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# Ownership structures, board characteristics and firm value: The moderating effect of product market competition

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**Abstract**

*The study assesses the moderating impact of product market competition on the relationship between corporate governance and corporate value. The sample comprises of 89 listed manufacturing firms for 5 years period (2018-2022) as used in the study. Multiple regression model was utilised with panel corrected standard error (PCSE) for the analyses. Corporate governance proxies by foreign ownership, ownership concentration, managerial ownership, women on board, board size, board independence serves as the independent variable are tested on economic value added (EVA) as a measure of firm value which represent the dependent variable. The result shows that ownership concentration, board size, and board independence have a positive influence on firm value (EVA). However, managerial ownership is found to have a negative impact on the value of corporate firms whereas foreign ownership and women on board are insignificantly related to the value of Nigerian manufacturing firms. The moderating influence of product market competition strengthens the relationships of foreign ownership, managerial ownership, women on board and board independence on firm value positively. Nonetheless, the empirical result revealed the negative and significant interacting impact of product market competition on ownership concentration and negative insignificant relationship on board size with firm value respectively. The study recommends the necessity for the continues liberalization and diversification of the Nigerian economy in order to expand the competitiveness of the manufacturing firms so that derivable benefit from PMC is created for owners and other relevant stakeholders.*

**Keywords:** Corporate Governance, Board Characteristics, Firm Value, Ownership Structures, Stakeholder's Theory, Value Relevance Theory

## 1. Introduction

The determination of the value of corporate firms in Nigeria and worldwide has being an area of interest to both scholars and business organizations due to the collapsed of businesses as a result of the negative effect of creative accounting practices since 2008. The negative effect of creative accounting practices on the value of corporate entities are attributable to the failure of corporate governance to mitigate the negative impact of manipulative accounting practices on the performance of firms. These failures has led to the liquidations of many listed firms both nationally and internationally. For instance, ENRON, WorldCom or AHOLD Barings Bank, Parmalat, Tyco, Wal-Mart Stores are multinational organizations affected by corporate scandals due to manipulative accounting practices (Montesdeoca, Medina & Santana, 2019 and Garba & Mohamed, 2018). The frequency at which corporate organizations failed as of recent propel researchers and owners of business to focus on this area of study. The failures of corporate businesses as a result of income smoothing in the published annual financial reports can be checkmated through the entrenchment of good governance practices (Van Horne James & Machowicz, 2005). The institutionalization of good corporate practices ensures fairness, transparency, responsibility and accountability in the management of corporate firms necessary for enhancing the value of firms (Bayrakdaroglu, Ersoy & Citak, 2012).

The business entity concepts identified the separation of ownership from the management and this distinction necessarily serves as an important concept of corporate governance that improve firm value (Ebimobowei, 2022). The structure of corporate ownership constitutes an important mechanism of corporate governance practice that guaranteed the performance of corporate firms (Al-Shaer, Kuzey, Uyar & Karaman, 2024 and Zeitun & Gang Tian 2007). The contributory role of ownership structure at improving the value of firms is premised on the impact of owners at performing the monitory and supervisory functions on the management of corporate entities (Lecomte & Ooi, 2013). The monitory and the supervisory role of ownership structure as a mechanism of corporate governance is probable to be adopted as proxy for creating firm value. The firm value represents the summation of the benefits derivable from the firm by the shareholders in which the owners are expected to assist at enhancing this value through the structure of ownership (Damodaran, 2024).

Regarding the perceived associations between corporate ownership and firm value, several researchers such as Obembe, Adebisi and Adeleye (2010), Bayrakdaroglu et al., (2012), Lappalainen & Niskanen, (2012), Desoky & Mousa, 2013, Albawwat, (2015), Khan, Tanveer & Malik, (2017)., Im and Chung (2017) and Ciftci, Tatoglu, Wood, Demirbag, and Zaim (2019) reported a positive relationship between ownership structure and firm value. However, Saidat, Silva and Seaman (2019) reported negative relationship between foreign ownership with Tobin's Q in non-family firms. Marimuthu (2017) also found a negative relationship between larger managerial ownership and firm value. The same negative relationship is revealed between ownership concentration and corporate value (Obembe et al. 2010). Therefore, the inconsistencies in the reported results with respect to ownership structures and the value of firms created a research gap requiring further investigations.

The same concern can be linked to the relationship between board characteristics and the value of firms (Adekunle, Okere, Kokogho, Loretta & Odio, 2024). The findings of most previous studies with regards to the association between board structure and firm performance provided mixed results. Al-Dhamari, Ismail & Al-Gamrh, (2016), Ararat, Aksu and Tansel Cetin (2010) and Luckerath-Rovers, (2013) affirmed to the positive association between female directorship and firm value. The studies conducted by Tulung and Ramdani (2018), Isik and Ince (2016) and Qureshi, Rasli and Zaman, 2014) attested to the positive relationship between board size and firm value. In the same vein, the relationship between board independence and the value of firms is reported to be significantly positive (Zahra & Pearce, 1989; Ezzamel, & Watson 1993 and Hossain, Prevost & Rao, 2001).

Despite the reported positive significant relationships between board characteristics (board size, board independence and women on board) and corporate valuation (Adekunle, *et al*., 2024), other empirical studies indicate the existence of a negative relationship between board structure and the value of a firm. For instance, Kusi, Gyeke-Dako, Agbloyor and Darku, (2018) reported a declining in the shareholder value as a result of the large size of the board. Other previous empirical studies, such as Barnhart, Marr and Rosenstein (1994); Yermack (1996); Eisenberg, Sundgren, and Wells (1998); Vafeas, (1999); Wu, (2000); Mak and Kusnadi (2005); Bonn,Yoshikawa, and Phan (2004); Bayrakdaroglu, et al., (2012) and Obradovich and Gill (2013) revealed a negative relationship between board size and the value of firms. In the same vein, the studies conducted by Abdullah, (2016); Wang, (2014); Coles, Daniel, and Naveen (2008) and Bhagat and Black, (2001) reported negative associations between the independence of non-executive directors and the value of corporate entities. The relationship between the proportion of women on board and corporate value is not static as female directors create value for some firms and decrease value for other firms (Abdullah, Ismail and Nachum, 2016). The finding of Unite, Sullivan and Shi (2019) affirmed to the insignificant relationship between female directorship and corporate value.

On the premise of value relevance theory, the product market competition is anticipated to strengthens the relationship between ownership structures, board characteristics and corporate value on the premised that competition mitigates the negative effect of withholding private information necessary for enhancing firm value (Amiti & Heise, 2024 and Ho, Lee, Lin & Pan, 2016). This is possible because product market competition instills disciplines by examining the market power of corporate entities operating within sectors of the economy (Cosset, Somé & Valéry, 2016). In addition, product market competition plays a substantial role at entrenching greater efficiencies on the firm's resources management (Ryoo, Jeon & Lee 2017), it helps at reducing the self-centredness of management (Boubaker, Saffar & Sassi, 2018) and align the stakeholder's interest together (Obembe et al., 2014). Ogar, Okoi and Ite (2024) asserted that, the manufacturing sector's overall economic production is weak in Nigeria, however, Ubesie, Onuh and Ani (2024) believe that competitive forces within the industry especially in the pharmaceutical industry are capable of exerting a more substantial influence on corporate value.

It is on the premises of this argument that, this study consider evaluating the moderating effect of product market competition on the relationship between the attributes of ownership structures (foreign ownership, ownership concentration, managerial ownership) and the attributes of board characteristics (women on board, board size, board independence) on the economic value added (EVA) as the metric of firm value of Nigerian manufacturing firms.

## 2. Literature Review

### 2.1 Conceptual Review

Several previous empirical studies employed different conceptual models to explain the impact of corporate governance variables in determining the value of business entities without arriving at an exhaustive conclusion. Despite all the several empirical studies with respect to firm value determination, only a few studies in Nigeria assess the value of corporate firms using economic value added as measures of firm's value as revealed from the review of relevant literature (Yahaya & Bilyaminu, 2020). Hence, most of the conceptual models used by previous scholars rely on accounting measures as the metrics of firm value (Beisland, 2009; Marimuthu, 2017; Ararat, Black, and Yurtoglu, 2017; Lang, Lins, and Maffett, 2012; Wu and Liu, 2011; Fang, Noe and Tice, 2009; Osazevbaru, 2012; Jiao, 2010; Harjoto and Laksmana,2018; Khan, Tanveer, and Malik, 2017; Cuong and Canh, 2012; Lee and Makhija, 2009 and Ryoo, e tal., 2017). Khan, Tanveer and Malik (2017) investigated the effect of the mechanism of corporate governance on firm value using Tobin's Q as the measure of firm value and board size, board independence, audit committee, and CEO duality as the metrics for corporate governance.

The study conducted by Ararat, Black and Yurtoglu, (2017) utilized board structure, board procedure, disclosure, ownership, and shareholder rights as a measure of corporate governance mechanisms and Tobin's Q as the measure of firm value. Ryoo et al., (2017) adopted the use of Tobin's Q to proxy firm value in a study conducted to establish the influence of market strategies on the value of the corporate entity. The major shortcoming of all these studies is the usage of basic accounting measures in determining the value of firms. The use of accounting measures as a proxy of firm value undermined the value relevance of accounting data since empirical studies has attested to the existence of manipulative accounting practices in Nigerian financial reporting practices (Osazevbaru, 2012; Hamid, Shafie, Othman, Hussin, & Fadzil 2013 and Bhasin, 2016).

**2.2 Economic Value Added (EVA)**

Based on a detailed review of relevant literatures in an effort to establish the value of corporate firms that is immune from the negative effect of manipulative accounting practices, this study adopts the economic value added (EVA) as a value-based performance measure (Liu, 2024, Bayrakdaroglu, et al., 2012 and Shil, 2009). The adoption of this modern method of measuring value is justifiable because its introduction in the corporate world ensures the maximum realization of the actual firm's value measurement (Nakhaei et al., 2012 and Shil, 2009). The two measures of firm value adopted for this study are capable of assessing the corporate value of a firm from the internal and external viewpoint of establishing the value of firm because internal measures represent the economic value of the firm. This approaches adopted for determining firm value is deemed to explain the value of a firm from stakeholder's perceptive (economic value) and that of the owner's perceptive. The measure encapsulated the essence of measuring value as a basis of satisfying the desire of investing and non-investing stakeholders.

Economic value added as a means of determining corporate value is capable of providing internal assessment of firm performance (Katchova & Enlow, 2013). EVA involves the process of establishing the real value of a corporate entities. Establishing the actual economic value of firms makes EVA a better determinant of corporate value (Morard & Balu, 2009). EVA as performance-based measurement concept considered the cost of capital, the time value of money and other associated risk attached to a firm's operations (Lehn & Makhija, 1996). The economic value added encompasses the desired of relevant stakeholders which is accruable to them as a result their economic interaction with the firm. These total economic benefits due to the stakeholders represent the proceeds derivable from the economic wellbeing of the firm. Consolidating the benefits derivable by stakeholders by using economic value added necessarily satisfy the desire of the shareholders as the real owners of the firms by revealing economic profit (Zenzerovi´c & Robert. 2023). To determine the value of corporate entities from the perceptive of the owners requires the use of economic value added (EVA). Marzo (2013) opined that the use of economic value added to express the actual value of the firm. The use of EVA will enable relevant stakeholders to source for needed economic and investment information necessary for making a decision. Lee and Kim (2009) established the superiority of economic value-added measures over the conventional accounting measures of value. Other scholars such as Bayrakdaroglu et al. (2012) and Adjaoud, Zeghal, & Andaleeb, (2007) established the relationship between corporate governance mechanisms and firm value measured by economic value added. Therefore, this study adopts the economic value added to determine the value of Nigerian manufacturing firms in order to satisfy the needs of all relevant stakeholders (Zenzerović & Benazić, 2024). The introduction of EVA as a performance measurement tool is generally considered consistent with mitigating agency costs, and therefore, increasing shareholder value.

**2.3 Ownership Structure**

Regarding the structure of ownership, value relevance theorists and stakeholder theorists assumed the monitoring capacity of relevant owners and stakeholders at creating value for corporate entities. The possession of a substantial number of shares by stakeholders directly relates to value creation when owners of shares play their monitoring and supervisory roles on the firm's management in order to safely guide their investments. This is evidenced by the finding of Iskandar, Rahmat, Noor, Saleh, and Ali (2011) which reported that shares ownership enhance the corporate value of firms. This result revealed that greater ownership diversification resulted in greater firm value. Ownership diversification helps at consolidating the roles of relevant stakeholders at enhancing the value of firms. The impact of ownership structure as a measure of corporate governance on the firm value is measured from foreign ownership, ownership concentration and managerial ownership perceptive (Taba, Tako & Arifani. 2022). These three proxies of the structure of ownership viewed ownership from international related ownership, blocked ownership, and internal corporate management ownership. The result of several studies revealed the superiority of foreign-owned firms over domestically owned firms.

**2.3.1 Foreign Ownership**

This superiority of foreign multinationals over locally owned firms is premised on the associated economies of scales, superlative management strategies, the sophistication of available human capital, the quality of products and services, corporate governance structure and the prudence in the management of financial resources (Alomran, 2024; Yahaya, & Bilyaminu, 2020 and Barbosa & Louri, 2005). Aydin, Sayim, and Yalama (2007) reported better market value for multinationals in compares with firms owned domestically. The study conducted by Ciftci, et al., (2019) support the impact of foreign ownership on corporate value. Grant, (1987) revealed a positive relationship between foreign multinational and corporate valuation. Qian, (1998) reported a significant impact of foreign ownership on firm value. According to Iskandar, Bukit, and Sanusi, (2012), foreign owners are capable of providing effective monitory on their investment. Established on the basis of value relevance and stakeholder's theory, the study anticipates the influence of foreign ownership on the value of Nigerian manufacturing firms. Thus, to investigate this relationship in line with the study of Greenaway, Guariglia, and Yu (2014), Iskandar, et al., (2012) and Jeon, Lee, and Moffett (2011). The study will adopt foreign ownership as one of the proxies of ownership structures to determine the value of Nigerian manufacturing firms. Ownership concentration serves as another measure of corporate governance necessarily for enhancing the corporate value of firms (Maniruzzaman, Hossain, & Sayaduzzaman, 2024).

This is premised on the practical monitory role anticipated to be exercised by majority shareholders in order to safely guide their hard-earned investment. However, the level of monitory is related to the proportion of shareholding (Morck, Wolfenzon & Yeung, 2005 and Young, Peng, Ahlstrom, Bruton, & Jiang 2008). The greater the number of stocks held by an investor the better the level interest shown by the shareholder towards their investment. In addition, ownership concentration is positively related to firm value (Ali, & Masood, 2024; Maniruzzaman, *et. al.,* 2024; Albawwat, 2015 and Desoky & Mousa, 2013).

**2.3.2 Ownership Concentration**

According to Khan et al. (2017), ownership concentration is strongly needed as a metric of corporate governance to enhance the value of corporate entities. On the ground of this proposition, this study anticipated ownership concentration as a panacea for improving firm value on the basis of value relevance theory.

**2.3.3 Managerial Ownership**

In furtherance to the monitory role of ownership structure at enhancing firm value, the study sees the contributory role of managerial ownership towards firm value enhancement (Taba, *et al*., 2022). Managerial ownership provides needed monitory power for investors by way of Convergence-of-Interest and Entrenchment assumption (Taba *et al*., 2022 and Im & Chung, 2017). Convergence-of-Interest assumption is centered on the consolidation of the interest of management and shareholders primarily to improve firm value. This assumption ensures that some proportion of shareholding is allotted to the member of the board as a means of pursuing mutually inclusive benefits (Marimuthu 2017). Firms with greater managerial ownership are prone to efficient resource management necessary for enhancing firm value (Iskandar et al., 2011). Personal aggrandizement by the managers is reduced with a greater increase in the level of insider's ownership.

Managerial ownership enhances the commitment of management towards the success of the firm through entrenchment hypothesis. Lower managerial ownership ensures the enhancement of firm value as a result of the effect of the level of industry competition. Competition within an industry discipline management to act in the overall best interest of the stakeholders (Fama & Jensen, 1983). Leung and Horwitz (2007) revealed that managerial ownership is positively related to the value of a corporate entity. The study conducted by Wright, Kroll, Lado, and Van Ness, (2002) attested to the positive influence of insider ownership of the firm value. Value relevance theory advanced the utilization of data generated from annual reports to determined variables responsible for enhancing the value of firms (Callao, Cuellar & Jarne, 2006). This theory explains the impact of one variable on another variable. Beaver (2002) upheld that the theory of value relevance relates the content of annual reports and share price for the purpose of determining firm value.

**2.4 Board Characteristics**

The board characteristics serve as another important corporate governance variable that is germane to value creation. Scholars developed interest on board characteristics due to the persistent increase in the reported corporate scandals which undermined corporate value (Hsu & Wu, 2014). Researchers and policymakers have made it as an area of interest in order to checkmate corporate fraud undermining firm value (Pucheta-Martínez & Gallego-Álvarez, 2019). Study in the past documented empirical evidences supporting the impact of the structure of the board on the value of the business entity. Board characteristics such as women on board (Chen, Gramlich & Houser, 2017), board size and board independence (Tulung & Ramdani, 2018) among others were reported to have significantly impacted on firm value (Adekunle, *et. al.,* 2024). This study intends to expand the frontier of knowledge by investigating the effect of the attributes of board characteristics in the Nigerian manufacturing sector since this area of study still remained relevant in developing economy (Ali & Masood 2024; Awen, Onyabe, Yahaya, 2022; Salsabila, Kadang & Bidin, 2024 and Wellalage & Locke, 2013).

**2.4. 1 Women on Board**

The presence of female director on the board of corporate firms brings about the needed diversity necessary for enhancing corporate value. Women directors are deemed to influence the behaviour of the board by entrenching effective monitory role overboard activities (Sonnabend, 2015). Carter, D'Souza, Simkins and Simpson, (2010) and Dargnies, (2012) believed that women directors inject distinctiveness in management practices which positively improve the value of firms. Participation of women on the board of director challenged the board to be more accountable, transparent and prudent in the management of resources (Triana Miller & Trzebiatowski, 2014). This is made possible because women possess negotiations and communication skills with better cooperative gesture (Barbulescu & Bidwell, 2013; Dargnies, 2012 and Hillman, Shropshire & Cannella Jr, 2007). Abdelzaher and Abdelzaher (2019) reported the positive significant relationship between female directorship and the value of firms.

The study adopted the use of return on equity and Tobin q as the measure of firm value. However, the use of accounting measures such as Tobin's Q and return on equity may not likely provide the necessary information due to the negative effect of using accounting measures which are deemed to soften the shortcoming associated with time value of money.

Extending this study by adopting the use of economic value added may provide more robust information regarding the impact of female directorships on firm value due to the resistance of these measures on creative accounting practices. Several scholars on like manners established the positive impact of female directorship on corporate performance. For instance, Luckerath-Rovers, (2013); Ararat, Aksu and Tansel Cetin (2010); Carter, et al., (2010) and Campbell & Mínguez-Vera, (2008) reported the significant impact of women on board and the value of the firm. According to Marsigalia, Giovannini, and Palumbo (2019), the presence of women on board is necessary for enhancing firm value.

**2.4.2 Board Size**

Board size is an important component of the board of directors. The size of the board represents the variety of diversity needed in the composition of the board of director in order to create value for stakeholders (Al-Mamun & Seamer, 2021). The larger the size of the board the higher the inclusiveness of various shades of interest required to stimulate the economic the wellbeing of the firms (Sarpal & Singh, 2013 and Tsagem, Aripin & Ishak, 2015). The responsibility of the board of directors becomes effective if the size of the board is sufficient enough to guarantee adequate monitory and supervision by the members of the board over the activities of top management staff (Jensen & Meckling, 1979).

Thus, board size determines the effectiveness and the efficiencies of the board of directors (Khan, Yilmaz & Aksoy, 2024 and Ehikioya, 2009). Enhancing the value of the corporate entity is achievable with the right size of the board (Kumar and Singh 2013). Empirical studies established the positive impact of board size on firm value. For example, Tulung and Ramdani (2018), Isik and Ince (2016) and Qureshi, et al., (2014) reported the positive significant influence of board size on firm performance. This empirical evidence necessitates the need for assessing the effect of board size on firm value. Uadiale (2010) emphasized the existence of a robust empirical relationship between board size and corporate performance as a result of greater members on the board of directors.

However, according to Yermack (1996), increasing the size of the board undermined corporate value due to the challenges of communication, coordination and decision making associated with the continued increase in the number of members on the board of directors. The study proposes to examine the impact of board size at determining the value of Nigerian manufacturing firms.

### 2.4.3 Board Independence

The independence of the board formed an essential characteristic of board structure that requires empirical evidence needed to substantiate its impact on the value of Nigerian manufacturing firms. Value relevance theory advocated the utilization of annual report data for assessing the value of firms. The study conducted by Jenwittayaroje and Jiraporn (2019) attested to the positive effect of an independent director on the value of firms even during a recession. The impact is as a result of the undiluted monitory role exercised by an independent director on the activities of the board (Kesner, Victor & Lamont, 1986).

According to Song, (2015), the independent director influence corporate decision through offering decision supervision while other board member offers procedural supervision. This assertion was confirmed by the study carried out by Xiao, Dahya, and Linz (2004) and Chen, (2007). Furthermore, several other empirical studies revealed the monitory impact of board independence on the value of firms. Mohapatra, (2016) investigates the impact of board independence on the value of the firm and the study reported the positive influence of board independence on Tobin's Q as a measure of firm value. Other studies such as Jackling and Johl, (2009) and Black and Khanna, (2007) attested to the significant influence of independent director on the value of corporate firms. However, on the basis of value relevance theory with several empirical evidences on the positive impact of board independence on firm value, this study anticipates the existence of a positive relationship between board independence and the value of Nigerian manufacturing firms.

Additionally, in line with value relevance and stakeholder's theory, the impact of product market competition as an external corporate governance mechanism is anticipated to discipline the management to act in the best interest of all stakeholders towards creating value for the firm (Boubaker et al., 2018 and Giroud & Mueller, 2011).

### 2.5 Product Market Competition

Product market competition established the relationship between the firm the 'outside world' through the stakeholder theory (Gray,Dey, Owen, Evans & Zadek, 1997). Clarkson (1998, 2) sees stakeholders as those people or interest that are capable of causing a loss or gain to a firm or those people or interest the impact of the firm activities influences. This likelihood of gain or loss to the firm is affected by the level of product market competition existing within the industry. Consistent with value relevance theory, product market competition lessens the self-centeredness of management (Boubaker et al., 2018) and this enhance industry competitive advantage that is necessary for higher market power (Gu, 2016 and Zhang & Chen, 2017). Competitive advantage brings about effectiveness in the management of firm's resources that is capable of reducing wastages and improve corporate value.

Product market competition enhance corporate transparency, accountability and effective management of scarce resources. In the vein, studies in the past attested to the interacting effect of product market competition at improving the value of firms. Cosset, et al. (2016), investigated the effect of product market competition on the relationship between corporate governance with country characteristics in a developing economy. Finding from the study, upheld the complementary role of product market competition at improving firm value. However, the study of Giroud and Mueller (2011) opined that, operating in a monopolistic industry result in weak corporate governance practices which is capable of undermining equity's return and slows down the corporate performances, hence the need to empirically, invest the interacting role of industry competition in the Nigerian manufacturing industry.

The disciplinary role of product market competition institute external mechanism that is required for checkmating mismanagement in Nigeria through the liberalization of the Nigerian economy as seen in 1987 (Nwakwe, Echekoba & Ezu, 2024). Therefore, considering the value relevance theory, stakeholder theory and many empirical evidences it is expected that the level of competition within an industry improves the effectiveness of ownership structure and board characteristics at monitory the activities of the management in order to enhance corporate value. Pursuance to the above pieces of evidence, this study developed the below research model which encapsulate the measures of ownership structure (foreign ownership, ownership concentration and managerial ownership) and board characteristics (women on board, the board size and board independence) as independent variables and firm value as dependent variable, with product market competition being adopted as the moderating variable.

**2.6 Conceptual Framework**
**(Ownership Structure and Board Characteristics)**

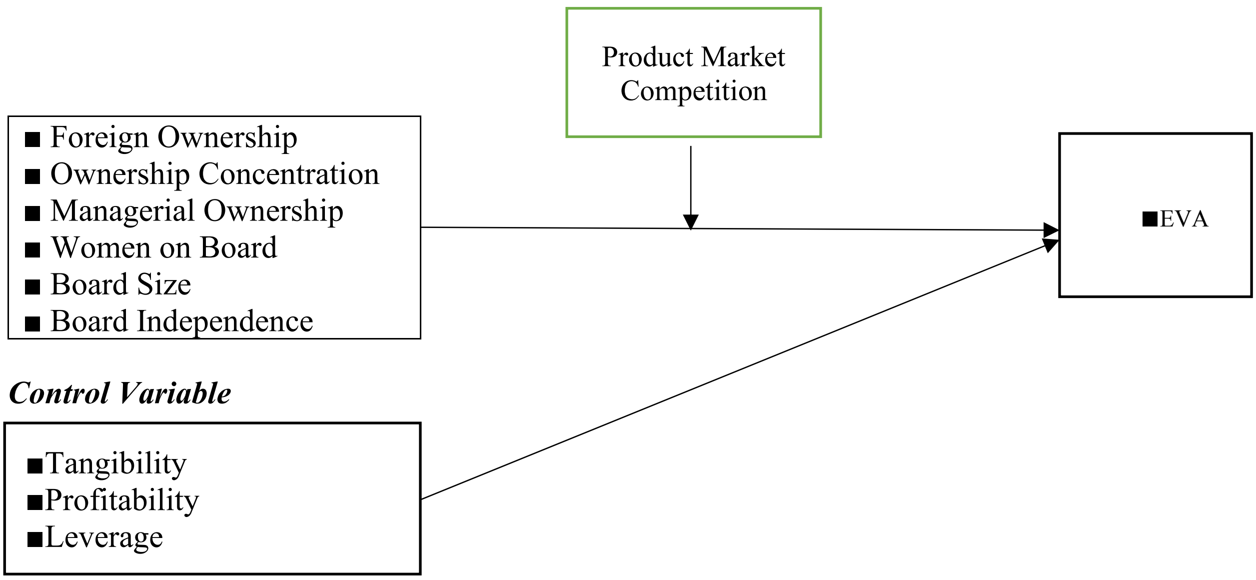


*Figure 1: The Researcher Proposed Framework (2024)*

**3. Methodology**

The time frame of the study spanned from the year 2018 to 2022 for 89 listed manufacturing firms in Nigeria. Section 20(1) of the 2016 code of corporate governance recognizes the impact of majority shareholders as a significant influence on corporate value. The above section recognizes the structure of ownership such as foreign ownership, ownership concentration and managerial ownership as a proxy of ownership structures and Section 4(2) stipulate that board structure guarantees the progressive improvement of corporate value. The sample of the study serve as the source of secondary data from the available financial reports of 89 manufacturing firms as listed on the Nigerian Exchange Group (NGX).

EVA is used as the measure of firm value being the dependent variable. Foreign Ownership (FOW), Ownership Concentration (OWC), Managerial Ownership (MAO), Women on Board

(WOB), Board Size (BOS) and Board Independence (BIN) represent the independent variables. The moderating variable is represented by product market competition while asset tangibility (TAN), profitability (PRO) and leverage (LEV) constitute the control variable of the study.

**Firm Value:** The totality of the wealth of a firm is represented as firm value which encapsulated the benefits required by owners of the fund and other relevant stakeholders (Damodaran, 2024). To determine the value of corporate entities, the study adopted the economic value added (EVA) as a proxy of firm value.

**Economic Value Added:** This signifies the actual economic value the firm generates for all stakeholders in the course of the operation of the firms. The value represented by the proxy of EVA summarises the benefits expected by all stakeholders as a result of their interaction with the firm. This measure is believed to be immune to the negative effect of financial statement manipulation associated with accounting measures. In addition, the value represented by EVA takes care of time value of money, cost of capital and associated risk inherent in using data that are purely computed using the historical cost concept in accounting measures. EVA is concerned more with assessing the internal value created by the firm for relevant stakeholders without essentially considering the external valuation of firms. Concisely, EVA represent the economic profit of a firm rather than the conventional accounting profit (Zenzerovi´c & Robert, 2023).

In line with Bayrakdaroglu, et al., (2012), EVA = (return on invested capital - the weighted average cost of capital) * invested capital. The weighted average cost of capital (WACC) = annual interest rates to medium term investment loans used as the cost of debt. Capital Asset Pricing Model (CAPM) is computed using the cost of equity capital. CAPM used $Ke=Rf+(Rm-Rf)* \beta$. The coefficient for beta represents the average simple interest rate on treasury bills of the corresponding periods which represent the risk-free rate of returns. Central bank of Nigeria (CBN) website is used for data sourced.

This study used multiple regression model to evaluate the empirical relationship between the independent variables and the dependent variable using EVA as a measure:

$$EVA_{it}=\beta 0+\beta 1FOW_{it}+\beta 2OWC_{it}+\beta 3MAO_{it}+\beta 4WOB_{it}+\beta 5BOS_{it}+\beta 6BIN_{it}+\beta 7TAN_{it}+\beta 8PRO_{it}+\beta 9LEV_{it}+€_{it} \quad \text{………… (1)}$$

Where: EVA= Economic Value Added; FOW=Foreign Ownership; OWC= Ownership Concentration; MAO = Managerial Ownership; WOB=Women On Board; BOS=Board Size; BIN= Board Independence; TAN= Asset Tangibility; PRO= Profitability; LEV= Leverage.

**Foreign Ownership (FOW):** 1 if there is a foreigner on the board of directors and 0 if otherwise (Gupta, Yadav & Jain, 2024 and Adelopo, 2011).

**Ownership Concentration (OWC)**: Proportion of Total Ownership of People or Institutions with More Than 5% Share to the Total Capital (Rastogi, Singh & Kanoujiya, 2024 and Al-Dhamari, et al., 2016).

**Managerial Ownership (MAO):** Percentage of Stock held by CEO and Board Members (Boshnak, H. 2024 and Obembe, etal., 2010).

**Women on Board (WOB):** The proportion of women directors on the board (Chatterjee & Nag, 2023 and Al-Dhamari, et al., 2016).

**Board Size (BOS):** Logarithm of the Number of Members in the Board of Directors (Arora, 2020 and Tsagem, et al., 2015).

**Board Independence (BIN):** Proportion of independent directors sitting in board (Al-Shaer, Kuzey, Uyar & Karaman, 2024 and Khan, et al., 2017).

Additionally, the study adopted the product market competition as a moderating variable to investigate the effect on the independent variable with the dependent variable.

**Product market competition (PMC):** The Herfindahl–Hirschman index (HHI) is adopted for assessing the level of industry competition. Specifically, Herfindahl–Hirschman index (*HHI*) is computed as: HHI =∑ (Market Sharei) 2, where the market share of firms *i* is based on net sales, and *N* is the number of firms in the industry defined at the 4-digit SIC level, as reported in Compustat. If HHI equals to 1, the industry is considered to be monopolistic, while a low *HHI* would suggest a greater competition in the industry (Sanusi, Januarsi, Purbasari & Akhmadi. 2023 and Hodges, Lin & Lin 2014).

Moreover, the following control variables are deemed likely to affect the value of Nigerian manufacturing firms.

**Asset Tangibility (TAN):** Measured as the ratio of a tangible fixed asset to total assets (Suroso, 2022 and Garba & Mohamed, 2018).

**Profitability (PRO):** Earnings before interest and tax to total assets (Yahya Uthman, Ishak, & Sawandi. 2018).

**Leverage: (LEV):** Book value of total debt divided by the book value of total assets multiply by 100% (Suroso, 2022 and Cuong & Canh, 2012).

**3.1. Model Specification**

The moderating relationship between the dependent and the independent variables are therefore expressed in the following equation by using product market competition as a moderator;

**EVAit=β1FOWit+β2OWCit+β3MAOit+β4WOBit+β5BOSit+β6BINit+β7FOWit*PMC+β8OWCit*PMC+β9MAOit*PMC+β10WOBit*PMC+β11BOSit*PMC+β12BINit*PMC+β13TAit+β14PROit+β15LEVit+€it…………………… (2)**

Where **β** indicates the intercept and **it** signifies the panel nature of the data for the number of years cover by the study and number of firms under consideration, whereas **€I** represents the error term which signified the assumption of multiple regression model.

**4.Results and Discussion**

**Table 1: Summary of Descriptive Statistics of the Study Variables**

| Variables | Obs | Mean | Std. Dev. | Min. | Max. | Skewness | Kurtosis |
|---|---|---|---|---|---|---|---|
| EVA | 445 | 2036982 | 5697466 | -5163596 | 19700000 | 2.050726 | 6.66053 |
| FOW | 445 | 0.5213483 | 0.500106 | 0 | 1 | -0.08547 | 1.007305 |
| OWC | 445 | 0.5163 | 0.302887 | 0 | 1 | -0.48256 | 2.105763 |
| MAO | 445 | 0.0507127 | 0.130653 | 0 | 0.4951658 | 2.614944 | 8.44124 |
| WOB | 445 | 0.0875194 | 0.101066 | 0 | 0.4285714 | 0.973546 | 3.346816 |
| BOS | 445 | 8.658427 | 2.521118 | 4 | 18 | 0.761183 | 3.730885 |
| BIN | 445 | 0.0639231 | 0.1238855 | 0 | 0.625 | 2.263205 | 7.745502 |
| PMC | 445 | 0.247191 | 0.431864 | 0 | 1 | 1.172098 | 2.373813 |
| TAN | 445 | 4.226094 | 0.244974 | 0.064539 | 0.880902 | -0.01877 | 1.881327 |
| PRO | 445 | 0.4773908 | 9.12476 | -15.7023 | 21.3516 | -0.2965 | 2.999945 |
| LEV | 445 | 57.59355 | 21.98331 | 17.7877 | 100.292 | 0.088788 | 2.297728 |

From table 1, the mean of EVA revealed 2036982 with a standard deviation of 5697466 among study manufacturing firms. The minimum of EVA shows a value of -5163596 which portray the loss of value added for some Nigerian manufacturing firms while the maximum value for EVA is 19700000 implying the highest added value created economically for manufacturing firms. Regarding the structure of ownership in the Nigerian manufacturing firms, foreign ownership (FOW) shows a mean of 0.5213483 with a variation of 0.500106 with the least value of 0 and the highest value of 1. However, the ownership concentration (OWC) revealed an average value of 0.5163 and a standard deviation of 0.302887 for all firms under consideration. The maximum OWC is 1 signifying that some Nigerian manufacturing firms possess substantial shareholders.

However, the average value for managerial ownership (MAO) is 0.5163 with a standard deviation of 0.130653 for study firms. The minimum figure for MAO is 0 with a maximum figure of 0.4951658. This shows that some of the Nigeria manufacturing firms are without shareholders on the board while some of the boards are constituted with close to 50% shareholders as board members. However, female directors on the average are 8.75194% in Nigerian manufacturing firms with variability of 10.1066%. The maximum value of WOB is 42.85714% signifying the percentage ratio of manufacturing firms with women as board members whereas the minimum percentage ratio of female directorship is 0. For board size, the descriptive statistics show an average of 8 board members for Nigerian manufacturing firms with a variation of 2 board members. The minimum number of board size is 4 with a maximum of 18 board size. The mean of board independence provides 63.9231% with a standard deviation of 12.38855% among study firms. 62.5% of Nigerian manufacturing firms are constituted with an independent board member on the maximum with 0% on the minimum. With regard to the moderating variable, product market competition, on the average 24.7191% of manufacturing firms in Nigeria are in non-monopolistic industries with variability of 43.1864%. The maximum is 1 and the minimum is 0 for PMC as a moderator. To assess the effect of product market competition on the relationship between ownership structure, board characteristics and the value of manufacturing firms in Nigeria. The study focus its analysis on the moderating equation as represented as follows;

$$\mathbf{EVA_{it}=\beta 1FOW_{it}+\beta 2OWC_{it}+\beta 3MAO_{it}+\beta 4WOB_{it}+\beta 5BOS_{it}+\beta 6BIN_{it}+\beta 7FOW_{it}*PMC+\beta 8OWC_{it}*PMC+\beta 9MAO_{it}*PMC+\beta 10WOB_{it}*PMC+\beta 11BOS_{it}*PMC+\beta 12BIN_{it}*PMC+\beta 13TAN_{it}+\beta 14PRO_{it}+\beta 15LEV_{it}+€_{it}} \ldots\ldots \quad \textbf{(2)}$$

The multivariate analysis encompasses the running of Breusch and Pagan Lagrangian Multiplier Test in addition to the Hausman test and group-wise heteroscedasticity and the test of autocorrelation and panel correlated standard error (PCSE) as a result of the problem of autocorrelation and heterogeneity inherent in the dataset. The regression results of the interaction between product market competition on the relationship between structure of ownership, board characteristic, and firm value is shown in the table 2:

**Table 2. Regression Analysis Result of the Moderating Effect of Product Market Competition on Ownership Structure, Board Characteristics and Firm Value.**

| EVA | Coef. | Std. Err | T | P>t |
|---|---|---|---|---|
| FOW | 153396.1 | 522713.8 | 0.29 | 0.769 |
| OWC | 1551322 | 826414 | 1.88 | 0.060 |
| MAO | -3697189 | 1037961 | -3.56 | 0.000 |
| WOB | -1026680 | 1432822 | -0.72 | 0.474 |
| BOS | 702239.9 | 104418.3 | 6.73 | 0.000 |
| BIN | 3560477 | 1737991 | 2.05 | 0.040 |
| PMC | -599802.1 | 3063249 | -0.20 | 0.845 |
| PMC*FOW | 1175645 | 695218.2 | 1.69 | 0.091 |

| | | | | |
|---|---|---|---|---|
| PMC*OWC | -1924111 | 803410.7 | -2.39 | 0.017 |
| PMC*MAO | 7324680 | 3527380 | 2.08 | 0.038 |
| PMC*WOB | 6976747 | 4023752 | 1.73 | 0.083 |
| PMC*BOS | -189767.1 | 336226.7 | -0.56 | 0.572 |
| PMC*BIN | 1.15e+07 | 6276454 | 1.84 | 0.066 |
| PRO | 255614.3 | 21520.96 | 11.88 | 0.000 |
| TAN | 1196727 | 570581 | 2.10 | 0.036 |
| LEV | 59155.14 | 8134.037 | 7.27 | 0.000 |
| CON | -9590696 | 1286377 | -7.46 | 0.000 |
| R-squared | 0.4105 | | | |
| Prob > F | 0.0000 | | | |
| Wooldridge test for autocorrelation | 0.0000 | | | |
| Hausman specification test | 0.0000 | | | |
| BPLM test | 0.0000 | | | |
| Modified Wald test for GroupWise heteroskedasticity | 0.0000 | | | |
| Pesaran's test | 0.0000 | | | |

Contrary to the expectation of the study, the foreign ownership revealed an insignificant relationship with economic value added as a measure of firm value. This is in consistent with the result of a recent study conducted by Salihu, Barde and Adamu, (2024) which reveals no significant impact of foreign ownership on firm performance in the Nigerian context. However, the effect of product market competition strengthens the relationship between foreign ownership and firm value. It, therefore, authenticate the moderating role of product market competition on the relationship between foreign ownership and the value of Nigerian manufacturing firms. The finding upholds the value relevance and the stakeholder's theory which foresees the disciplinary role of competition at improving firm value. The level of industries competition within the Nigerian manufacturing firms strengthen the governance monitory role of foreign owners on the management and compelled them to act in the best interest of stakeholders towards improving the economic value added of firms.

The relationship between ownership concentration and firm value indicates a positive significant relationship at 5% level. The finding shows that as the level of majority shareholders increases, the economic value of Nigerian manufacturing firms improves due to the closed level of monitory exercised by substantial owners. This finding is in line with the result reported by Salihu, Barde and Adamu, (2024). However, the introduction of product market competition reversed the positive relationship at a 1% level of significance. Product market competition weakens the relationship between blocked ownership and firm value because industry competition undermined the monitory role of majority shareholders possibly due to limited competitive advantages. The level of competition within the industries may not be sufficient enough to boost the blocked holder's supervisory role in enhancing firm value. This finding contradicts the expectation of the underpinning theories which assumed the interaction of industries competition as capable of disciplining block holder towards enhancing firm value.

The finding in table 2 shows that managerial ownership has a significant negative impact on firm value at 1% level. This result contradicts the finding of Salihu, Barde and Adamu, (2024) which reveal significant positive effects of managerial ownership on corporate performances, However, with the introduction of a moderation of product market competition on the relationship between managerial ownership and firm value, a positive significant relationship at 5% was reported. The finding indicates that, the effect of industries competition is sufficient to enhance the monitory role of insider ownership to influence the value of Nigerian manufacturing firms. The disciplinary role of competition reversed the negative relationship by directly improving the relationship between managerial ownership and firm value due to the effect of product market competition. The value relevance and the stakeholder theory is supported by the positive significant moderating relationship between insider ownership and the economic value of Nigerian manufacturing firms.

Additionally, the result of the direct relationship between women on board and firm value provided negative insignificant relationship. The finding revealed that the inclusion of female directors on the board is of no effect on firm value and that it cannot significantly influence the value of Nigerian manufacturing firms. This result is contrary to the finding of Yahaya. (2024) which reveals that female board membership positively influences stock market performance. However, with the introduction of product market competition as a moderating variable, the result of the regression analysis reveals a positive significant relationship between women on board and firm value at 10%. The impact of product market competition strengthens the relationship between women on board and firm value by enhancing the monitory role of female directors at creating value for Nigerian manufacturing firms. This can be justified that; women tend to perform better when they are confronted with competition. The finding of the study upholds the value relevance and the stakeholder theory which assumed the positive moderating effect of product market competition on the relationship between female directorship and firm value. The finding shows that industry competition enhances the monitory role of female directors at checkmating the management of the firms towards improving the value of Nigerian manufacturing firms.

Furthermore, the direct relationship between the size of the board and the value of Nigerian manufacturing firms revealed a positive significant relationship at 1%. Other studies such as Sarpong-Danquah, Oko-Bensa-Agyekum and Opoku, (2022) and Omware, Atheru and Jagongo, (2020) reinforces this finding. The result is supported by the value of relevance and stakeholder's theory of the study. The finding shows that the optimal members on the board of directors the better the value of Nigerian manufacturing firms. However, interacting product market competition reversed the positive relationship between board size and corporate value. The finding of the moderation relationship reports a negative insignificant relationship between board size and firm value. This finding shows that industries competition undermined the value of Nigerian manufacturing firms in the absence of optimal board size. The moderating role of product market competition therefore weaken the value of Nigerian manufacturing firms. The result contravenes the theories underpinning this study by revealing opposing finding.

The direct relationship between board independence and the value of Nigerian manufacturing firms revealed a positive significant relationship at 5% level. This is in agreement with finding of Aidoo, Nombare and Boamah, (2024) which reported that board independence significantly influence firm value in Ghana's manufacturing industry. The independence of the board member enhances the oversight role of the non-executive director over the activities of the management at improving the value of Nigerian manufacturing firms. Furthermore, the study investigates the interacting effect of product market competition on the relationship between board independence and firm value, the moderating result provided positive significant influence on firm value at 10% level of significance. From the finding of the study, it was revealed that product market competition sufficiently moderates the relationship between board independence and the value of Nigerian manufacturing firms. This result supported the value relevance and stakeholder theory underpinning this study. The influence of competition is sufficient to enhance the freedom of an independent director in strengthening the corporate value of Nigerian manufacturing firms.

## 5. Conclusion and Recommendations

The results of the study in general indicate that ownership concentration, the board size, and board independence have a positive impact on the economic value added of Nigerian manufacturing firms. However, foreign ownership, women on board and managerial ownership have negative insignificant influence on the value of Nigerian manufacturing firms. However, product market competition positively strengthens foreign ownership, managerial ownership, women on board and board independence in their interacting relationship with the value of Nigerian manufacturing firms as measured by economic value added. Conversely, product market competition moderate ownership concentration with economic value added negatively and significantly whereas the moderation of product market competition and board size provided negatively and insignificant result with the value of Nigerian manufacturing firms.

The study, therefore, recommend based on the result of the study, that more liberalization of the manufacturing sector of the Nigerian economy is needed in order to open up the sector to more competitors, as competition within the manufacturing industry in Nigeria will incentivise relevant corporate governance attributes to perform optimally in order to enhances the economic value of Nigerian manufacturing firms. Since the moderating influence of product market competition on majority shareholders and board size cannot be empirically ascertained in this study, further studies are encouraged investigate other corporate governance metrics such the frequency of board meetings in a gender diversified board structure to ascertained the corporate value of firms in relation to board meetings and female directorship.

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