

## EQUITY OWNERSHIP STRUCTURE AND EQUITY RETURNS OF NIGERIAN QUOTED COMPANIES

Francis Kehinde Emeni  
Research and Technical Department  
The Institute of Chartered Accountants of Nigeria

and

Sunday Nosakhare Ugbogbo  
Department of Accounting  
Benson Idahosa University  
Benin City, Nigeria

### ***Abstract***

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*This study, examines the relationship between equity ownership structure (chairman ownership, family ownership, institutional ownership) and stock returns of Nigerian quoted companies. Based on a purposive sampling framework, 60 companies in the Nigerian Stock Exchange (NSE) were selected as sample for the study. The procedure was adopted because of paucity of data that cover the area of interest. Data for chairman, family and institutional ownership and the control variables (dividend per share, earnings per share) were sourced from annual reports of respective companies, while the stock price data for computing annual stock returns for the companies were obtained from the NSE official daily price listings. The data were analyzed using multiple regressions with the aid of the Microsoft Excel and E-Views 8.0 computer packages. Findings indicate that firm's equity ownership structure can effectively predict the returns outcome of stocks in the Nigerian market place. Such predictive power calls for an appropriate balance to be maintained (by firms) among the various equity ownership structures and their stock returns in the Nigerian Stock Exchange in order to ensure a well coordinated capital market and especially to maintain stability in the market. It is, therefore, recommended that overall, shareholding by the chairman, family ownership and institutions should be encouraged amongst quoted companies in Nigeria, if the much desired Economic Recovery and Growth which Nigeria craves for is to be achieved.*

**Keywords:** Ownership structure, Nigeria stock exchange, Stock returns, Equity shares

### **INTRODUCTION**

In the light of massive diversification and privatization efforts occasioned by economic recession in emerging economies like Nigeria, issues related to equity ownership structure and equity returns are attracting focused interest amongst academics. In this study, equity ownership structure simply means the distribution of equity with regard to identity of the equity owners. These structures are important to corporate governance and equity returns because they determine the economic efficiency of the company. Equity ownership structure may be chairman participation, family structure, institutional structure, government ownership, conglomerate ownership, foreign ownership amongst others. However, in finance literature, we observed that there is less focus on chairman participation in inside ownership of companies when compared to the Chief Executive Officer (CEO). Chairmanship

ownership is simply the percentage of shares that is owned by the head of the board of directors of a company. They hardly sell their shares because they are either the company founder or promoter.

Chairman ownership, of equity shares, is simply the percentage of shares that is owned by the head of the board of directors of a company; while family ownership structure is the percentage of shares owned by a single family in a company. Institutional ownership structure is the percentage of shares that is owned and controlled by large organizations such as profit and non-profit companies. A company with chairman share ownership of 5% and above is often described as high chairman ownership concentration. It is often argued that companies with such a large proportion of chairman's ownership concentration are better managed and will deliver superior shareholders returns to the investing public. A company with a high family share ownership of 5% and above is often describe as having high family concentrated ownership structure.

It has been observed in extant literature, that companies with large proportion of family ownership structure are poorly managed and will deliver poor shareholders returns to the investing public. A company with a reasonable amount of institutional share ownership of above 5% is often described as having high institutional shares ownership structure. It is also stressed that a company with such a large proportion of institutional share ownership concentration is better managed and will deliver superior shareholders returns to the investing public (Shleifer & Vishny, 1986).

For some inexplicable reasons, very little has been written on equity ownership structure and stock returns of Nigerian quoted companies, in spite of the rapid growth of Nigerian firms after independence. Previous studies (McConnell & Servaes, 1990; Chaganti & Damanpour, 1991; Han & Suk, 1998) have centered more on exploring the nature and extent of the relationship among the mature and more developed emerging markets with little or no emphasis on firms domiciled in an African country like Nigeria. Also, none of these studies has jointly examined them explicitly with Nigeria as the focal point. A majority of the studies that have sought to evaluate the link between institutional ownership and firm return generated results that at best could be regarded as mixed. For instance, some studies reveal that there is no significant relationship (Agrawal & Knoeber, 1996; Craswell, Taylor, & Saywell, 1997; Loderer & Martin, 1997; Navissi & Naiker, 2006). In contrast however, some other studies reveal a significant relationship between institutional ownership and firm returns (Chaganti & Damanpour, 1991; Han & Suk, 1998; Clay, 2001; Hartzell & Starks, 2003).

This study attempts to upgrade the current corpus of knowledge regarding equity ownership structure and stock returns in an emerging market, with the Nigerian capital market as a special focal point of interest. The remaining part of the paper is organized as follows: Section 2 reviews literature on equity ownership structure and stock returns, while also presenting the theory underpinning the study. Section 3 is on the research methodology. Section 4 presents the result of data analysis and discussions, while section 5 presents the contribution to knowledge, conclusion and recommendations.

## **LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

This section presents literature on the dependent variable (equity return) and independent variables (chairman's ownership, family ownership and institutional ownership) and the theory underpinning this study.

### *Chairman's Ownership and Stock Returns*

Khanna and Palepu (1999) and Singh and Gaur (2009) observed that a company with substantial chairman's shareholdings always has a stable stock price and the stock value of such companies has always been high. Also, Ngoc (2007) in his study on the chairman's shares ownership and firm returns, observe that there is a positive relationship between non-banking financial institutions chairman share ownership and firm's return on stock value. The study posits that board chairman ownership creates very good returns on assets and equity compared to non-managerial controlling shareholding companies.

Morck, Shleifer and Vishny, (1998) while comparing chairman's shareholding at different levels, discovered a positive relationship from 0% to 5% of chairman's ownership and stock returns, but a negative relationship between 5% to 25% levels of chairman's shares ownership. Also Short and Keasy (1999) carried out a similar analysis for firms in Great Britain from 1998 - 1992 and used two measuring methods: accounting measure (return on shareholder's equity) and market performance measures (like Tobin's Q). They found a positive relationship between chairman's ownership and firm returns from 0% to 16% in market measure range, and a negative result from 16% to 42 % range in firms operating in the Great Britain. This shows that chairman's share ownership impacts positively on stock returns to a limit beyond which it begins to generate a negative result. These findings suggest that while chairman or managerial board ownership of shares can improve returns in some firms; such share ownership should be carefully acquired to a reasonable limit against which a negative result might emerge. This generates the proposition? that:

H<sub>01</sub>: Chairman Ownership structure does not exert a significant impact on stock returns of Nigerian quoted companies.

### *Family ownership structure and stock returns*

Stewart (2003) suggests that family members are altruistic towards each other as a result of moral obligations. That altruism could mitigate some agency costs. Unfortunately, though, altruism can also lead to other agency costs, for example, free riding by family members, as in the "Samaritan's dilemma" (Bruce & Waldman, 1990), and entrenchment of ineffective managers (Morck & Yeung, 2003).

To further support this argument, Schulze, Lubatkin, and Dino (2003) claim that family relationships make it more difficult to resolve certain kinds of conflicts since nepotism does exist and families find it difficult to replace ineffective family members. This implies that family involvement has the potential to lower firm performance and disturb long term stock returns. This in other word implies that stock returns are likely to be negatively associated with companies where there are large single inside family ownership of shares (Ewing, 1965; Handler & Kram, 1988).

While it is often expected that family ownership would impair firm performance and long term stock returns, some studies have argued otherwise. Anderson, Mansi and Reeb (2003) suggest that founding families, representing a form of undiversified ownership, may mitigate the risk-shifting problem between shareholders and bondholders. Consequently, family firms may face a lower cost of debt financing. Furthermore, the relationship within a family are largely characterized by altruism, loyalty, and trust.

Pollack (1985) and Coleman (1990) have emphasized that in a family business, these qualities may promote flexibility in operations, ease decision making and reduce shirking, all of which may have favourable effect upon the productivity of the firm.

In a study by Anderson, Mansi and Reeb (2003) it was observed that family firms enjoy a lower cost of debt financing compared to non-family firms and they deny the disadvantages of family ownership by stressing that public family firms are significantly better performers than non-family firms. In supporting this view, McConaughy, Walker, Henderson, and Mishra (1998), and McConaughy, Matthews, and Fialko (2001), observe that family controlled firms were more efficient and valuable than non-family firms. In another study Anderson and Reeb (2004), discovered that family owners may have superior monitoring abilities relative to diffused shareholders, especially when family ownership is combined with family control over management and the board. They also argue that current generations of owners have the tendency and obligation to preserve wealth for the next generation. Family firms tend to have longer time horizons compared to non-family firms. Moreover, the controlling family is likely to commit more human capital to the firm and to care more about its long-run value (Bertrand & Schoar, 2006). Family members therefore represent a special class of large shareholders that may have a unique incentive structure, a strong voice in the firm and powerful motivation to make longer term strategic decisions (Becht & Roel, 1999; Dhnadirek & Tang, 2003; Wang, 2006).

The above empirical findings suggest that family ownership has the potential of contributing either positively or negatively to the firm's performance and long term stock returns. This therefore justifies the need for us to test the relationship between family ownership and stock returns in Nigeria. This generates the proposition that:

*H<sub>02</sub>: There is no significant relationship between Single family ownership structures and stock returns of Nigerian quoted companies.*

#### *Institutional Ownership Structure*

From a theoretical point of view, Shleifer and Vishny (1986) argue that large shareholders such as institutions have an incentive to monitor managers for their own interests which invariably spill over to other individual shareholders. They regard the existence of institutional shareholders as a monitoring mechanism on the behaviour of the board and managers and argue that their presence tend to be good for firm's value and its overall performance. The work of Agrawal & Mandelker (1990), Bathala, Moon and Rao (1994) also supported the claim that institutional investors play an important role in monitoring the activities of management and in reducing agency problems.

A growing literature argues that if institutional investors purchase security, and the supply curves are upward sloping, then aggregate institutional demand will have direct effects on stock returns. Also, due to economies of scale, institutional investors are likely to be better informed than other traders and with this information advantage, any trading behaviour of these institutions will affect prices as it would signal decision making (Easley & O'Hara 1987; Kyle, 1985; Porter, 1992). Using long-term stock returns as a measure of firm performance for 301 NYSE/AMEX firms during 1988-1992, Han and Suk (1998) observed that stock returns, represented by the geometric average return for the five-year period for the firms, are positively related to institutional ownership at 10% significance level. They attributed this observed significant relationship to effective management monitoring by institutional investors.

Cadbury (1992) observed that the presence of institutional shareholders should have a positive influence in generating higher stock returns for firms. The work of Cornett, Marcus, Saunders, and Tehranian (2007) in a research titled "the impact of institutional ownership on corporate operating performance" added credence to this finding. They went further to assert that institutional shareholding is one of the mechanisms of corporate governance maintenance and a major operational yield determinant of large companies. But some of these assertions have come with mixed results that indicate both positive and negative relationships. Based on this notion, Barnhart, Marr and Rosenstein (1994), and, Barnhart and Rosenstein (1998) found evidence of a reverse curvilinear relationship between the percentage of independent directors, as classified by Institutional Shareholder Services, and, some performance measures. They reported that firms where boards have clear majority of concentrated independent institutional directors had lower stock market performance.

A study by Ozkan (2007) found that institutional ownership has a significant and negative impact on the level of CEO compensation for a sample of UK companies for the year 2003. Her findings are consistent with the recent anecdotal evidence that institutions with large shareholders have become more active in their monitoring role of companies which invariably affects the ways companies manage investors' funds. Other studies have also sought to evaluate the link between institutional ownership and firm performance and some of these results appear negative thereby suggesting that there is no relationship between institutional ownership and stock returns. For instance, Agrawal and Knoeber (1996) found no significant association between institutional ownership and firm performance based on a list of 383 firms. They conclude that the stock returns of these firms were tied to other variables other than the number of institutional holders. Also, Ozkan (2007) in her work discovered a negative and significant relationship between institutional ownership and firm performance. Based on these mixed results in extant literature, it is assumed in this study that:

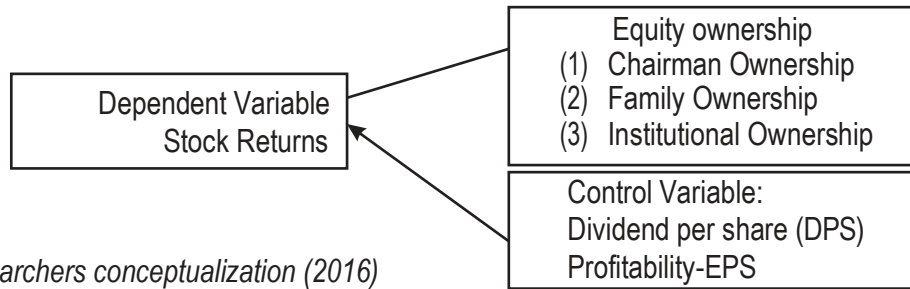
H<sub>03</sub>: There is no significant relationship between institutional ownership structure and stock returns of Nigerian quoted companies.

### *Theoretical Framework*

The stewardship theory underpins this study. Directors have a fiduciary duty to the shareholders to act in the best interest of the company at all times and not just in their own sectional interest (CAMA, 2004; section 282) (not referenced). Inherent in this fiduciary duty of directors is the idea that they can be trusted and will act as good stewards over the resources of the organization. Stakeholders especially the shareholders are expected, by law, to appoint from among themselves those who are knowledgeable and trustworthy as directors to run their company. These directors which are the major inside owners are regarded by law as the stewards of the shareholders. The duty of a steward is higher than that of an agent. A steward must act as if he/she were the principal rather than a representative such as an agent.

In today's businesses, non-executive directors are preferred to executive directors. A non-executive director is one who is not in the employment of the organization, while an executive director is one in the employment of the organization. The preference for non-executive directors is because they are expected to bring diverse outside perspectives to the organization. The steward director is expected to be selfless, honest and accountable in the discharge of his/her services to shareholders. This is the essence of corporate governance (Okafor & Ibadin, 2009). Added to this, Vargan-Sanchez (2004)

stressed that stewardship theory is based on the following premises: (i) managers are stewards, (ii) their approach to governance is sociological and psychological,(iii) stewardship is based on the behaviour of collectivistic (or pertaining to collectivism), pro-organization and trustworthiness, (iv) in stewardship theory managers are motivated by the principal's objectives, (v) manager's and principal's interests in stewardship are convergent, (vi) managers attitude in stewardship is based on risk propensity, and (vii) principal-manager relationship in stewardship model is based on trust. Following this line of reasoning, the stewardship theory serves as the main theoretical framework for this study. The figure below provides amodelwhich depicts the theoretical framework for the study.



Source: Researchers conceptualization (2016)

## METHODOLOGY

In this study, the longitudinal method of research design was adopted. The reason for the use of this blue print for data collection is because data were collected at different points in time. The population consists of the 198 companies quoted on the Nigeria Stock Exchange (NSE). However, only 60 companies were sampled by way of purposive sampling technique, based on whether each company in the population has fulfilled its statutory obligation in delivering annualreport for the year ended 2016.

Data for chairman, family and institutional ownership and the control variables (dividend per share, earnings per share) were sourced from annual reports, while the stock price data for computing annual stock returns for the companies were from the NSE official daily price listings. The data were analyzed using multiple regression with the aid of the Microsoft Exceland E-Views 8.0 computer packages.

In the study, long term stock returns was operationalized as annual returns based on daily price listings, while the explanatory variables were operationalized as follows: (i) chairman ownership concentration: was measured by taking the percentage of shares ownership of the chairman to the total company units of shares. In grouping Chairman Ownership into concentration and non-concentration ownership, we used a dummy variable of one (1) for companies with above 5% concentration and 0 for companies with less than 5% concentration; (ii) family ownership: was obtained by grouping the companies based on a dummy variable. In grouping single family ownership into concentration and non-concentration ownership, we used a dummy variable of "1" for companies with greater than 5% concentration and "0" for companies with less than 5% concentration. It is expected thatincrease in family ownership would be significantly associated with stock returns; and (iii) institutional ownership: was measured by taking the percentage of shares ownership of both local and international institutional investors to the total company units of shares. In grouping institutional ownership into concentration and non-concentration ownership, we used a dummy variable of "1" for companies with above 5% concentration and 0 for companies with less than 5% concentration.

The model framework and specification is estimated thus:

$$SR = f(CHAMS, FAMLO, INOWN) \dots\dots\dots (1)$$

Where:

SR = stock market returns.  $SR = \frac{P_t - P_{t-1}}{P_{t-1}}$

P<sub>t</sub> = stock market price index for period t

P<sub>t-1</sub> = Stock market price index for period t-1

**Note:** Given the availability of data on annual stock closing prices of most quoted companies in Nigeria, the annual stock returns was used to proxy long term stock returns

CHAMS = chairman ownership concentration

FAMLO = single family ownership concentration

INOWN = institutional ownership concentration

(How was SR measured?)

The multiple regression model with an error term ( $\varepsilon_t$ ) is specified in econometric form as;

$$SR_{it} = \hat{\alpha}_0 + \hat{\alpha}_1 CHAMS_{it} + \hat{\alpha}_2 FAMLO_{it} + \hat{\alpha}_3 INOWN_{it} + X_{it}'\hat{\alpha}_i + \hat{u}_i + \hat{c}_t + \hat{a}_{it} \dots\dots\dots (2)$$

Where:

$\hat{\alpha}_0$  = intercept

$\hat{u}_i$  = variances across companies but not over time (cross or random effect)

$\hat{c}_t$  = variances over time but not across companies at any given time (fixed effect)

$\hat{a}_{it}$  = error terms over the cross section and time

i = individual companies

t = time

A priori expectations are as:  $\hat{\alpha}_0 > 0, \hat{\alpha}_1 > 0, \hat{\alpha}_2 > 0, \hat{\alpha}_3 > 0$

## ANALYSIS AND RESULTS

Average stock returns for the sample period was highest for the oil and gas, and, conglomerates sub-sectors with percentage rates of 33.7 and 24.2 respectively. These are very impressive rates of return on assets for the sub-sectors and they are higher than all the other sectors in the sample. Apparently, these two sectors have highly developed operational management capacities that guarantee optimum management of the firms' assets. These two sectors are also similar in characteristics since they both produce high consumer related goods with high turnover rates since they are needed on a daily basis. Hence, specialization in production ensures better assets management.

Table 1: Descriptive statistics for measures of firm equity ownership structure

SECTOR	SAMPLE		MEAN	STD. DEV.	SKEWNE	J-B
Agriculture	4	SR	11.71	14.54	1.15	5.29
		CHAMS	0.04	0.20	4.59	446.83
		FAMILY	0.25	0.44	1.15	5.78
		INSOWN_D	0.42	0.50	0.34	4.01
		INSOWN_F	0.58	0.50	-0.34	4.01
Banking	5	SR	9.51	7.68	0.66	2.77
		CHAMS	0.22	0.47	2.38	52.62
		FAMILY	0.40	0.50	0.41	5.03
		INSOWN_D	13.21	9.68	-0.24	3.01
		INSOWN_F	12.24	15.35	1.73	21.60
Insurance	4	SR	0.77	0.43	1.60	11.25
		CHAMS	3.78	4.99	1.22	7.26
		FAMILY	0	0	NA	NA
		INSOWN_D	25.86	21.40	0.03	2.70
		INSOWN_F	6.75	12.40	3.36	189.26
Beverages and breweries	6	SR	10.07	11.32	1.24	7.87
		CHAMS	0.03	0.02	0.49	2.46
		FAMILY	0.20	0.41	1.50	11.33
		INSOWN_D	9.71	13.58	0.98	5.24
		INSOWN_F	33.90	31.64	0.07	3.58
Building and construction	4	SR	18.13	27.44	1.49	13.75
		CHAMS	5.14	13.52	2.77	68.00
		FAMILY	0	0	NA	NA
		INSOWN_D	14.39	8.98	1.27	12.70
		INSOWN_F	32.75	19.43	0.20	2.72
Conglomerates	9	SR	24.15	51.03	3.67	434.78
		CHAMS	1.53	3.72	2.71	103.46
		FAMILY	0	0	NA	NA
		INSOWN_D	5.28	11.44	2.92	220.67
		INSOWN_F	45.20	32.35	-0.37	4.44
Food and healthcare	7	SR	14.55	22.24	2.05	39.08
		CHAMS	4.93	8.24	1.69	18.93
		FAMILY	0.83	0.38	-1.79	21.36
		INSOWN_D	24.54	32.42	0.68	5.83
		INSOWN_F	13.11	23.32	1.40	11.94
Industrial products	13	SR	12.24	13.13	2.31	118.00
		CHAMS	1.00	1.98	2.25	74.87
		FAMILY	0.22	0.42	1.34	16.17
		INSOWN_D	23.67	25.75	0.97	8.77
		INSOWN_F	23.38	30.17	0.73	8.78
Oil and gas	8	SR	33.66	83.91	1.34	15.27
		CHAMS	2.04	6.25	3.91	563.23
		FAMILY	0.29	0.46	0.95	8.42
		INSOWN_D	20.90	27.50	1.00	7.62
		INSOWN_F	21.36	25.69	0.46	6.19

Source: Authors' computation extracted from E-views 8.0 output, 2016



A special statistic of interest in this study is the Jarque-Bera (J-B) coefficients in the summary statistics. It shows the degree of normality, and hence the heterogeneity of the data series. Highly heterogeneous series are the precursors for panel data estimation techniques. The J-B values for each of the variables in all the sectors are very high (above 2.0) and pass the significance test at the 1 percent level. This indicates that the assumption of normality in the data cannot be accepted as the series for the sectors are non-normally distributed. The implication of this is that the series across sectors are significantly heterogeneous and would actually require a panel data estimation technique.

Method: Panel Least Squares  
 Date: 05/11/16 Time: 12:55  
 Sample: 2016  
 Periods included: 6  
 Cross-sections included: 60  
 Total panel (balanced) observations: 360

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-58.83475	27.19632	-2.163335	0.0313
CHAMS	0.126535	0.052739	2.620857	0.0352
FAMILY	0.027578	0.011912	-2.163790	0.0400
INSOWN	0.017366	0.066729	-0.260241	0.0249
DPS	3.409657	0.798115	4.272136	0.0000
EPS	2.872486	0.443659	6.474543	0.0000

Effects S Recification

Cross-section fixed (dummy variables)			
R-squared	0.360837	Mean dependent var	0.912544
Adjusted R-squared	0.209569	S.D. dependent var	14.38504
S.E. of regression	12.78919	Akaike info criterion	8.107064
Sum squared resid	49069.05	Schwarz criterion	8.865559
Log likelihood	-1435.914	Hannan-Quinn criter.	8.408283
F-statistic	2.385407	Durbin-Watson stat	2.437982
Prob(F-statistic)	0.000000		

*Note\* All regressions include a constant. The variables are significant at the 5% level.*

The result of the model estimation between the dependent variable (stock returns) and the explanatory variables (chairman ownership, family ownership, institutional ownership) are shown in table 2 above. On the basis of the result of the OLS test, the R-squared value of 0.360837 shows that about 36% of the systematic cross-sectional variation in the dependent variable (and when subjected to adjustment the result was 21%) is explained by the independent variables, chairman ownership, family ownership and institutional ownership. The F-statistic of 2.385407 and the associated probability value of 0.00000 implies the model is significant with a DW of approximately 2 critical bench mark are indicative of the absence of linear relationship between the dependent and explanatory variables.

The result of the estimation also revealed that chairman ownership, family ownership, institutional ownership, dividend and earnings and per share do have significant impact on firm financial performance on the basis of the probability values of 0.0352, 0.04000, 0.0249, 0.0000 and 0.0000 respectively, which are substantially below the critical value of 5% significance, the relationship is also positive, therefore we do not accept the null hypothesis of no statistical significant association between

these five variables and stock returns.

### Hypotheses Testing

The hypotheses of the study are tested based on the empirical estimations performed and reported in this study – see Table 2.

### Hypotheses

H<sub>01</sub>: Chairman Ownership does not exert a significant impact on stock returns of publicly quoted companies.

H<sub>02</sub>: Family ownership does not exert a significant impact on stock returns of publicly quoted companies.

H<sub>03</sub>: Institutional ownership does not exert a significant impact on stock returns of publicly quoted companies.

The above three hypotheses were rejected in this study because our results revealed that chairman ownership, family ownership and institutional ownership have significant impacts on stock returns of quoted companies in Nigeria. Indeed, this gives credence to any assumption that these explanatory variables are significant factor in predicting the stock returns outcome of stocks in the Nigerian Stock Exchange. The clear direction from this outcome is that ownership structure tends to explain stock returns and that the nature of ownership matters a lot in this regard. Our result revealed that ownership structure basically affects market return. Although the channels of effects, which is outside the scope of this study, is not clear, the results do indicate that there appears to be a clear relationship established between the pattern of ownership of equities and the return of the company's equity stock returns in the market in the Nigerian bourse.

## **DISCUSSIONS**

The result of this study is in tandem with that of Khanna and Palepu (1999) and Singh and Gaur (2009) who found out that a company with substantial chairman's shareholdings always has a stable stock price and the stock value of such companies have always been high.

Also, results from studies by Ngoc (2007), Morck, et al (1998) and Short, et al (1999) are in consonance with the result from this study. However, they found a negative association between chairman ownership and stock returns as against the positive relationship reported in this study.

The result of this study is also in agreement with submission by and Pollack (1985), Coleman (1990) and Anderson et al. (2003) that family business promotes flexibility in operations, ease decision making and reduce shirking, all of which may have favourable effect upon the productivity of the firm and invariably the stock returns. However, results from studies by Handler et al (1988), Bruce and Waldman (1990), Stewart (2003), and Schulze et al (2003) are not in tandem with submissions of Pollack (1985), Coleman (1990) and Anderson et al. (2003) when they observed that family involvement have the potential to lower firm performance and disturb long term stock returns.

The result of this study that institutional ownership impacts stock returns positively and significantly is also in tandem with findings by Shleifer et al (1986), Agrawal et al (1990), Bathala, et al (1994) and Ozkan (2007) that large shareholders such as institutions have an incentive to monitor managers for

their own interests which invariably spill over to other individual shareholders. They regarded the existence of institutional shareholders as a monitoring mechanism on the behaviour of the board and managers and argued that their presence tends to be good for firm's value and its overall stock returns. However, Barnhart, Marr and Rosenstein (1994), and, Barnhart and Rosenstein (1998) finds evidence of a reverse curvilinear relationship between Institutional Shareholdings and some performance measures. They reported that firms where boards have clear majority of concentrated institutional ownership had lower stock market performance. These mixed results may be attributable to methodological issues bothering on the population of study and sample size.

## **CONCLUSIONS**

The study revealed that equity ownership structure (chairman ownership, family ownership, institutional ownership) has a significant impact on stock market return of publicly quoted companies in Nigeria. This finding /has important implications for policy and portfolio diversification as the extent to which the various forms of equity ownership structure exert some form of idiosyncratic shock or influence on domestic stock returns gives insights into the degree of linkage between ownership structures and stock market returns in a relatively developing capital market like Nigeria.

Thus, on the basis of the research findings, we recommend that since chairman ownership, family ownership and institutional ownership of equity capital positively and significantly affect stock returns in Nigeria, policymakers in Nigeria should take preventive actions against factors such as internal ownership tussles for control and put in place rules of engagement within quoted companies in order to forestall issues like chairman overbearing attitude, or undue family slide to nepotism within the organization. Overall, shareholding by the chairman, family ownership and institutions should be encouraged amongst quoted companies in Nigeria, if the much desired economic growth is to be achieved.

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