



**DOES INSIDE AND INSTITUTIONAL OWNERSHIP AFFECT FIRMS' LEVERAGE?
EMPIRICAL EVIDENCE FROM LISTED INSURANCE COMPANIES IN NIGERIA.**

SHADRACH MONICA & ALI, MATHEW BELLO

Bursary Department & Accountancy Department, Federal Polytechnic, Mubi –
Nigeria, P.M.B., 35

ABSTRACT

This study assessed whether inside ownership and institutional ownership affect leverage of listed insurance companies in Nigeria for a period of twelve (12) years from 2010 to 2021. In carrying out the study, eighteen (18) companies out of twenty-eight (28) companies were selected based on purposive sampling. The data for the study were derived from the sampled companies' annual reports and accounts and analysis were done using descriptive statistics, correlation coefficient and multiple regressions through the use of STATA software version 13.00. The study found inside ownership and institutional ownership to have positive and significant impact on the leverage of listed insurance companies in Nigeria. Thus, the study recommends that both Managers and institutional investors should be wary of their influence on debt desirability and reduce the amount of debt in the capital structure especially where there are signs of financial deterioration which is usually associated with high cost of debt. They should only increase debt in the capital structure of companies when profits are high; cost of equity capital are high and benefits of tax shield are high and ensure that long-term debts are used to finance fixed tangible assets while short-term debts are used to finance short-term obligations.

Key words: Ownership structure, Inside ownership, Institutional ownership, Leverage.

Introduction

One of the major issues that every firm face is the make-up of the capital of the firm in particular, the debt component in the capital structure (Hayat, Yu, Wang

& Jebran, 2018). Capital structure is a critical area that ought to be determined carefully as it can affect the profit objective motive of a firm (Abor & Bikpie, 2007). The reason why most firms used debt in their business is because interest on debt are tax deductible therefore lowering the cost of debt, hence making it the cheapest form of outside capital available to most firms, but its major drawback is that it increases the risk of bankruptcy where a firm cannot service its debt (Fosberg, 2004). Using debt has the advantage of maximizing shareholders' wealth through reduction of cost of capital (Uwuigbe, 2014).

Debt financing is the process of raising money in the form of a secured or unsecured loan for working capital or capital expenditure. They are liabilities which a firm incurred that are payable within a short term or long term period, which the borrower accepts the responsibility of paying the interest as well as the principal amount base on the terms of the debt (Hanga, Abba & Mathew, 2020). It often forms part of the capital structure of a firm. The usage of debt is aimed at improving the business earnings, first to recover its cost, then benefit the proprietors, and retain the surplus (Damodaran, 1999).

Financing through debt is associated with an advantage on the growth of corporations and for its strategic investments as well as a disadvantage on same (O'Brien & David, 2010). According to Fama and French (2002), the benefits of debt financing include the tax deductibility of interest and the reduction of free cash flow problems, while its associated costs include potential bankruptcy costs and agency conflicts between stockholders and debt holders. Therefore, managers in making leverage decisions, try to strike a balance between the tax advantages of debt financing and the costs of financial distress that arise from bankruptcy risks and agency costs (Kraus & Litzenberger, 1973; Jensen & Meckling, 1976). Bernice, Nugrahanti and Mahastanti (2015) stressed that the greater the ratio of debt in the capital structure of a company, the higher the burden of principal and interest payment and the higher the risk of bankruptcy. Firm-specific factors, including but not limited to ownership play an important role in the determination of the inclusion or non-inclusion of debt as well as the proportion of debt to be included in the capital structure (Hayat et al., 2018). A particular debt mix for a particular company can reduce agency costs and increase the firm value. While debt can help a company achieve success, too much debt can be a financial burden that can even lead to bankruptcy. Just like individuals, businesses must manage debt wisely (Duchac, Reeve & Warren, 2007).

Though the discretion on the extent of debt to be used in a firm's capital structure rest with the managers of the firm, and the fact that this decision influences shareholders' wealth (Gugong, Arugu, & Dandago, 2014), Shareholders feel induced to keep an eye on management, and through their influence on managers, ownership tends to play a pivotal role in decisions relating to debt financing (Agustin, 2014). Shareholders may prefer the use of more debt financing because of its tax advantage over equity while managers may prefer less leverage than optimal because of their dislike of performance pressures associated with interest payment and debt repayment or their desire to reduce firm risk to protect their under-diversified human capital.

Share ownership by managers in the company they manage is called inside ownership (He, & Kyaw, 2018). On the other hand, when a firm own a share in another operational firm, it is called institutional ownership (Abubakar, 2015). The complex nature of businesses structures that emerged after the industrial revolution led to the separation of business ownership from its management. Shareholders are the corporate owners, while managers are agents of shareholders who are employed by the shareholders to manage the company on their behalf; hence they are supposed to allocate business resources in a way to increase shareholders' wealth (Gugong et al., 2014).

In deciding the leverage of a firm, industrial characteristics and regulations are of paramount importance. Insurance business differs from other traditional businesses and its operation is critical to the development of any economy. Risks' spreading is the main aim of insurance. Insurance tend to boost investment by minimizing the amount of money that firms and individuals need to keep at hand to protect themselves from uncertain events (Osinuga, 2016). Some scholars posit that insurance is a barometer of economic activity in a country and thus, protects the success of emerging economies (Osinuga, 2016).

The Nigerian insurance market is ranked fifth in Africa behind South Africa, Kenya, Morocco and Egypt despite Nigeria's population (Nnabugwu, 2017). This is partially attributed to low penetration level, lack of customer trust, low implementation of compulsory insurance and lack of professionals that are adequately skilled in the area (Michael, 2017). According to Commissioner for Insurance, Mr. Fola Daniel, "We have a lot to offer but we seem not to be taking advantage of the huge potential before us. The fundamentals for thriving insurance industry are there in the country- a vast population, an active economy and a well-capitalised industry" (PricewaterhouseCoopers, 2015).

In United Kingdom, the insurance industry contributes about 20% of the total GDP of the country. The industry contributes 17% and 3.4% of the total GDP in South Africa and Kenya respectively while despite the astronomical growth of the Insurance companies from just one in 1918 (Royal Exchange Assurance Agency) to the present number of 56 Insurance companies as stated on National Insurance Commission (“NAICOM’s”) website, the Nigerian Insurance industry contributes a meager 0.7% of the total GDP of Nigeria. It will be right to say that the performance of Nigerian insurance industry is sub-optimal (Osinuga, 2016). The capital the insurer needs to run the business is central to any insurance company’s decision-making (Brian, 2014). Given the nature of insurance business where premium received from the insured form an important part of the fund for the operation of the firm, low patronage implies low total premium which will invariably affect the extent of fund available to the company for its day to day operation. Because of the low patronage of the insurance market by Nigerians, insurance companies may have to assess other sources of finance, such as debt, to facilitate their smooth operation. Ownership structure of the firm may influence the nature and extend of the debt the firm may obtain as managers shy away from debt for fear of performance pressure (Jensen, 1986).

Therefore, this study aimed to determine the impact of inside ownership and institution ownership on leverage of listed insurance companies in Nigeria for a period of twelve (12) years from 2010 to 2021. Based on this objective, the study hypothesized that inside ownership and institutional ownership have no significant impact on the leverage of listed insurance companies in Nigerian. This study will assist regulators to examine the effectiveness of their monitoring instruments as well as review and upgrade them as appropriate and also ensure proper enforcement and compliance. It will also guide managers in determining the appropriate capital structure that will maximize shareholders’ wealth as well as assist investors, creditors, and financial analysts with information that is useful when making investment decisions.

The rest of the paper is organized as follows: section 2 presents a literature review on inside ownership, institutional ownership and leverage. Section 3 is the methodology used in the study. Section 4 presents research results and discussion, and finally conclusions and recommendation are presented in section 5.

Literature Review

Inside Ownership and Leverage

Considering that conflict of interests between owners of a corporation and managers of same leads to value-reducing, a good corporate governance system

is expected to employ measures that would mitigate this conflict by aligning the interests of the affected parties. Ownerships by insiders are often considered in literature as an attribute of a good governance system (He & Kyaw, 2018). Ownership by managers is often referred to as insider ownership. Inside ownership is stock ownership by company managers or professionals who run the company so as to align the interests of management with shareholders (Jensen & Meckling, 1976).

Abubakar (2015) see inside ownership as the number of shares held by directors in relation to the total number of issued equity shares. It is the non-negotiable shares owned by executives as a percentage of the total number of negotiable shares (Kyaw 2018). Ownership by insiders is encouraged because it is expected to influence managers to act in accordance with the wishes of the shareholders because the manager will also benefit directly from any good decision taken and also losses incurred if the decision is wrong (Wahyu, Budiyo, & Nur, 2016). Recent literature viewpoint, there is a possibility that inside ownership and leverage may be related to each other. According to Muharam and Putri (2020), The decision relating to the funding of a company are very dependent on the managers' goals, desires, and perceptions. Therefore, inside ownership can play a vital role on the extent of debt to be used in funding a corporation.

Hayat et al. (2016) suggest that managerial shareholders can either keep a lower level of debt to avoid bankruptcy, or increase the level of debt to get benefits of cheaper financing. In a similar vein, Brailsford, Oliver, and Pua (2002) attempted to investigate the variations of debt due to changes in managerial ownership and states that under the managerial perspective capital structure decisions are not only based on internal and external contextual factors which impact on the basic concern of risk and control, but the values, goals, preferences, and desires of managers are also important inputs to financing decisions. As residual claimants, managers (who hold shares in the company they manage) may maintain a high leverage in order to inflate their equity voting power or may maintain a low leverage in order to avoid monitoring by creditors and the like.

It can also be said that the actions of managers in relation to leverage may be influenced by them trying to curtail creditors' monitoring ability (Tayachi, Hunjra, Jones, Mehmood & Al-Faryan, 2021). The extent of leverage in a firm is caused by the policy of managers when determining the source of financing originating from outside the company, especially financing from debt (Muharam, & Putri, 2020). Managers influences such decisions because they possess superior information about the potentials of the company over and above those

possessed by the shareholders and therefore they will deplore their expertise in getting the company to maximize its potential and as a result, firm value will depend on their ownership stake in the firm (Ibrahim, Ahmed, Muhammed, Abdulsalami & Tanko, 2022).

Institutional Ownership and Leverage

Institution ownership is the value of or the proportion of common shares owned by institutions (trust fund, pension fund, insurance, bank, etc.) to the total common shares outstanding during the period of research (Dede, Ina, Nury & Erie, 2017). This implies that institutional ownership constitutes any unit of share held by a firm without emphasis on the extent of ownership. Institutional shareholding means the shareholdings of a corporation such as a mutual investment funds, leasing banks and insurance companies in a publicly operated corporations. This class of investors plays an important monitoring role to ensure that they put management under check (Bernice et al., 2015).

The significance of institutional investors as monitoring agents is underscored by their sizable equity investments in the stock market (Huson, Mohammed & Nazrul, 2006). Because of their large share in organization, these investors are strongly motivated to keep an eye on managers' actions and they can alter managerial decisions in order to avoid disruption in terms of organizational possessions and increase firm value (Huddart, 1993). Lev (1988) states that non-institutional investor doesn't have as much monitoring power as institutional investors have because institutional investors have contact with every type of financial information regarding organization.

Institutional investors in their attempt to monitor the performance of managers may either opt to be active or passive if managers try to run companies in favor of their own interests. If institutional investors, using their voting power, allow management to engage in wealth transferring activities, then the contribution of institutional ownership would not be notable because debt holders would charge higher rates of interest on debt to cover additional risk exposure resulting to agency cost of debt (conflict of interest between shareholders and debt holders) (Josephat, 2013). It was the practice of institutional investors to sell their shares and exit if they are dissatisfied with managers' performance (Josephat, 2013). However, they have abandoned the exit policy and become active monitors than passive because it is more expensive as they must accept substantial discounts in order to liquidate their significant holdings (Black & Coffee, 1994).

Through their monitoring role, institutional shareholders can influence the management of the firm they invest in and therefore decide the capital structure of a firm through influencing the desirability or otherwise of debt (Tayachi et al., 2021). The costs and benefits of monitoring by institutional investors and external debt holders, as well as its substitutability, lead to potential interrelationships between institutional ownership and firms' capital structures (Choi, Choi, Chung & An, 2020).

Empirical Review

Capital structure, which structure is the combination of debt and equity, can be influenced by various factors, one of which is the type of ownership structure (Muharam & Putri, 2020). Aziz and Abbas (2019) state that companies should be able to strategize their activities with a mix of equity and debt in order to increase their market value. Inside ownership as well as institutional ownership impact leverage based on the outcome of previous researches.

In the study conducted by Tayachi et al. (2021) titled how does ownership structure affect the financing and dividend decisions of firm? Using panel data analysis on 329 firms of the non-financial sector from both developed and developing countries. The study variables include capital structure and dividend policy as dependent variables, where debt ratio was used to proxy capital structure; and ownership structure as an independent variable proxy by managerial ownership, institutional ownership and ownership concentration while the control variables include profitability, firm size, growth and interest coverage. Generalized method of moments (GMM) was applied to analyze the data for the period from 2010 to 2019 and found ownership by insiders (managers) to have a positive significant impact on debt ratios. In a similar manner, prior studies conducted by Agyei and Owusu (2015); Dede et al. (2017); Uddin, Khan, and Hosen, (2019) all found inside ownership to impact debt positively. On the other hand, Muharam and Putri (2020) in their study aimed at examining the effect of ownership structure on leverage with credit rating as a moderating variable uses managerial ownership as one of the proxy of ownership structure and used debt ratio as dependent variable. The study used purposive sampling to sample 53 companies listed on the Indonesia Stock Exchange for a period from 2015 to 2017. The analysis of the data was done using Ordinary Least Square (OLS) regression analysis and the result showed that managerial ownership has a negative effect on debt ratio. This study supports the work of Do and Wu (2015); Hayat, Wang and Ma (2016); and Hassan, Nasreen, Tariq and

Zahid (2018) who also found that ownership by insiders have a significant negative impact on leverage.

In relation to institutional ownership, Shehadeh, Alharasis, Haddad and Hasan (2022) investigates the impact of ownership structure and corporate governance on the capital structure of listed companies in the Amman Stock Exchange. With 57 companies sampled and analysis done using Ordinary Least Squares regression for a period from 2005 to 2018. The variables of the study are made up of leverage as dependent variable and a set of independent variables proxied by institutional ownership, largest shareholder, board size, CEO/chairman duality, board composition, a committee of nominations and remuneration, and meetings number. Empirical The data reveal institutional ownership to have a strong positive impact on leverage (capital structure). This finding corroborates the work of Abobakr and Elgiziry (2016); Feng, Hassan and Elamer (2020); and Tayachi et al. (2021). Contrarily, Hayat et al. (2016) found that institutional ownership is negatively related to leverage after investigates the impact of ownership structure on debt financing in Pakistan. The study applied panel data analysis on 183 manufacturing firms. The study variables include total debt ratio, long-term debt ratio and short-term debt ratio as dependent variable and insider ownership and institutional shareholdings were the only two independent variables used for the study while the control variables include firm size, tangibility, profitability, uniqueness, and non-debt tax shield. Hussainey and Aljifri (2012); Josephat (2013); and Marcella and Paskah (2014) all found institutional ownership to have a negative impact on leverage.

Theoretical Framework

The agency theory was developed by Jensen and Meckling (1976) in which they contend that as a result of separation of management and ownership, there is bound to be problem of aligning interest between that of management and owners, which will ultimately lead to additional cost which they termed "Agency cost". This form the basis for the agency theory. Agency theory contends that conflicts exist among managers, shareholders and debt holders. An optimal capital structure to maximize firm value is one that helps to minimize total agency costs (Le, 2015).

The theory contend that managers try to satisfy their personal goals (such as using the free cash flow for unproductive investment or personal luxury) instead of maximizing shareholders' returns and firm value. The theory is used widely to demonstrate the relationship between corporate governance and capital

structure. This is because debt can be used to mitigate the conflict between managers and shareholders as debt will put managers under pressure to invest in profitable projects to create cash flow for interest payment and loan repayment (Jensen, 1986).

According to Masulis (1980), when managers own less stake in a firm, agency costs increase relatively because the partial ownership will not motivate the managers to work vigorously but rather, they will consume more luxuries like company cars and expensive hotels, since majority of the owners share most of the costs. By introducing contracts that pay managers in relation to the firm's value, they can be motivated to work in the interest of firm (shareholders) (Khan, 2017).

Another way of reducing agency conflict suggested by Fuad (2005) as cited in Marcella and Paskah (2014) is by increasing the company's monitoring activity which can be done by the institutional shareholders. Managers as agents of shareholders make decision in relation to how a company is to be financed. Financing a company through debt or equity is one of the decisions faced by a company which have to be taken carefully. Agency theory underpin this study because from the discussion above, the separation of ownership from control will definitely affect leverage decision of any corporation.

Research Methodology

Ex-post facto research design was used for the study because the variables of the study are the uncontrolled type and the events studied has occurred before the study. Eighteen (18) companies were purposely sampled from the population of twenty-eight (28) listed insurance companies on the Nigeria stock exchange as at 31st December, 2021. Data were collected for the period of twelve years i.e. 2010-2021 from Annual Reports and Accounts of the sampled listed insurance companies from the Nigerian Stock Exchange. The study variables comprised both dependent and explanatory variables. The dependent variable is "Leverage" and it is measured as total debt divided by total assets (Muharam & Putri, 2020; Uddin et al., 2019). The book value approach was used in determining the leverage because the payment of debt is dependent on the book value.

Explanatory variables include both the independent and control variables. The independent variables include inside ownership (ISO) measured as the equity shares held by managers divided by the total issued equity shares (Do & Wu, 2015; Hanga et al., 2020), and institutional ownership (ITO) measured as the total equity shares held by institutional investors divided by the total issued

equity shares (Dede et al., 2017; Shehadeh et al., 2022) while the control variables (to control the firm specific characteristics that may influence leverage) are firm size (FSZ) measured as the natural logarithms of total assets (Hayat et al., 2016; Tayachi et al., 2021), and tangibility (TAN) measured as fixed assets divided by total assets (Corsi & Prencipe, 2015; Hanga et al., 2020).

The study data was analyzed through descriptive statistics, correlation and multiple regression (OLS), using STATA software version 13.00. Thus, the following regression model was used to test whether inside ownership and institutional ownership affects leverage:

$$LEV_{it} = f(ISO_{it} + ITO_{it} + FSZ_{it} + TAN_{it})$$

$$LEV_{it} = \beta_{0it} + \beta_1 ISO_{it} + \beta_2 ITO_{it} + \beta_3 FSZ_{it} + \beta_4 TAN_{it} + \epsilon_{it}$$

Results and Discussions

This section presents the analysis of the data and tests of hypotheses formulated in section one of the work. First, preliminary analysis was conducted (using descriptive statistics and correlation matrix) followed by the presentation of the regression analysis.

Table 1: Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min.	Max.	Skewness	Kurtosis
LEV	216	0.5263	0.2117	0.0988	1.2836	0.6012	3.3767
ISO	216	0.3668	0.2575	0.0000	0.8996	0.1414	1.8921
ITO	216	0.5284	0.2239	0.0580	1.0000	-0.3254	2.2636
FSZ	216	10.2554	0.3650	9.5401	11.3858	0.4212	2.9736
TAN	216	0.1881	0.1320	0.0055	0.5649	0.9028	2.7946

Source: Generated by the Author from Annual Report Data of Listed Insurance Companies in Nigeria, using STATA 13 Output.

Table 1 shows the descriptive statistics for the dependent variable (Leverage) and explanatory variables (inside ownership, institutional ownership, firm size, and tangibility) of the study. The mean leverage of 0.5263 means that Nigerian listed insurance companies' capital is made up of approximately 52.63% debt during the period of this study, with a minimum leverage of 0.0988 and a maximum of 1.2836. The standard deviation of 0.2117 indicates no significant variation in the leverage between the sampled listed insurance companies during the period of the study. A skewness and kurtosis value of 0.6012 and 3.3767 respectively shows that the distribution is approximately symmetric.

Inside ownership has a mean value of 0.3668, implying that on average 36.68% of the issued shares of listed insurance companies were held either directly or indirectly by insiders with a minimum of 0.0000 and maximum of 0.8996. The standard deviation of 0.2575 suggests that there is no significant variation in insiders' share ownership. In terms of normality of the distribution, with a skewness and kurtosis value of 0.1414 and 1.8921 respectively, it can be said that the distribution is approximately symmetric. The mean institutional ownership of 0.5284 signifies that 52.84% of the shares of listed insurance companies were held by institutional shareholders with a minimum and maximum of 0.0580 and 1.0000 respectively. The standard deviation of 0.2239 shows that there is no significant variation in the proportion of share ownership among the major shareholders. The distribution is approximately symmetric with skewness and kurtosis value of -0.3254 and 2.2636 respectively.

Firm size has a mean of 10.254, with a minimum of 9.5401 and maximum of 11.3858. The standard deviation of 0.3650 suggests no dispersion in the total assets among the sampled companies. In terms of normality of the data, skewness of 0.4212 and kurtosis of 2.9736 shows that the data is normally distributed. Finally, the mean tangibility of 0.1881 signifies that 18.81% of the total assets of the sampled listed insurance companies in Nigerian are made up of fixed assets while the remaining 81.19% of the total assets represent current assets with a minimum of 0.0055 and maximum of 0.5649. The standard deviation of 0.1320 indicates lack of substantial variation. With a skewness and kurtosis of 0.9028 and 2.7946 respectively it implies that the data is normally distributed.

Table 2: Correlation Matrix of the Dependent and Independent Variables

Variables	LEV	ISO	ITO	FSZ	TAN	VIF	1/VIF
LEV	1.0000						
ISO	0.5038	1.0000				1.26	0.7940
ITO	0.5843	0.3872	1.0000			1.71	0.5865
FSZ	0.6575	0.3252	0.5926	1.0000		1.66	0.6027
TAN	0.2481	0.2307	0.1461	-0.0763	1.0000	1.12	0.8908

Source: Generated by the Author from Annual Report Data of Listed Insurance Companies in Nigeria, using STATA 13 Output.

Table 2 shows the correlation coefficients on the relationship between the dependent variable (leverage) and explanatory variables (inside ownership, institutional ownership, firm size and tangibility). The correlation coefficients on the main diagonal are 1.0000, because each variable has a perfect positive linear relationship with itself.

As shown in table 2, all the explanatory variables have positive relationship with the dependent variable. Inside ownership and institutional ownership have positive moderate relationship with Leverage with correlation coefficients of 0.5038 and 0.5843 respectively while firm size has a positive strong relationship with leverage with a correlation coefficient of 0.6575, on the other hand, the relationship between tangibility and leverage is positive and weak with a correlation coefficient of 0.2481. In terms of the inter relationship between the explanatory variables, institutional ownership and firm size both have positive moderate relationship with inside ownership with correlation coefficients of 0.3872 and 0.3252 respectively while inside ownership, institutional ownership and firm size all have weak relationships with tangibility, the relationship is positive for inside ownership (0.2307) and institutional ownership (0.1461) but negative for firm size (-0.0763). The relationship between institutional ownership and firm size is positive and moderate with a correlation coefficient of 0.5926.

Variance Inflation Factor (VIF) test was also carried out to determine if collinearity problem exist, but the result suggest the absence of collinearity problem as the VIF values ranges from a minimum of 1.12 to a maximum of 1.71 which are all less than the threshold of 10 (Gujarati 2003). Thus, the predictive ability of the independent variables is not adversely affected by the relationship.

Table 3: Regression Results

Variables	Coefficient	Standard error	T- Value	P > [t]	
Constant	-2.656***	0.322	-8.25	0.000	
ISO	0.187***	0.041	4.62	0.000	
ITO	0.161***	0.054	2.97	0.003	
FSZ	0.289***	0.033	8.82	0.000	
TAN	0.335***	0.065	4.49	0.000	
No. of observation					216
F					77.08
Sig					0.000
R - Square					0.594

Adj. R - Square	0.686
Root MSE	0.136

Source: Generated by the Author from Annual Report Data of Listed Insurance Companies in Nigeria, using STATA 13 Output.

NOTE: *** indicate 1% significant level

Table 3 showed the regression result of the dependent variable (leverage) and the explanatory variables (inside ownership, institutional ownership, firm size and tangibility). It is presented after preliminary test of its assumption. From the OLS regression, the coefficient of “R-squared” (0.594) shows that 59.40% of the total variation in leverage of listed insurance companies in Nigeria was caused by inside ownership, institutional ownership, firm size and tangibility while the remaining 40.60% was caused by factors not explained by the model. This means the model is fit. This can be confirmed by the F-statistics value of 77.08 at 1% level of significance. Hence, the findings of the study are relied upon. As such, the model equation can be inscribed as: $LEV = -2.656 + 0.187ISO + 0.161ITO + 0.289FSZ + 0.335TAN + 0.136$.

Inside ownership was found to have a positive significant effect on leverage of listed insurance companies in Nigeria at 1% level of significance with P-value 0.000. This can be observed from the regression coefficient with a positive value of 0.187, which means that an increase of one (1) share by inside shareholders will lead to an increase of N0.187 in leverage of listed insurance companies in Nigeria. This finding is in line with the findings of Agyei and Owusu (2015); Dede et al. (2017); Uddin et al. (2019); as well as Tayachi et al. (2021) however, it contradicts the findings of Do and Wu (2015); Hayat et al. (2016); Hassan, Nasreen et al (2018); and Muharam and Putri (2020) who found ownership by insiders (such as managers) to impact negatively on leverage. In a similar manner, institutional ownership is found to have a positive significant impact on the leverage of listed insurance companies in Nigeria at 1% level of significance with P-value 0.003. This can be observed from the regression coefficient of 0.161. This means that an increase of one (1) share by institutional shareholders, while holding other factors constant, would lead to an increase in leverage of insurance companies listed on the Nigeria Stock Exchange by a factor of 0.161. The result is consistent with the empirical findings of Abobakr and Elgiziry (2016); Feng et al. (2020); and Shehadeh et al. (2022) but conflicted with that of Hussainey and Aljifri (2012); Josephat (2013); and Marcella and Paskah (2014) who all found institutional ownership to have a negative impact on leverage.

Firm size has a positive significant impact on leverage of listed insurance companies in Nigeria at 1% level of significance with P-value 0.000 and a positive regression coefficient of 0.289 as used by Hayat et al., (2016); and Tayachi et al., (2021) in a related study. Similarly, tangibility is found to have a positive significant impact on leverage of listed insurance companies in Nigeria at 1% level of significance with P-value 0.000 and a positive regression coefficient value of 0.335 as used by Corsi and Prencipe (2015); and Hanga et al. (2020) in a related study.

Conclusions and Recommendations

The paper assessed whether inside ownership and institutional ownership affect the leverage of listed insurance companies in Nigerian for a period of twelve (12) years from 2010 to 2021 with the ultimate goal of ensuring optimal employment of capital, which in turn triggers long run value maximization of owners' equity. Based on the findings of the study, the study conclude that inside ownership and institutional ownership influence the extent of debt desirability of listed insurance companies in Nigerian. Companies with inside ownership show preference for debt because of its tax advantage over equity financing. This confirm the agency cost theory that sees the existence of relationship between the inside ownership and firms' performance. On institutional ownership, its influence on leverage of listed insurance companies in Nigeria is positive. This shows that institutional shareholders are involved in active monitoring and support debt in order to protect their interest and control which they may lose due to dispersed ownership. In a similar manner, both firm size and tangibility impact leverage of listed insurance companies in Nigeria positively with firm size having more influence than the other explanatory variables. Thus, the study recommends that both Managers and institutional investors should be wary of their influence on debt desirability and should reduce the amount of debt in the capital structure especially where there are signs of financial deterioration which is usually associated with high cost of debt, this will enhance profitability and firm value. Value maximization should be pursued by all shareholders and this can only be achieved by aligning investment decision of the company with the appropriate financing decision given consideration to maturity structure of external debt capital. They should only increase debt in the capital structure of companies when profits are high; cost of equity capital are high and benefits of tax shield are high and ensure that long-term debts are used to finance fixed tangible assets while short-term debts are used to finance short-term obligations.

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