

## **BOARD CHARACTERISTICS, OWNERSHIP STRUCTURE, AND MARKET VALUE ADDED OF LISTED NON-FINANCIAL COMPANIES IN NIGERIA**

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### **ABSTRACT**

Board characteristics and ownership structure are basic corporate governance metrics affecting the market value of corporate bodies. This study evaluated the impact of board characteristics and ownership structure as basic determinants of market value added. The characteristics of the board for this study are board nationality, board independence and board size while the structure of ownership proxies by institutional ownership, foreign ownership and managerial ownership. The dependent variable is represented by the market value added. Assessing the influence of board characteristics and ownership structure on market value is premised on the creation of firm value for stakeholder's benefits. Multivariate regression analysis serves as the methodology adopted on cross-sectional data for five years of 2015 to 2019 of Nigerian non-financial companies. The panel corrected standard error (PCSEs) was used for the multivariate analysis. The finding reveals that board independence and board size as metrics of board characteristics positively influenced the market value of Nigerian listed non-financial firms while the metrics of institutional ownership and alien ownership impacted positively on market value. However, the result further reveals that positive insignificant relationship between board nationality and market value and negative insignificant relationship between managerial ownership and market value. The significance of these results shows that existence of foreign board members is insignificant to the creation of market value except the foreigners on the board are shareholders. The study recommends the inclusion of board independence, the optimum board size, institutional owners and foreign owners on corporate board as the panacea for creating marked value.

**Keywords:** Board Characteristics, Ownership Structure, Agency Theory, Stakeholder's Theory, Market Value.

## **1. INTRODUCTION**

Market value signifies the summation of the organizational achievements which presents the external value of a corporate firm. The concepts of value determination were premised on the desires to satisfy the investment needs of investors. The value of the firms reveals the net returns on shareholders' investment as rewards for surrendering their resources to incorporated entities. Market value added has previously been used to determine the improvement and achievement of incorporated entities for relevant stakeholders (Johan, 2018; Bhasin 2013; Bayrakdaroglu, Ersoy & Citak, 2012 and Lee with Kim, 2009). Therefore, the determination of market value added depends on the influence of some relevant antecedent variables. The need for the investigation of the impact of basic determinants of market value is propelled on the desire to provide relevant stakeholders with necessary information on basic variables that are capable of influencing their investment decisions. To assess the market value of firms in this study, corporate governance indices such as ownership structures and board characteristics are regressed to verify their influences. From empirical pieces of evidence, those variables are relevant determinants of corporate value as measured by market value added.

Corporate values connote the overall financial achievement and economic performances of incorporated companies over a period of time. This corporate performance is realized from several factors that are responsible for improving the value of firms because it constitutes the variables used in determining the market value of business entities. The corporate performances represent the value created for stakeholders by the firm's management from shareholder's investments. The economic performances represent the shareholder's wealth created by the management which is to be measure by market value added (Osazevbaru, 2012). The market value added to act as a proxy of firm value which showcases the external value created for the owners of the firms. The corporate value indicates the soundness and the wellbeing of the organization as a going concern and it is on this basis that relevant stakeholders assess the performances of corporate entities.

## **2. REVIEWS OF RELEVANT LITERATURE**

Several studies have been conducted to understand the influence of the indices of corporate governance on the market value of corporate entities (Al-Dhamari, Ismail,

& Al-Gamrh, 2016; Abdullahi, Ishak & Sawandi, 2018; Ciftci, Tatoglu, Wood, Demirbag & Zaim, 2019 and Mulchandani, Mulchandani & Jain, 2020). As of recent, most of the studies on the attributes of corporate governance focus more on evaluating its impact on corporate value creation (Haj-Salem, Ayadi & Hussainey, 2020; Gerged & Agwili, 2020; Jia, Huang & Man Zhang, 2019; Danoshana, & Ravivathani, 2019 and Ararat, Black, & Yurtoglu, 2017). Study on corporate governance in the past majorly concentrated on developed economies with little or less concerned on examining its influence on developing nations (Köke & Renneboog, 2005 and Bulan, Sanyal & Yan, 2010; Obradovich & Gill, 2013 and Cosset, Somé & Valéry, 2016) but of more recently, studies like that of Ciftci, et al. (2019), Garba & Mohamed, (2018) and Abdullahi et al., (2018) concentrated on developing nations.

Relevant variables of interest for assessing the market value of incorporated firms in this study are board characteristics (Mulchandani et al., 2020) and ownership structures (Garba & Mohamed, 2018) as basic metrics of corporate governance mechanisms used as means for determining corporate value. The impact of the indices of corporate governance on firm value can be evaluated through the characteristics of the board as an important metric for monitoring and supervising the activities of the management (Shahwan, 2015). The board is responsible for overseeing corporate management due to the power and responsibility placed on them by the shareholders (Kumar & Singh, 2013). Board characteristics are of varying natures such as board nationality (Okoro, Onodugo, Udoh & Ibe Chukwu, 2019), board independence (Mohapatra, 2016) and board size (Kabir, Aripin & Al-Dhamari, 2019) and all these metrics constitute the basis for examining the impact of board characteristics on market value added. The role of the nationality of the board members is also an important factor in evaluating corporate value due to the expertise and international perspectives assumed to be derived in corporate monitoring and control as a result of the existence of foreigners on the board (Ujunwa, 2012).

Expatriate board members are relevant stakeholders and on the premise of the stakeholder's theory, they are deemed to create value to corporate entities than indigenous board members (Chen, Lin, & Yi, 2008). In addition to that, foreigners as potential investors develop more trust and confidence in any corporation with expatriate as board members (Oxelheim & Randoy, 2003). The ratio of foreign board members to the number of board members is the basis to be used in determining

board nationality (Ujunwa, 2012). The basis of agency theory that established the impact of board nationality on market value added necessitate the formulation of the below hypothesis;

*H1: There is a positive relationship between board nationality and the value of non-financial companies in Nigeria.*

Additionally, board independence as a metric of board characteristics examined the influence of the independence of the board members as the basic determinant of market value. Board independence as a proxy of board characteristics complements board nationality at creating market value for corporate stakeholders. Several empirical studies asserted that corporate performances improved with the contributory role of independent directors since they are perceived to be independent and more sincere and honest in carrying out their assignments. An independent director strived to safe guide stakeholder's interest without fears or favors in undertaking his corporate governance activities (Al-Gamrh, Al-Dhamari, Jalan & Jahanshahi, 2020). The existence of independent directors enhanced corporate management decision-making process due to the disciplinary role played to create market value for shareholders (Canyon & Peck, 1998; Weisbach, 1988 and Brown and Caylor, 2009). The independent directors are free from unnecessary control and influence by other directors in discharging their responsibilities (Kesner, Victor & Lamont, 1986).

Reviewing related literature on board independence revealed existing differences in the roles and responsibilities of an independent director and non-independent directors in carryout corporate governance practices (Song, 2015). The roles performed by non-independent directors are basically in areas of management decision supervision. However, the independent director supervises the procedures the management adopted in taking any decision. Jackling and Johl (2009) and Mohapatra (2016) investigated the influence of board independence on corporate value and reported positive significant relationship. The results show that independent directors are capable of ensuring that sufficient market value is created for shareholders (Jenwittayaroje & Jiraporn, 2019). However, Goh and Rasli (2014) and Van Essen, van Oosterhout and Carney (2012) reported the insignificant influence of independent directors on firm value. To measure the ratio of board independence, the percentage of independent directors on the board of directors is

adopted (Khan, Tanveer & Malik, 2017). The agency theory aligned with the effect of board independence on market value creation, the study hypothesized as follows;

*H2: There is a positive relationship between board independence and the value of Nigerian non-financial companies.*

Furthermore, other corporate governance attributes concerning board characteristics to evaluate the market value of firms is board size. The size of the board as an index of board characteristics, the totality of board members of the incorporated entity represented by numbers of directors that are capable of influencing corporate value (Yermack, 1996). The board of directors are responsible for taking strategic decision needed for enhancing corporate market value. According to Fodio and Oba (2012), the strategic decision taken by board directors affects overall corporate performances. The quality of supervisory and the monitory role exercised by the board of directors is subject to the size of the board members as an index of board characteristics (Jia & Zhang, 2013 with Noor & Fadzil, 2013).

The size of the board may be large or small based on the number of board members. The larger the board size the higher the level of expertise and professionalism rendered in the board room (Mintzberg, 1993 with Pearce & Zahra, 1992). However, another study state that large size of board result into difficulties in decision making due to conflicting and multiplicities of interests with the boardroom squabbles and higher cost of operations (Brown, Helland, Smith, 2006 with Ujunwa, 2012). This leads to difficulties in making a decision which is capable of undermining market value. Hence there are mixed results on the influence of board size on firm value (Ujunwa, 2012). To measure the board size, the total board members are considered (Li, Tsai & Tung, 2014). Therefore, on the premises of agency theory, the study proposed this hypothesis;

*H3: There is a positive relationship between board size and the value of non-financial companies in Nigeria.*

On the foundation of agency theory, which recognizes the agency relationship between the shareholders and the management as capable of providing efficient and effective monitory and supervision over the activities of corporate management to create market value (Jensen & Meckling, 1976). The study anticipates examining the

effect of ownership structure as the corporate governance mechanism on the value of the corporate firm. The structure of ownership that are of interest to the study are institutional ownership, foreign ownership and managerial ownership as proxies. The effect of institutional ownership on the market value of non-financial firms is premised on the external role exercised by owners in creating value (Camisón & Villar-López, 2010). Institutional ownership is an external agent that monitors and supervises the activities of the management on behalf of the firms (Janardhanan & Uma, 2020). The impact of institutional ownership dwelled on the expertise, experience and professionalism gained in corporate investment. These attributes make institutional investors be efficient, prudent and effective in checkmating the activities of firm's management which assist at improving corporate performances (Janardhanan & Uma, 2020). The existence of institutional owners signifies the safety of investments since potential investors rely substantially on the monitoring power of institutional investors because of their possession of experiences over time. Individual owners are less endowed with the ability to reduce agency problem unlike the institutional owners with access to corporate information owing to corporate connections, experiences and expertise.

Several empirical studies document mixed results regarding the effect of institutional ownership on market value. According to Yuan, Xiao and Zou, (2008), there is a dual proposition for the effect of institutional ownership on market value as value creation proposition and value reduction proposition. The value creation proposition sees institutional investors influence as value creation through improved corporate governance practices necessary to improve the return on investment. Institutional investors possess a higher capability to identify and motivate performing companies (Elyasiani & Jia, 2010). However, David and Kochhar, (1996) stated that institutional ownership is interested in the short-term benefit that negates the long-term interest of corporate performance and value creation. The assertion supports the value reduction assumption of institutional ownership which is grounded on the passiveness of institutional investors for firms with underperforming results which signified the performance reduction assumption of institutional investors (Drucker, 1986). Cornett, Marcus, Saunders and Tehranian, (2007) stated that the strategic connection of institutional owners with other corporate firms brings about self-centeredness that is inimical to market value creation.

The study conducted by Jiang and Yamada (2011) reported the impact of institutional ownership on firm market value. The resultant value created is premised on the reduction of agency cost associated with effective monitoring carryout by institutional ownership (Demsetz, 1983). However, Black (1992) asserted that institutional investors negatively impact the market value of corporate entities. However, Elyasiani and Jia (2010) reported a positive significant relationship between institutional investors and the market value of the corporation. Therefore, the positive impact of institutional ownership on corporate value is as a result of the monitoring capacity of institutional investors on corporate management which enables the prompt disclosures of accounting information necessary for enhancing firm value. Through transparent disclosures of accounting information, cost of asymmetric information is minimized and the financial market value increased (Chidambaram & John, 2000). The ratio of institutional investors to total invested capital represents the measure of institutional ownership. Therefore, this study hypothesized as follows;

*H4: There is a positive relationship between institutional ownership and the value of non-financial companies in Nigeria.*

In addition to institutional ownership as a metric of ownership structure is foreign ownership. The impact of foreign ownership on the market value of non-financial firms has severally been examined with inconclusive results. The existence of foreign investors brings about technological advancement in corporate management, supervision and control. Chhibber and Majumdar (1999) and Choi, Park and Hong (2012) asserted that companies with foreign ownership are likely to be more innovative technologically. The influence of foreign ownership on firm value is premised on the level of professionalism and economic resources at the disposal of foreign investors which they deployed at enhancing corporate value (Shrivastav and Kalsie, 2017). This provides an incentive for effective monitoring of their investment which ensures the creation of market value. Douma, George and Kabir (2006) state that foreign ownership investment is dictated by greater market value as a result of the possession of monitoring ingenuity associated with foreign investors.

The relationship between foreign ownership and corporate value has been evaluated previously with mixed outcomes. Vinh (2019) investigated the influence of foreign investors on firm value with positive and significant result. The result shows that

ownerships within the range of 5% to 20% by foreigners impacted positively on market value. Other studies that attested to the effect of foreign ownership on firm value includes Nofal, (2020); Kao, Hodgkinson, and Jaafar (2019); Ciftci, et al., (2019); Yavas, and Erdogan (2017); Pervan, Pervan and Todoric, (2012); Priya and Shanmughan, (2011); Hess, Gunasekarage and Hovey (2010) and Drakos and Bekiris, (2010). However, other studies provide an insignificant relationship between foreign ownership and market value. Studies such as Malik (2015) and Tsegba and Ezi-Herbert (2011) reported an insignificant relationship between foreign ownership and corporate market value. However, Vinh (2019), revealed that foreign ownership with the ratio above 20% negatively influences corporate market value. Based on the foundation of the agency theory which spelt out the monitoring role of owners on the management for value creation, the study hypothesizes that;

*H5: There is a positive relationship between foreign ownership and the value of non-financial companies in Nigeria.*

Aside the role played by the institutional and foreign ownership in creating market value as metrics for ownership structure, another attribute of corporate governance for improving corporate value also recognized the effect of managerial ownership as a value creation mechanism. The influence of managerial ownership as value creation index is a function of the role an insider as owner sitting on the board as a board member rendered at instituting effective monitoring and control over the management decision. The presence of shareholders on corporate board enhances the quality and transparency of management decision that is necessary for minimizing the cost of operations for creating corporate market value. These roles involved the effective presence of stockholders in the management of their resources as a mechanism of mitigating the self-centeredness of management as an agent of the owners in the management of the corporate investment.

Several empirical investigations attested to the impact of managerial ownership on firm value. For instance, Stulz (1988) and Shleifer & Vishny (1989) believed that shareholders acting as board member became more entrenched in corporate activities as managers and at the same as owners to the detriment of corporate value (effect of entrenchment assumption). However, Jensen and Meckling (1976), through the Convergence-of-interests hypothesis advocated the involvement of corporate owners in corporate management as a panacea for minimizing agency problems as deemed



necessary for increasing firm value. They see insider's ownership as an internal mechanism of corporate governance practices as the basis for performance and value creation. This indicates that the market value creation is influenced by managerial ownership. The value creation impact of managerial ownership is premised on the Convergence-of-interests hypothesis which this study intends to establish empirically.

Park and Jang (2010) examined the effect of managerial ownership on corporate value and reported a positive relationship between corporate value and managerial ownership. The same positive relationship was reported on the relationship between managerial ownership and firm value in studies carried out by (Din & Javid 2011 with Westman, 2011). Fahlenbrach and Stulz, (2009) revealed that changes in managerial ownership are responsible for an increase in organizational market value. The changes in market value created is a function of either an increase or decrease in the level of insider ownership that determines the quality of supervision carried out by owners acting as board members. Therefore, on the premise of agency theory which identifies the influence of internal board ownership as a metric of managerial ownership to create market value. Study measure managerial ownership as the ratio of CEO and executive director's ownership to total share capital outstanding (Ruan, Tian & Ma, 2011).

*H6: There is a positive relationship between managerial ownership and the value of non-financial companies in Nigeria.*

### **Agency Theory**

The agency theory established the link between owners of businesses as the principals and the management as the agents (Jensen & Meckling, 1976; Ross, 1973). This relationship between the shareholders and the management has to do with the business entity concept of accounting which recognized the need for the interaction between management and shareholders. The entity concept identified that incorporated companies are better managed by professionals who are likely not to be the owners of the corporate bodies but are financed by the investors that are perhaps not involved in the management processes. This separation of ownership and management does create a conflict of interest between the owners and the managers as other different classes of owners represent varying interests (Kumar, 2004).

Different classes of ownership possess different levels of monitoring capacity over their investments. The monitoring and the supervisory function carried out by owners determine the level of organizational performance for improving corporate value. The lesser the conflict of interest occasioned by information asymmetry the greater the market value created. Management effectiveness and efficiencies can be assessed when there is an improvement in shareholders' wealth. The agency theory via the mechanisms of corporate governance helps in mitigating the agency problems arising from unequal access to information to the shareholders at the disposal of the managers.

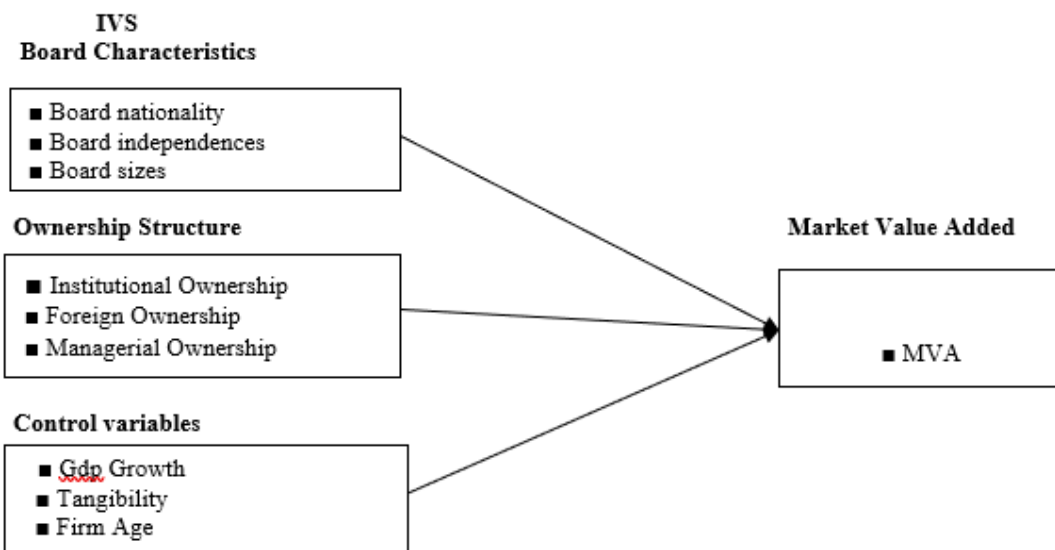
According to Adam (1937; 1976), separation of ownership and management provides the probability for management to work at the detriment of the owners due to self-centeredness. Berle and Means (1932) believed that managers utilized the owner's resources to the pursuit of personal interest that are inimical to the creation of corporate value that is needed to compensate the shareholders for the risks taken for investing their funds. Managers by nature are risk-averse hence their perceived self-centeredness, whereas stockholders are risk-takers hence their constant investments to increase their wealth, this relationship creates agency problems. The agency problems created through this association undermined market value, but this agency theory enables the utilization of corporate governance mechanisms to regulate the relationship between ownership and management (Panda & Leepsa, 2017). The impact of board characteristics proxied by board nationality, board independence, board size and ownership structure proxied by institutional ownership, foreign ownership and managerial ownership serves as relevant metrics for corporate governance mechanisms that are capable of mitigating agency problems. The agency theory is adopted as the underpinning theory of the study.

### **Stakeholders' Theory**

The stakeholder theory complements the agency theory as the supporting theory in explaining the effect of corporate governance attributes as value determinants metrics. The agency theory identifies principal and agent relationship in corporate practices whereas stakeholder's theory recognizes both the shareholders and the managers as relevant stakeholders in corporate management. The theory examined the need to manage the relationship between the principal as the owners of the business with other stakeholders as a basis of creating an all-inclusive value. The

stakeholder's theory explained the power possessed by relevant parties in the process of improving the corporate value together with the means of handling divergent interests necessary for value creation. The influence of stakeholders in corporate ownership and control cannot be overemphasized because stakeholders determine all corporate activities.

From the perspective of stakeholder theory, internal and external stakeholders are capable of influencing corporate value from the power they possess. According to Gray, Dey, Owen, Evans and Zadek, (1997) the actions and the inactions of relevant stakeholders are guided and directed through the stakeholder's theory which represents the external and internal determinants needed for creating market value. Through stakeholder's theory, protection is provided and market value is created for both investing and non-investing stakeholders (Clarkson, 1998 with Robert, 1992). On the foundations of the underpinning theory and the supporting theory known as the agency theory and the stakeholder theory respectively, the study, therefore, identifies board characteristics measures by board nationality, board independence and board size and ownership structure measures by institutional ownership, foreign ownership and managerial ownership as basic attributes of corporate governance that have the capacity of improving market value. Thus, these theories direct this study in determining the market value added of non-financial firms in Nigeria.



**Fig. 1. Adapted Study Framework**

### 3. RESEARCH METHODOLOGY

The methodology of the study utilized the metrics of board characteristics and ownership structures to comprehend the effect of corporate governance on the market value added of listed non-financial companies in Nigeria. The research framework captured the independent variables such as board nationality, board independence and board size as proxies of board characteristics and institutional ownership, foreign ownership and managerial ownership as proxies for ownership structure respectively. The dependent variable is the market value added as the external value of non-financial firms. The annual reports Nigerian non-financial firms for five years of 2015 to 2019 was used as the basic source of data for the study. According to the Nigerian code of corporate governance 2016, the market value of the corporate entity is enhanced through the practice of good corporate governance. The study made use of 73 incorporated non-financial firms in Nigeria which are secondary data in nature with GDP growth, assets tangibility and firm age as the control variables.

**Table 1**  
**Measurements of Study Variables**

<b>Variables</b>	<b>Measurement</b>	<b>Key</b>	<b>Type</b>	<b>Justification</b>
Market value added (MVA)	Market capitalization- <i>minus</i> Invested capital.	MVA	Dependent	(Johan, 2018)
Board Nationality	Ratio of foreign board members to number of board membership.	BON	Independent	(Ujunwa, 2012)
Board Independences	Proportion of independent directors sitting in board.	BIN	Independent	(Khan, et al., 2017)
Board Sizes	Logarithm of the Board membership	BOS	Independent	Kabir, et al., (2019)
Institutional Ownership	Ratio of institutional investors to total invested capital.	IOW	Independent	(Janardhanan & Uma, 2020)
Foreign Ownership	Percentage of Shares owned by Foreigners.	FOW	Independent	Vinh, (2019)
Managerial Ownership	Ratio of shares possessed by the executive directors to total outstanding shares	MOW	Independent	Shan, Troshani, & Tarca, (2019)
Gdp Growth	Macroeconomic variable represents the real GDP growth	GDP	Independent	Vieira, Neves, & Dias, (2019)
Tangibility	The ratio of a tangible fixed asset to total assets	TAN	Independent	Garba & Mohamed (2018)
Firm Age	Years of Incorporation	AGE	Independent	Coad, Holm, Kraff and Quattraro (2018).

The relationship between the board characteristics, ownership structure as independent variables and the market value added as the dependent variable was carried out through multivariate analysis. The characteristics of the board are netted by the metrics of board nationality, board independence and board sizes whereas ownership structures are proxies by institutional ownership, foreign ownership and managerial ownership as measures. The model of the study is display using panel data analysis.

### **The Specification of Study Model**

The model of the study is captured in the mathematical expression as represented in the research framework and the table of measurement of variables.

$$MVA_{it} = \beta_0 + \beta_1 BON_{it} + \beta_2 BIN_{it} + \beta_3 BOS_{it} + \beta_4 IOW_{it} + \beta_5 FOW_{it} + \beta_6 MAO_{it} + \beta_7 GDP_{it} + \beta_8 TAN_{it} + \beta_9 AGE_{it} + \epsilon_{it} \dots \dots \dots (1)$$

Where:  $\beta$ = the intercept,  $it$ =the panel data of non-financial firms,  $\epsilon_{it}$ = the error term of the model. MVA= Market Value Added; BON=Board Nationality; BIN= Board Independence; BOS= Board Size; IOW=Institutional Ownership; FOW=Foreign Ownership; MOW=Managerial Ownership; GDP=Gdp Growth; TAN= Assets Tangibility and AGE= Age of incorporation.

## **4. DISCUSSION ON ANALYSIS AND RESULTS**

**Table 2**  
**Descriptive Statistics of the Study Variables**

Variables	Obs	Mean	Max.	Min.	Std Dev.	Skewness	Kurtosis
MVA	365	44400000	344000000	208291.5	85500000	2.602	8.937
BON	365	0.209	0.857	-0.333	0.251	0.739	2.204
BIN	365	0.078	0.625	0	0.133	1.932	6.175
BOS	365	8.850	18	0.121	2.565	0.543	3.760
IOW	365	0.516	0.982	0	0.291	-0.571	2.126
FOW	365	0.081	0.961	0	0.210	2.458	7.666
MOW	365	0.025	0.240	0	0.068	2.659	8.289
GDP	365	0.880	2.700	-1.620	1.750	-0.410	1.340
TAN	365	0.458	0.842	0.079	0.224	0.055	1.940
AGE	365	45.767	96.	9	18.254	-0.031	2.765

From table 2 of the study, the dependent variable represented by MVA has an average of forty-four million and four hundred thousand nairas [#44,400,000 (\$111,000)] with a deviation of eighty-five million and five hundred thousand nairas [#85,500,000 (\$213,750)] for listed Nigerian non-financial companies. The table indicates that the amount of three hundred and forty-four million [#344,000,000 (\$860,000)] is the maximum value of MVA with a minimum value of two hundred and eight thousand, two hundred and ninety-one naira and fifty kobos [#208,291.5 (\$520)]. The average value of board nationality reflects 0.209 as a proportion of foreign ownership with a standard deviation of 0.251, as the maximum and the minimum values reveal 0.857 and -0.333 in the same respect. Board independence on the average is 0.078 proportionally to total board membership with a variation of 0.133 with the maximum and minimum value indicates 0.625 and 0 in the same sequences.

For institutional ownership, the descriptive statistics indicate that on the average non-financial companies in Nigeria have 0.516 as their value with a deviation of 0.291 at a maximum and minimum value of 0.982 and 0.00 respectively. The average value for foreign ownership is 0.081 with a deviation at the value of 0.210 and maximum of 0.960 and 0.000 as the minimum value. The average value of 0.024 is for managerial ownership with a deviation of 0.068 and 0.240 as the maximum value and 0.000 as the minimum value. The control variable is represented by Gdp growth, assets tangibility and firm age. The three control variables have 0.880, 0.458 and 45.767 as the mean value respectively with a standard deviation of 1.750, 0.224 and 18.254 in the same respects. Maximum values are 2.7, 0.842, and 96 years for GDP growth, assets tangibility and firm age and the descriptive table depicted the minimum values of -1.62, 0.079 and 9 years as the value for the three control variables respectively.

The multiple regression model through the use of Stata version 14 was deployed to evaluate the relationship between the independent variables and the dependent variable as encapsulated in the framework of the study. The panel data regression model provided the balanced dataset for a period of five years spanning 2015 to 2019. To arrive at a balanced dataset for this study, several data screening and sorting were painstakingly undertaken due to benefit from the advantages associated with the use of balanced longitudinal data. Using Stata software for regression analysis follow a

systematic sequence of steps as dictated by the STATA software commands. The Stata commands used the Breusch and Pagan Lagrangian Multiplier Test (BPLM) to establish the appropriateness of multivariate analysis or OLS, Hausman test used for the selection of fixed or random effect model, whereas group-wise heteroscedasticity and autocorrelation test was conducted to determine the problem of autocorrelation and heterogeneity.

Relevant results from the autocorrelation and heterogeneity test revealed the problem of autocorrelation and heterogeneity which was remedied using panel correlated standard error (PCSE) as a solution to the identified problems (Beck & Katz, 1995). The result of the multivariate analysis on the relationship between board characteristics, ownership structure and market value added are captured in table iii below:

**Table 3**  
**Multiple Regression Analysis Results.**

MVA	Coef.	Std. Err	T	P>t
BON	18900000	11700000	1.62	0.105
BIN	91900000	16600000	5.53	0.000
BOS	12400000	1718623	7.19	0.000
IOW	45500000	5711757	7.96	0.000
FOW	84400000	18500000	4.56	0.000
MOW	-13100000	19500000	-0.67	0.501
GDP	-2656890	1006412	-2.64	0.008
TAN	57300000	7543375	7.60	0.000
AGE	525847.8	103141.3	5.10	0.000
CON	-15400000	17800000	-8.67	0.000
R-squared		0.3531		
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		

On the foundation of the agency theory and the stakeholder theory, the impact of board characteristics and ownership structure on the market value added of Nigerian



non-financial entities provided the results indicated in table iii. The metrics of board characteristics are board nationality, board independence and board size as the structure of ownership is represented by institutional ownership, foreign ownership and managerial ownership as it affects market value added. The influence of board nationality on market value added reveals an insignificant relationship, indicating that board nationality as a proxy of board characteristics has no significant effect on market value added. The results show that the presence of foreigners in the corporate board room in Nigeria without been shareholders add no value to the market values of the company's shares.

This reveals that external value created for non-financial firms in Nigeria has nothing to do with the inclusion of foreigners in the composition of the board of directors. However, board independences as metric of board characteristics shows a positive significant relationship with market value added. The result shows that board independences improve the market value of Nigerian non-financial entities by the proportion of 5.53. That is, for any additional increase in the independence of the board by the ratio of 1 as a metric of board characteristics, there will be a corresponding increase in the market value of Nigerian non-financial firms by the ratio of 5.53.

Furthermore, board sizes impact on market value added with a significant positive relationship at 1% level. The influence of the size of the board on market value added indicate that corporate entities with an average of 9 board members enhance the market shares price as anticipated in the study. The result of the study supports the proposition of the study that hypothesized the existence of a positive significant relationship between board size and market value added. From the findings of the study, board independence, board size proved to be positively and significantly influenced the market value added of firms in Nigeria as metrics of board characteristics. However, board nationality as a metric of board characteristics failed to significantly influence market value added. The code of corporate governance in Nigeria recognized the effect of board characteristics as corporate governance attributes needed for enhancing firm value which this study attested to by providing empirical evidence.

The ownership structure encapsulates institutional ownership, foreign ownership and managerial ownership as the independent variables used in assessing the market

value added of corporate entities in Nigeria. The results of the study reveal that institutional ownership is significantly positive with market value added at 1% level. The finding shows that ownership by corporate firms rather than individual ownership is a significant factor for creating corporate value. The result indicates that ownership by corporate institutions enhances the market value added of non-financial entities in Nigeria. The finding supports the proposed hypothesis that anticipated the positive significant relationship between institutional ownership and market value added.

Foreign ownership as the other metric of ownership structure also reported a positive significant relationship with market value-added. The influence of foreign owners in the corporate board room enhances the external market value of corporate entities on the premise of the agency theory that recognized the agent-principal relationship as capable of creating corporate value. This is because foreign owners are deemed to provide expertise and undiluted supervision over corporate activities as a prerequisite for enhancing market value in Nigeria. The findings uphold the hypothesis formulated on the existence of a positive significant relationship between foreign ownership and market value added of non-financial companies in Nigeria.

Additionally, managerial ownership as a proxy of ownership structure reported a positive significant relationship with market value added at 1% level. The influence of managerial ownership on market value added can be linked to the convergence of interest assumptions on the influence of managers as shareholders participating as board members. These dual roles bridged the information gap existing between ownership and management and the mitigation of information lop-sidedness improve the market value. The finding of the study shows that as owners participate actively as board members, corporate value is created accordingly.

This result established that agency theory regulates the association between owners and management by maximizing market value where the theory shows the significance of managerial ownership in determining firm value. This significant impact of managerial ownership on market value added confirmed the effect of insider's ownership on firm value. The greater the managerial ownership the higher the market value added of Nigerian non-financial firms. The theories underpinning

this study are justified through the findings of this study which accentuate agency theory and stakeholder's theory as the appropriate theory.

## **5. CONCLUSION**

Multiple regression analysis results indicate that metrics of board independence, the board size, institutional ownership and foreign ownership are positively significant in their relationship with market value added (MVA). The control variables relationship with market value added also reported positive significant results. The metrics of the control variable are GDP growth, assets tangibility and firm age. However, the effect of board nationality and managerial ownership reveals positive insignificant relationship with market value added. The result of the study shows that the nationality of board members and insider ownership does not influence the market value added of non-financial entities in Nigeria. The study attested to the impact of board characteristics as a proxy by board independences and board sizes on the market value added of Nigerian non-financial firms. In the same vein, ownership structure proxy by institutional ownership and foreign ownership also influence the market value added of Nigerian companies significantly. The finding confirmed the effect of ownership structure on value creation.

From the findings of the study, the underpinning theories of the study is justified empirically. The first theory known as agency theory is deemed to be have mitigated the agency problems through board characteristics and ownership structures as panaceas for improving corporate value. The perceived information asymmetry between shareholders and management is lessened when the characteristics of the board and the structure of ownership are effectively considered when instituting the best corporate governance practices in Nigerian firms. Stakeholder's theory proved to be relevant because the theory incorporates the impact of both the investing and the non-investing stakeholders as capable of enhancing corporate value. The company's shareholders are the investing stakeholders whereas the management of the firms represents the non-investing stakeholders, hence the interaction between ownership and management is regulated through the stakeholder's theory.

Besides, the outcome of the study with regards to board nationality and managerial ownership on market value added failed to be established due to the insignificant of the reported findings. The result does not agree with the proposed hypotheses

concerning the relationship between board nationality, managerial ownership on market value added. The findings failed to uphold the formulated hypotheses. However, the control variables such as GDP growth, assets tangibility and firm age significantly impacted positively on market value added. This confirmed that GDP growth, assets tangibility and the age of the firm constitutes an important determinant of corporate value.

The study further suggests the assessments and evaluation of other corporate governance attributes in assessing the determinants of corporate value in the future. The attributes of board interlock, board expertise, audit committees, block ownership and family ownership are recommended to be adopted as corporate governance indices in evaluating firm value.

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