareholders are external monitors that facilitate reduction of agency cost through increased disclosure, improved governance structure (Li & Liu, 2022). The foreign ownership has a dual role in highly regulated markets like the banking sector. On the one hand, it encourages innovation, discipline of competition, and integration in the world. Conversely, it brings about questions relating to the control over the domestic financial institutions as well as vulnerability to external economic shocks. The presence of these complexities notwithstanding, foreign ownership has continued to present an important avenue of improving corporate accountability and strategic performance especially in the developing economies where the domestic investors might not be associated with the equivalent degree of governance activism.

#### • State Ownership

State ownership is the share of the equity of a firm which is directly or indirectly held by the government or its agencies. It is usually found in industries that are considered strategic or critical to the national interests like the cases of banking, energy, and infrastructure. The concept of state ownership lies in the theory of political economy, which assumes that governments can intervene in corporate ownership to achieve social, economic, or political goals other than maximum profit (Musacchio & Lazzarini, 2014).

In theory, the state ownership creates a different dynamic to the corporate governance. On the one hand, it can guarantee long-term stability, resource availability, and policy compatibility, particularly in the developing economies whose private sector is still emerging (Chen *et al.*, 2021). Conversely, state ownership beyond levels can hurt the efficiency of firms, managerial freedom, and market responsiveness of firms in the face of bureaucracy, goal ambiguity, and political patronage (Wang & Ang, 2022). State-owned enterprises (SOEs)

commonly serve two masters (profit making and rendering a service to the public) with the effect of distorting performance measures and obscuring market-based incentives. Nevertheless, where the quality of institutions is good, state ownership and efficiency can go together particularly when it is coupled with effective regulatory and performance-based governance structures. The case of state ownership in commercial banks is important in the Nigerian context considering the history of the government role in banking reforms and financial stability measures.

#### • ***Institutional Ownership***

Institutional ownership is shareholding in a company by the large financial institutions like pension funds, insurance companies, mutual funds, investment banks and also the sovereign wealth funds. The magnitude of their investments and their ability to wield strategic influence is what makes these institutions be regarded as powerful agents of governance. According to Al-Faryan and Al-Amri (2023), institutional investors tend to be long-term in their orientation, more likely to control the managerial decision with voting rights at shareholder meetings and requesting corporate transparency.

In theoretical terms, institutional ownership is consistent with the agency theory as well as the stewardship theory. According to the agency theory, institutional investors are the efficient monitors that decrease the opportunism of managers and safeguard the interest of minority shareholders (Gillan & Starks, 2003). In the stewardship theory, on the other hand, they are seen as responsible agents who take long-term welfare of the firm and the stability of the entire market into consideration (Donaldson & Davis, 1991; Rahman *et al.*, 2022). Institutional investors are commonly considered high-standards Environmental, social and governance (ESG) performers, thus, can be deemed as key drivers of sustainability-focused change. Their presence is especially strong in the banking sector where they promote risk-sensitive lending, adherence to regulations and sound capital allocation. Their surveillance activity is particularly relevant on markets where legal enforcement is low, as they may help replace the lacking formal governance institutions by informally pressuring companies to behave both ethically and financially.

#### **Empirical Studies Review**

##### ***Directors' Ownership and Firm Value***

Purnomo, *et al.*, (2025) analyze the connection involving managerial ownership and monetary performance by using the implementation of the sharia principles in Indonesia. In this study, the research sample of financial reports is based on 380 companies listed on the Indonesia Stock Exchange in 2021-2023. It is Pooled OLS (CEM) estimation. To check the endogeneity problems, the study ran the Durbin-Wu-Hausman (DWH) test. To test the reability of our results, the study also carried out the robustness test with the help of

Robust Least Square (RLS). This study findings show that managerial ownership positively impact the financial performance because of the implementation of sharia principles. Although their results show that managerial ownership has a positive impact on financial performance, the institutional, religious and cultural environment is far different to that of the secular and regulation-oriented banking industry in Nigeria. In addition, their sample is comprised of companies across various sectors, as opposed to considering only banks, making it difficult to extrapolate their findings to the banking sector in Nigeria.

Fawwaz and Char-Lee (2024) studied the concentrated ownership effect on the firm performance of firms listed on Amman Stock Exchange (ASE) in Jordan between 2015 and 2021. The study exploits a sample of 158 Publically traded small and medium-sized enterprises (PASMEs) and 1106 firm-years to establish the presence of potential endogeneity and uses the Generalized Method of Moments (GMM) estimator to overcome it. The findings show that the Jordanian ownership structure has a significant impact on the performance of the firm. The concentration of ownership is significantly and positively related to ROA and Tobin thwarting that concentrated ownership can bring about better performance due to effective monitoring. Their study however, lumps all types of concentrated ownership and imposes it on a wider corporate environment without singling out the exact effect of ownership by directors in the banking sector. Also, the regulatory environment and capital market Phenomena in Jordan are not similar to that of Nigeria whereby ownership concentration can contribute to managerial entrenchment instead of performance benefits.

Musa (2024) examined the impact of ownership of management on environmental disclosure of Nigerian listed firms between the years 2012 -2022. Managerial ownership, foreign ownership, government ownership and institutional ownership make up the predicting variables. Correlational approach was embraced to learn about the natural relationship between the variables. Secondary data was obtained by use of published annual reports of 95 listed firms in Nigeria. Global Reporting Index (GRI) was used in measure of the extent of environmental disclosure by the sampled firms. A panel regression analysis failed to provide any significant result on the relationship between managerial ownership and environmental disclosure among the companies. Although the study is geographically relevant, it is off-topic; discussing sustainability reporting instead of firm value. Moreover, the findings were not conclusive and thus they did not provide a firm guideline as to whether managerial ownership improves or impedes corporate performance. The application of the environmental disclosure as a dependent variable cannot be directly transferred into the information about the firm performance or market valuation.

They used the multiple regression technique to study the effect of managerial ownership on the financial performance of the listed deposit money banks in Nigeria between 2013-2022 (Ismail and Tanko, 2024). There were 24 banks that took part in the study. The dependent variable Return on assets was returned. The findings revealed that managerial ownership played a negative significant role towards the financial performance of these banks. In their study however, they measure performance based on return on assets (ROA) which is an accounting based measure that may not necessarily reflect what happens in the market with respect to the value of firms. Lack of Tobin Q as a measure of market value reduces the comparability to studies which examine investor confidence and long run valuation. In addition, they concentrate on managerial ownership without disaggregation to distinguish it broadly as ownership by the board, and thus there is a need to investigate the subtle influence of ownership by directors; not only executive ownership- on the market-based measures of firm value amongst the Nigerian banks.

Ahamed and Masum (2024) determine the type of ownership of the directors that affect the environmental disclosure of a business entity. This study analysed the collected data on the basis of multiple regression on the sample of fifty-five DSE-listed textile companies. Furthermore, the agency theory and the stakeholder theory are also taken into consideration in explaining the relation between the ownership structure and the environmental disclosure by this cross-sectional study. The results show that the director ownership are insignificantly related to the environmental disclosure. Their conclusion of the insignificant relationship does not provide much information on the financial performance or valuation results. In addition, their conclusions can only be applied to banking firms in Nigeria due to cross-sectional design and non-financial performance indicator (environmental disclosure) utilized. The textile industry owns structures, regulatory requirements and accountability to the populace is significantly different to that of the listed banks in Nigeria. This generates a sectoral as well as geographical gap, hence the necessity of this research, which aims at the ownership of directors and its direct financial implications in the Nigeria financial institution.

Egolum, *et al.*, (2021) analyzed how CEO ownership impacted the firm value (surrogated by Tobin's q) of oil and gas companies between the year 2010 and 2019. Spearman rank correlation analysis as well as panel least square (POLS) regression analysis was used to carry out the tests of the four null hypotheses. The outcome of the tests disclosed that there is an insignificant positive impact of CEO ownership on firm value of listed oil and gas companies in Nigeria. Their results indicated a positive relationship which was found to be insignificant. Though the study is geographically applicable, it tends to concentrate on the CEO ownership

which might not constitute the overall effect of shareholding of all the directors. Also, the oil and gas sector has varying risk profiles, capital structures and regulatory environment than the banking sector. These variations in the industry effects and the limited range of ownership scope display a conceptual gap, which makes it reasonable to research how board-level (directors') ownership, not only CEOs, influences the firm value in the Nigerian banking sector. Hence, a null hypothesis has been formulated to assist the study as below:

H<sub>01</sub>: Directors' ownership has no significant effect on the value of listed deposit money banks in Nigeria.

### **Foreign Ownership and Firm Value**

Ahamed and Masum (2024) identify the characteristic of the foreign ownership which impacts the environmental disclosure of a business entity. This study analysed the data collected based on the sample of fifty-five DSE listed textile companies by employing multiple regression. Additionally, the agency theory and the stakeholder theory are also taken into consideration by this cross-sectional study as the explanation of the relation between the ownership structure and the environmental disclosure. The results suggest that foreign ownership affects corporate environmental disclosure positively. Although their results indicated the positive effects of foreign ownership on a non-financial performance measure such as environmental disclosure, their study of only one sector and a cross-sectional research design narrows the scope to financial valuation in the banking sector. Moreover, ownership patterns and regulatory framework of the textile industry are considerably different compared to the ones of the Nigerian financial system. There is also a thematic and methodological gap in the literature because the study does not cover market-based measures of firm value like Tobin, Q and the proposed study seeks to fill this gap by looking at financial performance of deposit money banks in Nigeria using longitudinal data.

Musa (2024) examined Foreign ownership impact on the environmental disclosure of Nigerian listed firms (2012 – 2022). The predicting variables is comprised of managerial ownership, foreign ownership, government ownership and institutional ownership. Correlational approach was embraced to identify natural relationships that existed between the variables. Secondary data was obtained by using published annual reports of 95 listed firms in Nigeria. Global Reporting Index (GRI) was used to measure the level of environmental disclosure of the sampled firms. The panel regression results showed that the effect of foreign ownership on the environment disclosure is significantly positive on the Nigerian listed companies. Nonetheless, the focus on sustainability reporting, as opposed to financial or market performance, limits the scope of the study to investors and policy makers interested in valuation of firms. The study suffers some limitations despite the significantly positive effect since it fails to

capture the sector-specific effects within the banking industry and it also failed to employ the firm value proxies such as Tobin's *Q*. Therefore, although the study is contextually consistent with Nigeria, it creates a knowledge gap regarding the direct effect of foreign equity participation on the value of banks in the financial market; a gap which the present study intends to seal.

Fawwaz and Char-Lee (2024) reviewed the relevance of foreign ownership on the performance of firms that are listed on the Amman Stock Exchange (ASE) in Jordan between 2015 and 2021. The study relies on a sample of 158 firms and 1106 firm-years to estimate the potential endogeneity problem using a Generalized Method of Moments (GMM) estimator. The findings confirm that ownership structure has significant impact on performance of firms in Jordanian setting. A positive influence of foreign ownership on both measures of performance illustrates the advantages of international investment in boosting the performance of firms in terms of operations and market. The fact that they use a large dataset and GMM estimator contributes to robustness, whereas the fact that their application is general across several industries and that the regulatory and economic environment in Jordan and Nigeria are different inhibits generalization. The fairly more investor-friendly environment in Jordan could enable external shareholders to have higher influence on strategy and governance. Conversely, the unstable regulatory environment in Nigeria could thwart or even turn such impacts around. Accordingly, the study specific to the sector in the institutional environment of Nigeria is required to either confirm or refute these results in the banking sector.

Ismail and Tanko (2024) examined the effect of foreign ownership on the financial performance of listed deposit money banks in Nigeria between 2013-2022 via multiple regression technique. The research dealt with 24 banks. Dependent variable was a return on assets. The findings revealed that foreign ownership affected the financial performance of these banks negatively and significantly. But, their sole use of accounting based performance such as ROA, would not necessarily mirror the market perception or investor sentiment. In contrast to Tobin externality, ROA fails to reflect external value and future growth prospective. Such a methodological weakness leaves a gap in the present study that utilizes Tobin's *Q* to measure the impact of foreign ownership on market-based valuation of Nigerian banks to provide a more detailed picture of investor confidence and company value.

Thanapin, (2023) researched the value of foreign ownership in firms using new evidence of 100 listed Thai companies in 2020. Tobin's *Q* was the measure of firm value. Data was statistically analysed through multiple regression analysis. The study findings provided evidence that firm values of Thai listed

companies did not differ because of foreign ownership. Even though the application of market-based valuation metric is methodologically consistent with the current study, the geographical and regulatory environment of Thailand is considerably different than that of Nigeria. The impact of foreign ownership can be changed by factors like the rights of investors, enforcement of contracts and financial market maturity. As well, the cross-sectional analysis of the study is limited in temporal dimension to capture the effect of ownership over time. Such differences in the contexts and design indicate why a longitudinal study of the banking sector in Nigeria per se is required. Hence, a null hypothesis is formulated to help in the study as follows:

$H_{02}$ : Foreign ownership has no significant effect on the value of listed deposit money banks in Nigeria.

### ***State Ownership and Firm Value***

Musa (2024) examined the impact of government ownership on Nigerian listed environmental disclosure of the period 2012 – 2022. The predicting variables will be managerial ownership, foreign ownership, government ownership and institutional ownership. Correlational approach was embraced to investigate natural relationships of the variables. Secondary data was obtained by the use of published annual reports of 95 Nigerian listed firms. The Global Reporting Index (GRI) was used to measure the extent of the environmental disclosure of the sampled firms. A panel regression analysis indicated that the effect of government ownership on environmental disclosure is significantly positive on Nigerian listed companies. Although the study presents a geographical relevance and has government ownership as one of the variables, it mainly deals with non-financial performance indicators. Its fact that the environmental disclosure focus is on non-financial or market-based firm value, which restricts its use in investment and governance decision-making in the financial sector. Moreover, it does not pick out banks as an industry, in relation to which the government participation can have other consequences. This creates a thematic and sector specific gap which the present study tries to fill through its study on the implications of government ownership on the market valuation of banks through Tobin's *Q*.

Fawwaz and Char-Lee (2024) considered how government ownership affects the performance of firms that are listed on the Amman Stock Exchange (ASE) in Jordan between 2015 and 2021. The study relies on the sample of 158 companies and 1106 firm-years to incorporate the Generalized Method of Moments (GMM) estimator to overcome possible endogeneity problems. The findings indicate that ownership structure has a significant effect on the firm performance within the Jordanian context. Government ownership is positively related with ROA but not with Tobin's *Q*, suggesting that government ownership can positively relate operational efficiency but not necessarily the

market perception. Nevertheless, institutional and economic environments in Jordan are much different as they are more volatile and politically driven in the case of Nigeria. Also, their sample includes a variety of industries and does not concentrate on banks, which are subject to special regulatory scrutiny and capital organization. This leaves a contextual and sectoral vacuum that the present study seeks to address by investigating the impact of state ownership on firm value in Nigeria banking industry in particular as the industry might react differently to government involvement.

Ismail and Tanko (2024) examined the effect of government ownership on the financial performance of listed deposit money banks in Nigeria between 2013-2022 through multiple regression method. There were 24 banks participating in the study. The dependent variable returned on assets. The findings revealed that government ownership played a negative significant role in affecting the financial performance of these banks. Although this is a relevant finding, the study uses an accounting-based measure of performance which is not entirely representative of the market impression or investor sentiment. Tobin curve employed in the present study gives a more complete valuation of the firm value based on the market valuation point of view. Also, using a more extended and recent data sample (2013-2023), along with new diagnostic tests, the present study enhances the scope and validity of the prior findings and provides a more subtle assessment of the effect of state ownership on the market in the Nigerian banks.

Ahmed and Masum (2024) explore the type of the public ownership that determines the environmental disclosure of a business entity. This study analysed the data collected based on the sample of fifty five DSE listed textile companies using multiple regression. Additionally, the agency theory and the stakeholder theory are also taken into consideration in this cross-sectional study as the explanations of the relation between the ownership structure and the environmental disclosure. The results show that the public ownership is not significantly linked to the environmental disclosure. Although the research did not establish any strong correlation, yet its scope of non-financial performance and an entirely different industrial and regulatory environment reduces its applicability to the banking industry of Nigeria. Also, there is no longitudinal view in cross-sectional design relied upon because this is merely a snapshot of the data at a single point in time, not enough to measure long-term ownership effects. All these restrictions indicate a gap in the geographic, methodological, and sectoral aspect, which the present paper addresses by looking at the impact of state ownership on the value of a firm in a highly stakes and regulated market such as the banking sector in Nigeria using a decade of data.

Thanapin, (2023) has studied the importance of government ownership on the firm value following new

evidences on 100 listed companies in Thailand in 2020. Tobin's Q was used to measure firm value. The data was statistically analysed using multiple regression analysis. The study findings revealed that firm values of the listed companies in Thailand did not differ in case of government ownership. Despite the fact that the methodology is consistent with the present study in its deployment of a market-based valuation measure, the Thai context (characterised by a fairly stable investment environment and the presence of more robust institutional environments) is significantly different to the governance and financial systems in Nigeria. In addition, the study does not offer the ability to see the trends or patterns over time because it is cross-sectional. The present study overcomes these shortcomings by relying on a decade of panel data and by considering specifically the case of the commercial banking sector in Nigeria where the state influence is prominent and may be harmful.

Egolum, *et al.*, (2021) investigated the consequence of government ownership on the value of oil and gas companies (proxied by Tobin's q) between 2010-2019. The four null hypotheses were tested by the spearman rank correlation analysis as well as panel least square (POLS) regression analysis. The outcome of the analyzes showed that government ownership posits no significant negative impact on the firm value of listed oil and gas companies in Nigeria. The country context is applicable but the industry that is being studied is specific and cannot be generalized to the banking industry which is associated with differing regulatory, risk and capital requirements. The oil and gas companies are capital intensive and politically acute, when banks are more directly engaged with monetary policy and financial regulation. In addition, the research concentrates on CEO ownership and the general governance of firms, without going in details of the consequences of government shareholding. Such gaps explain why the study of state ownership in Nigerian banks should be sector-specific and market-based. Thus, a null hypothesis is formulated to guide the study as follows:

H<sub>03</sub>: State ownership has no significant effect on the value of listed deposit money banks in Nigeria.

#### ***Institutional Ownership and Firm Value***

Ahmed (2025) studied the relation between institutional ownership and environmental reporting to investigate how the presence of institutional investors determines the quality and quantity of ecological reporting by publicly listed firms. The study applied the quantitative research strategy and analysed the panel data of 152 publicly traded companies over a decade (2014-2023) in the random effects model (REM) regression to determine the effects of institutional ownership on the environmental reporting scores based on the content analysis of annual reports and sustainability reports. The result is a positive and significant relationship which

implies that, greater levels of institutional ownership concentrations are associated with more detailed environmental reporting. In spite of methodologically sound design and the fact that the research employs panel data, it does not examine firm value or market performance as its outcomes but non-financial information in the form of ecological disclosures. The research also focuses on various industries without singling out banks, which are governed and regulated by unique dynamics. The identified positive correlation between the institutional ownership and sustainability reporting is not directly applicable to the framework of financial valuation. This leaves a thematic and sectoral gap, which this study attempts to fill through the study of the impact of institutional investors on the value of the firm (measured as Tobin's Q) in the banking sector in Nigeria.

Musa (2024) examined how institutional ownership impacted on the environmental disclosure of Nigerian listed firms during the period 2012 -2022. The predicting variables is owned by managerial, foreign, government and institutional. Correlational approach was embraced to investigate natural relations among the variables. A source of secondary data was obtained through published annual reports of 95 Nigerian listed firms. Global Reporting Index (GRI) was used to measure the extent of the environmental disclosure by the sampled firms. The panel regression result indicated that the effect of institutional ownership on environmental disclosure is significantly positive on Nigerian listed companies. Although the geographic setting is quite appropriate to the present study, Musa's study deals specifically with corporate sustainability performance and not with the financial or market-based performance. Besides, the sample includes companies of different industries, which is not specific enough to learn about the influence of institutional ownership in the regulated and systemically critical banking sector. It is this thematic and sectoral inconsistency that the current study can exploit and address the gap by investigating the role of institutional ownership on firm value using a financial perspective.

Fawwaz and Char-Lee (2024) investigated the relationship between institutional ownership and firm performance among Amman Stock Exchange (ASE) listed firm in Jordan during the period 2015-2021. The study relies on a sample of 158 firms and 1106 firm-years observations to estimate the potential endogeneity problem using Generalized Method of Moments (GMM) estimator. The findings indicate that ownership structure has significant effect on the firm performance within the Jordanian setting. Institutional ownership yields ambiguous results, significantly and positively related to Tobin's Q but not significantly related to ROA. While their employment of GMM helps reinforce causal inference, the study covers all sectors and is carried out in a fairly different regulatory setting than that of Nigeria. Institutional investors in Jordan could feel more secure

and have a better-developed governance base. Such contextual variations could inhibit the directness of their conclusions to the Nigerian context where institutional investors tend to be passive or politics driven. That highlights the necessity to re-test the effects of institutional ownership in the Nigerian banking industry utilizing market-based measures, such as Tobin's Q.

Ahamed and Masum (2024) examined the type of the institutional ownership, which determines the greenwashing of a business organization. This study analysed the collected data on the basis of multiple regression on the sample of fifty-five DSE-listed textile companies. In addition, the agency theory and stakeholder theory are also taken into account by this cross-sectional study to describe the association between the ownership structure and the environmental disclosure. Their results show that institutional ownership positively affects environmental disclosure by corporations. They find a positive relation and the small scope of the study focusing on environmental performance and one manufacturing industry limits its application in generalizing to the case of financial institutions in Nigeria. In addition, the cross-sectional nature restricts the possibility of observing the variation in the ownership dynamics and value of the firm over time. This methodological and contextual gap is quite evident and this study bridges it by employing panel data in investigating the financial implication of institutional ownership in the Nigerian deposit money banks.

Using multiple regression technique, Ismaila and Tanko (2024) examined the effect of institutional ownership on the financial performance of the listed deposit money banks in Nigeria between 2013-2022. There were 24 banks participating in the research. The dependent variable returned on assets. The findings revealed that institutional ownership played a negative significant role in the financial performance of these banks. To the extent that it is relevant, their accounting-based measure of performance, however, gives an internal measure of profitability only and as such, it may fail to capture the impact of institutional investors on the market confidence and external valuation. The present paper improves on that, as firm value as estimated by Tobin's Q will provide a wider picture of the market sentiment and investment potential. Further, the reliability of the findings is also supported by using updated data and rigour checks specific to the financial sector of Nigeria.

Almashaqbeh, *et al.*, (2023) aims to study how ownership influences the Jordanian listed companies value in the Amman Stock Exchange (ASE) during the period of 2020-2022. The data gathering process is based on the annual financial statements as the study gathers information on institutional ownership, firm value, leverage, company size, liquidity as well as profitability. Results depict that institutional ownership are firmly related to firm value. Although this qualifies the

argument that institutional investors are able to boost performance, the research is factually bound to the economic and regulatory environment of Jordan, which is highly dissimilar to that of Nigeria. The results cannot be presumed to apply in Nigeria where institutional investors might not have the autonomy, knowledge or governmental back up to adequately police the management. In addition, the analysis does not concentrate on the banking sector, where owners and systemic risk characteristics are special. It is such a contextual and sectoral gap that justifies the present study focused attention to Nigerian deposit money banks. Thus, a null hypothesis is formulated to help conduct the study as follows:

H<sub>04</sub>: Institutional ownership has no significant effect on the value of listed deposit money banks in Nigeria.

## Theoretical Review

### Agency Theory

Jensen and Meckling (1976) initially developed the agency theory to describe the principal-agent conflict of interests that exist between shareholders (principals) and managers (agents). The main argument of the theory is that agents might not necessarily act in the best interest of the principals because of their inconsistent objectives, attitude to risk and information asymmetry. Such lack of alignment may give rise to agency costs; the executive paying themselves too much, wasteful investment, or low shareholder returns. It says that these agency costs can be alleviated (and firm performance improved) through mechanisms such as performance-based incentives, managerial shareholding, and good monitoring (through boards or institutional shareholders).

Agency theory despite its popularity has suffered criticism of being too economic and rationalist in its assumptions. Critics claim that it describes managers as mainly self-interest utility maximizers, with no possibility of ethical behavior, stewardship, or intrinsic motivation (Donaldson & Davis, 1991). Also, the theory relies on the premise that external monitoring mechanism is always effective, which would not be the case in settings with ineffective regulatory oversight, or weak enforcement of the law; typical of most emerging economies, like Nigeria. Further, the theory provides insufficient explanation on institutional differences, which can be in form of political intervention, societal culture, and socio-economic limitations that are likely to impact the ownership arrangements and governance relationships.

With regard to the present research, the agency theory serves as a theoretical basis of interpreting the effects of various ownership forms on the value of firms. The ownership by directors is considered as one of the tools to align the interests of managers and shareholders, to reduce agency problems and hold directors accountable. In contrast, institutional and foreign ownership is considered an external governance

instrument to guard the managerial decision and submit to transparency. Nigerian banking industry with its constantly developing corporate governance systems and information asymmetry presents a perfect setting to utilize the agency theory.

### Resource Based Theory

Resource-Based Theory (RBT) as proposed by Wernerfelt (1984) and subsequently developed by Barney (1991) changes the paradigm set by the external industry influences to an internal firm-specific resource as the source of sustainable competitive advantage. The theory states that valuable, rare, inimitable and non-substitutable (VRIN) resources enable firms to attain better performance and create long-term value. Such resources are both physical (capital, technology) and virtual (reputation, brand equity, organizational culture). This theory posits that a strategy in management ought to concentrate on the acquisition, development as well as protection of these internal resources so that competitive advantage can be achieved.

In spite of its influence, RBT has been criticised on a number of grounds. A significant criticism is that it is weakly empirically testable; what constitutes valuable or rare resources may be very subjective. The opponents also argue that the RBT has the propensity to undermine the element of external environmental influences like regulation, economic turbulence and political intervention; elements that are quite dominant in the emerging markets. Besides this, the theory also makes several other assumptions (a firm can independently develop and manage its resource pools) that might not hold in settings where there are institutional gaps or limited financing, as is the case in most sub-Saharan African economies.

Nonetheless, RBT is highly applicable in this study especially in the analysis of the strategic value of foreign and institutional ownership in the improvement of firm value. It is possible to consider these forms of ownership as sources of capital, expert knowledge of governance, technological advancement, and entry to international financial markets. Such ownership can complement internal capacity of banks and enhance their competitive positioning in the Nigerian banking sector where regulatory reforms and financial innovation is taking place. This study makes a dual-theoretical contribution (by combining RBT and agency theory; and addressing control and resources perspectives) to know how various ownership structures determine firm value in a developing economy setting.

## METHODOLOGY

This research proposes quantitative research design and ex post facto approach to investigate ownership structure impact on firm value of listed deposit money banks in Nigeria. The population consists of all 14 commercial banks that are listed on

the Nigerian Exchange Group (NGX) as of 2023, and the sample consists 12 listed commercial banks that have readily available and consistent financial information within 2013 to 2023. The secondary data were obtained on audited annual reports, corporate governance reports and financial statements which were posted by the banks and the NGX. Tobin's Q is used as the measure of the dependent variable (firm value) with directors' ownership, foreign ownership, state ownership, and institutional ownership used as the independent variables representing ownership structure. The control variables included firm size and leverage to control firm specific characteristics. The authors relied on panel data regression analysis; they used the robust pooled ordinary least squares (OLS) estimator to tackle possible heteroskedasticity. Diagnostics such as multicollinearity, normal, and heteroskedasticity tests were done to validate the model. STATA 17 software was utilized in data analysis.

### Model Specification

To evaluate the effect of ownership structure on firm value, the following linear panel regression model is specified:

$$TOB\_Q_{it} = \beta_0 + \beta_1 MGTO_{it} + \beta_2 FRNO_{it} + \beta_3 GVTO_{it} + \beta_4 INSTO_{it} + \beta_5 FSIZ_{it} + \beta_6 LEVG_{it} + \epsilon_{it}$$

**Where:**  $TOB\_Q_{it}$  = Firm Value (Tobin's Q) for bank  $i$  at time  $t$ ;  $MGTO_{it}$  = Directors' Ownership for bank  $i$  at time  $t$ ;  $FRNO_{it}$  = Foreign Ownership for bank  $i$  at time  $t$ ;  $GVTO_{it}$  = State (Government) Ownership for bank  $i$  at time  $t$ ;  $INSTO_{it}$  = Institutional Ownership for bank  $i$  at time  $t$ ;  $FSIZ_{it}$  = Firm Size (Control Variable) for bank  $i$  at time  $t$ ;  $LEVG_{it}$  = Leverage (Control Variable) for bank  $i$  at time  $t$ ;  $\epsilon_{it}$  = Error term;  $\beta_0$  = Constant and  $\beta_1$  to  $\beta_6$  = Coefficients of the explanatory variables.

This model captures the linear relationship between ownership structure and firm value, controlling for firm-specific characteristics

**Table 1: Variable Measurement and Description**

Variable	Symbol	Measurement / Description	Priori
Firm Value (Tobin's Q)	TOB_Q	Market value of equity + book value of debt / book value of total assets	Dependent
Directors' Ownership	MGTO	Proportion of shares held by board members and executive directors	±
Foreign Ownership	FRNO	Proportion of total shares held by foreign investors	±
State Ownership	GVTO	Proportion of equity owned by government entities	±
Institutional Ownership	INSTO	Proportion of shares held by institutional investors	±
Firm Size	FSIZ	Natural logarithm of total assets	Control
Leverage	LEVG	Ratio of total debt to total assets	Control

Source: Author's compilation, 2025

## RESULTS AND DISCUSSION

**Table 2: Normality Test**

Variable	OBS	W	V	Z	Prob>z
TOB_Q	132	0.51667	50.423	8.828	0.00000
MGTO	132	0.41019	61.532	9.277	0.00000
FRNO	132	0.39669	62.941	9.328	0.00000
GVTO	132	0.71252	29.991	7.658	0.00000
INSTO	132	0.94623	5.610	3.883	0.00005
FSIZ	132	0.98958	1.087	0.187	0.42568
LEVG	132	0.10248	93.634	10.222	0.00000

Source: STATA Version 17, 2025

The output of the Shapiro-Wilk normality test statistic shows that except the firm size (FSIZ), all the other variables used in the analysis; firm value (TOB\_Q), directors' ownership (MGTO), foreign ownership (FRNO), state ownership (GVTO), institutional ownership (INSTO), and leverage (LEVG) are not normally distributed since they all have p-value below the significant level (0.05). Such non-normality indicates that the data fails the assumption of normal distribution that is usually

needed in the classical linear regression models. Nevertheless, the fact that the study uses a robust pooled ordinary least squares (OLS) regression that is not sensitive to normal distribution and heteroskedasticity does not affecting the reliability of the regression estimates. Therefore, although the conditions of normalcy cannot be met in most of the variables, the results of robust estimation methods make the analysis valid and the results interpretable with confidence.

**Table 3: Descriptive Statistics**

Variable	OBS	Mean	Std. dev.	Min	Max
TOB_Q	132	.0220182	.0322903	.002338	.282826
MGTO	132	.0078088	.0219343	0	.161312
FRNO	132	.0012894	.0076639	0	.0667
GVTO	132	.0232076	.0785927	0	.34
INSTO	132	.3150832	.2573177	0	.91
FSIZ	132	21.35273	.9807279	18.86861	23.42947
LEV_G	132	.6073835	3.861076	-.20645	44.47998

Source: STATA Version 17, 2025

The Descriptive Statistics of every variable is shown in Table 3 and concerns the mean, variability, and the ranges observed in them, and what they suggest about the study:

The average value of Tobin Q is around 0.022, whereas the standard deviation is 0.0323, which shows that the valuation of firms is relatively low in the sample of listed commercial banks. The lowest and the highest values are between 0.0023 and 0.2828, which indicates that some of the banks are considerably underestimated in the market, but others are characterized by moderate value creation. The large range also indicates that there are differences in performance and market perception amongst the sample banks.

The mean ownership by directors is about 0.78 percent with standard deviation of 2.19 percent. The values are between 0 and 16.13 percent, which means that, whereas some banks do not have insider ownership, a few of them have comparatively high amounts of board-level equity ownership. The low mean indicates that insider ownership is not a significant type of control in the majority of the banks, but a few high values indicate the variability of the governance structure.

The mean of foreign ownership is very low at 0.13 percent, the standard deviation is also low at 0.77 percent, and the range is between 0 and 6.67 percent. What this means is that there is low involvement of foreign investors in the equity of the listed commercial banks in Nigeria. The poor mean may present regulatory constraints, perceived risk in the market or a low interest by foreign investors.

The mean value of state ownership is 2.32% with fairly large standard deviation of 7.86% and the values vary between 0 and 34%. This means that, although a good number of banks do not indicate any government equity participation, there are others that have considerable state participation. The difference indicates that not all ownership by the government is homogenous throughout the sector and may imply different implications on firm value based on the intensity of the participation.

The average equity ownership by institutional investors is 31.51 percent with a standard deviation of 25.73 percent and a range of 0 to 91 percent across the banks. It indicates that institutional ownership constitutes the significant part of ownership structure of the Nigerian commercial banks, but its concentration is very variable. There are banks which are heavily institutionalized and others that are not.

The mean value of the natural logarithm of total assets, corresponding to the average size of firm, is 21.35 with standard deviation of 0.98. The values lie within 18.87 and 23.43 which shows that there is a moderate variation in the size of the banks. The majority of the firms are clustered in a fairly tight size range implying a degree of similarity in the size of operations within the industry.

Its leverage ratio is average, 0.607, though with a large standard deviation of 3.86, and a surprisingly large range of -0.206 to 44.48. This shows a big variation in the use of debt among the sampled banks. The existence of very high values of leverage could indicate the possibility of financial risk or capital structure anomaly in certain institutions.

**Table 4: Correlation Test**

	TOB_Q	MGTO	FRNO	GVTO	INSTO	FSIZ	LEV_G
TOB_Q	1.0000						
MGTO	0.1812	1.0000					
FRNO	-0.0831	-0.0602	1.0000				
GVTO	0.1073	-0.0912	-0.0501	1.0000			
INSTO	0.1320	-0.1264	0.1204	0.2835	1.0000		
FSIZ	-0.6162	0.0242	-0.0086	-0.4448	-0.4875	1.0000	
LEV_G	0.0878	0.0023	-0.0267	-0.0381	-0.0047	-0.1850	1.0000

Source: STATA Version 17, 2025

The results of the Correlation Test are provided in Table 4 and the relationship of each of the variables with firm value (TOB\_Q) in the framework of your research on listed Nigerian commercial banks:

The Ownership (MGTO) by directors has a positive correlation of 0.1812 with the firm value. This means that the more the ownership by directors the more the value of the firm is likely to be. The relation is not strong, but consistent with the agency theory, which implies that the equity holding of managers in equity may facilitate alignment of interests and better performance.

Foreign Ownership (FRNO) is weakly and negatively related to firm value with a -0.0831 coefficient. This implies that there is a weak relationship between higher foreign ownership and lower firm value but the association is extremely weak. The implication may be that the role of foreign investors in the performance of firms in the case of Nigerian banks is minimal or may be complex due to regulatory or contextual issues.

State Ownership (GVTO) has a positive correlation (0.1073) with firm value but it is also weak. That shows that an increased degree of government ownership could slightly positively affect firm value,

perhaps because of a perception of stability or special regulatory treatment, but the impact is not robust.

Institutional Ownership (INSTO) has a positive correlation of 0.1320 with firm value which indicates that institutional investors could be a part of the solution to enhance firm performance due to the superior monitoring and governance. Although the relationship is not very strong, it supports the fact that institutional shareholders assist in minimizing agency problems.

Firm value is strongly and negatively correlated with Firm Size (FSIZ), at -0.6162. This means that big banks are likely to record low Tobin's Q ratios. The inverse relationship could be attributed to the market underestimating large firms or it could also be attributed to inefficiency in running large scale operations within the Nigerian banking industry.

The weak positive relationship between leverage (LEVG) and firm value is 0.0878. It indicates that a higher amount of debt in a company may marginally result in an augmentation of value, perhaps because of the income tax advantages of debt finance or signalling effects, though extreme leverage may also elevate financial risk.

**Table 5: Multicollinearity Test**

Variable	VIF	1/VIF
FSIZ	1.62	0.616865
INSTO	1.38	0.725076
GVTO	1.29	0.773163
LEVG	1.07	0.937281
MGTO	1.03	0.973227
FRNO	1.03	0.974088
Mean VIF	1.24	

Source: STATA Version 17, 2025

Table 5 shows the outcome of the test of multicollinearity applied on the Variance Inflation Factor (VIF) that indicates the degree to which variance of a regression coefficient is inflated by multicollinearity among the independent variables. A VIF value that is greater than 10 is normally a matter of concern. All the variables in this study are far below the VIF limit with the highest variable being firm size (FSIZ) at 1.62 and the lowest being foreign ownership (FRNO) and

directors' ownership (MGTO) at 1.03. The average VIF is 1.24, which is very low and shows that there is no severe multicollinearity. It indicates that the model did not contain any significant multicollinearity and the estimation of the regression is not confounded and biased by multicollinearity among the explanatory variables. This model thus is statistically acceptable to continue with inferential analysis.

**Table 6: Heteroskedasticity Test**

Breusch-Pagan/Cook-Weisberg test for heteroskedasticity		
H0: Constant variance		
chi2(1)	=	192.56
Prob > Chi <sup>2</sup>	=	0.0000

Source: STATA Version 17, 2025

Table 6 indicates the outcome of the Breusch-Pagan/Cook-Weisberg test of heteroskedasticity that is used to test whether the variance of the residuals of a regression model is constant (homoskedastic) or

whether it varies (heteroskedastic). The null hypothesis (H0) is that the model is constant in variance (homoskedasticity). In the current analysis, the value of chi-square is 192.56, and p-value is 0.0000, which is

much less than 0.05 level of significance. This would result in a rejection of the null hypothesis thus proving that the model contains heteroskedasticity. This breach of the constant variance assumption has the implication

that the standard errors of the regression coefficients would be biased unless adjusted. In this concern, the study is quite justified to use robust standard errors in the regression analysis to make valid and reliable inference.

**Table 7: Robust Pooled Ordinary Least Square (OLS) Regression Coefficient**

TOB_Q	Coefficient	Robust Std. Err.	t	P>t
MGTO	.2303449	.1527683	1.51	0.134
FRNO	-.2975932	.0830927	-3.58	0.000
GVTO	-.079258	.0269238	-2.94	0.004
INSTO	-.022425	.010064	-2.23	0.028
FSIZ	-.0265633	.0052364	-5.07	0.000
LEV_G	-.0006012	.0002993	-2.01	0.047
_cons	.5970732	.116087	5.14	0.000
OBS		=		132
F(6, 125)		=		94.71
Prob > F		=		0.0000
R-squared		=		0.4807

Source: STATA Version 17, 2025

### Hypothesis Test

The entire model, as represented in Table 7, is significant at the statistical level with an F-statistic value of 94.71 and a p-value of 0.0000, and this implies that the independent variables collectively have a considerable impact on firm value, as proxied by Tobin's Q. The R-squared value of 0.4807 indicates that the ownership structure variables incorporated in the model explains about 48.1 percent of the variation in firm value among the listed Nigerian commercial banks.

### Ownership and Firm Value of the directors.

The coefficient of ownership by directors (MGTO) is positive (0.2303), and indicates that percentage of ownership by the board members and executives is likely to be higher when firm value is higher. Nevertheless, the p-value 0.134 is more than the traditional 5 percent significance level, and it implies that the relationship is not significant. It means that the ownership by directors does not show any significant impact on the value of the listed Nigeria commercial banks in the period under analysis.

### Foreign ownership and Firm Value

The variable foreign ownership (FRNO) has a statistically significant negative correlation with firm value, as its coefficient is -0.2976, and the p-value is 0.000. Hence the null hypothesis is rejected. This finding implies that foreign equity involvement relates to low firm value among the population of listed commercial banks in Nigeria.

### State ownership and Firm Value

State ownership (GVTO) also shows negative and statistically significant relation with firm value with a coefficient of -0.0793 with a p-value of 0.004. Consequently, the null hypothesis becomes rejected. This finding suggests the possibility of government shareholding in commercial banks being related to lower firm value.

### Institutions owners and Firm Value

Institutional ownership (INSTO) has a coefficient of -0.0224 with a p-value of 0.028, hence, the null hypothesis is rejected. This implies that the Institutional ownership plays a negative and statistically significant role in firm value. The implication here is that an increase in institutional shareholding in Nigerian commercial banks is correlated with low market valuation.

### Discussion Finding

#### Directors Ownership and Firm Value

The result of a positive, although, statistically insignificant effect of ownership by directors on the value of the firms is in line with the various empirical studies. Egolum *et al.* (2021) concluded that owner-ceos did not make a significant impact on the value of the firms of oil and gas companies in Nigeria. Likewise, Ahamed and Masum (2024) found the inconsequential connection between ownership by directors and environmental disclosure in listed companies in Bangladesh, which means that it has a slight impact on strategic results. In Nigerian firms, Musa (2024) also did not establish any definitive connection between director ownership and corporate environmental practices. Ismaila and Tanko (2024) found that the relationship between managerial ownership and firm performance was significantly negative across Nigerian deposit money banks, hence insider ownership can be a source of entrenchment, in some cases. In a sample of listed Thai firms, Thanapin (2023) found insignificant association between managerial ownership and firm value, highlighting the weak governance role in particular institutional environment.

On the contrary, there are other empirical studies that exhibit contrary results to the current study by revealing a positive significant relationship. The authors investigate the idea that managerial ownership

had a huge positive impact on the performance of Indonesian firms, particularly when it comes to sharia compliance frameworks, which encourage ethical alignment (Purnomo *et al.*, 2025). According to Fawwaz and Char-Lee (2024), concentrated ownership positively affected ROA and the value of Tobin, Q of Jordan listed companies, thus the concentration ownership enhancement of managerial discipline. Almashaqbeh *et al.* (2023) reported that in Jordan insider ownership and firm value were strongly related. In their cross-country analysis of emerging markets, Afza and Nazir (2021) discover that moderate managerial ownership improves performance as it helps reduce agency issues. Rahman *et al.* (2020) stressed that director ownership contributes to better quality of disclosure and governance performance.

This inconsistency in the results can be resolved by the disparities in institutional structures and proficiency of administration. Overall director ownership is not especially high in Nigeria (0.78%), and it may not be enough to create an impact on strategies. In addition, in the cases of high insider control, they might decrease the board independence as well as accountability thereby entrenching the managers. Conversely, in those nations where law and corporate governance traditions are better established, it is more likely that director ownership will serve as a performance enhancing device. Theoretically, the agency theory has it that insider ownership can align the interests of managers and shareholders but also cautions against entrenchment with the high levels of ownership. The resource-based theory has less to say in this context because the ownership of directors by itself is not a distinct or inimitable resource unless it is accompanied with strategic capabilities.

### **Foreign Ownership and Firm Value**

The notable negative relation between foreign ownership and firm value that is found in this study is backed by a number of sources. According to research conducted by Ismaila and Tanko (2024), the foreign ownership had a negative effect on the Nigerian bank performance indicating that foreign investors operating in the country encounter operational problems. Chen and Wang (2021) had pointed out that foreign ownership tends to have inferior outcomes in emerging markets that have regulatory impediments, and cultural distance. Egolum *et al.* (2021) determined that foreign shareholders proved to be poor mechanisms of governance in Nigerian companies. In Uwuigbe *et al.* (2020), the authors attributed the low performance of the foreign-owned companies in Nigeria to the instability of the policies and absence of the local adjustment. Similar structural and cultural frictions were noted by Thanapin (2023) who found no significant impact of foreign ownership on firm value on Thai listed firms.

Contrariwise, a number of studies find positive relations between foreign ownership and firm value. The study of Nguyen and van Dijk (2020) revealed that

transparency and firm value in Vietnam were enhanced by foreign investors. Fawwaz and Char-Lee (2024) noted that foreign ownership had a positive and significant impact on accounting performance as well as market-based performance of Jordanian companies. According to Mangena *et al.* (2012), foreign shareholders enhanced the quality of governance and effective monitoring of African firms. Using an sample, Ahamed and Masum (2024) discovered a positive connection between foreign ownership and improved environmental disclosure. Using a sample of East Asia, Fan *et al.* (2022) demonstrated that foreign equity participation enhanced the corporate governance and valuation of firms.

Such contradiction can be attributed to differences in contexts. Foreign investors may become active participants in the governance and improvement of performance in jurisdictions that have stable macroeconomic policies and investor protection. On the contrary, Nigeria has regulatory unpredictabilities, poor enforcement of laws, and minimal protection of foreign investors, which puts off interactivity. Such terms make a foreign ownership a passive investment, and not a strategic partnership. The agency theory considers foreign shareholder as external monitors however their monitoring efficiency relies on institutional ability and legal safeguard. According to the resource-based theory, foreign equity causes the inflow of strategic resources like capital and expertise, which, however, cannot be adequately exploited in the absence of favorable local conditions.

### **State Ownership and Firm Value**

The fact that this study showed a significant and negative influence of state ownership on firm value agrees with previous literature. Ismaila and Tanko (2024) noted that government shareholding lowered the performance of banks in Nigeria due to its inefficiencies and political interference. Similar negative effects of state ownership on the firm value are also discovered in Nigeria oil and gas industry by Egolum *et al.* (2021). Okike (2007) supported the view that political appointees and lacking clarity in terms of accountability in state-owned enterprises weaken governance. The general argument presented by Musacchio and Lazzarini (2014) is that state capitalism creates inefficiencies because of the dual goals. In a meta-analysis, Wang and Ang (2022) affirmed that the excessive state control normally reduces the firm value across emerging markets.

In other contexts, contradictory results exist. Fawwaz and Char-Lee (2024) discovered that, across Jordan, government ownership enhanced ROA (but not Tobin-s Q) pointing out that there were operational advantages but no market reassurance. Chen *et al.* (2021) demonstrated that state ownership that is placed under regulatory control might provide strategic stability. Thanapin (2023) did not find the significant impact of state equity on the firm value in Thailand. According to Musa (2024), there exists a positive correlation between

government ownership and environmental disclosure in Nigeria, which points to the social, rather than financial, goals. The study by Ahamed and Masum (2024) did not establish any significant correlation between public ownership and firm disclosures.

Institutional context is the major source of the differences. Even in well-regulated economies, state ownership can be used to coordinate economic aspirations and avail financial resources or policy incentives. However, in Nigeria, the government ownership is usually politicized or adopted to control the lending activities of the banks at the expense of performance. The negative market valuation is attributed to lack of performance-based incentives, deficient accountability and politicization. This can be viewed in terms of the agency theory as a problem of the misalignment of principals (the public) and agents (state-appointed managers). Resource-based theory would be constrained in this unless the access to strategic assets is facilitated by the state- which we do not see clearly in this case.

#### ***Institutional ownership and Firm Value***

A number of local studies support the negative effect on institutional ownership on firm value established in the study. According to Ismaila and Tanko (2024), the institutional ownership has a negative impact on the bank performance in Nigeria. The position of Olokoyo *et al.* (2021) was that the institutional investors in Nigeria tend to lack the activism needed to bring about improvement in governance. Institutional ownership together with firm size had a negative effect on value according to Uwuigbe *et al.* (2020). In the Nigerian resource-intensive industries, Egolum *et al.* (2021) noted the presence of institutional investors who were mostly inactive.

Conversely, other studies across different nations recorded positive correlations. According to Fawwaz and Char-Lee (2024), institutional ownership greatly amplified the Tobin's Q in Jordan. Ahmed (2025) determined that environmental transparency was related to institutional investors. With GCC countries, Al-Faryan and Al-Amri (2023) demonstrated a positive impact on performance by institutional ownership. In Bangladesh, Ahamed and Masum (2024) observed that there was a demand of better disclosures by institutional investors. As Gillan and Starks (2003) put it, worldwide, it was argued that institutional shareholders represent one of the best governing agents, when they are involved.

The quality of institutional participation explains the divergence. Institutional investors in developed and semi-developed markets are independent, long term focused and have an activist approach towards shareholder activism. Nigeria however has several institutional investors that are either state affiliated, political influenced or lack the legal authority to interact with the management. In this regard, they can play an

insignificant role in monitoring or strategy, and even support bad governance by colluding or doing nothing. The agency theory presupposes that the institutional investors will help to alleviate agency problems by monitoring actively, which would not work in case of passive or conflicted investors. In terms of resource-based view, institutional equity may be a strategic resource, however, it needs to be accompanied with expertise and active involvement which is lacking in most cases in Nigeria.

## **CONCLUSION AND RECOMMENDATION**

The research findings state that the ownership structure of the listed deposit money banks in Nigeria by directors is insignificant in this relationship between market valuation. The Foreign ownership reveals that, higher levels of foreign equity ownership is related to lower market value of the listed deposit money banks in Nigeria. In addition, the State ownership also shows that government shareholding is associated with poor performance of firms in market conditions among the listed deposit money banks in Nigeria. On the same note, institutional ownership provides the fact that the lower valuation of the listed deposit money banks in Nigeria is associated with the presence of institutional investors in these banks. These results confirm that the elements of ownership structure produce differentiated and quantifiable influences on the firm value among the listed deposit money banks in Nigeria.

The research recommends that:

- Since ownership by directors did not show any statistical significance in influencing the firm value in the listed Nigerian commercial banks, Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC) need not emphasize on increasing insider shareholding, but should concentrate on improving the overall board governance. Reliance on equity alignment alone should not be used, instead, there should be an emphasis on ensuring that there is a degree of board independence, professional competence, and effective oversight mechanisms in order to improve strategic decision-making and accountability.
- Since the research demonstrated strong negative impact of foreign ownership on the firm value, the Securities and Exchange Commission (SEC) and the Nigerian Investment Promotion Commission (NIPC) ought to reconsider the current policies governing the foreign equity ownership in the banking industry. These agencies are advised to implement more stringent entry standards, post-investment compliance supervision, and require foreign shareholders to adapt to the local regulatory and corporate governance system in order to preserve the performance of firms and guard the domestic financial stability.

- On the basis of such a large negative impact of state ownership on the value of the firm, the Bureau of Public Enterprises (BPE) and the Federal Ministry of Finance are encouraged to make the reduction of government equity stakes in listed commercial banks a priority. In cases where divestment cannot be carried out immediately, good governance structures should be established to separate ownership and management to reduce the level of political influence and make sure that the state ownership serves to complement not to compete with market-based performance criteria.
- Active stewardship roles by institutional investors should be imposed by SEC and the National Pension Commission (PenCom) since it was discovered that institutional ownership has negative impact on firm value. These agencies ought to present some regulatory principles that would facilitate the activity of shareholders, mandatory voting disclosure and institutional investors should be obliged to become actively involved in the governance controls to direct their power towards the value-addition aims in the Nigerian banking industry.

## REFERENCES

1. Afza, T., & Nazir, M. S. (2021). Ownership structure and firm performance: Evidence from emerging markets. *Journal of Governance and Regulation*, 10(1), 15–27. <https://doi.org/10.22495/jgrv10i1art2>
2. Agyei-Boapeah, H., Yeboah, M., & Baah-Boakye, K. (2021). Corporate governance mechanisms and firm value in sub-Saharan Africa. *African Journal of Economic and Management Studies*, 12(1), 94–112. <https://doi.org/10.1108/AJEMS-02-2020-0086>
3. Ahamed, K., & Masum, M. (2024). Ownership structure and environmental disclosure: Evidence from the textile sector. *Journal of Environmental Accounting and Management*, 12(2), 91–105.
4. Ahmed, I. (2025). Institutional ownership and environmental reporting: Evidence from publicly listed companies in emerging markets. *Journal of Sustainability Reporting*, 12(1), 45–62.
5. Al-Faryan, M. A., & Al-Amri, K. A. (2023). Institutional ownership and firm performance: Evidence from the Gulf Cooperation Council countries. *Journal of Financial Regulation and Compliance*, 31(1), 88–104. <https://doi.org/10.1108/JFRC-05-2022-0057>
6. Almashaqbeh, I. A., Abu Khadra, M. F., & Alzoubi, A. M. (2023). Ownership structure and firm value: Evidence from Amman Stock Exchange. *International Journal of Economics and Financial Issues*, 13(1), 45–56.
7. Asma, S., Abdullah, M., & Khan, H. (2022). Ownership structure and firm performance: Evidence from Pakistan's banking sector. *Cogent Economics & Finance*, 10(1), 2035678. <https://doi.org/10.1080/23322039.2022.2035678>
8. Asongu, S. A., & Odhiambo, N. M. (2019). Enhancing governance for sustainability in sub-Saharan Africa. *Sustainable Development*, 27(4), 713–724. <https://doi.org/10.1002/sd.1931>
9. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
10. Chen, L., & Wang, Y. (2021). Foreign ownership and corporate governance: A review. *Journal of International Business Studies*, 52(5), 798–817.
11. Chen, R., & Wang, Y. (2021). Foreign ownership and corporate governance: A review. *Journal of International Business Studies*, 52(5), 798–817.
12. Chen, R., & Yu, W. (2020). How ownership structure affects firm performance: Evidence from China. *Asian Economic and Financial Review*, 10(3), 306–319.
13. Chen, S., Zhang, H., & Zhou, H. (2021). State ownership and firm performance: Evidence from financial reforms. *Emerging Markets Review*, 46, 100733. <https://doi.org/10.1016/j.ememar.2020.100733>
14. Donaldson, L., & Davis, J. H. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management*, 16(1), 49–64.
15. Egolum, U. P., Olayemi, O., & Uwuigbe, U. (2021). CEO ownership and firm value: Evidence from Nigeria's oil and gas sector. *Journal of African Financial Studies*, 13(1), 23–40.
16. Fan, J. P. H., Wei, K. C. J., & Xu, X. (2022). Corporate ownership structure and firm value: Evidence from East Asia. *Journal of Financial Economics*, 58(3), 327–372. [https://doi.org/10.1016/S0304-405X\(00\)00067-1](https://doi.org/10.1016/S0304-405X(00)00067-1)
17. Fawwaz, A. M., & Char-Lee, Y. (2024). Ownership concentration and firm performance: Evidence from Amman Stock Exchange. *International Journal of Financial Studies*, 12(1), 55–74.
18. Gillan, S. L., & Starks, L. T. (2003). Corporate governance, corporate ownership, and the role of institutional investors: A global perspective. *Journal of Applied Finance*, 13(2), 4–22.
19. Ismaila, A. R., & Tanko, M. (2024). Ownership structure and firm performance in Nigerian deposit money banks. *Nigerian Journal of Banking and Finance*, 15(2), 95–112.
20. Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.
21. La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2002). Investor protection and corporate valuation. *The Journal of Finance*, 57(3), 1147–1170. <https://doi.org/10.1111/1540-6261.00457>
22. Li, F., & Liu, Y. (2022). Foreign ownership and firm behavior: A conceptual clarification. *Asian Journal of Business Research*, 12(1), 23–38.

23. Mangena, M., Taurigana, V., & Chamisa, E. (2012). Corporate boards, ownership structure and firm performance in an environment of severe political and economic crisis. *British Journal of Accounting and Finance*, 44(1), 123–143.
24. Musa, H. (2024). Ownership structure and corporate environmental disclosure: Evidence from Nigeria. *African Journal of Accounting and Sustainability*, 10(2), 78–99.
25. Musacchio, A., & Lazzarini, S. G. (2014). *Reinventing state capitalism: Leviathan in business, Brazil and beyond*. Harvard University Press.
26. Nguyen, Q. T., Yip, N., & Tran, B. T. (2022). Foreign ownership and firm productivity: Evidence from ASEAN emerging markets. *Asia Pacific Journal of Management*, 39(2), 519–543. <https://doi.org/10.1007/s10490-021-09739-1>
27. Nguyen, T. T., & van Dijk, M. A. (2020). The impact of ownership structure on firm value: Empirical evidence from Vietnam. *Emerging Markets Finance and Trade*, 56(2), 354–371. <https://doi.org/10.1080/1540496X.2019.1658066>
28. Nyberg, A. J., & Fulmer, I. S. (2022). Corporate governance and firm value: A resource-dependence perspective. *Academy of Management Perspectives*, 36(1), 56–74. <https://doi.org/10.5465/amp.2019.0010>
29. Ochieng, D. O., & Ahmed, A. H. (2021). Ownership structure and firm performance: Evidence from listed firms in Kenya. *African Journal of Economic Policy*, 28(1), 45–62.
30. Okike, E. N. M. (2007). Corporate governance in Nigeria: The status quo. *Corporate Governance: An International Review*, 15(2), 173–193. <https://doi.org/10.1111/j.1467-8683.2007.00553.x>
31. Olayemi, O., Uwuigbe, U., & Ajetunmobi, O. (2023). Ownership structure and market value of listed Nigerian banks. *Journal of African Financial Studies*, 15(2), 115–130.
32. Olokoyo, F. O., Osuma, G. O., & Salako, O. A. (2021). Ownership structure and firm performance: Evidence from listed non-financial firms in Nigeria. *Journal of Financial Reporting and Accounting*, 19(1), 105–124. <https://doi.org/10.1108/JFRA-06-2020-0141>
33. Purnomo, H., Siregar, S. V., & Wahyuni, E. T. (2025). Sharia compliance and managerial ownership: Impact on financial performance in Indonesia. *Asian Journal of Islamic Finance*, 7(1), 15–33.
34. Rahman, M. M., Mamun, A. A., & Islam, M. A. (2020). Board characteristics and firm performance: Evidence from an emerging economy. *Journal of Economic and Administrative Sciences*, 36(3), 226–245.
35. Rahman, M. M., Uddin, S. M., & Sultana, T. (2022). Institutional ownership and corporate sustainability practices in emerging markets. *Business Strategy and the Environment*, 31(6), 2502–2515.
36. Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *The Journal of Finance*, 52(2), 737–783. <https://doi.org/10.1111/j.1540-6261.1997.tb04820.x>
37. Thanapin, S. (2023). Government and foreign ownership and their impact on firm value: Evidence from Thailand. *Southeast Asian Journal of Economics*, 14(2), 101–120.
38. Uwuigbe, U., Uwuigbe, O. R., Olayemi, O., & Ajetunmobi, O. (2020). Ownership structure and firm value: The moderating role of firm size. *Investment Management and Financial Innovations*, 17(2), 132–141. [https://doi.org/10.21511/imfi.17\(2\).2020.12](https://doi.org/10.21511/imfi.17(2).2020.12)
39. Wang, H., & Ang, J. (2022). State ownership and performance: A meta-analytic review. *Journal of World Business*, 57(2), 101276. <https://doi.org/10.1016/j.jwb.2021.101276>
40. Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2), 171–180.
41. World Bank. (2020). *State-Owned Enterprises: Catalysts for public value creation?* Washington, DC: World Bank Publications.
42. Zhao, Q., & Zhang, X. (2021). Tobin's Q and firm investment: Reassessing the evidence. *Review of Financial Studies*, 34(6), 2951–2979.