UNIVERSITY OF CAPE COAST

OWNERSHIP STRUCTURE AND PERFORMANCE OF FIRMS LISTED ON GHANA STOCK EXCHANGE

BY

AHMED TIJANI DODO

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DECLARATION

Candidate's Declaration

I hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature:……………… Date:……………………

Name: Ahmed Tijani Dodo

Supervisors' Declaration

We hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis laid down by the University of Cape Coast.

Principal Supervisor's Signature:……………… Date:……………….……

Name: Dr. Otuo Serebour Agyemang

Co-Supervisor's Signature:………………… Date:…………………...

Name: Dr. Mohammed Zangina Isshaq

ABSTRACT

The study examined the relationship between ownership structure and performance of firms listed on the on the Ghana Stock Exchange. The study collected annual series of data spanning from 2007 to 2016. The study made use of quantitative approach and employed a sample of 25 firms listed on the Ghana Stock Exchange to examine the effect of ownership structure on firm performance. The study also obtained data on ownership structure from audited annual reports while data on performance was obtained from Ghana Stock Exchange factbook, GSE profile of listed firms and audited annual report. The study employed the generalized least squares panel regression analysis technique to analyse the data. The study also measured performance on the aspect of accounting base measure (Return on Asset) and market base measure (Tobin's Q). The findings revealed that institutional ownership, government ownership have a significant negative relationship with both return on asset and Tobin's Q which are measures of firm performance. The study also found a negative significant relationship between managerial ownership and firm performance. However, block shareholding have a negative relationship with firm performance. The study suggest that there is the need to encourage block shareholding since is a good governance mechanism to reduce agency cost and increase firm performance.

KEY WORDS

Block shareholding

Government ownership

Institutional ownership

Managerial ownership

Return on Asset (ROA)

Tobin's Q

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VERITAS NOBIS LUMEN

DEDICATION

To my mother, Sa-Ada Daraine Mumin and my uncles, Mohamad Haroun and Alhaji Saeed Mumuni

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CHAPTER ONE

INTRODUCTION

Background to the Study

Throughout the years, a great deal has been written and said about corporate governance due to balance sheet manipulations and fraudulent overstating of profitability which led to the collapse of some companies like Enron, WorldCom, Parmalat, to name a few. Corporate Governance bloated up fundamental debate on shareholder value management (Arnsfeld & Growe, 2006). This is to say that corporate governance deals with the supervisory system and management of companies and represents in fact the legitimate and factual regulation framework for the collaboration of management, board and stakeholders (Bassen & Zöllner, 2007).

To simplify, corporate governance is a system or mechanisms - internal and external-by which companies are directed and controlled. Ownership structure is one of the system or mechanisms by corporate governance, believed to be used in directing and controlling firm performance. Ownership structures are of real significance in corporate governance since they decide the incentives of managers and accordingly the economic productivity or efficiency of the corporations they manage (Jensen & Meckling, 1976). The ownership structure of a firm is the distribution of equity with regard to votes and capital as well as the identity of the equity owners. The meaning of ownership structure suggests that, ownership structure of a firm can be defined along two main dimensions, ownership concentration and ownership identity. Ownership concentration is concern about the capital distribution or proposing of shares owned by shareholders and the block shareholding of a firm. Meanwhile ownership identity is concern about the identity of equity owners of the firm, whether it being managerial owner, block shareholder, institutional shareholder, government ownership, foreign ownership and others. Normally the type of ownership or ownership structure of a firm employs is determined by the vision of a company.

The focus of ownership structure and firm performance goes all the way back to Berle and Means (1932). The study of Berle and Mean separated the management of a company (control) from its owners, thus they raised concern about separate ownership and control. The study claims that the separation of ownership from control will make managers to work for their own benefit or advantage at the expense of shareholders or owners. That is, the interest of the shareholders is to maximize the value of the firm but manager's interest may be different which may include job security, increasing perquisite consumption and personal gains. Affirming this proposition, Jensen and Meckling (1976) agency model of the firm, supported that the modern corporation is subject to agency problem arising from the separation of the decision-making (management) and risk-bearing (owner) functions of the firm. This agency cost or problem comes about as a result of managers pursuing self-interest to the detriment of maximizing firm or shareholder value.

The major concern of research is how to resolve the conflict between decision makers (managers) and risk bearers (owners) by using ownership structure. This has tend recent research to be less interested on how capital structure reduce agency cost and increase firm value, and more on how changes in the capital in terms of ownership structure of a firm affect it governance structure and firm value. Studies have showed that agency theory play a significant role in linking ownership structure and firm performance (Elvin & Hamid, 2016). According to Elvin and Hamid, agency cost is one of the critical factors that affects firm performance, both financially and non-financial.

Managerial ownership is considered by study as one of the mechanisms to reduce agency cost by aligning the interest of the manager to shareholders. Studies suggest that the manager becomes a risk-bearer as there is equity ownership by the manager (Belkhir, 2009). This may translate to lower cost and higher firm market value (Javaid, 2017).

According to Baah (2011), ownership concentration or block shareholding mitigate principal-agent problem and increase firm value through efficient monitoring effect. Block shareholding is suggested by the study as a mitigating mechanism for emerging economies where investor legal protection is relatively weak, enabling managers to engage in value reducing activities. Research also suggest that block shareholding coincide with inadequate or weak investor legal protection because owners protect themselves through this mechanism (Lins, 2003).

The unique characteristics of emerging economies like Ghana in terms of political, economic, social and institutional arrangements may not allow for the use of empirical evidence originated in developed economies therefore the need to have a local insight into our own circumstances. Therefore, it is fundamentally empirical to examine the relationship between ownership structure and firm performance in the context of Ghana.

Statement of the Problem

Over the past two decades Ghana's Presidents have been pursuing a worldwide bandwagon of foreign investments into the various division or sectors of the economy. This has attracted keen interest in investment on the Ghana Stock Exchange both within and outside the country with their parallel increase in their impact. These investors seek to own large proportions of equities as well as acquire state owned enterprises. Almost all Ghanaian major state-owned companies and enterprises are being divested to foreign and private owners. As of 2005, 351 Ghana state-owned enterprises (either fully or partially owned), were diversified, which attracted a significant foreign direct investment (FDI) into the country (Barnor & Odonkor, 2013**)**. This initiative was to make the management of public enterprises to be more efficient or to introduce efficiency in these sectors.

In similar vein, the approval of Purchase and Assumption transaction by Bank of Ghana with GCB Bank Ltd that transfers all deposits and selected assets of UT Bank Ltd and Capital Bank Ltd to GCB Bank Ltd (Bank of Ghana, 2017) affect or changes the ownership structure of the firm. The action was necessary due to severe impairment of their capital. The reason for the action is to strengthen Ghana's banking sector, ensure financial stability and protect depositors' funds. The submission on Purchase and Assumption transaction with GCB Bank Ltd, and diversification of state-owned enterprise over the years suggest that ownership and, in particular, specific type of composition of corporate ownership structure has an impact or efficiency on a firm's performance. This change of ownership and increased participation of foreign or private investors does have implication on the performance of the stocks of firms on the Ghana Stock Exchange.

The impact of ownership structure on firm performance cannot be overemphasized. Whenever there is separation of ownership from management in a firm there exists a well-known principal-agent problem. In financial markets like Ghana stock Exchange (GSE), agency problem occurs between shareholders (principal) and corporate managers (agents). The essence of the agency problem is concerned with how owners or investors can be assured that the employed professional managers run the company in the best interests of its owners or how the manager will work efficiently to maximize shareholders wealth or firm value (zheka, 2003).

The ownership structure brings to bear agency theory by Jensen and Meckling (1976), where they posit a theory of ownership structure based on this principal-agent problem. The theory is due to the conflict of interest between managers and outside shareholders which have an effect on firm performance.

There is an argument in emerging economies that ownership structure and board structure tend to mitigate the principal-agent problem. However, most studies in developing countries look at board structure and firm performance as a means of mitigating the principal- agent problem (Castellini & Agyemang, 2012; Kajola, 2008; Kyereboah, 2007; Sanda, Mikailu, & Garba, 2005). There is also an increasing awareness that the theories developed in developed countries or economies based on research evidence collected on developed countries may have limited application to emerging market (Zeitun & Gang, 2007). This assertion is attributed to vast difference in political, socio-culture and economic context. Zeitun and Gang studies have showed that these differences (political, socio-culture and economic) may affect outcomes in research. Therefore, this study seeks to fill the gap by examining the relationship between ownership structure in terms of block shareholding and ownership identity on performance of firm on Ghana Stock Exchange.

Purpose of the Study

This study seeks to examine the relationship between ownership structure and firm performance of firms listed on Ghana Stock Exchange (GSE).

Research Objectives

1. To examine the relationship between block shareholding and firm performance of listed firms.
2. To assess the relationship between managerial ownership and firm performance of listed firms.
3. To examine the relationship between institutional ownership and firm performance of listed firms.
4. To assess the relationship between government ownership and firm performance of listed firms.

Research Hypothesis

1. $H_{0:}$ there is no significant relationship between block shareholding and firm performance.

   $H_{1:}$ there is significant relationship between block shareholding and firm performance.

2. $H_{0:}$ there is no significant relationship between managerial ownership and firm performance.

   $H_{1:}$ there is significant relationship between managerial ownership and firm performance.

3. $H_{0:}$ there is no significant relationship between institutional ownership and firm performance.

   $H_{1:}$ there is significant relationship between institutional ownership and firm performance.

4. $H_{0:}$ there is no significant relationship between government ownership and firm performance.

   $H_{1:}$ there is significant relationship between government ownership and firm performance.

Significance of the Study

The study on ownership structure and firm performance may help to mitigate the agency problem between principal and it agent by bring convergence of interest and reducing managerial entrenchment. The study also is also important in corporate governance in determining the incentive of mangers and thereby the economic efficiency of the corporations.

The study could enable policy makers of Ghana to provide appropriate policies in relation to some particular ownership structure that enhances the performance of the firm which in tend lead to economic efficiency and stock market development. More so, ownership structure in an economy may define further development in corporate governance as well as envisage crises. According to Ito and Yuko (2004) the link between stock and foreign ownership helped promulgate the Asian Financial Crises in 1997. Finally, the study will provide information as well as a point for further research for researcher interested in the variables of the study.

Delimitation of the Study

This study examines the relationship between ownership structure and firm performance on Ghana Stock Exchange for the period 2007 to 2016 due to data availability and current economic situation prevailing. The study utilizes generalized least square technique for all the objectives or models. The main variables employed by this study are: performance (return on asset and Tobin's Q), block shareholding, managerial ownership, institutional ownership and government ownership.

Organization of the Study

The study is in five chapters. Chapter one will introduce the concepts of this study. The statement of the problem and research objectives and as well as questions are stated in this chapter. It also establishes the scope and nature of the study. The chapter two identifies and explores literature on underlying concept. It also highlighted literature from different countries on the subject matter of the study. The chapter three explains the method adopted to gather and analyze data for this research. The study area as well statistical techniques are explained in this chapter The Chapter Four then provides the results and discussions for the study. Chapter Five which is the last chapter of the study gives the summary of the research, conclusions and recommendations. This will be based on the findings of the research.

CHAPTER TWO

LITERATURE REVIEW

Introduction

The introduction of the related literature review seeks to highlight and define the key concepts of this study. The literature provides the context for the research, recognizing where the study fit into the existing body of the knowledge (Boote & Beile, 2005). The literature review also relates the study to the ongoing dialogue in the literature, filling in gaps and extending prior studies (cooper, 2010; Marshall & Rossman, 2011). Base on this backdrop, this chapter provides in-dept review of theories underpinning the study and findings of other research works relating to the objectives of the study. Prior to the review of the theories under pinning the study, a brief overview of Ghana stock Exchange is discussed. The conceptual issues and frame work is also discussed base on the existing literature, helping to depict the linkage between the variables.

Theoretical Review

A critical review of the literature suggests that, there are different theories that have been used by researchers in an attempt to provide explanation for the link between ownership structure and firm performance. The theoretical variation stems from the nature of the concept underlining the subject matter, the relevance of the theory to the study and the field of the study.

This section looks at some relevant theories underlying the subject under study and its application. The study considers two theories (agency and stewardship theory) relating to ownership structure and performance.

Agency Theory

Agency theory is one of the means or approaches of studying corporate governance. This theory has its underlining foundation or origins in the 1970s in the field of economics and finance by Jensen and Meckling (1976). The agency theory comes as a result of agency relationship, which is "one or more persons (the principal[s]) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent" (Jensen & Meckling, 1976, p. 308). The agency relation result in the separation of ownership (risk-bearing) and control (decision-making) function of a firm leading to agency conflict. The principal-agent conflict (agency conflict) comes about as a result of management not acting in the best interest of the shareholders or pursuing goals at the expense of shareholders, since the latter bear more of the wealth effect. The theory further posits that the agents are autonomous and are prone to increasing their personal gain at the detriment of principals (Sharma, 1997).

Agency theory studies the agency relationship and the issues that arise from principal-agent relationship. The literature on agency theory try to align the interests of the principal and agent largely focuses on methods and systems, and their consequences (Delves & Patrick, 2008). The main objective is to minimize agency costs, protect shareholder interests and ensure principal-agent interest alignment is the governance structure.

The key intuition of Jensen and Meckling (1976) was to display or model the relationship between owners and managers as that of the relationship between principal and an agent (Laiho, 2011). Jensen's and

Meckling's approach mainly improve generalization, as this same approach can also be used to describe an agency problem between large and small shareholders, thus agency relationships are all around us. Jensen's and Meckling's insight have also prompt models, where not only how much the company insiders own in terms of ownership structure matters, but also in the sense of how concentrated the holdings of the outside shareholders are. Concentrated shareholders or large-block shareholders are argued to monitor the management better than small shareholders as they internalize larger part of the monitoring costs and have sufficient voting power to influence corporate decisions (Laiho, 2011). While higher ownership levels might align the incentives between principal and agent or stakeholders, it also means better ability for the controlling owners to acquire private benefits.

There is a different view that owners with high ownership share might use their position to acquire private benefits, which are not enjoyed by other shareholders. Such private benefits might include the extraction of assets or takeover defense for insiders. If these benefits to high share owners have adverse effects on firm performance then higher ownership concentration either by outsiders or insiders might actually be detrimental to firm performance (Barclay & Holderness 1989; Bebchuk 1999).

Jensen and Meckling (1976) suggested in their seminal work that managerial ownership could have a positive effect on agency relation by serving as monitoring substitute which align the managerial interest with those of outside shareholders (convergence of interest effect or hypothesis). The convergence of interest hypothesis is an assumption that the higher the managerial ownership translate to lower agency cost and higher firm value

(Javaid, 2017). The hypothesis of the theory is of the view that increase in managerial ownership aligns the interest of managers and shareholders by making managers to be part of the risk bearing function of the firm. In contrast there is entrenchment effect or hypothesis which posit that a rise in the managerial share-ownership stakes may have adverse (entrenchment) effect on mitigating principal-agent problem and these can lead to an increase in managerial opportunism because the greater the percentage of managerial ownership the lesser other shareholders can compel the manager to work in their interest (Javaid, 2017).This imply conflict of interest on the part of corporations agents and hence hurting overall performance of the firm or firm value.

The "agency theory will help the researcher to link the regressor and regress and variables in the study and to examine whether ownership structure (block shareholders, managerial ownership) is beneficial or detrimental to firm performance."

Stewardship Theory

The fundamentals "of stewardship theory are based on sociology and psychology, which focuses on the behaviour of executives. It was originally developed to investigate situations in which executives (stewards) are motivated to act in the principals' best interest. It is defined as "a steward protects and maximises shareholders wealth through firm performance, because by so doing, the steward's utility functions are maximised" (Davis, Schoorman, & Donaldson 1997, p.25).

In this perspective, stewards are company executives and managers working for the shareholders, protects and make profits for the shareholders.

The stewardship theory focuses on the alignment or integrating the goal of the top management who are a steward to that of the organizational goal, thus stewards are satisfied and motivated when organizational success is attained. This is in contrast to agency theory which stress "on the perspective of individualism (Donaldson & Davis, 1991), but rather collectivists which focus on the role of top management being as stewards and integrating their goals as part of the organization. In this theory, managers are seen as stewards and they place higher value on " objectives of the firm, cooperation, sales growth and profitability. Shareholders value is maximized by firm performance and by so doing, the steward's utility functions are maximized. In this sense, it is believed that the firm's performance can directly impact perceptions of their individual performance."

According to Smallman (2004) where shareholder wealth is maximized, the steward's utilities are maximized as well, on the grounds that organisational success will serve most requirements of stakeholders and the stewards will have a clear mission. He also states that, stewards balance pressures between different beneficiaries and other interest groups. Thus, stewardship theory is an argument put forward in firm performance that satisfies the requests of the interested parties resulting in dynamic performance stability for balanced governance (Yusoff & Alhaji, 2012). The focus of stewardship theory is on structures that facilitate empowerment and trust. Stewardship model can have connection or resemblance in economy like Japan, where the Japanese worker assumes the role of stewards and takes ownership of their jobs and work at them diligently.

In Stewardship theory, stewards protect and maximise shareholder wealth through firm performance because it sees a strong relationship between firm success and managers. Moreover, stewardship theory suggests CEO duality, thus unifying the role of the CEO and the chairman so as to mitigate agency costs and to have better role as stewards in the firm. This would lead to better safeguarding of the interest of the shareholders.

The theory helps to explain the relationship between directors and shareholders in relation to firm performance in the field of corporate governance. The stewardship principle helps to explain the issue of whether ownership structure affects management ability to achieve high firm performance. Davis, et al (1997) argue that the agency and stewardship theory are not mutually exclusive but create a link between agency and stewardship relationships, thus the steward theory complement the agency theory. Having both theories combined rather than separating them has been empirically found to have improved returns (Donaldson & Davis, 1991). Anderson, Mansi and Reeb (2006) argue that agency and stewardship models of managerial behavior offer key theoretical predictions on the role of chief executive stock holdings or managerial ownership.

Relevance of the Theories to this Study

Managerial Ownership

Agency theory study's the relationship and issues that arises from the two-party relationships between the principal and agent. The theory is based on the premise that there is conflict of interest between the owner (principal) and management (agent) that need to be addressed. The conflict comes about as result self-interest managers now possessing superior knowledge and expertise to firm owners engage in decision making that are detrimental or inconsistent with maximizing shareholders value or firm value. The consequence of this conflict is that if the principal does not have the right or adequate mechanism to monitor the agent, the agent may undertake moral hazard behavior. The agency theory is therefore concerned with aligning the interest of manager and shareholder as a means of mitigating the agency problem or agency cost of equity (Jensen & Meckling, 1976; Delves & Patrick, 2008).

Equity ownership by manager is considered one of the governance mechanisms or tools for alignment of managerial interests with those of shareholders. The corporate governance literature argues that increasing stock ownership by managers and directors can be an effective control mechanism designed to reduce the moral hazard behavior of firm managers (Belkhir, 2009). Sufficient high-level managerial ownership allows manager to be part of risk bearing function of the firm and bring convergence of interest effect, which suggest that a higher managerial ownership translate to lower cost and higher firm's market valuation (Javaid, 2017). Thus, higher managerial ownership increases the probability that the manager devotes significant effort to immunize himself from misappropriating corporate resources. According to Jensen and Meckling (1976) if outside shareholders can costlessly assess the extent to which an owner-manager imposes agency costs on other shareholders, the market value of the firm's stock will be reduced, decreasing therefore the owner's wealth. Managers whose personal wealth is significantly linked to the value of the firm will have the incentive to act in the interests of outside shareholders.

There is entrenchment effect or hypothesis which assumes that, a higher managerial share-ownership stakes may have adverse (entrenchment) effect on mitigating principal-agent problem (Javaid, 2017). The hypothesis assumes that higher managerial ownership may ensure managers enough voting power to safeguard their position, managerial opportunism, market restrictions and translating to higher agency cost. The greater the percentage of managerial ownership the lesser other shareholders can compel the manager to work in their interest implying conflict of interest on the part of corporations' agents and hence hurting overall performance of the firm. The impact of managerial ownership on performance therefore is a double-edged sword.

Block Shareholding Ownership

The presence of shareholders holding a high proportion of the firm's share constitutes another way to mitigate the effects of the separation of ownership and control on firm value. An ownership structure in which one or more shareholders own a large block of stock has the potential for refuting managers from engaging in moral hazard behavior since the investor legal protection is weak in emerging market to provide control right. The positive effect of block shareholding on performance can be explained by efficient monitoring effect or hypothesis, which contends that shareholders owning block of share have strong incentives and greater power to monitor management at lower cost. Block shareholder are more willing to play active role in corporate decision making and review unproductive management decision to refute managers from engaging in potential moral hazard behavior or managerial malfeasance.

Block shareholding ensures that management engage in firm or shareholder value maximization activity by reducing agency cost and managerial opportunism through effective monitoring. The presence of blockholders may threaten management because they may launch a proxy fight, nominate a representative on board of directors or facilitate a takeover bid. According to Baah (2011), this ownership structure is theoretically endorsed to mitigate principal-agent problem and increase firm value. Blockholding is strongly suggested as a mitigating mechanism for developing or emerging economies like Ghana where investor legal protection and market institutions are relatively weak or underdeveloped.

Situation where shareholders own small proportion of a firm share in emerging economies especially where investor legal protection is weak will enable manager to engage in value reducing activity.

Institutional Ownership

Institutional ownership may be called upon as a governance or intermediate mechanism to reduce or mitigate managerial discretion problems through their roles as large and influential ownership. According to pound (1988) institutional ownership have three effect, efficient monitoring conflict of interest and strategic alignment, in its role in influencing the relationship between ownership structure and firm value. The efficient monitoring hypothesis is said to bring positive relationship between institutional ownership and firm value. It indicates that institutional owners will monitor management efficiently with minimum cost thereby making management to engage in value maximization activities. This ownership structure may also engage in proxy contest and formation of shareholder advisory committees to bring about fundamental changes in management behaviour.

Conflict of interest and strategic alignment proposition predict a negative relationship between institutional ownership and firm performance. Conflict of interest suggest institutional owners may be reluctant or coerced not to voice against management and vote in favour of them which may lead to managers engaging in moral hazard activities and reducing firm value. Strategic alignment proposes a mutual advantage of cooperation between institutional investors and managers. This cooperation might reduce the beneficial effect on the firm value that could be developed by efficient monitoring by institutional owners.”

Government Ownership

Government ownership is another form of ownership structure which is common in emerging market or economy where there is weak legal shareholder protection like Ghana. The agency relationship in this form of ownership comes about when state authorities’ representatives which is the principal employs or elect an agent who will manage the state organization and fulfill the interest of the principal. State owned agents are supposed to act in the best interest of citizens because they choose the government who are principal in an agent contract and after all the government exits to meet citizens’ interest. Although the citizens are the ultimate owners, they do not have direct control on these companies but their elected representatives do. Citizens are unable to monitor the agent due to great information asymmetry.

Government owned companies is argued to contain double principal-agent problem (Al-Najjar & Kilincarslan, 2016). Firstly, the agency problem comes to play when there is government interference in the operations of the business, thus pursuing political objectives like high level of employment and political regional development which do not coincide with profit maximization. Secondly, state authorities' representatives might not vigorously monitor state-owned companies leading to greater principal-agent conflict between managers and citizen owners of state-owned corporations. Government ownership in less economically developed countries is said to be associated with less transparent environment and weak investor protection translating into low stock price informativeness which have a positive relation with future firm performance (Ben-Nasr & Cosset, 2014; Ouyang & Hilsenrath, 2017). This is to say that stock price information consistently increases future firm performance."

Stewardship Theory

Theory posits that managers are essentially trustworthy individuals and they are there to protect and maximize shareholders wealth through firm performance (Davis, et al., 1997). Proponents of the theory are of the view that manager (stewards) have more information and understand the business more than outsider so they may take superior decisions to maximize shareholders wealth. Thus, the theory is of the view that managers are naturally trustworthy and that agency cost will be minimised leading to higher firm performance.

Empirical Review

This section reviews the current state of the subject matter and provides evidence on prior studies. The purpose of this section is to cover existing literature on the study and help to identify gaps in the existing literature. Also, on the empirical side, studies were reviewed in relation to hypotheses tested based on objective one, two, three and four. This led to various studies reviewed under hypotheses one, two, three and four. Empirical studies about the subject matter, thus ownership structure and performances of firm, have yielded contradictory results.

Block Shareholding and Firm Performance

Iwasaki and Mizobata (2019) conducted a large-scale meta-analysis to examine the relationship between ownership concentration and firm performance in emerging economies of Central and Eastern Europe. The paper carried out a meta-analysis of 1517 estimate collected from 69 published studies that empirically examine the relationship between these variables. Data on published firms were collected during a 27-year period between 1989 and 2017. The meta-analysis carried out on all collected estimate indicated the presence of a statistically significant and positive effect between block shareholding and firm performance. This paper verifies the conclusion that block shareholding can play an active role in improving the management discipline and performance on economy whose stock market and financial system is immature or emerging.

Benamraoui, Jory, Mazouz, Shah and Gough (2019) found significantly positive relation between block ownership and measures of firm performance. Performance was measure base on firm valuation (Tobin’s Q), operating performance (changes in return on asset) and stock performance (excess buy and hold returns). The paper also found that blockholders are key determinant in explaining future firm performance.

Also, Khan and Nouman (2017) investigated whether different type of ownership contributes to the financial performance of nonfinancial listed firms. The study sampled 177 non-financial firms and annual data from 2004 to 2013. Findings of the study suggested that firm's performance increase significantly in the presence of block holding. In other words, firm value and profitability increase in case of block shareholding because block holders monitor and control unfavourable activities of top management and take favourable decisions for other shareholder. The paper indicate that block shareholding add value and helps to reduce agency problems.

Tai (2015) sampled 57 publicly listed national banks to examine the impact of corporate governance on the efficiency and financial performance on baking sector. The study collected data of banks between the period of 2011 to 2013 and used accounting base measure of performance (return on asset and return on equity). The regression result from the study indicate that block shareholding is a significant factor affect financial performance and block shareholding negatively affect performance or return on asset. The current study thus hypothesizes that:

There is a significant relationship between block shareholding and firm performance.

Managerial Ownership and Firm Performance

Kunst and Beugelsdijk (2018) conducted a study on ownership structure and firm performance by sampling 27,852 worldwide listed firms in 123 countries. The study result indicated positive significant relationship between managerial ownership and firm performance. This implies that rewarding managers or agent with ownership improves firm performance because managers have become part of the risk bearing function of the firm and their interest is aligned with other shareholder. Hence convergence of interest hypothesis.

Also, Katper, Anand and Kazi (2018), explored the connection of managerial ownership on the performance of firms in 75 non-financial firms from 2009 to 2013. Using a panel data model and measuring performance by return on asset (ROA), the result demonstrated a negative significant relationship between managerial ownership and performance in OLS. This implies that managerial ownership has an adverse (entrenchment) effect on mitigating the principal-agent problem, hence having adverse effect on performance.

Furthermore, Li, Sun and Yannelis (2018) analysed whether managerial ownership has a causal effect of on firm performance. The study constructed a panel of firms from 2000 to 2005 and sample 15,846 firm-year observations for 3,690 different firms. The findings of the study show that increase in the effective managerial ownership significantly leads to an increase in firm performance measured by Tobin's Q. The study further depicted that increase in performance by managerial ownership is more prominent for firms where agency problems are severe as well as firms under weak alternative governance mechanisms. Firms with intermediate level of managerial ownership showed high improvement in firm performance while the effect is small for firms with very low or very high managerial ownership.

In addition, Kamardin (2014) examined the influence of managerial ownership on firm performance of public listed companies (PLC's). The provided empirical evidence on agency problem and sampled 112 PLC's the in year 2006. Two measure of performance was used: return on assets (ROA) and Tobin's Q which represent accounting and market measure of performance respectively. Findings of the study found a positively significant relationship between managerial ownership and both measures of performance, ROA and Tobin's Q, which indicate that managerial ownership yield greater efficiency.

Finally, Raji (2012) conducted a research on the effect of ownership structure on firm performance in Ghana. The study measured performance using Return on Assets (ROA), Return on Equity (ROE) and Dividend Yield (DY). The paper limited itself to only financial institutions and was conducted over the period of 2005 to 2009. The study also sampled 6 financial institutions using purposive sampling and analyzed the panel data by Pearson's Product Moment Correlation and Logistic Regression. The finding shows a positive relationship between insider (managerial) ownership and firm performance. This indicates the potential of managerial ownership to align or converge the interest of management and shareholders.

The studies reviewed under this hypothesis show mixed results between ownership structure and firm performance. The mixed results from the various studies could be related to the fact that these studies were conducted in different economies or environment and data. Studies on managerial ownership in developed countries could yield different result to emerging countries because factors in one country is not the same us other and difference in investor legal protection. This study, therefore, hypothesize that:

There is a significant relationship between managerial ownership and firm performance.

Institutional Ownership and Firm Performance

Tsouknidis (2019) examined the relationship between institutional ownership and firm performance for U.S listed shipping companies. The study employed quarterly 13F reports on institutional holdings spanning the period of 2002 to 2016 which makes 59 quarters within study period for each firm. The study also sampled 43 out of 49 U.S listed shipping companies and employed generalized method of moment (GMM) estimator to take care of the presence of dynamic endogeneity in the relationship examined. The results showed a negative relationship between the percentage of institutional ownership and firm performance. The study attributed the negative relationship to be driven by the non-strategic institutional investors which typically have shorter investment horizons and opportunistic investment behavior.

In a study, Yeh (2019) conducted a research on how institutional shareholders influence firm performance on listed tourism firms. The research sampled 15 listed tourism firms and measured performance by return on asset (ROA) and Tobin's Q. The study also employed quarterly data covering the period of 2011 to 2015. The result of the study indicated that the presence of institutional shareholders positively influence return on asset (ROA) and Tobin's Q in listed tourism firms. The study proposes that, due the sizeable shareholding, institutional shareholders have the incentive to actively monitor management and in turn increase firm performance in a competitive market. That is to say that institutional shareholder performs a role of mitigating the principal-agent agency problem.

Again, Lin and Fu (2017) investigated the effect of institutional ownership on firm performance in a new large sample listed firm. The study employed simultaneous equation model with a generalized method of moment estimator for a data span period of 2004 to 2014. The result revealed that institutional ownership positively affects firm performance. The result also indicated that pressure-insensitive large institutional shareholders have greater positive effect on firm performance than pressure-sensitive institutional shareholders. The study further suggests that institutional owners enhance shareholder value by attracting more analysts and reducing insider ownership.”

“Furthermore, Al-Najjar (2015) in a study investigated the relationship between ownership structure and firm performance on publicly listed. The paper sampled 15 publicly listed firms with 120 firm year observation. The study also measured performance on accounting base measure, return on asset and return on equity, with data spanning from the period of 2005 to 2012. The findings provided evidence that institutional ownership has a negative impact on both measure of firm performance and hence the result supports the conflict of interest hypothesis and the strategic alignment hypothesis. This is to say that institutional ownership is not a key governance tool to mitigate agency conflict.

Finally, Awunyo-Vitor and Baah (2012) conducted a study on listed firms on Ghana Stock Exchange to examine the effect of share ownership and investors’ involvement on performance of investee companies. The study was conducted using data spanning from 1999 to 2008 and a panel regression analysis. The study also measured performance from two perspective, return on asset and Tobin's Q, because of the different interpretation of this indicators regarding firm performance. The findings of the study reported statistically significant positive relationship between institutional ownership and firm performance and institutional ownership lead to high firm financial performance. This implies that institutional ownership may be used to mitigate agency problem because it acts as a mechanism for monitoring the quality of management decisions at lower cost. The study hypothesizes that:

There is a significant relationship between institutional ownership and firm performance.

Government Ownership and Firm Performance

Wang and Shailer (2018) conducted a multiple country study to examine whether reported ownership-performance relations systematically differ for government ownership by integrating the diverse results in emerging market. The study sampled publicly listed corporation and selection process yielded 54 primary studies covering 17 countries. Meta-analysis method was used to integrate the seemingly diverse findings concerning ownership-performance relation for different types of shareholders in emerging market. Measure for reported performance was classified as accounting and market base measure. The result confirms popular perception that ownership-performance relation is negative for government ownership.

Hoang, Nguyen and Hu (2017) using the system-GMM estimator on listed manufacturing company from 2002 to 2015 found a significant relation between state ownership and firm performance. The study using system-GMM to control endogeneity found an inverted U-shaped relationship between state ownership and Tobin's Q. This is to indicating that partial privatization possibly is efficient way to improve firm performance. Phung and Hoang (2013) study on state ownership and firm performance also had empirical findings from fixed effect models showing that state ownership has an inverted U-shaped relationship with firm performance.

Kamardin, Latifa and Mohdb (2016) in a study investigate the effect of different type of ownership structure on firm performance. The research sampled 183 companies out of 943 companies and collected data from period covering 2006 to 2010. Market to book value (MTBV) was used as a proxy for firm performance. The result found a negative relationship between governs mental ownership and firm performance. The paper suggests that the result may be due to lower ownership by government which may influence in decision making in the companies.”

In a study, Eelderink (2014) sampled 80 Dutch listed firms to examine the relation between structure ownership and firm ownership. The study measured performance base on return on equity and market to book (MTB) and used OLS regression on the data collected. The study also contains firms that traded on the Euronext Amsterdam between 2010 and 2013 and excluded financial firm. The result show significant relationship between governmental ownership and firm performance, indicating that governmental ownership does improve firm performance.

In conclusion studies on the various hypotheses on ownership structure and firm performance have shown mixed result this may be due to the fact that most of the studies were conducted in developed economies where there are strong governance mechanism and legal protection. There is increase awareness that studies or theories originating from developed economies may have limited application to emerging market like Ghana because of different political, economic and institutional conditions. Recent studies have shown that geographical position, industrial development, cultural characteristics and others factors have impact on ownership structure which in turn affect performance of the firm and it default risk (Zeitun & Gang, 2007; Pedersen & Thomsen 1997). The present study therefore hypothesizes that:

There is a significant relationship between government ownership and firm performance.

Conceptual Framework

The conceptual framework of this study was constructed from available literature based on the purpose of the study and variables adopted in this current study. The study conceptualizes ownership structure variables as block holding, institutional ownership, managerial ownership and government ownership. These variables or constructs are interrelated and reflect the independent variables for the present study.

Performance, the dependent variable, is measured base on both accounting base measure and market base measure of performance. The performance indicator consists of return on asset (accounting base measure) and Tobin’s Q (market base measure).

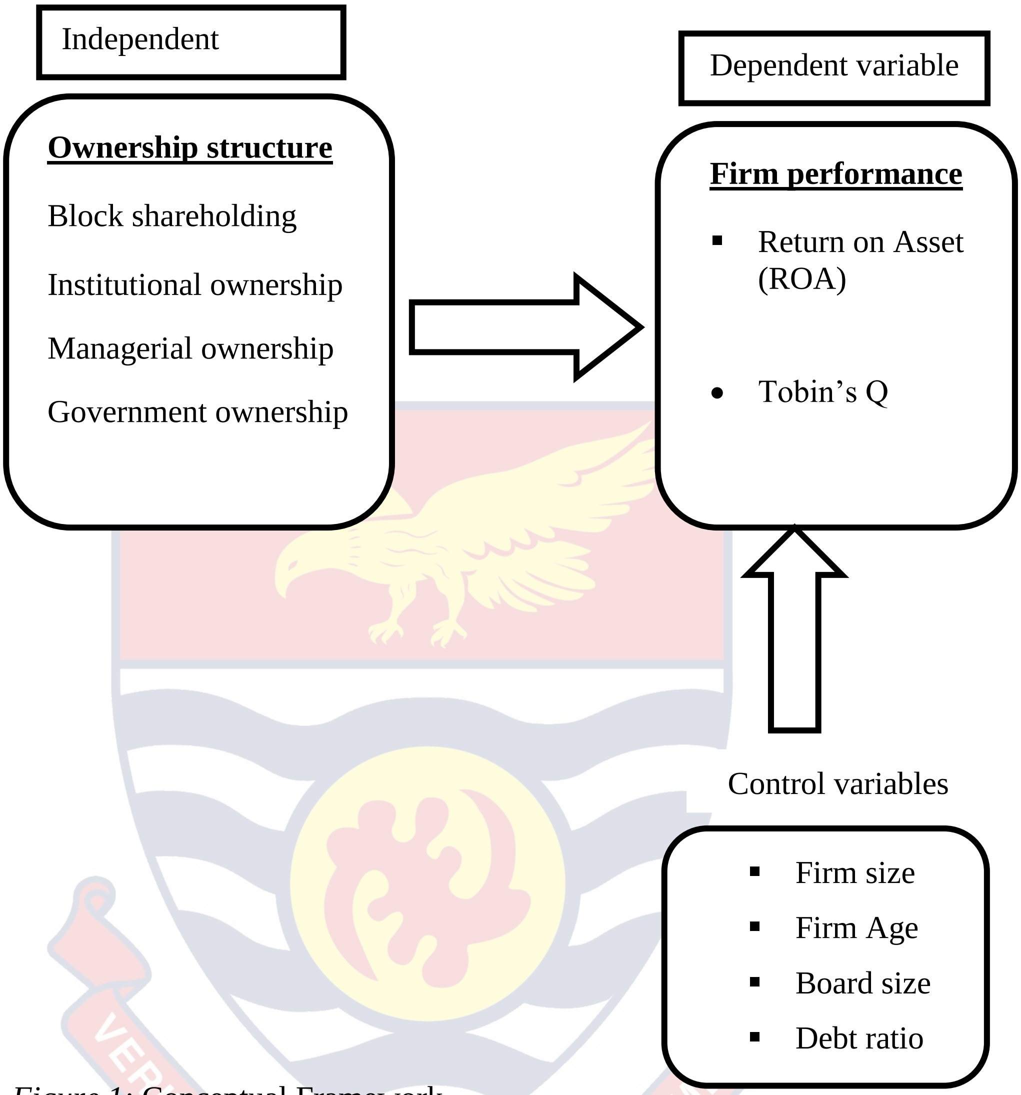
Independent
Ownership structure
Block shareholding
Institutional ownership
Managerial ownership
Government ownership
Dependent variable
Firm performance
Return on Asset (ROA)
Tobin's Q
Control variables
Firm size
Firm Age
Board size
Debt ratio

Figure 1: Conceptual Framework
Source: Author's construct, Dodo (2018)

The conceptual framework above depicts the linkage or relationship between ownership structure (independent variable) and performance of firm listed on Ghana Stock Exchange. The relationship is explained by the agency and stewardship theories adopted for the study. The study also introduces control variables that affect performance namely, firm size; age of a firm, board size and debt ratio (leverage). From figure 1, the box labelled the independent variable represent the ownership variables and the box labelled dependent variable denote the firm performance variable with it appropriate measure. The arrows from left to right reflect the relationship between various ownership variables and performance variable.

Chapter Summary

From the above, theories were reviewed to support the study, specifically, the theories reviewed were agency theory and stewardship theory. The study showed the relevance of the theories to the study and the various empirical reviews under the hypothesis of the study. The study also realized that few studies have been conducted on the relationship between ownership structure and firm performance as a mechanism to mitigate agency problem in emerging economies and these studies, mostly of developed economies, have provided contradictory (mixed) result. In the light of this, this study conducts a study on ownership structure and firm performance on Ghana Stock Exchange (GSE) which is an emerging market because of the increase awareness of impact of various factors on ownership structure in emerging economies. Factors such as legal protection, geographical system, tax system, industrial development and others are said to affect ownership in different market and economies risk (Zeitun & Gang, 2007; Pedersen & Thomsen 1997). Conceptual framework was added in order to have a pictorial view of what the study is about.

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CHAPTER THREE

RESEARCH METHODS

Introduction

The purpose of this section is to present the logical steps that complement one another and have the ability to deliver data and findings that will reflect the research objective of the study. This chapter provides the method necessary to investigate the variables under study. The chapter draws on existing literature in choosing appropriate methods, techniques and approach. It also enhances understanding of the research strategy, enabling comparison with other studies while enhancing possible replication of the study in future (Pallant, 2011). In view of this, the chapter discusses research paradigm, research design, research approach, specification of the model, definition and measurement of variables in the model, sources of the data in the study, estimation techniques, tools for data analysis and chapter summary.

Research Paradigm

Research paradigm which comes from the Greek word 'paradeigma' which means pattern, was first explained by Kuhn (1962) as a conceptual framework shared by a community of researchers which provide them with a convenient model for examining problems and finding solution to it in a study. It is argued to be a research culture with a set of beliefs, values and assumptions that a group of researchers have in common regarding the nature and conduct of research (Antwi & Hamza, 2015; Kuhn, 1977). Research paradigm has two main categories which are positivism and interpretivism. Positivism assumes reality is objective where emphasis is on measuring variables and testing hypotheses that are linked to general causal explanations.

It also focuses on gathering hard data in the form of numbers to enable evidence to be presented in quantitative form when data collection techniques are being used (Neuman, 2003). On the other hand, interpretivists assume that the reality is subjectively and it is embedded in individual researchers, thus the meaning is mediated through the researchers own perception or experiences. These two paradigms are well used in business research however this study deploys the positivism. The study adopts positivism because it has developed a number of hypotheses based on the objectives and theories which will enable the researcher to deploy quantitative approach.

Research Design

Research design is the strategy and guide framework in developing and implementing structures among the study variables so as to address the study objectives (Kothari, 2004). The author explained that the choice and effectiveness of the research design is a key in generating maximal information in assessing the research objectives. Thus, the research design provides the basis for collecting relevant data with minimal cost and effort. The design focuses on the philosophies which underline the study. It is also based on the nature of the study problem and the information gathering technique (Bryman & Bell, 2007).

Based on this explanation, this study adopts the explanatory research design since the study looks at how variable(s) predicts the other variable. Thus, how the explanatory variable(s) or regressor(s) predicts the explained variable or regressand in a model developed. Explanatory research design is employed in this study because of the purpose of the study and its objectives. The objectives sought to seek out the relationship between the regressors (managerial, government, institutional and block shareholding) and the regressand (firm performance) on the Stock Exchange. The objectives also necessitate the test of hypothesis which reads, there is statistically significant relationship between ownership structure (block shareholding, managerial ownership, institutional and government ownership) and firm performance on Ghana Stock Exchange (GSE).

Therefore, ownership structure variables: block shareholding, managerial, institutional and government ownership are predicting firm performance on Ghana Stock Exchange (GSE).

Research Approach

There are three method in research; qualitative quantitative and mixed method. Qualitative research has to do with studies that concentrate on events that occur naturally and in natural settings (Nutassey, 2018). A quantitative method lends itself to objective and numeric analysis as well as generalization of finding (Crowther & Lancaster, 2008). The mixed method has to do with combination of both the quantitative and qualitative research methods (Creswell & Creswell, 2017).

Therefore, for the research objectives to be achieved, the quantitative research approach is appropriate for this study since it would develop a mathematical model and ensure objective analysis. Applying a quantitative research approach provides results that could be reduced to statistics; allowing statistical comparison between entities; results are precise, definitive and standardize (Sukamolson, 2005). According to Leedy and Ormorod (2010), quantitative research favours deductive approach which confirms, validates and test hypotheses about a theory (in this case Agency and stewardship theory).

Data Source

The study considered secondary data because of the variables of interest: managerial, government, institutional, block shareholding, firm performance and the control variables. These variables are considered secondary because they are already in existence. Ownership structure is the regressor and firm performance is the regressand as well as control variables (including firm size, age of the firm, board size and debt ratio). All the variables used in the model were based on the existing literature reviewed on the topic, agency and stewardship theory, and whether they fit well in the model in statistical terms.

The study used all firms listed on Ghana Stock Exchange from 2007 to 2016, which amounted to 25 firms for 10 years resulting to about 250 observations. The main source of data for the study is secondary data taken primarily from the audited annual report and account of the companies listed on the Ghana Stock Exchange with the aim of verifying the relationship between the different forms of ownership on the stock Exchange and firm performance. The study also collected annual series data over a period of ten years spanning from 2007 to 2016. The choice of this period is informed by the data availability and the current situation prevailing in the economy. The study also obtained data on ownership structure from audited annual report on the firms' website while data on performance and control variables was obtained from Ghana Stock Exchange market report, GSE profile of listed firms and audited annual report.

Model Specification

There are broadly three types of models that can be employed in quantitative analysis of financial problems: time series, cross-sectional and panel model. These models are developed based on the properties of the data collected (time series, cross-sectional and panel data). The study adopts panel data or model. Panel data combine the features or properties of cross - sectional data and time series data (Adam & Owusu, 2017). Thus, when a set data used for a study considers more than one unit over a period of time, then panel study is deemed appropriate for that study. The study observation involves at least two main dimensions; a cross-sectional dimension, indicated by subscript (i) and a times series dimension, indicated by subscript (t). This is particularly important against the backdrop that the current study seeks to collect data on the ownership structure and performance of listed companies on the Ghana stock Exchange (GSE) across the various industries and over a period of time. Thus, the study reflects multiple units (various firms) and times series from 2007 to 2016 of each unit. This technique will help to effectively address the objectives of the study and tackle more complex problems than it being purely time series or cross-sectional analysis.

The theoretical and empirical literatures on ownership structure have identified a number of variables that influence firm performance. The theoretical review establishes the link between ownership structure and performance. Based on the study variables, and explanations given so far, and following Elvin and Hamid (2016), the general model for the study relating to firm performance and the explanatory variables is presented as follows:

$$FP_{it} = \alpha + \beta_1 BLK_{it} + \beta_2 MGT_{it} + \beta_3 INST_{it} + \beta_4 GOVT_{it} + DEBTR_{it} + \beta_6 BODSIZE_{it} + \beta_7 FAGE_{it} + \beta_8 FRMSIZE_{it} + \varepsilon_{it} \quad (1)$$

FP – Firm performance

BLK– Block shareholding

MGT – Managerial Ownership

INST – Institutional Ownership

GOVT – Government Ownership

DEBTR – Debt Ratio

BODSIZE – Board Size

FAGE – Age of the Firm

FRMSIZE – Firm Size

Substituting return on asset (ROA) as a measure of firm performance in the general model above, the study’s empirical model specification is:

$$ROA_{it} = \alpha + \beta_1 BLK_{it} + \beta_2 MGT_{it} + \beta_3 INST_{it} + \beta_4 GOVT_{it} + DEBTR_{it} + \beta_6 BODSIZE_{it} + \beta_7 FAGE_{it} + \beta_8 FRMSIZE_{it} + \varepsilon_{it} \quad (2)$$

Substituting Tobin’s Q as a measure of firm performance in the general theoretical model above

$$TobinsQ_{it} = \alpha + \beta_1 BLK_{it} + \beta_2 MGT_{it} + \beta_3 INST_{it} + \beta_4 GOVT_{it} + DEBTR_{it} + \beta_6 BODSIZE_{it} + \beta_7 FAGE_{it} + \beta_8 FRMSIZE_{it} + \varepsilon_{it} \quad (3)$$

Definition, Justification and Measurement of Variables

The purpose of this study is to seek the relationship between ownership structure and performance of listed firms of Ghana Stock Exchange (GSE). Stemming from the research question, the dependent variable of the study is firm performance and the independent variable is ownership structure. Ownership structure which is independent variable is further divided in the study as block shareholding, institutional ownership, managerial ownership and government ownership. These variables were considered based on theories and literature. The following measurement and operational definitions were used for the variables being examined.

Table 1: Description of variables and source of data

Variable	Measurement	Explanation	Data source
Independent variables			
Ownership structure Managerial Ownership	The percentage of ordinary shares held or owned by management or executives of the firm	It is an equity owned by corporate officers and members of the board of directors.	Audited annual report 2007 to 2016
Block shareholding	Major percentage of ordinary or equity share which is 5 percent and above of ordinary or equity shares	An owner(s) of an exceptional or large block of a company's shares	Audited annual report 2007 to 2016
Institutional Ownership	The percentage of ordinary shares held by institutions in the firm	It refers to ownership stake in a company that is held by large financial companies, pension funds or endowment	Audited annual report 2007 to 2016
Government Ownership	The percentage of ordinary shares held by government in the firm	Ownership of an industry, asset or enterprise by state or public body	Audited annual report 2007 to 2016

Table 1 continued

Dependent variable			
Firm performance Return on asset (ROA)	Net income (profit after tax) by total asset	Performance of a company is the ability of the company to maximize wealth in order to maintain the short and long-term existence or survival. Performance can be based on accounting or market base measure depending on the past and future performance	Audited annual report 2007 to 2016
Tobin's Q	Ratio of market value of equity to the book value of equity		Ghana Stock Exchange fact book and profile of listed firms
Control variables			
Firm Size	Log of the total assets	It is how large a firm is comparative to others.	Audited annual report 2007 to 2016
Age of the Firm	Number of years on the stock Exchange that is the day of incorporation to the year 2016.	It is a continuous variable of number of years of incorporation of the company.	Audited annual report 2007 to 2016
Board Size	The number of board members in each firm for each year	The number of members that form a board in a firm	Audited annual report 2007 to 2016
Debt Ratio	The ratio firm's total debt to its total assets	The percentage of a company's asset that are provided by debt.	Audited annual report 2007 to 2016

Source: Developed from literature, Dodo (2018).

Estimation Technique

The study seeks to examine the relationship between ownership structure and firm performance with data spanning from 2007 to 2016. The current study therefore adopted panel regression procedure or model as the estimation technique. The estimation techniques under panel data regression that are mostly used are – pooled Ordinary Least Squares (OLS), fixed effect and random effect models. Though OLS model is broadly employed as a benchmark in estimating panel data regressions, the fixed effect and random effect are mostly used based on the Hausman test. Meanwhile, the current study employed the fixed effect and random effect model of panel regression procedure as the estimation technique of the study. The choice of the fixed effect and random effect was preferred to that of pool OLS because the fixed effect and random effect model take explicit account of individual specific heterogeneity and it gives more data variation, less collinearity and more degree of freedom (Chris,2008).

Post Estimation Tests

Two post estimation tests were conducted for the models. The modified Wald test for groupwise heteroskedasticity and Wooldridge Test for testing autocorrelation or serial correlation in the models. Both test suggested autocorrelation and heteroskedasticity in both models making the study to adopt generalised least squares (GLS) as a remedy.

Data Analysis Tool

To enable the study perform a good analysis, Stata version 14.0 statistical packages was extensively used for data processing in this study. The data processing tool help summarized the findings as well as present the finding in tables and figures. Also, the analytical tool that was employed in the analysis of the data was regression as the study looked at the relationship between variables.

Chapter Summary

This chapter presents the research methods engaged in conducting this study. This study deployed positivism research paradigm and was purely quantitative in it approach. It also embraced the explanatory research design because the regressor predicted the regressand. More so, the study sampled all firm on the Ghana Stock Exchange (GSE) between the periods of 2007 to 2016. Furthermore, the study developed a model to explain the relationship among the variables. Furthermore, the study employed. The tool used to run the analysis was Stata version 14.0.

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CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents the result obtained from the empirical analysis as well as the discussion of results. The chapter also interprets the econometric estimations and analysis of the various model specifications in chapter three by discussing them. This chapter outlines the results in line with the researcher's questions and the hypotheses to be tested in figures and table form. First of all, the chapter presents descriptive statistics on all the variables – dependent, independent and control variables – of the study to give an idea of ownership structure and performance of firms on the Ghana Stock Exchange (GSE). The chapter then presents a correlation matrix which aid to avoid the issues of multicollinearity in the regression model. Subsequently, the chapter presents formal discussions on the various models estimation in the study."

Descriptive Statistics

The descriptive statistics is presented on a sample of 26 listed firms with a time period of ten (10) years out of a total of 38 listed firms on the GSE due to data unavailability of some variables for 12 listed firms on the Ghana Stock Exchange. The descriptive statistics presented in this section is the mean, which is a measure of average, the standard deviation which is the measure of degree of dispersion or variability (how the values are spread around the mean), the minimum and the maximum values which captures the range for each variable, as well as the number of observations. The descriptive statistics of the core variables involved in this study are presented in Table 2.

From the descriptive statistics, the regressand or dependent variable which is measured from two perspectives return on asset and Tobin's Q, has a standard deviation for return on asset to be 0.385 which is higher than average of return on asset of 0.00541 within a range of -5.650 and 0.555. The Tobin's Q also has a standard deviation of 1.721 which is also higher than the average of the Tobin's Q of 1.050 within a range of 0.0325 and 18.35. These imply there is higher dispersion between the mean values and the observations of these variables.

However, the regressor (independent variable), block shareholding had standard deviation of 16.17 which is lower than the average or central tendency of 72.14 within a limit of 27.30 and 96.57. This depicts that greater portion of firms' ownership are in the hands of block holders of the firm. Also, managerial ownership had an average of 4.493 with a standard deviation of 11.36 making the measure of central tendency to be lower compared to measure of dispersion within a range of 0 to 60.51. This suggests that managerial ownership of listed firms on the stock Exchange is weak because managers or directors own limited amount of ownership. Average of institutional ownership is 60.11 with a lower standard deviation 24.92 within a limit of 0 to 97.05. This depicts that large portion of shares on the stock Exchange are in the hands of institutions or owned by institutions. Government ownership had a lower average of 6.552 with a standard deviation of 14.78 within a limit of 0 to 51.10. This suggests that a limited amount of ownership on the stock Exchange is controlled by the government meaning larger shares are controlled by private individuals.

Additionally, in order to specify a correct and befitting model, the study introduced control variables and also presented descriptive statistics on each of the control variables. Control variables board, firm age and firm size have their standard deviation as 2.142 6.449 and 1.123 respectively. Their measure of dispersion is lower than their associated means of 8.277 13.62 and 5.257 thus showing less variability around their mean. Accordingly, the range of the control variables are 3-13, 1- 25 and 2.509- 8.280. Whereas, debt ratio has a standard deviation of 1.347 which is more than it average of 0.757 within a limit of 0.0222 and 21.13.

Table 2: Descriptive Statistics of the Regressand and the Regressors

Variables	Mean	Standard Deviation	Minimum	Maximum	Observation
ROA	0.00541	0.385	-5.650	0.555	255
TobinsQ	1.050	1.721	0.0325	18.35	248
BLK	72.14	16.17	27.30	96.57	214
MGT	4.493	11.36	0	60.51	192
INST	60.11	24.92	0	97.05	205
GOVT	6.552	14.78	0	51.10	260
DEBTR	0.757	1.347	0.0222	21.13	255
BODSIZE	8.277	2.142	3	13	202
FAGE	13.62	6.449	1	25	260
FRMSIZE	5.257	1.123	2.509	8.280	260

Source: Field survey, Dodo (2019)

Correlation Analysis

The pair-wise correlation matrix for all the variables employed in the empirical analysis or study is presented in Table 3. The correlation analysis was examined to know whether there exist a linear associations or multicollinearity between the explanatory variables based on the cross section data of the panel data. The correlation coefficient between block shareholding and managerial ownership is -0.496 showing a negative and weak association between these two variables. This means that these two explanatory variables are related to a degree but there is no multicollinearity and are good for this analysis. Also, the correlation between block shareholding and other explanatory variables, institutional and government ownership, shows a positive and significant relation with coefficients of 0.420 and 0.0198 respectively.

Meanwhile the correlation between managerial ownership and other variables (institutional, government, debt ratio, board size, firm age and firm size) shows a negative and significant association with coefficients of -0.241, -0.167, -0.138, -0.609 -0.227 and -0.333 respectively.

A close examination of the correlation matrix reveals that there is no issue of multicollinearity in the empirical specification because the explanatory variables do not exhibit correlation coefficients more than 0.8 (Adam, 2015).

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Table 3: Correlation Analysis

	BLK	LnMGT	INST	GOVT	LnDEBTR	BOARDSIZE	AGEOFFIRM	FIRMSIZE
BLK	1							
LnMGT	-0.496***	1						
INST	0.420***	-0.241**	1					
GOVT	0.0198	-0.167*	-0.341***	1				
LnDEBTR	0.128	-0.138	-0.0536	0.134	1			
BODSIZE	0.336***	-0.609***	0.109	0.356***	0.109	1		
FAGE	0.152*	-0.227**	0.0138	-0.389***	-0.00367	-0.0391	1	
FRMSIZE	0.342***	-0.333***	0.189*	0.207**	0.245**	0.451***	0.0229	1

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
Source: Field survey, Dodo (2019)
Note: This Table presents correlation analysis for the sample used in the analysis. BLK refer to block shareholding variable, LnMGT is the log of managerial ownership, INST is institutional ownership, GOVT is government ownership, LnDEBTR is the log of debt ratio, BODSIZE is the number of board members, FAGE is the age of the firm from year of incorporation to 2016, and FRMSIZE is the size of the firm proxy by log of asset.

Variance Inflation Factor (VIF)

The variance inflation factor in table 4 also tells the researcher the extent one explanatory variable can be explained by all other variables in the equation model. In table 4 the VIF depict coefficients that are less than the threshold value of 5 and tolerance value that is close to 1 or greater than the threshold value 0.10. These measures indicate that there is no multicollinearity among the explanatory variables.

Table 4: Variance Inflation Factor (VIF)

Variable	VIF	1/VIF
INST	2.31	0.432394
LnMGT	2.18	0.459228
GOVT	2.08	0.481318
FRMSIZE	1.96	0.511312
BODSIZE	1.80	0.556165
FAGE	1.79	0.559692
LnDEBTR	1.71	0.583417
BLK	1.45	0.688507
Mean VIF	1.91	

Source: Field survey, Dodo (2019)

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Regression Result

This section presents a discussion of the regression results for models of the study based on the hypothesis and objectives of the study. The objectives of the study examine relationship between the various ownership structure (block shareholding, managerial, institutional and government ownership) and firm performance on Ghana Stock Exchange. This necessitated two panel models based on two perspective of measuring performance. The two panel models where under this section named model 1 and model 2. For model 1, return on asset (ROA) is the regressand and the regressors are block shareholding, managerial, institutional and government ownership. Whiles in model 2, the regressand is Tobin's Q and the regressors are block shareholding, managerial, institutional and government ownership. In view of this, Table 5 column 2 (model 1) depicts the relationship between ROA as a measure of performance and the regressors (block shareholding, managerial, institutional and government ownership) as well as control variables namely, debt ratio, board size, firm age and firm size. The control variables are introduced to ensure the avoidance of omission of relevant variables (Adam & Owusu, 2017). Table 5 column 3 (model 2) also shows the relationship between Tobin's as a measure of firm performance and the various ownership structure as well as the control variables.

Table 5: GLS regression between Ownership and Performance

	(Model 1)	(Model 2)
VARIABLES	ROA	Tobin's Q
BLK	0.0117**	0.0167***
	(0.00505)	(0.00450)
LnMGT	0.00531	-0.0544**
	(0.0181)	(0.0261)
INST	-0.0132***	-0.00948***
	(0.00339)	(0.00323)
GOVT	-0.00743*	-0.0128**
	(0.00383)	(0.00527)
LnDEBTR	-0.342***	-0.217***
	(0.0793)	(0.0827)
BODSIZE	-0.0921***	0.0272
	(0.0302)	(0.0278)
FAGE	0.0110	-0.0339***
	(0.0105)	(0.0128)
FRMSIZE	-0.185**	-0.423***
	(0.0799)	(0.0493)
Constant	-1.400***	1.028**
	(0.492)	(0.456)
Observations	125	170
Number of FIRMS	20	25
Wald chi2	261.87	131.14
Prob>chi2	0.000	0.000

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
Source: Field survey, Dodo (2019)

Note: All values in parenthesis in the upper part of the table are the standard errors of the coefficients values and values other than those in bracket represent coefficient value. The lower section presents observation, number of firms, the value of Wald test and probability value of Wald test.

Regression results on the relationship between block shareholding and firm performance on GSE.

The results in model 1 in Table 5 depict that at a significant level of 5%, the regressand, return on asset has a significant and a positive relationship with block shareholding on Ghana Stock Exchange. This means that, the results failed to reject the hypothesis that there is a significant relation between block shareholding and performance. The coefficient of block shareholding from the result shows 0.0117, which depicts that a proportionate or a percentage increase in block shareholding will lead to 1.17% increase performance of firms on GSE. This indicates that the higher the block shareholding the higher the firm performance.

The result of the study is similar to Iwasaki and Mizobata (2019) and Benamraoui et al. (2019) because these studies also found a positive and significant relationship between block shareholding and firm performance measured by ROA. Benamraoui et al. suggest that block ownership has the potential to reduce agency problem by playing active role in monitoring and improving managerial discipline which in tend improve performance of firm in an emerging economy. Block shareholding through effective monitoring can bring convergence of interest which improves the performance as well as reduce agency cost.

Model 2 in Table 5 where performance is measured by Tobin’s Q depict that at a significant level of 1%, the Tobin’s Q which is the regressand has a positive and significant relationship with block shareholding. The coefficient of 0.0167 shows that a proportionate or percentage increase in block shareholding will lead to 1.67% increases in firm performance on the stock Exchange. This fails to reject the hypothesis that there is a significant relation between block shareholding and performance of firms. The result agreed to Khan and Nouman (2017) findings that there is a significantly positive relation between block shareholding and Tobin's Q as a measure of performance. The result from model 2 is the same as model 1 in terms of direction and significances though their measure for the regressand is different (Tobin's Q and ROA respectively). Both models indicate that as block shareholding increase or goes higher performance of the firm will increasing depicting a direct association between the regressand and the regressor. The result of the models are of the view that presence of block shareholding has the potential of reducing managerial moral hazard through efficient monitoring and control which tends to improve both past performance (ROA) and future performance (Tobin's Q). The result of the study is however inconsistent with finding of Tai (2015) who found a significantly negative impact of block shareholding on performance.

Based on the ongoing discussions the study fails to reject the hypothesis that there is significant relation between block shareholding and firm performance on GSE. The study also concludes that there is a positive significant impact of block shareholding on firm performance on GSE.

Regression Results on the Relationship Between Managerial Ownership and Firm Performance on GSE

The outcome in model 1 on Table 5, indicate that at a significant level of 10%, the variable of interest managerial ownership has an insignificant positive link with firm performance (ROA). This implies that we reject the hypothesis that there is significant relation between managerial ownership and firm performance. The result accepts that there is positive or direct link of managerial ownership on performance of firm but not significant. The result also means that there is no significant relationship between managerial ownership and past performance of the firm measured by return on asset (ROA). The result is in line with Baah (2011) and Morck, Shleifer and Vishny (1998) who posit an insignificant positive relationship between return on asset as a measure of performance and managerial ownership. This positive insignificant relationship may be as a result small margin or percentage of ownership by management.

Model 2 in Table 5(column 3) where performance is measured by Tobin's Q depict that at a significant level of 5%, the regressor managerial ownership has a negative and significant relation with future or market performance (Tobin's Q). The coefficient of -0.0544 shows that a proportionate or percentage increase in managerial ownership will lead to 5.44% decrease in market performance on the stock Exchange and vice versa. This fails to reject the hypothesis that there is a significant impact of managerial ownership on performance of firms. The result is consistent with Ruan, Tian and Ma (2011) who found an inverse relation between managerial ownership and performance (Tobin's Q). Their study argues that due to the evolution of corporate governance and changes in regulation, managerial control for pursuing self- interest can only be approached by management holding more ownership. This implies that as managerial ownership increases managers become entrenched therefore decreasing the performance of the firm. The negative effect between managerial ownership and performance may be caused by high block shareholding which can interfere with effective corporate governance of the firm (Fauzi and Locke, 2012). The result is inconsistent with Li et al. (2018) that argue that increase in the effective managerial ownership significantly leads to an increase in firm performance measured by Tobin's.

The result in model 2 is in contrast with model 1, the difference in result is likely due to the difference in measurement; accounting base measure and market base measure. These measures measure performance from different perspective, future performance for that latter and past performance for the former.

Regression results on the Relationship Between Institutional Ownership and Firm Performance on GSE

In model 1, institutional ownership had a significant coefficient of -0.0132 which is significant at 1%. This implies that a proportionate of percentage increase in institutional ownership will lead to a 1.32% decrease in return on asset or performance. The result indicates an inverse or negative relationship between institutional ownership and performance over the period of 2007 to 2016. The study fails to reject the hypothesis that there is no significant relation between institutional ownership and firm performance. The finding is consistent with Tsouknidis (2019) and Al-Najjar (2015) who found a negative significant relation between institutional ownership and performance by measuring performance by return on asset. The study argues that the negative relation is driven by the non-strategic institutional investors because of their shorter investment horizons behaviour. Al-Najjar also argue that the result support the conflict of interest hypothesis and the strategic alignment hypothesis.

Model 2 had a significant coefficient of -0.00948 which is significant at 1% for institutional ownership. The result depicts a negative relation between institutional ownership and Tobin's Q. This implies that a percentage increase in institutional ownership will lead to 0.948 decreases in firm performance. The result is in support of Charfeddine and Elmarzougui (2010) finding of significant negative impact of institutional ownership on firm performance as measured by a proxy for Tobin's Q. the negative relation may be due to conflict of interest and strategic alignment proposition.

Both models and measure of performance had the same result in terms of direction and being significant. Model 1 and 2 had a positive significant relation between institutional performances. The result is however inconsistent Yeh (2019) who found a positive significant relation for the effect of institutional ownership and both measure of performance, thus ROA and Tobin's Q.

Regression Results on the Relationship Between Government Ownership and Firm Performance on GSE

Government ownership had a negative impact on firm performance in model 1 at a coefficient of -0.00743. At 10% significant level, a percentage increase in government ownership will lead to 0.743 decreases in firm performance. The result fail to reject the hypothesis of there is significant relation between government ownership and performance. The finding is consistent with Wang and Shailer (2018) result of negative effect between government ownership and performance.

Model 2 with Tobin's Q as a proxy for firm performance also had a negative relationship between government ownership and performance. The coefficient for government ownership in model 2 is -0.0128 which is significant at 5%. The result implies that a proportionate or percentage increase in government ownership will lead to 1.28% decrease in firm performance. The result is consistent with Hoang, Nguyen and Hu (2017) findings. The government ownership is argued to contain double principal-agent problem where the government interfere with operations due to political objective and inefficient monitoring of state owned companies by state authorities (Al-Najjar & Kilincarslan 2016).

Both models had a negative and significant relationship confirming popular perception that ownership-performance relation is negative for government ownership. Both models are inconsistent with the findings of Eelderink (2014).

Regression Results on the Relationship Between Firm Performance and Control Variables on GSE

Both models, ROA and Tobin's, in table 5 revealed a negative significant relationship between debt ratio and firm performance. The coefficient for debt ratio in model 1 and 2 is -0.342 and -0.217 respectively, which both are significant at 1%. This indicate that in model 1, 1% increase in debt ratio will lead to 34.2% decrease in firm performance (ROA) whiles in model 2 a percentage increase in debt ratio will lead to 21.7% decrease in firm performance (Tobin's Q). The finding is consistent with agency theory which suggest that leverage is expected to lower the agency cost thereby reduces inefficiency, hence debt has a negative impact on technical efficiency and financial performance (Mugera & Nyambane, 2015). The result is also in conformity with empirical evidence of Abeywardhanam and Magoro (2017), and Mule and Mukras (2015) whiles in contrast with the findings of Baah (2011) and De Jong (2002).

Moreover, the coefficient for board size on return on asset (model 1) is negative and significant at 1% significant level. The coefficient -0.0921 suggest that a percentage increase in board size will lead to 9.21% decrease in ROA or performance. The result conforms to the findings of Guest (2009). In contrast with the result in model 1 (ROA), model 2 had a board size coefficient of 0.0272 for Tobin's Q which is positive and insignificant at all levels. Both model results, ROA and Tobin's Q, with regards to board size are in contrast with the result of Fauzi and Locke (2012) which depict a significant positive relation for ROA and negative relation for Tobin's Q.

Also, the result found a positive and insignificant link between firm age and return on asset on GSE. The firm age coefficient of 0.0110 is insignificant at all levels. This depict that the age of the firm or the more a firm last on the stock Exchange has a positive effect on performance but not significant. This is line with the suggestion that staying long on stock Exchange enable firm to reduce cost and increase performance due to gaining experience on the Exchange. This result is line with the study of Baah (2011). In contrast with model 1 or ROA, the coefficient for Tobin's Q in model 2 depict coefficient of -0.0339 for firm age which suggest a negative and significant relation of 1%. The result is in line with the finding of Pervan, Pervan and Ćurak (2017). Pervan, Pervan and Ćurak suggest that as firms get older their benefit accumulated knowledge on all aspect on the stock Exchange are overcome by the firm's inflexibility, inertia due to rules, routine and organisational structure.

Both models, ROA and Tobin's, in table 5 revealed a negative significant relationship between firm size and firm performance. The coefficient for firm size in model 1 and 2 is -0.185 and -0.423 respectively. The significant level for firm size on ROA is 5% whiles for Tobin's Q is 1%. This indicate that in model 1, 1% increase in firm size will lead to 18.5% decrease in firm performance (ROA) whiles in model 2 a percentage increase in firm size will lead to 42.3% decrease in firm performance (Tobin's Q). The results are consistent with Ghafoorifard, Sheykh, Shakibaee and Joshaghan (2014) and inconsistent with the findings of Fauzi and Locke (2012).

Post Estimation Diagnoses

Two major post estimation diagnoses were conducted for the models. They were Modified Wald Test and Wooldridge Test. Modified Wald Test for groupwise heteroskedasticity while Wooldridge Test measured the autocorrelation in the model or panel data. In model 1, the modified Wald test had a Chi-square of 15930.64 and a probability value (P-value) of 0.000 which reject the null hypothesis of no heteroskedasticity and suggest that there is heteroskedasticity. Autocorrelation was also test for model 1 which had F statistics of 9.880 and 1 numerator and 16 denominator. The Wooldridge test for autocorrelation in panel data suggests autocorrelation in model 1 with an F probability of 0.0063.

Also, in model 2 the modified Wald test had a Chi-square of 1403.33 and a probability value (P-value) of 0.000 which reject the null hypothesis of no heteroskedasticity and suggest that there is heteroskedasticity. Autocorrelation was also tested using the Wooldridge test for autocorrelation in panel data, the test had an F statistic of 31.787 in model 2. The Wooldridge test also suggests autocorrelation in model 2 with an F probability of 0.00. These tests made the study to adopt the generalised least squares (GLS) as a remedy to the heteroscedasticity.

Chapter Summary

With reference to the purpose of the study to examine the relationship between ownership structure and firm performance of firm on Ghana Stock Exchange, four main hypotheses were tested using the Generalised Least Squares (GLS). The purpose of the study was broken into:

The first objective examining the relationship between block shareholding and firm performance on Ghana Stock Exchange in table 5, where the study failed to reject the hypothesis that there is significant relation between block shareholding and firm performance on GSE. All of the other objectives where analyse and they fail to reject the hypothesis that there is a significant relationship between the independent variables (managerial, institutional and government ownership) and the dependent variable firm performance (return on asset and Tobin's Q).

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CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the major findings obtained from conducting the entire study. The chapter also presents a summary of the findings, conclusions, recommendations as well as the suggestions for further research.

Summary of the Research

This research work examined the relationship between ownership structure and firm performance using firms listed on the Ghana Stock Exchange. Chapter one of the study looks at the introduction to the study, the background to the study as well as the statement of the problem. The purpose of the study was made known, research objectives was also stated with its related research questions asked, after the hypotheses of the study were carefully stated.

The literature review of the study provided supporting theories and relevant explanation of the theories of the study –agency theory which describe the relationship between the principal and it agent as well as the possible conflict between the parties of the contract, the stewardship theory also focus on the alignment or integrating the goal of the top management who are a stewards to that of the organizational goal, thus stewards are satisfied and motivated when organizational success is attained. These theories helped in linking the dependent variable to the independent by providing the relevance of the theory to the study. The study then reviews existing literature that is in line with the relationship between block shareholding and performance, managerial ownership and performance, institutional ownership and performance and government ownership and performance. The chapter also provided the conceptual framework.

In chapter three the study talked about the research methods employed in the study. The study was based on the positivism research paradigm and quantitative approach. The study employed the explanatory research design to estimate the models. The first model sought to establish the relationship between the various ownership structure under this study and return on asset as a measure of performance. The second model sought to establish the relationship between the various ownership under this study and Tobin's Q as a measure of performance. The chapter also defines the measures of the variables in the study or model, sources of the data in the study, estimation techniques as well as data analysis tools. The study also employed a panel data for a period of 10 years spanning 2007 to 2016.

While Chapter 4 of this study presented the discussion of the results of the study within the context of the study's objectives while supporting it with theories and existing literature of the study. The study discussed the descriptive statistics, the correlation among the variables as well as the variance inflation factor for multicollinearity and the Generalised Least Squares (GLS) regression.

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Summary of Findings

Several significant results that have good implications emerged from the findings of the study. The objective of the study was to examine block shareholding and firm performance on GSE. The second objective examined the relationship between managerial ownership and firm performance on GSE. The third objective looks at the relationship between institutional ownership and firm performance and the fourth objective asses the relationship between government ownership and firm performance on Ghana Stock Exchange.

Table 6: Summary of results on the Hypothesis

Hypotheses	**Result**
$H_{1:}$ there is a statistical significant relationship between block shareholding and firm performance on GSE.	Fail to reject
$H_{2:}$ there is a statistical significant relationship between managerial ownership and firm performance on GSE.	Fail to reject
$H_{3:}$ there is a statistical significant relationship between institutional ownership and firm performance on GSE.	Fail to reject
$H_{4:}$ there is a statistical significant relationship between government ownership and firm performance on GSE.	Fail to reject

Source: Field survey, Dodo (2019)

From the results on the first objective, strong evidence is found that block shareholding has a significant positive effect on firm performance on the sample of firms on the Ghana Stock Exchange. This implies that block shareholding will increase firm performance on GSE. Also based on the second objective managerial ownership was found to have a significant negative effect on performance (Tobin's Q). This signifies that increase in managerial ownership will lead to entrenchment therefore decreasing firm performance.

The result of the third objective indicates a negative significant relationship between institutional ownership and performance. The negative relationship may be due to conflict of interest or strategic alignment proposition which suggests that institutional owners will be reluctant to speak against management because of mutual advantage of cooperation between parties which may lead to moral hazard and reduction in firm value.

The final objective of the study found a strong evidence of negative significant relationship between government ownership and performance. The result confirms popular perception that firms with government ownership do not perform well. The result may be due to the double principal-agent problem in government ownership (Al-Najjar &Kilincarslan 2016). The double agency problem is as a result of government interference and state authorities not vigorously monitor state-owned companies.

Conclusion

Based on the results, the conclusion on the first hypothesis is that block shareholding is a mechanism to increase firm performance on GSE because it reduces agency problem. Also, the conclusion on the second hypothesis is that managerial ownership reduces performance of the firm on GSE. This implies that the cost of managerial ownership outweighs the benefit of it. The third hypothesis also found that increase in institutional ownership reduces the performance of firm on GSE.

Finally, in relation to the fourth hypothesis, the study concludes that government ownership will lead to decrease in firm performance of firm on GSE.

Recommendations

Based on the findings and conclusion obtained from the study, the following recommendations were put forward to help enhance the relationship between ownership structure and firm performance. The study suggests that block shareholding should be encouraged since it is a good governance mechanism to increase firm performance.

Again, institutional investors or ownership should be encouraged to take efficient monitoring since that will reduce strategic alignment and conflict of interest. Also, the government must undertake policies to diversify State Owned Enterprises to include co-ownership by private individuals since there is a decrease in performance in government owned firms.

Finally, other forms of corporate governance mechanism should be practice or encourage aligning the interest management to shareholders.

Suggestions for Further Study

Further studies can be done on the others forms of ownership structure left out of the study and expand the model to include non-listed firms. Further studies could also examine the critical level of shareholding beyond which it will would be increase in firm performance and commitment of managers. Finally, further studies could employ other estimation techniques other than the one employed in this study.

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