OWNERSHIP STRUCTURE AND FIRM VALUATION OF QUOTED DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

The study examined ownership structure and firm valuation, evidence from quoted deposit banks in Nigeria. The specific objectives of the study were to determine the relationships between managerial ownership, Chief Executive Officer (CEO) ownership, firm size, and leverage in quoted deposit money banks. The study used a sample size of thirteen (13) quoted banks in Nigeria for a period of eight years (2012-2019), and the total observation for the study is 102. The tool of data analysis used in this study is E-view 8.0. At the end of the analysis and testing of the stated hypotheses, the study revealed that there is a significant relationship between leverage and firm value. The study also shows that there is no significant relationship between managerial ownership, CEO ownership, firm size, and firm value. The study, therefore, recommends that banks should adopt more cost-reduction schemes that also allow for optimal ownership structure decisions.

Keywords: Ownership Structure, Leverage, Firm Valuation,

INTRODUCTION

The effect of ownership on firms' performance has been of research interest in corporate finance literature. Often, managers' and shareholders' interests are usually not aligned, which results in problems that reduce a firm's value and performance (Tatiana & Stela, 2013). Shareholders are always regarded as corporate owners, while directors are agents or representatives of shareholders who are supposed to allocate business resources to increase their wealth

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(Benjamin, Love & Kabiru, 2014). There are three determinants of a firm's valuation. The first is associated with external factors that are beyond the control of the firms. The second refers to internal factors under the direct purview of the firms.

These constitute managerial efficiency, governance structure, and ownership structure, among others that affect the firms' ability to cope with external factors. Third, the other factors that affect firm performance are firm size, leverage, and industry type (Kechi, 2011). Hence, ownership concentration is related to firm valuation since traditional theories argued that when ownership of a firm is concentrated in the hand of large shareholders, they have the incentive to monitor the managers' actions through direct intervention to reduce agency problems (Chen & Swan, 2010; Albart et al., 2020). Also, in the studies of a diversification strategy, it was found that ownership concentration enhances the corporate diversification and performance of a firm because it constitutes the largest investment in a corporate firm (Genc & Angelo, 2012). Based on previous literature, it is observed that various forms of ownership structure have impacted the firm's values. However, the study chooses to focus on whether ownership structures significantly affect a firm's valuation of quoted deposit money banks and consider how desirable, such impacts are if they exist.

The ownership structures of companies are rapidly changing to match global challenges and demands. A firm's ability to make acceptable returns in this competitive environment determines its ability to survive in the future as the world's economies are becoming more and more globally integrated. However, this study will focus on the banking sector, specifically consumer goods firms quoted deposit money banks on the Nigeria Stock Exchange.

The ownership structure is seen as the classes or groups of owners that exercise control over a firm's activities. Various scholars have different definitions of ownership structure. According to López-Iturriag & Rodríguez-Sanz (2012), the ownership structure is regarded as the fraction of shares owned by a firm's most significant shareholders, with much attention given to the fraction owned by the

five largest shareholders. Anwar (2019) viewed the ownership structure as institutional and managerial ownership.

Sahut & Gharbi (2010) viewed ownership structure as the combination of ownership concentration, managerial ownership, and institutional ownership. Alipour & Amjadi (2011) also defined ownership structure as the composition of the most significant five shareholders, including institutional shareholders, and individual and managerial shareholders. López-Iturriag & Rodríguez-Sanz (2012) viewed ownership structure as the composition of managerial ownership and concentrated ownership. Uwalomwa & Olamide (2012) regarded the ownership structure as decisions made by those who own or who would own shares. They measured ownership structure as the composition of board ownership, institutional ownership, and foreign ownership.

However, the elemental composition of the ownership structure of interest to this study is a combination of ownership concentration, institutional, managerial, and foreign ownership. Ownership concentration composition also varies among scholars. According to Waseem & Naila (2011), ownership concentration is the sum of squares of the fraction of total equity held by each large shareholder. Kamran, Sehrish, Saleem, Yasir & Shehzad (2012) defined ownership concentration as the portion of shares held by top shareholders of the firm. Genc & Angelo (2012) saw ownership concentration as the percentage of ownership shares of the largest shareholders. Lina, Soud, Nimer & Alnimer (2013) saw ownership concentration as the percentage of the largest and the second-largest managerial block holders. The latter own at least 10% of the total shares in a firm.

Institutional Ownership composition also varies among scholars. Imad (2012) measured institutional ownership by the five largest institutional investors. The firm value represents the assets owned by the company (Imad, 2012). Firm value is considered a crucial thing since it describes the prosperity of the company's owner. Therefore, as the company's representative, the manager is responsible for optimally achieving the firm value (Feng, 2010). Good firm value can attract other parties' interest to join the company. The positive impact

of asset earnings power shows that if the company has higher earning powers, then the asset turnover will be more efficient.

The profit will be more significant. As a result, the firm value will also increase. Besides assets and profit, the company debt policy also influences the changes in firm value. The higher the debt, the higher the stock price. However, it will be the opposite in certain conditions when the benefit of debt utilization is less than the cost incurred. The debt policy can create the expected firm value, but it depends on the firm size. This explanation means firm size will influence the competition in the stock exchange.

Most of the study determines what factors can affect the firm value. It was stated that a firm's wealth, technology, organizational structure, human resources with discounted future cash flows, and environmental factors of industrial establishments, could affect firm value (Mohammed, 2017). Another study uses customer satisfaction, management understanding, technology usage, and product quality as factors that influence firm value. Feng, (2010), identified firms' competitiveness as a factor affecting firm value. Additionally, the study focused on sustainable growth and the firm's financing to determine the factors that affect firm value.

The broad objective of the study is to examine the relationship between ownership structure and firm valuation. While the specific objective is:

i. To examine how managerial ownership impact firm valuation of deposit money bank in Nigeria.
ii. To examine the relationship between CEO ownership and firm valuation
iii. To examine the effect and firm size on the deposit money bank in Nigeria.
iv. To examine the relationship between leverage and firm valuation

Based on the above objective the following research questions were interrogated:

i. To what extent does managerial ownership affect the firm valuation of deposit money banks?
ii. How does CEO ownership affect firm valuation?
iii. To what extent does firm size affect deposit money?
iv. To what extent does leverage affect firm value?

The following null hypotheses were tested
H_{o1}: There is no significant relationship between managerial ownership and firm valuation
H_{o2}: There is no significant relationship between CEO ownership and firm valuation.
H_{o3}: There is no significant relationship between firm size and firm valuation
H_{o4}: There is no significant relationship between leverage and firm valuation

CONCEPTUAL REVIEW

Ownership structure can be defined as capital commitments, which involve inside investors (director or manager) and outside investors (debt and equity holders). Abel & Okafor (2010) defines ownership structure as the percentage of share held by managers (managerial ownership), institutions (institutional ownership), government (state ownership), foreign investors (foreign ownership), and family (family ownership). While the recent definition has been added by Bansal (2005) that ownership structure is the committee of investors and shareholders (proprietors) is made up of individual peoples, groups, and institutions who have different goals, interests, investment horizons, and capabilities.

Although the concepts used in this study are not strange, defining them would make a clearer understanding of the proposed interrelationships in the framework. However, it is not without doubt that as simple as the concepts appear, there may still be some misconceptions of the concept of ownership structure, and risk-taking behaviour among other concepts. For this purpose, these two concepts and their various dimensions are discussed.

The term ownership structure is often misconstrued and used synonymously with ownership concentration as found in many empirical studies (Al-Saidi, & Al-Shammari, 2015). Abdulsamad & Yusoff (2016: 433) defined ownership structure as "the relative amount of ownership claims held by insiders (managers) and outsiders (investors with no direct relationship with the management of the firm)". This definition categorizes all potential claimants only as being either an insider or an outsider.

FIRM VALUATION

Firm or organizational, corporate, or enterprise valuation is a complex terminology that encompasses many facets of organizational existential purposes. The complex nature of the term sometimes makes it somewhat difficult to explain with simple words and terms. However, in corporate literature, valuation is often categorized into two broad measures financial and non-financial. The preference for either measure depends on the congruency of the research objective with the interest of a particular group who is interested in it (Bhagat & Bolton, 2008). In other words, the decision to adopt either financial or non-financial measures is often guided by research purpose and the interested group to which the valuation measures matter most, while at the same time acknowledging the limitation of exclusivity of other valuation measures.

Popular measures that have been in use include return on assets (ROA), return on equity (ROE), operating profit (OP), return on investment (ROI), earnings per share (EPS), Tobin's Q, among others (Ayako, Githui & Kungu, 2015). In either measure, the bottom line is the ability of the firm to manage resources in such a way that guarantees competitive advantage (lswatia, & Anshoria, 2007). This definition resonates well with past scholars because it captures the very essence of business enterprise development (Almajali, Alamro, & Al-Soub, 2012). Every firm is interested in the superior level of valuation for several reasons which include but are not limited to tax, investment, return industry growth, and contribution to the social and economic well-being of a nation (Almajali et al., 2012). This has attracted intense

research interest in the subject to find a better, most efficient, and more effective way to attain it. And ownership structure and form have been identified as one of determinants of firm valuation as discussed in the section that follows.

THEORETICAL FRAMEWORK

Agency theory

The principle underlining the issue of corporate governance is the agency theory developed by Jensen & Meckling (1976) resulting from the separation of ownership and control. Under this theory, the main concern is to develop rules and incentives, based on implicit or explicit contracts, to eliminate or at least, minimize the conflict of interests between the owners and the managers. This theory also suggests that different types of ownership could have different effects on the valuation of a firm. It has been recognized that modern firms are seen to suffer from separation of ownership and control. Hence, professional managers (agents) run these firms and they cannot be held accountable by dispersed shareholders. To minimize these shortcomings various governance mechanisms aimed at aligning the interests of agents with those of principals, including equity ownership by few individuals, managers, institutions or foreigners may be considered.

Stewardship theory

In stewardship theory, it is defined to mean that a "steward protects and maximizes shareholders wealth through firm performance because by so doing, the steward's utility functions are maximized" (Abdullah & Valentine, 2009: 90). From this perspective, managers and top executives of the organization act and work in the best interest of the owners rather than serving their self-interests (Yusoff & Alhaji, 2012). Stewardship theory draws its basic assumptions from social psychology (or sociology and psychology) which focus on the behaviour of organization's executive. The steward's (or manager's) behaviour is pro-enterprise, and collectivist and is considered as being dovetailed rather than deviating from the interest of the enterprise.

It is also adjudged to have more utility than individualistic self-serving behaviour because the steward seeks to achieve corporate objectives instead of personal objectives. Unlike agency theory which views an employee or workforce as an economic being that stifles an individual's egoistic desires in an organization, stewardship theory advocates for vital structures that sanction or enable the steward and cede maximum sovereignty built on trust to the stewards. It emphasizes employees' or executives' position to act more autonomously to maximize shareholders' wealth since such independency can help in minimizing the costs of monitoring and controlling their behaviour (Anwar, 2019).

EMPIRICAL REVIEW

Managerial Ownership and Firm Valuation

One of the pioneering works on the relationship between managerial ownership and firm value is from McConnell & Servaes (1990). They used piecewise linear regressions to estimate the relationship between Tobin's Q and the shareholdings of the board of directors for 371 Fortune 500 firms in 1980. They found a positive relationship between ownership and Q in the 0% to 5% board ownership range and beyond *25%,* which was dominated by the convergence of interest effect of management. While there is a negative and less pronounced relation in the *5%* to 25% range, in which the entrenchment effect overpasses the convergence of interest effect. Where after, McConnell & Servaes (1990) used regression of Tobin's Q and the fraction of shares owned by corporate insiders for firms in 1976 and 1986 to find their curvilinear relationship. Short & Keasey (1999); Miguel, Pindalo & Torre (2004) studied the association of management ownership and corporate value using the data of the UK and Spanish and found a similar conclusion respectively.

CEO Ownership and firm valuation

Given that the shareholders may not always have complete access to the information that tells whether the Chief Executive Officer (CEO) is maximizing shareholder wealth, agency problems can occur if

the CEO has other goals in mind than the creation of shareholder value (Eisenhardt, 1989). It is therefore important to align the interests of the CEO with those of the shareholders, because company performance may suffer if this is not the case, for example, poor corporate governance. CEO compensation becomes relevant here since it can be used as a tool to achieve this alignment. For instance, financial bonuses and long-term income can be part of the CEO compensation package. Making the CEO one of the shareholders might be beneficial to organisational performance, given that numerous studies found results that indicated this.

Firm Size and Firm Valuation

Cash flow from operations reflects the actual liquid position of any organization and explains the ability of a firm to meet its maturing short-term obligation as they fall due. The fundamental concept of cash flows tends to eliminate any ambiguities as may be captured in the income statement which is used in the disclosures of either profit or loss as the case may be. This presupposes that at face value, the accounting construct called profit/loss might be deceptive, while cash is the ultimate reality. However, the cash flows from operations are the most important aspect of the tripods of the statement of cash flows because of their seemingly peculiar nature.

The size and age of a firm may have a bearing on its ability to generate funds.

Ayako, Githui & Kungu (2015) noted that the cash flow sensitivity of investment is considered one of the components of financial decisions. Because the ability of the company's investment can affect in such a way the financing of the company and as a result, it is considered a kind of financial decision. They submitted that changes in operating cash flow as a source of cash have a significant impact on asset and capital structure, cash flow holdings, investment, and external financing. So, an increase in a firm's cash flow in the short term will lead to an increase in savings and reduce external financing. According to Ayako, Githui & Kungu (2015), different researchers used different indexes for the measurement of firm size. Al-Saidi & Al-Shammari (2015) used sales

logarithm, Bhagat & Bolton, (2008) used assets logarithm and Abdullah & Valentine (2009) used capital market value logarithm. Due to the inflammation dominating Iran's economic assets based on historical values, using sales for determining the size of companies is better.

Leverage and firm valuation

The essence of the application of firm assets is to generate a stream of operating cash flows in the business. The providers of capital have claims on the net cash flows of the business after paying the obligatory tax dues while the balance is retained for business operations. If the firm is wholly equity financed, all the after-tax operating cash flow in each period accrues as a benefit to its shareholder in form of dividends and retained earnings. On the other hand, if the firm borrowed a portion of its capital, a proportion of its cash flow must be dedicated to servicing this debt element.

The firm choice of source of funds, therefore, determines the allocation of its operating cash flow each period between debt and shareholders. The overall significance of the firm choice of capital structure is esoteric. It relates to splitting finance into debt and equity elements with each of these having its peculiar features, merits, and demerits on firm sustainability and market value. Traditional view argues that firm value may increase to a certain level with increased leverage up to a certain point beyond which the overall value reduces. They argued that firm market value remains the same throughout the level of leverage based on certain assumptions.

RESEARCH DESIGN

This study made use of the survey research design. The study adopted the use of annual reports of listed firms in the financial sector of the Nigerian economy as its main source of data. This is because annual reports of listed companies are readily available and easily accessible. To that effect, the annual reports for the period of 2012-2019 were used for 13 banks. Nevertheless, in testing the research hypotheses, the study adopted the use of panel least square regression

for the listed sampled firm in the estimation of the regression of the equation under consideration.

POPULATION AND SAMPLE OF THE STUDY

The population of the study is all conglomerate firms listed on the Nigeria Stock Exchange as of 31st December 2019 with the needed available data. The study used the entire population as a sample adopting census sampling techniques. The data of this study were obtained mainly from secondary sources extracted from the period 2012-2019. A panel data multiple regression model are used for the analysis of the data. Panel data can control heterogeneity among the cross sections and can reduce the multi-nonlinearity problem of the explanatory variable (Yusoff & Alhaji, 2012). This study uses the regression analysis where the least square technique was employed. Multiple regression techniques were used.

METHOD OF DATA COLLECTION

The study relied mainly on secondary data that were extracted from the annual report and statements of accounts, statement of comprehensive income, and statement of financial position, of the selected quoted commercial bank for this research work.

METHOD OF DATA ANALYSIS

Descriptive analysis was first applied to describe relevant aspects of financial leverage and provided detailed information about each relevant variable. Correlation models specifically Pearson correlation were applied to measure the degree of association between different variables under consideration. Regression analysis was also used for the study.

MODEL SPECIFICATION

The dependent and independent variables in this study are ownership structure and firm valuation and they were measured by return on asset (ROA), return on equity (ROE), leverage, firm size and debt-equity ratio (DER)

The regression model used is as shown below,

ROA = β_{10} + β_1(MAGOW) + U + ---------- E(l)

ROA = β_{10} + β_2 (MAGOW) + U + ---------- E(2)

LEV = β_{10} + β_3 (MAGOW+CEO) + U +---------- E(3)

FRZ = β_{10} + β_4 (MAGOW+CEO+FRZ) + U +---------- E(4)

DBT = β_{10} + β_5 (MAGOW+CEO+FRZ+LEV) + U +----------*E(5)*

Where

ROA = Return of Assets

FRMS3 = Firm Size

LEV = Leverage

β = Intercept

$\beta_1 - \beta_2$ = Parameter

E = Error

U = u^{th} year term

T = t^{th} year firm

The definition of the variable in the research model is as follows:

ROA = n = $\frac{\text{NET INCOME}}{\text{TOTAL ASSET}}$

Firm size = Natural log of total asset

Leverage n = $\frac{\text{Total Liabilities}}{\text{Total Assets}}$

Deposit equity ratio = $\frac{\text{Total Liabilities}}{\text{Shareholder's funds}}$

Independent Variables

ROA = β_{10}+ β_1 (MAGOW$_{U+}$ + β_2STOW$_{U+}$ β_3CEO$_{U+}$+ β_4FRZ$_{U+}$+ β_5LEU$_{U+}$)

Where:

ROA = Return of Assets

MAGOW = Managerial Ownership

CEO = Chief Executive Officer

FRZ = Firm Size

LEV = Leverage

$\beta_1\beta_5$ = Parameter

U+ = Year Firm

E = Error Term

t = Time Coefficient

LEVEL OF SIGNIFICANCE

The study use e-view software to determine the relationship between ownership structure and firm valuation of the commercial bank in Nigeria. The level of significance adapted to the testing stated hypothesis of the study is 5% of the financial sector.

Data Presentation

Table 1. Descriptive Statistic

	MRGOW	**CEOEN**	**FRMSZ**	**LEV**
Mean	0.091176	0.009128	16.85410	0.858113
Median	020000	0.001088	16.85454	0.860512
Maximum	0.720000	0.161312	16.992659	1.103708
Minimum	0.000000	0.000000	16.76624	0.717247
Std.dey	0.140482	0.023355	0.039644	0.050805
Skewness	2,089944	3.972611	0.249842	0.823718
Kurtosis	7.3033907	21.80246	2.343369	7.917250
Jarque-Bera	152.9791	1770801	2.893607	114.2986
Probability	0.0000	0.000000	0.03532 1	0.000000
Sum	9.00000	0.931093	179.1884	87.52756
Sum sq.dev	1.993259	0.055089	0.158737	0.260699
Observation	102	102	102	102

Source: Computed from various annual reports using e-view 8.0

Correlation Analysis

Table 2. correlation ma**trix**

Correlation	MGROW	STAOWN	CEOWN	FRMS2	LEV
MRGOW	1.000000				
STAOWN	NA	NA			
CEOWN	0.299786	NA	1.00000		
FRMSZ	-0.255658	NA	0.016723	1.00000	
LEV	0.179998	NA	0.114170	0.03320043	100000

Source: completed from various annual reports using E-views 8.0

Table 4.2 shows that the measure of firm valuation has a mixed correlation with the various explanatory variables used in the study. Using total assets as a proxy for size, the table shows a negative correlation with all measures of firm valuation, the size is for firm valuation leverage is negatively correlated with firm valuation.

The tale shows that no two of the explanatory variables are perfectively correlated or nearly so. Thus the problem of multicollinearity is absent in this model.

Regression Analysis

Table 3. Regression result

Fixed effects model

Variable	coefficient	Std.error	t-statistic	Prob
MRGOW	0.126237	0.077088	-1.637563	0.1055
CEOWN	-0.066646	0.325233	-0.204915	0.8382
FRMSZ	-0.277393	1.032364	-0.268697	0.7889
LEV	0.4344940	0.166373	2.6.4247	0.0107

R.squared	0.780681	Mean dependent var	0.97843 1
Adjusted R-squared	0.716011	SD- dependent var	0.104405
S.E. of regression	0.055638	Alkaline info criterion	*-2.737565*
Sum squared resid	0.241459	Scwar2 criterion	-2.119924
Loglikelihood	12.07161	Hanna - Quinn criterion	2.487461
Proh (F-statistic)	0.0000	Durbin-waston stal	1.683780

Random effect model

Variable	coefficient	Std.error	t-statistic	Prob
MRGOW	-0.237877	0.077448	-3.071442	0.0028
CEOWN	0.185328	.35650	-0.536171	0.5932
FRMSZ	-1.146679	0.343715	3.336130	0.0012

LEV	0.476547	0.151858	3.138102	0.0023

R-squared	0.215860	Mean dependent var	0.222144
Adjusted R-squared	0.215860	SD- dependent var	0.069529
S.E. of regression	0.062334	Sum. Squared resid.	.376891
t-test statistics	6.675589	Durbin-weston stst	1.57479
Proh (F-statistic)	0.00087		

The Hausrnan test result 4.5063 80 (prob = 0.3418) shows that the fixed effect used was appropriate in the analysis. The study shows that the explanatory variables do not account for much of the systematic variations in the dependent variable. The table shows very low R-squared and adjusted R-squared valves 0.780681 and 0.716011 respectively. This low valves of the R-squared statistic adjusted that there are many other variables in explaining changes in the dependent variable. For the model, the Durbin-waston statistic shows that the model overall is suitable for estimating the stated model.

TESTING OF HYPOTHESES

Testing Statistic

The statistical tool used in testing the stated hypothesis is the panel regression test procedure which used the individual significance test (t-test) and the overall significance test (f-test). The goodness of fit of the model is tested using the coefficient of determination. The estimation of this statistic is done using the E-views computer software

Significance Level

The level of Significance adopted in this study in testing the stated hypotheses of the study is 5%.

Decision Rule

The critical p-value used in these tests is 0.05 thus the researchers accept a given alternative hypothesis as accepted if the calculated p-value is

less than or equal to *0.05,* otherwise the researcher accepts the null hypothesis that there is no significant effect.

Hypothesis I

Ho: Managerial ownership has no significant effect on firm valuation
Hi: Managerial ownership has a significant effect on firm valuation

Computation

The test statistic is completed by E-views software and the results are shown in. table 4.5 below

Table 4. Panel Regression Results on CEO ownership and firm valuation. Co-efficient

Variable	Co-efficient	t-test statistic	Probability
MAGOWN	-0.126237	-1.637563	0.1055

Source: Extracted from table 3 (E-view computation)

DECISION

With a coefficient of -0.0666461 the result shows that CEO negatively impacts firm valuation, while the probability value of 0.83 82 indicates that the negative impact is not significant. This led to the acceptance of the alternative hypothesis. The researcher accepts that CEO ownership structure does not significantly affect firm performance and that such an effect is negative.

Hypothesis II

Ho: CEO ownership does not significantly affect the firm valuation
Hi: CEO ownership does significantly affect the firm valuation

Computation

The test statistic is completed by E-views software and the results are shown in. table 4.5 below

Table 5. Panel regression Results on CEO ownership and firm valuation.

Variable	Co-efficient	t-test statistic	Probability
CEOWN	-0.0666461	-0.204915	0.8382

Source: Extracted from table 3 (E-view computation)

Decision
With a coefficient of -0.0666461, the result indicates that CEO negatively impacts firm valuation, while the probability value of 0.8382 indicates that the negative impact is not significant. This led to the acceptance of the alternative hypothesis. The researcher accepts that CEO ownership structure does not significantly affect firm performance and that such an effect is negative.

Hypothesis III
Ho: Firm size does not significantly affect the firm valuation
Hi: firm size does not significantly affect the firm valuation

Computation
The test statistic is computed by E-view software and the result are as shown in Table 6. below

Table 6. Panel Regression Result on firm size and firm valuation.

Variable	Co-efficient	t-test statistic	Probability
FRMSZ	-0.277393	-0.268697	0.7889

Source: Extracted from table 3 (E-view computation)

Decision
With a coefficient of -0.277393, the result indicates that firm size negatively impacts firm valuation while the probability value 0.7889 indicate that the negative impact is significant because it is greater than 0.05. This led to the acceptance of the null hypothesis, thus that firm size does not significantly affect firm valuation, though such an effect is negative.

Hypothesis IV
Ho: Leverage does not significantly affect the firm valuation

Computation
The test statistics are computed by E-view software and the result are shown in Table 4.6 below

Table 7. Panel Regression Result on leverage and firm valuation

Variable	Co-efficient	t-test statistic	Probability
LEV	0..434940	2.614247	0.0107

Source: Extracted from table 3 (E-view computation)

Decision

With a coefficient of 0.434940 the result indicates that the leverage positively impacts valuation, while the probability value of 0.7134 indicates positive impact is significant. This led to the acceptance of the alternative hypothesis. The researcher accepts that leverage does significantly affect firm valuation and that such an effect is negative.

DISCUSSION OF FINDINGS

This study sought to examine empirically the relationship between ownership structure and firm valuation evidence from Quoted commercially bank. This study used one hundred and two (102) banks over seven (7) years from 2012 to 2019. This study adopted multiple regression estimation techniques. The explanatory variables used in the model employed are managerial ownership (MRGOW), CEO firm size (FRMSZ), and leverage (LEV).

The result indicates that for an expert for firm valuation all the variable is significantly normally distributed at the level of significance. The correlation matrix indicates the explanatory variables have mixed relationship dependent (variable firm valuation). The result also indicates the absence of multi-colinearity managerial ownership (MAGOW) variable, based on the coefficient v.126234, and a probability value of 0.1055 was found to be insignificantly and related to firm valuation at a 5% level of significance.

CLOWN (CEOWN) variable, based on the coefficient of 0.066646 and a probability of 0.83 82, the researcher concludes that CEOWM is negatively but insignificantly related to firm valuation. Firm size (FRMZ) variable, with a coefficient of -0.277393 and probability of 0.7889, the researcher find the firm size to be negatively but insignificantly related to firm valuation. The leverage (LEV) variable, based on the coefficient of 0.434940 and a probability of 0.0107, was

found to be positively statistically significant at a 5% level of significance.

CONCLUSION

The study examined the relationship between ownership structure and firm valuation (FRMVL) using evidence from quoted deposit money banks. The measure of ownership structure used in the study is the total return on asset (ROA). The study concludes that managerial ownership does not significantly affect firm valuation; that CEO does significantly affect firm valuation; firm size and leverage significantly affect firm valuation.

RECOMMENDATION

Based on the findings, the study recommends that for ownership structure and firm valuation evidence from Quoted deposit money banks which is a key interest to shareholders, these banks should adopt more cost reduction schemes that also allow for optimal ownership structure decisions. Adoption of optimal managerial ownership: managerial ownership should impact firm valuation because shareholding motivates management to make investment decisions on their own for shareholder benefits, which consequently affects firm valuation.

Adoption of optimal CEO ownership: The CEO should ensure that a shorter contract horizon is avoided because it can cause lower firm long-term prospects.

Adoption of optimal firm size: the firm should understand its optimal size to prevent unnecessary investment and high administrative costs: Small firms have a higher likelihood of failure as a result of limited access to capital.

Adoption of leverage on firm valuation: the firm should also seek to balance the amount of debt financing. Debt financing should be higher as much as possible than equity for a tax subsidy.

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