

MODERATING EFFECT OF FIRM SIZE ON THE RELATIONSHIP BETWEEN OWNERSHIP STRUCTURE AND FINANCIAL PERFORMANCE OF LISTED CONSUMER GOOD'S FIRMS IN NIGERIA

¹Aisha Shehu Giwa, ²Prof. Zainab Dabo, ³Prof. Maryam Abdu & ⁴Jamilu Muhammad PhD

Department of Business Administration, Kaduna State University, Nigeria

Corresponding Telephone Number: 07066670940

Corresponding email: aishagiwa2016@gmail.com

Abstract

The study examined the moderating effect of firm size on the relationship between ownership structure and financial performance of listed consumer goods firms in Nigeria, covering the period from 2014 to 2023. The study Employs both the agency and signaling theories as the theoretical framework. The data used were extracted from secondary source using annual reports and accounts of listed consumer goods firms and analyzed using panel multiple regression technique with the help of STATA, as statistical tool of analysis. Ownership structure was proxied by institutional ownership and foreign ownership while financial performance was proxied by return on asset (ROA) and firm size as the moderating variable. Findings of the study reveals a significant and positive relationship between institutional ownership and foreign ownership on financial performance, while firm size reveals positive but insignificant effect on the financial performance of listed consumer goods firms in Nigeria. On the other hand, firm size as the moderator has negative influence on the relationship between institutional and foreign ownership on performance. The study concludes that Institutional Ownership (IO) and Foreign Ownership (FO) have a statistical and significant positive effect on the financial performance of listed Consumer goods firms in Nigeria, firm size has positive but insignificant effect on the financial performance of listed consumer goods firms in Nigeria, in addition, firm size has negative moderating influence on institutional and foreign ownership and financial performance of listed consumer goods firms in Nigeria. Thus, the study recommends among others that, stakeholders of consumer goods firms should allow more institutions and foreign investors to invest and formulate a policy that can allow foreign investors to participate fully in the activities of the firms while addressing firm size constraint. Also, Nigerian consumer goods firms should encourage foreign and institutional investments in mid-sized firms, where it has the most substantial impact on financial performance

Keywords: Financial Performance, Firm Size, ownership structure

1 Introduction

The financial performance of any business not only increases the market value of the individual business but also helps the economy as a whole and the industry as a whole. Financial performance has been the subject of extensive research by numerous scholars from a range of business and strategic management disciplines. The primary concern of business professionals in all types of organizations has been financial performance since it has impacts on organization's overall financial health and to a larger extent its survival in the competitive market. Therefore, a company's ability to use its resources effectively is reflected in its high financial performance (Oluwatuyi & Obafemi, 2023). Hence, it is the responsibility of business managers to ensure organization's resources are fully optimized to generate profit

(Joel, Oluwaseun, & Grace, 2020, Oluwatuyi & Obafemi, 2023). This may enhance the financial performance of consumer goods firms in Nigeria.

Thus, solid financial performance leads to outstanding competitiveness, a high return on investment for shareholders, job creation, and a growth in the gross domestic product of an economy. However, poor business financial performance can result in long-lasting crises that can harm stakeholder returns, industry competitiveness, and economic stability. It is beneficial for the business to evaluate its performance since stakeholders, creditors, and current and potential investors may need reliable financial information to choose how effectively to allocate their resources (Abdullahi & Muhammad, 2019).

In terms of performance, the global fast moving consumer goods (FMCG) market was valued at approximately \$11.5 trillion, with top-performing firms like Nestle, Unilever and Procter & Gamble reporting average revenue growth between 4.2% and 6.7% annually over the last five years (Euromonitor, 2023). However, despite supply chain disruptions, global consumer goods firms have shown resilience through strategic diversification, efficient cost structures, and effective corporate governance (Deloitte, 2022). In contrast, the performance of consumer goods firms in emerging markets like Nigeria has been less stable which led to firms being faced with significant financial pressures in recent years.

For instance, leading Nigerian firms like Seven-Up Bottling Company and Honeywell Flour Mills have recorded sharp declines in profitability, with Seven-Up moving from a profit of 6.16 billion naira in 2014 to a loss of 10.56 billion in 2017 which contributed to its withdrawal of license by the Nigerian stock exchange (firm's annual financial statement, 2017). Likewise, Honey Well Flour Mills Plc, recorded a profit of 426,978,000 in 2018 and shows a serious decline of about 986,812,000 in 2022 (firms report, 2022). Other firms that did not report losses experienced a deteriorating profit throughout the financial years. Firms like Dangote Sugar Plc and Nigerian Brewries Plc reported annual revenue growth rates of about 5-15% between 2017 and 2019 (firm's financial reports). Also, Flour mills of Nigeria Plc reported a profit of 13,615,774 in 2018 and later dropped down to 4,000.146 in 2019 and consequently 11,376,743 in 2020. This posed uncertainty of returns and threats to investors (Fatima, Benjamin & Gloria, 2024).

According to Lyndon and Boloumbele (2022), the ownership structure of various businesses affects their financial performance because these businesses rely on equity to support their operations. As a result, ownership structure may play a significant role in reorienting the financial performance of consumer goods companies in Nigeria. Ownership structure is one of the most effective instruments available to the board of directors for enhancing financial performance. The ownership structure, which is still a key element in structuring corporate organizations' governance frameworks, explains the proportion of shares held by each class of shareholders. In actuality, the ownership structure clearly dictates the distribution of shares relevant to the identities of shareholders in a corporation as well as their voting power. Accordingly, a company's ownership structure has a significant impact on its financial success (Yahaya & Lawal, 2018; Lyndon & Boloumbele, 2022; Galego, Mira, and Siyva (2019)).

However, the ownership structure composition relevant to this analysis consists of a combination of foreign and institutional ownership. According to the number of shares they have invested, they are able to influence management and discipline them, which is explained by their monitoring positions, expertise, resources, and ability (Samuel, Yakubu, &

Olumuyiwa, 2018; Godwin, Shehu & Niyi, 2020; Hideaki & Noaki, 2020). They can also enhance the relationship between owners and managers, which will lower agency expenses and increase company performance. Additionally, more study is needed to fully understand these ownership systems in Nigeria (Ndaks, 2021).

The consumer good's sector is one of the key contributors to Nigeria's economy that needs attention largely due to its role in meeting domestic demand and generating employment. The sector comprises of firms that produce essential products ranging from food and beverages to household items, which are indispensable to the daily lives of the population. According to the National Bureau of Statistics (NBS), the manufacturing sector under which the consumer good's firms are categorized, contributed about 9% - 12% to Nigeria's GDP (NBS, 2023). The consumer goods firms have shown resilience despite the economic challenges they face such as inflation, foreign exchange volatility, infrastructure deficits and inconsistent government policies.

In addition, the sector's profitability has been affected by rising operational costs which led to a decline in profit margins as a result of high inflation and currency depreciation (PWC, 2022, & KPMG, 2023). Also, consumer good's firms in Nigeria, particularly those with institutional and foreign ownership face numerous challenges like frequent regulatory and policy shifts such as foreign exchange restrictions and import bans which can disrupt operations and increase costs, thereby affecting their operational and financial performance. This may discourage foreign investment in the consumer good's sector and also limit long term growth opportunities (Onyekwelu & Ugwu, 2021). Also, there are issues of corporate high failure witnessed by some high-ranking firms around the world like Enron and Worldcorn in the United State of America (USA), Parmalat in Europe, Aoyama in Asia, Utsumi Imperial bank and Chase bank in Kenya, and Cardbury Nigeria Plc in Nigeria due to change in concentration of ownership with regard to ownership mechanisms. These corporate high failures gave the spotlight on the importance of different ownership structure that affects the performance of a firm (Ajao & Ejokehuma, 2020, Lyndon & Boloumbele, 2022). In addition, government and regulatory bodies have been encouraging the restructuring of ownership structures of companies to increase profitability and efficiency. However, Nigerian consumer goods companies continue to have crises, breakdowns, and inefficiencies in spite of all the government's efforts and mechanisms put in place. These issues are often linked to the ownership structure of these companies (Alhassan & Mamuda, 2020).

Numerous studies, with differing degrees of success, have examined the relationship between ownership structure and financial performance in both industrialized and emerging nations. Some studies showed beneficial connections, while others found negative ones. As indicated by Baron & Kenny (1986), and in view of the aforementioned differences, a typical moderator can be inserted to boost the association or affect the direction of the link between variables in circumstances where there are conflicting or mixed findings. As a result, the study employs firm size as a moderator. It makes logical to propose that firm size has a major effect on performance due to economies of scale. Larger businesses can take advantage of cost leadership more successfully than smaller ones since they can reduce their manufacturing costs, which will boost their market share.

Although there is a large body of research on the impact of ownership structures on financial performance in both developed and emerging markets, including Nigeria, to the best of the researcher's knowledge, the moderating effect of firm size on the relationship between ownership structure and financial performance has not been fully explored. Furthermore, firm size was used as a control variable in the majority of Nigerian academics' studies. However, the goal of this study is to ascertain whether, by serving as a moderator, firm size will strengthen the relationship between the variables under investigation. Given this, the study looks into how firm size influences the relationship between ownership structure and financial performance of listed consumer goods firms that are listed in Nigeria and consider how desirable these effects are if they exist and also to add more value to the existing literatures.

However, the main objective of this study is to examine the moderating effect of firm size on the relationship between ownership structure and financial performance of listed consumer goods companies in Nigeria. The study hypothesized that ownership structure proxied by institutional ownership and foreign ownership, have no significant effect on financial performance proxied by ROA of listed consumer goods firms in Nigeria. The study also hypothesized that firm size does not significantly moderates the relationship between foreign ownership and institutional ownership on financial performance of listed consumer goods firms in Nigeria. The study is essential to legislators like Securities and Exchange Commission (SEC), Nigerian stock exchange and potential investors.

2 Literature Review

Concept of Financial Performance

Financial performance, according to Abdullahi, Kwaru, and Karim (2023), is the capacity of an organization to maximize its profits from its available assets and resources. It can also be used to assess the overall financial health of a company over a given time frame. For a company's many creditors, investors, and stakeholders, it is therefore a useful tool (Saseela & Velnampy 2017). Bacha and Attia (2016) define financial performance as a metric that evaluates how successfully companies employ their resources to produce profits. Additionally, it can be used to compare companies within the same industry or to compare sectors or industries in general.

Abdullahi, Kwaru and Karim (2023) see financial performance as the ability of a firm to maximize its earnings from available assets and resources; it can also be used to measure the overall financial strength of an organization over a given period of time. This makes it an important tool to many stakeholders, potential investors, and creditors in a firm (Saseela & Velnampy 2017).

Concept of Ownership Structure

According to Ukulobi and Jeroh (2020), ownership structure refers to the percentage of equity that each class of shareholders owns. The ownership structure refers to the distribution of equity according to capital and vote, as well as the identification of the equity owners. The arrangement of a company's equity interests is one method to conceptualize ownership structure. Examples of this include individuals, families, the government or institutions, concentrated or diffused owners, managers or non-managers, insiders or outsiders, and local or foreign owners (Ndaks, 2021).

Concept of Firm Size

Firm size is determined by a company's total assets, total sales, number of employees, average total revenues, and average total assets (Sekartaji, 2017). The firm size scale, according to Prasetyorini (2013), enables a company's size to be classified into several areas, including total assets, log size, stock market value, etc. Consequently, the metric employed to measure the amount of a company's assets is firm size.

Empirical Review

Institutional Ownership and Financial Performance

Hideaki and Naoki (2019) investigated the relationship between institutional ownership and financial performance in a country with stakeholder-oriented corporate governance. Japanese businesses that were listed on the TOPIX 500 between 2010 and 2016 make up the study's sample. Regression analysis was used to examine the data, and the results indicate that institutional shareholders have an effect on Japanese companies. Additionally, Sakawa & Watanabel (2020) examine the connection between institutional ownership and business performance in a stakeholder-oriented economy using a sample of 436 listed enterprises. The research claims that institutional ownership of Japanese companies functions effectively. In a similar vein, Abedin, Humaira, Shahjahan, and Kabir (2022) investigated the impact of institutional ownership on the financial performance of Bangladeshi listed companies. Tobin's Q and return on asset (ROA) served as the study's two stand-ins for measuring business success. According to the study's findings, which were examined using the ordinary least square (OLS) method, institutional ownership enhances business performance.

Foreign ownership and Financial Performance

Abdullahi (2021) investigates the effect of foreign direct investment on the financial performance of manufacturing firms that are registered in Kenya. This exploratory study employed a cross-sectional survey approach. The study's findings demonstrate that financial performance is significantly enhanced by foreign direct investment. Sulaiman & Nasamu (2021) looked into how ownership structure affected the financial performance of listed oil and gas companies in Nigeria between 2006 and 2019. Robust OLS was used as the regression model to evaluate the data. The study's findings demonstrated that listed oil and gas companies' financial performance in Nigeria's downstream petroleum sector is positively and significantly impacted by foreign ownership.

Theoretical Framework

Agency Theory

In 1976, Jensen and Mecklin developed the concept of agency. The hypothesis explains the relationship between managers and stockholders. Jensen and Meckling (1976) defined agency relationships as those in which the principal appoints an agent to act on his behalf. It illustrates how the shareholders (principals) assign tasks to the manager (agents). When managers (agents) decide to work against the interests of shareholders in order to enhance their own self-interest, however, this is known as an agency dilemma. Managers may act opportunistically, which contradicts the goals of the founders and distorts the shareholders' wealth. Agency theory, however, permits managers to have access to more knowledge than shareholders, which could result in moral hazard, claim Jensen & Meckling (1976). This idea emphasizes two important components: The notion of agency theory is simple: it splits a

company into two players: shareholders (principals) and management (agents). Furthermore, the idea sheds insight on the potential for managers to have self-serving motives. This study adopts agency theory due to its suitability for resolving possible conflicts between managers and shareholders. This shows the relationship between the two independent variables (institutional and foreign ownership) and the dependent variable (return on asset) in this study.

Signaling Theory

Signaling theory asserts that there is mismatch of information between internal parties (management) and external parties or users of accounting information (investors or stakeholders). The theory analyzes the reliability and correctness of accounting data and explains why companies are required to provide financial statement data to investors and creditors (Azzahra and Fate, 2019). Spence (1973) asserts that a successful business sets itself apart from underperforming businesses by giving potential investors and capital markets a trustworthy indication of its financial performance. This makes it possible for users of accounting data, such as investors and potential investors, to decide whether to invest their money or not. According to this study, the size of consumer goods companies in relation to their total assets will indicate to creditors, stakeholders, potential investors, and other financial statement readers that the company's financial performance is improving.

This study adopted agency theory because of its relevance in resolving conflict that may arise between managers and shareholders of the companies. This captures the relationship between the two independent variables (institutional and foreign ownership) of this study and the dependent variable (return on asset). Moreover, this conflict of interest can be resolved when institutional investors used their strong influence to monitor and discipline managers to focus more on corporate performance. They are able to do so because of the shares they owned and can easily manipulate managers to act on the interests of the shareholders thereby improving firm performance. Previous studies that adopted agency theory in explaining the effect of ownership structure on financial performance are those of Samuel et al., (2018), Ohiani et al., (2018), Jensen and Meckling (1976), among others.

Conceptual Framework

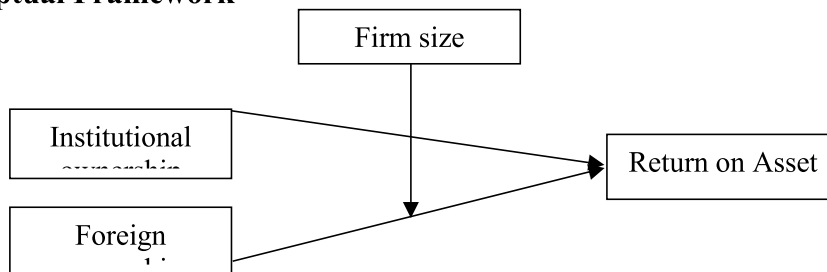


Figure 2.1: Conceptual Framework

Source: Author's construction

3 Methodology

Research Design

In order to investigate the statistical relationship between the variables, this study used correlation and ex-post factor research design. An ex-post factor research methodology was

used because the data collected for this study is already available in the form of public annual reports and cannot be changed.

Population and Sample Size

All 21 consumer goods firms registered on the Nigerian stock exchange as of 31 December 2023 are used in the analysis. The population of this study was subjected to a non-probability sampling criteria based on the filter that;

For any firm to be included in the sample, it must be listed within the years under review (2014-2023).

Must publish its annual reports for the period. The study arrived at an adjusted size of 10 firms out of the 21 listed consumer goods firms with 100 observations in the Nigerian stock exchange as at 31st December 2023.

Sources and Methods of Data Collection

The secondary data used came from the audited published annual reports and accounts of the sampled firms over the ten-year period, or 2014-2023. The secondary data has both longitudinal and cross-sectional dimensions to supply the information needed for the regression equation in this investigation.

Techniques of Data Analysis

Using STATA as a statistical analysis tool and a panel multiple regression technique, a diagnostic test was carried out. To look at the potential relationship between the variables, the regression model is provided as:

$$ROA_{it} = B_0 + B_1IO_{it} + B_2FO_{it} + B_3FS_{it} \text{ -----(1)}$$

Incorporating firm-size as the moderating variable that affect the direct relationship in the equation, the following regression model was employed.

$$ROA_{it} = B_0 + B_1IO_{it} + B_2FO_{it} + B_3FS_{it} + B_4IO*FS_{it} + B_5FO*FS_{it} + e_{it} \text{ -----(2) Where}$$

ROA = Return on Asset

BO = Constant or Intercept

B1-B5 = regression co-efficient of explanatory variables

it = Number of companies

IO = institutional ownership

FO = foreign ownership

FS = firm size

* = interaction

e = Random error term

Variable Measurement

Return on equity (ROA)	Dependent	Net income/total asset. (Gabriel & Osazuwa, 2020)
Institutional Ownership (IO)	Independent	Proportion of shares owned by institutions/total shares in issue. (Folorunsho, 2017; Makembo, 2019, Amneh et al., 2021)
Foreign Ownership (FO)	Independent	Proportion of shares owned by foreigners/total shares in issue. (Ayman and Hassan, 2017; Makembo, 2009; Amneh et al., 2021)
Firm size (FS)	Moderator	Natural log of total asset. (Raimi and Garba, 2020; Oladejo 2020; Tanko, 2020)
IO*FS	Moderator	Interaction between the proportion of managerial ownership and firm size
FO*FS	Moderator	Interaction between the proportion of institutional ownership and firm size

4 Data Analysis/Result Presentation

Table 4.1: Descriptive Statistics of the Variables

Variable	Mean	Std. Div	Minimum	Maximum
ROA	.1970	.0512	.04	.26
IO	.3350	.0240	.14	.82
FO	.5878	.1521	.25	.80
FS	17.9722	.8290	.16	19.94

Source: STATA Output, 2024

The descriptive statistics in table 4.2 shows that, the measure of financial performance (ROA) of the listed consumer goods firms in Nigeria has a minimum value of .04 (4%) and the maximum is .26 (26%). This implies that the firms that have higher residuals signify higher returns which served as proxy of financial performance. The residuals determine the financial performance using return on assets, the larger the residuals, the higher the tendency of returns.

The institutional ownership shows a minimum of .14 and maximum of .82. This implies that the smallest proportion of shares owned by institutions is fourteen percent (14%) and the largest proportion is eighty two percent (82%). This means that there are at least fourteen percent shares owned by institutions in the sampled companies and at most eighty two percent shares owned by institutions of all the sampled listed consumer goods firms in Nigeria. In addition, the mean is .335, which shows 34% average shares owned by institutions in the listed consumer goods firms in Nigeria. The standard deviation is .24, which suggested that the data deviate from mean value by approximately 24%. The table 4.2 indicates that the foreign ownership of listed consumer goods firms mean value is .588. This indicated that averagely about 59% of the shares are owned by foreigners. The minimum and maximum values of .25 and .80 respectively, suggesting the smallest proportion of shares owned by foreigners is twenty-five percent (25%) and largest of eighty percent (80%) shares of the sampled firms.

Furthermore, table 4.2 indicates that firm size has minimum and maximum values of 16% and 19.9% respectively, with a mean and standard deviation of 17.97% and 82.9% respectively. The standard deviation of 82.9% implies that the data employed for this study deviate from

the mean value from both sides by 83% approximately. This suggests a wide dispersion of the data from the mean because the standard deviation is higher than the mean value.

Correlation Matrix

The correlation matrix is used to determine the degree of link between the independent variables and dependent variables of the study, as well as between the independent variables themselves. These correlations between the variables in the study are shown in Table 4.2.1. The full results are in the appendix.

Table 4.2.: Correlation Matrix

Variables	ROA	IO	FO	FS
ROA	1.0000			
IO	0.3065	1.0000		
FO	0.3231	-0.2723	1.0000	
FS	0.1699	-.02436	0.5788	1.0000

Source: STATA Output, 2024

The Correlation Matrix table shows the relationship between the independent variable and the dependent variable and the association between the independent variables themselves. The table shows; institutional ownership, foreign ownership and firm size have positive association with return on assets of listed consumer good firms in Nigeria. This indicates that an increase of institutional ownership, foreign ownership will increase the tendency of return on assets of the listed consumer goods firms in Nigeria. Moreover, the correlation result in respect to the independent variables themselves is that, institutional ownership has a negative association with foreign ownership and firm size. Finally, foreign ownership has a positive association with firm size.

Table 4.2.1: Multicollinearity test (VIF)

Variable	VIF	1/VIF
fo	1.55	0.646621
fs	1.52	0.656969
io	1.09	0.914752
Mean VIF	1.39	

The variance inflation factor (VIF) was used to assess the presence of multicollinearity among the independent variables. The VIF values for all the variables – institutional ownership (IO), foreign ownership (FO), and firm size (FS) – were less than 2. Since all the values are below the threshold of 10, it indicates that there is no multicollinearity problem. This means the independent variables are not strongly correlated with one another.

Heteroskedasticity test

Table 4.2.2: Heteroskedasticity test

Type of test	Chi2	P-value
Heteroskedasticity test	0.17	0.6841

Source: STATA Output, 2024

The Breusch-pagan/Cook-weisberg test was employed to test for heteroskedasticity in the OLS regression model. The result showed a chi-square value of 0.17 with p-value of 0.6841, which is greater than 0.05. Therefore, we fail to reject the null hypothesis of homoskedasticity (constant variance of residuals), meaning there is no heteroskedasticity.

Hausman test

To determine the appropriate model between fixed effects and random effects, the hausman test was conducted. However, the test produces a negative chi-square statistic of (-16008.82), indicating that the covariance matrix of the differences is not positive. As a result, the test is invalid and no conclusion could be drawn from it (complete result in appendix). Hence, Breusch and pagan Langrangian multiplier test for random effect was conducted. The result shows a chibar value of 59.15 with a probability value of 0.0000, which is statistically significant at 1% level. Therefore, the random effects model is preferred for analyzing the relationship between ownership structure, firm size and financial performance. The table below present the result of Breusch and Pagan Lagrangian multiplier test for random effects conducted. The full result is in the appendix.

Table 4.2.3: Breusch and Pagan Lagrangian multiplier test for random effects

Variable	Chibar2	p-value
ROA	59.15	0.0000

Source: STATA Output, 2024

Regression Result

The regression results provide a summary of the multiple regression findings obtained from the model using ordinary least square (OLS) regression. The results show how each of the independent variables (for instance, foreign and institutional ownership) affects the dependent variable, and check the moderating effect of firm size on the financial performance of listed Nigerian consumer products companies. Last but not least, the cumulative impact of the independent and dependent factors is shown. This is displayed in table 4.4.1 as follows. The appendix contains all of the results.

Table 4.4 Summary of Robust OLS Regression Result

Variable	Coefficient	T. Value	P. Value	Tolerance/ VIF
Constant	.0497	0.45	0.653	
IN	.0914	4.71	0.000	0.914752/1.09
FO	.1423	3.91	0.000	0.646621/1.55
FS	.0018	0.28	0.782	0.656969/1.52
R-Square		0.2730		
Adj. R-Square		0.2503		
F-Statistics		12.02		
F-Significant		0.0000		

Source: STATA Output, 2024

Table 4.4.1 is the regression result of the study where the cumulative association of the ownership structure and financial performance of listed consumer goods firms were given by the value of R^2 is 0.2730 and Adjusted R^2 is 0.2503. This signifies that the overall relationship is approximately 27%, indicating that the extent to which the explanatory variables (institutional ownership, foreign ownership and firm size) influenced the dependent variable (financial performance) is approximately 27%, this shows that shareholding composition variables and moderating variable used in the study are able to enhance financial performance of listed Consumer goods firms in Nigeria; the remaining 73% is for the other factors that are not captured in the model of this study. Thus, the F-statistics is 12.02 which is significant at

1% (P-value = 0.0000), this shows that the model is well fitted with the variables used in the study.

The regression result in table 4.4.1 shows that institutional ownership has a coefficient of .0914 with a t-value of 4.71 and a P-value of 0.000 which is strongly significance at 1% level of significant. This indicates that institutional ownership is positively and significantly influencing the financial performance of listed consumer goods firms in Nigeria. This implies that, 1% increase in shares owned by institutions will have positive and serious effect on the financial performance of listed consumer goods firms in Nigeria.

Also, the regression result in table 4.4.1 shows that foreign ownership has a coefficient of .1423 approximately with a t-value of 3.91 and a P-value of 0.000 which is strongly significant at 1% level of significance. This indicates that foreign ownership is positively and significantly influencing the financial performance of listed consumer goods firms in Nigeria. This implies that, 1% increase in shares owned by foreign individuals or organizations impact on financial performance of listed consumer goods firm in Nigeria.

Table 4.4.1 shows that firm size has a coefficient of .00184 and a t-value of 0.28 with a P-value of 0.782, which is insignificant. This shows that, firm size is positively but insignificantly affecting the financial performance of the listed consumer goods firms in Nigeria. This suggests that, 1% increase in size of the company will neither nor increase firm performance. This indicates that size of the firm does not matter in achieving financial performance of listed consumer goods firms in Nigeria, as indicated by the p-value given an insignificant influence

Table 4.4.2 Summary of Robust OLS Regression Result (model 2)

Variable	Coefficient	T. Value	P. Value
Constant	-1.8032	-2.74	0.007
IO	2.7377	4.15	0.000
FO	2.1504	2.60	0.011
FS	.1051	2.83	0.006
IO*FS	-.1486	-4.02	0.000
FO*FS	-.1118	-2.40	0.018
R-Square		0.3796	
Adj. R-Square		0.3466	
F-Statistics		11.50	
F-Significant		0.0000	

Source: STATA Output, 2024

Table 4.4.2 is the regression result of the study where the coefficient of determination of the ownership structure and financial performance of listed consumer goods firms after the introduction of a moderating effect of firm size were given by the value of R^2 is 0.3796 and Adjusted R^2 is 0.3466 as against 0.27 and 0.25 respectively. This signifies that the R^2 is up to 38%, indicating that the extent to which the explanatory variables (Institutional Ownership, Foreign Ownership and the moderating variable Firm Size) explained the variation in the dependent variable; financial performance (ROA) is 38%. This shows that ownership structure's variables and moderating variable used in the study are able to explained 38% variation in financial performance of listed consumer goods firms in Nigeria; the remaining 62% is explained by other factors that are not captured in the model of this study. Thus, the F-

statistics is 11.50 which is significant at 1% (P-value = 0.0000), this shows that the model is well fitted with the variables used in the study.

The regression result in table 4.4.2 shows that institutional ownership has a coefficient of -.1486 with a t-value of -4.02 and a P-value of 0.000 which is strongly significant at 1% level of significance. This indicates that, institutional ownership has negative moderating coefficient of (-0.1486) which indicates that firm size reduces the positive effect of institutional ownership on financial performance. The t-value (-4.02) and significant p-value (0.000) confirms that this interacting effect is statistically significant. This implies that as the firms' size increases, the benefits associated with institutional ownership weaken probably due to increase in bureaucracy, operational inefficiencies or challenges in effectively managing institutional investors influence.

The regression result in table 4.4.2 shows that foreign ownership has a coefficient of -.1118 approximately with a t-value of -2.40 and a P-value of 0.018 which has strongly moderating significant influence at 1% level of significance. This indicates that foreign ownership has a negative coefficient of (-0.1118) which implies that firm size weakens the positive relationship between foreign ownership and financial performance. The t-value (-2.40) confirms that this interacting effect is statistically significant; this suggests that as firm size increases, the positive impact of foreign ownership on financial performance reduces. The results indicate that while foreign ownership generally enhances financial performance as seen in the direct relationship, the moderating relationship reveals that this benefit is less pronounced for larger firms. This could be due to: larger firms already having established internal capabilities, reducing their reliance on foreign expertise, Potential conflicts in decision-making between foreign investors and local management in larger firms.

Discussion of findings

The primary objective of this study is to examine the moderating effect of firm size on the relationship between ownership structure (institutional and foreign ownership) and financial performance (measured by return on asset, ROA) of listed consumer goods firms in Nigeria. Based on the empirical analysis, several key findings emerged. The study found that institutional ownership has a positive and statistically significant effect on financial performance. This finding suggests that institutional investors, by virtue of their professional monitoring capabilities, expertise, and resources, play a crucial role in enhancing firm performance. This result is consistent with the findings of Sulaiman and Nasamu (2021) and Abdul and Joel (2020), who similarly observed that institutional investors positively influence firm performance in different sectors of the Nigerian economy. Also, foreign ownership was found to be positively and significantly influencing financial performance.

The presence of foreign investors likely introduces higher governance standards, innovation, and better strategic management practices, which contribute to enhanced firm performance. This is consistent with Nguyen et al. (2020) and Anthony and Jagogo (2017), who reported that foreign participation, can positively drive firm performance in emerging economies. Likewise, the direct effect of firm size on financial performance was found to be positive but relatively insignificant. This suggests that firm size does not matter in achieving financial performance in consumer goods firm. Most notably, when firm size was introduced as a moderator, the study revealed a negative and statistically significant moderating effect on the relationship between both institutional ownership and foreign ownership with financial

performance. This result was contrary to the initial expectation that firm size would strengthen the relationship. The negative moderation implies that as firms grow larger, the positive impact of ownership structure on firm performance diminishes. This outcome, although unexpected, is not unusual in empirical research. This could be attributed to several factors, including increased organizational complexity, bureaucracy, or potentially diluting the influence of shareholders such as institutional or foreign investors.

In larger firms, decision-making is spread across multiple layers making it more difficult for owners to exert effective oversight and influence managerial behavior. Moreover, larger firms may already possess the resources, systems and governance mechanisms needed for optimal performance. Findings of this study are consistent with the notion that moderators may either strengthen or weaken relationship depending on the contextual and firm-specific dynamics. Thus, the negative moderation effect observed in this study does not indicate a flaw in the model but rather adds value by uncovering a refined insight that ownership structure has a stronger effect in smaller firms compared to larger firms where such effects might be diluted. This insight is particularly useful to investors, boards, and policymakers. The results also contribute to the ongoing debate in corporate governance literature by highlighting that the relationship between ownership structure and firm performance is not linear and can be significantly influenced by firm-specific factors such as size.

Hypotheses Testing

HO₁: The hypothesis one stated that: institutional ownership has no significant effect on the financial performance of the listed consumer goods firms in Nigeria.

Institutional ownership is measured by the proportion of total shares held by institutional investors. The result reveals that institutional ownership with coefficient of .0914 and a p-value of 0.000 has positive and significant impact on the financial performance of listed consumer goods firms in Nigeria at 1% level of significance. Therefore, the result provides basis of rejecting the Null hypothesis one of the study. Therefore, the null hypothesis one is hereby rejected.

HO₂: Foreign ownership has no significant effect on the financial performance of the listed consumer goods firms in Nigeria.

The proportion of total shares held by foreign investors indicates the level of foreign ownership. Given the coefficient of .1423 and a p-value of 0.000, which are statistically significant at the 1% level of significance, the result indicates that foreign ownership has a positive and substantial impact on the financial performance of the listed consumer goods companies in Nigeria. The outcome offers proof that the study's second null hypothesis should be rejected. Thus, the second hypothesis is similarly rejected.

HO₃: firm size has insignificant effect on the financial performance of listed consumer goods firms in Nigeria.

The study reveals that firm size has positive and insignificant relationship with financial performance of listed consumer goods firms in Nigeria, with coefficient of .0018 and p-value of 0.782 which is insignificant at 1% level of significance. This fails to reject the Null hypothesis three of the study. Thus, hypothesis three is hereby accepted.

HO₄: Firm size has no significant moderating effect on the relationship between institutional ownership and financial performance of the listed Consumer goods firms in Nigeria.

With a coefficient of -0.1486 and a p-value of 0.000, which is statistically significant at the 1% level of significance, firm size as a moderator to institutional ownership and financial performance of listed consumer goods firms in Nigeria demonstrates that firm size has a negative significant influence on financial performance. The result provides the basis to reject the null hypothesis four of the study. Thus, hypothesis four is rejected.

HO₅: firm size has no significant moderating effect on the relationship between foreign ownership and financial performance of the listed consumer goods firms in Nigeria.

With a coefficient of -0.1118 and a p-value of 0.018, which is statistically significant at the 1% level of significance, firm size as a moderator of foreign ownership and financial performance demonstrates that firm size interference has a negative significant effect on the relationship between foreign ownership and financial performance of listed consumer goods firms in Nigeria. The outcome offers sufficient proof to reject the fifth null hypothesis. Thus, the fifth null hypothesis is rejected.

5 Conclusion

In line with the findings of this research, the study concludes that:

This study examined the moderating effect of firm size on the relationship between ownership structure and financial performance of listed consumer goods firms in Nigeria. The findings reveal that both institutional ownership and foreign ownership have statistically significant and positive impacts on financial performance. This suggests that increased shareholding by institutional and foreign investors enhances firm performance by promoting better monitoring, reducing managerial opportunism, and encouraging performance-driven strategies.

However, the study also finds that firm size has a positive but statistically insignificant direct effect on financial performance, indicating that size alone does not significantly drive performance improvements among listed consumer goods firms in Nigeria. More importantly, firm size negatively moderates the relationships between both institutional and foreign ownership and financial performance. These moderating effects imply that as firms grow larger, the positive impacts of institutional and foreign ownership on financial performance are weakened.

Therefore, to sustain and enhance the positive contributions of institutional and foreign ownership, it is imperative for policymakers, investors, and firm managers to recognize and address the diminishing influence of these ownership structures in larger firms. This can be achieved through the implementation of strong governance mechanisms and strategic stakeholder engagement tailored to firm size dynamics.

Recommendations

Following the findings and conclusions from this study, the study makes the following recommendations:

1. Since, Institutional ownership has significant positive effect on financial performance of listed Nigeria consumer goods firms, more shares should be acquired by them. This will likely increase the financial performance and decrease opportunistic behavior of managers of the listed consumer goods firms in Nigeria.
2. The stakeholders of consumer goods firms should allow and give more room to foreign investors and also formulate a policy that can allow them to involve in the activities of the

firms fully. This will encourage them to display all their potentials and ensure success of the consumer goods firms.

3. Regulators like the Securities and Exchange Commission should consider firm size in the formulation of corporate governance policies, recognizing that governance mechanisms may not operate uniformly across firms of different scales.
4. Nigerian consumer goods firms should encourage institutional investment in mid-sized firms, where it has the strongest impact on financial performance; and strengthen corporate governance in large firms to ensure institutional investors retain strategic influence.
5. Nigerian consumer goods firms should encourage foreign investment in mid-sized firms, where it has the most substantial impact on financial performance. Also, policymakers should create targeted incentives for foreign investors in the consumer goods sector while ensuring that large firms maintain effective governance structure.

References

- Abdullahi & Muhammad (2019). Corporate ownership structure and financial performance of listed commercial banks in Nigeria. *Dutse Journal of Economics and Development Studies*, 7(2), 103-116.
- Abdullahi, Kwaru & Karim (2023). Capital structure and financial performance of listed consumer goods firms in Nigeria. *Nigerian Journal of Management Sciences*, vol.24, pg 55-64.
- Ajao & Ejokehuma (2020). Ownership structure and financial performance of manufacturing firms in Nigeria. *African Journal of Management*, 5(3), 60-78.
- Alhassan & Mamuda (2020). Ownership structure and financial performance of quoted financial firms in Nigeria. *International journal of accounting research*, 5(4), 116-124.
- Bacha & Attia (2016). Ownership structure, financial communication quality and debt cost: An empirical study of Tunisian listed companies. *International Journal of Business and Financial Management Research*, 4(6), 109-116.
- Baron & Kenny (1986). The moderator-mediator variable distinction in social psychological research: conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, 51(6), 1173-1182.
- Euromonitor international. (2023). *Global Consumer Goods Market Overview*
- Fatima, Benjamin, Gugong, & Gloria (2024). The Impact of Audit Quality on Firm's Performance of Listed Consumer Goods Firms in Nigeria. *Gusau Journal of Accounting*.
- Galego, Mira & Siyva (2019). Ownership productivity and firms' life-cycle. *European Journal of Family Business*, 8(2), 139-150.
- Godwin, Shehu, & Niyi, (2020). Ownership structure and firm value of quoted consumer goods firms in Nigeria. *Journal of Accounting and Strategic Finance*, 3(2), 214-228.

- Hideaki, & Naok, (2020). Institutional ownership and firm performance under stakeholder-oriented corporate governance. *Sustainability* 2020, 12.
- Jensen & Mechling (1976). Theory of the firm: managerial behaviour, agency costs and ownership structure. *Journal of Financial Economics* 3(4). 305-360.
- Lyndon & Boloumbele (2022). Ownership structure and firm performance of listed consumer goods sector firms in Nigeria. *International Journal of Development and Economic Sustainability*, 10(11), pp1-12.
- Ndaks (2021). Foreign ownership and firm financial performance of Nigerian listed conglomerates. *Bringham University Journal of Accounting and Business*. 161-171.
- Saidu & Gidado (2018). Managerial ownership and financial performance of listed manufacturing firms in Nigeria. *International Journal of Academic Research in Business and Social Sciences*. 8(9), 1228-1243.
- Samuel, Yakubu & Olumuyiwa (2018). Ownership structure and financial performance of quoted building materials firms in Nigeria. *International Journal of Research and Innovation in Social Sciences*, 2(7), 476-483.
- Saseela & Velnampy (2017). A study on ownership structure and financial performance of listed beverage food and tobacco companies in Sri lanka. *International Journal of Accounting and Financial Reporting*, 7(2), 36-47.
- Sekartaji (2017). Pengaruh ukuran perusahaan dan growth terhadap leverage pada sub sector keramik porselin dan kacayang terdaftar di bursa efek Indonesia (BEI) JOM FISIP, IV (2).
- Sulaiman & Nasamu. (2021). Ownership structure and financial performance of listed oil and gas companies in Nigeria. *Journal of International Money, Banking and Finance*, 2(1), 109-134.
- Yahaya & Lawal (2018). The impact of ownership structure on financial performance of deposit money banks in Nigeria. *Journal of Accounting and Management*, 8(2), 34-53.