UNIVERSITY OF CAPE COAST

OWNERSHIP STRUCTURE AND PERFORMANCE OF UNLISTED FIRMS IN GHANA

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BY

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DECLARATION

Candidate's Declaration

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

Signature ………………………………… Date ………………….

Name: BISMARK EDEM YAW BUABA

Supervisor's Declaration

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

Signature ……………………………… Date ……………………..

Name: DR. SAMUEL KWAKU AGYEI

ABSTRACT

Major organizational decisions that greatly influence enterprise performance have the core mandate from the nature of ownership, which require constant empirical evaluation. The main purpose of the study was to examine the relationship between ownership variables and financial performance of unlisted enterprises in Ghana using the 2013 World Bank Enterprise Survey panel dataset which have two time period and 720 enterprises. The study used the quantitative research approach. Five different ownership variables were used along with profitability per employee as proxy enterprise financial performance for the analysis. Comparison of means based on ANOVA and static panel regression models were used for the analyses. The results suggested that differences in financial performance of enterprises can be explained by ownership structure of an enterprise. Specifically, ownership concentration had negative but increasing effects on profitability per employee of enterprises. The analysis revealed that unlisted enterprises with traded or non-traded shares outperformed the partnership enterprises, but had identical performance with the sole proprietors in terms of profit per employee in the manufacturing sector. Foreign ownership was found to impact directly on profitability in the service sector but not in the manufacturing sector of Ghana. Formal status was also found to be beneficiary in the manufacturing enterprises than service enterprises. The study recommends that owners of enterprises in the manufacturing sector must open up to foreign direct investment by reducing inside concentration. Management of enterprises in the service sector must go formal in order to reap the benefits of formality.

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DEDICATION

To my lovely wife Selina Ama Buaba, daughters and parents and siblings

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ANOVA	Analysis of Variance
BSE	Bombay Stock Exchange
FDI	Foreign Direct Investment
FE	Fixed Effects
GSS	Ghana Statistical Service
NSE	Nairobi Stock Exchange
OLS	Ordinary Least Squares
RE	Random Effects
ROA	Return on Assets
VIF	Variance Inflation Factors

CHAPTER ONE

INTRODUCTION

Ownership refers to the decision making structure of an enterprise and it has implications on the source and access to finances, type of corporate finance as well as the size of working capital. This many role of ownership to the activity of a firm suggests that it has the tendency to promote or inhibits the financial performance of enterprises which eventually translates to their survival in a business environment. Sometimes an enterprise must reposition itself for survival by altering its ownership structure but such decisions depends on the ability of the new ownership structure to promote financial performance and enhance corporate governance. The need therefore exist to constantly evaluate the effects of respective ownership structures on enterprises performance to provide fresh evidence for policy action. This study did just that by examining how ownership structure affects the financial performance of enterprises in Ghana using a nationwide survey data that has rich information on ownership and financial performance.

Background to the study

Economic growth is considered to be the average of firm growth in an economy, which suggest that the health of an economy can be gauged by the success of it enterprises (Kwame, Yusheng & Zhu, 2017). The Ghanaian economy comprise three main sectors; they are industry, agriculture, and services sectors (Addo, 2017). The Agricultural sector has been dominating the space but the gap tween the agricultural sector on one side and the serve and manufacturing enterprises on the other side keeps reducing (Addo, 2017). Because of the complementary role to other sectors of the economy, the service and manufacturing sectors are mostly on the centre stage of research discussions. Hence assessment of performance of enterprises in the two sectors comes to fore when economic development is being discussed.

In developing countries like Ghana, enterprise performance and subsequent growth remains the hope for job creation necessary to meet that growing level of unemployment. Driver of enterprise performance, therefore, lies at the heart of every policy aimed at creating decent jobs and reducing unemployment in developing countries. Policy makers are in continuous search for the lead variables to enterprise growth, which could be target to stimulate growth in the real sector to boost production, control demand pull inflation and to make the private sector the leader in net job creation.

One the role that ownership play in firm performance, a number of theories have taken different position such as the mediating role of ownership on agency and transaction cost (Ahiadorme, 2015), access to finance in developing countries (Mertzanis, 2017) and corporate governance (Gokah, 2016) among others. In line with theories of agency cost and principal agent problem, ownership that does not separate ownership from control such as sole proprietorship and unlimited liability partnership stand the chance to grow proportionally higher than limited liability firms when ownership is separated from control (Marashdeh, 2014). In line with access to finance, proponents believe limited liability and large firms with more formal ownership structure can access external funds easily and cheaply than small and unlimited liability firms, where the owner can willfully divert funds (Musamali & Tarus, 2013). The fact that access to finance can be easy for more formal ownership structure, it could as well be linked to fact that formality goes with better corporate governance (Antwi1, Mills & Zhao, 2012; Asiedu, Onumah & Kuwornu, 2012).

To survive in every business environment enterprises must grow enough to absorb business shocks, since such shocks are inevitable, especially in developing countries like Ghana. Even if the cost of doing business increases significantly in a business environment, the survival of an enterprise depend mainly on the enterprise's ability to grow sales over the increase in cost in order to generate significant profit. That is, for an enterprise in a competitive market who have no market power to influence price, the way forward is to concentrate on growing sales at the least possible cost. Sales growth is therefore the first step in the profit maximization move of every enterprise in a competitive market structure as most enterprises face in Ghana. It is against this background that the finance and economic literature have devoted lots of attention to the drivers of growth among enterprises both in the advanced and emerging economies (Shrivastav & Kalsie, 2018).

Previous studies in Ghana have concentrated efforts at understanding the relationship between enterprise financial performance and ownership structure but the definition of ownership is either too restrictive or the scope is narrowed to only listed firms with conflicting results. The focus has always been placed on institutional ownership and foreign ownership which are predominantly large enterprise concepts (Nyarko, Kong & Naiping, 2017). The reason for the heavy concentration on large and listed firms could be attributed to data availability which was limited for unlisted firms (Jones, 2012) but readily available for listed firms. Through the World Banks enterprise survey, however, data is now available on firms of all age, size and ownership structure which allows for the relationship to be reconsidered. By using the enterprise survey dataset, it is now possible to examine the effects of ownership structure on financial performance among unlisted firms across different firm sizes and sectors for a holistic view of the relationship. This study therefore attempted to fill the existing gap on the role of ownership in firm performance by using a nationwide panel data on non-agricultural service and light manufacturing firms in Ghana following the 2007 and 2013 surveys in Ghana.

There are several aspects of ownership to an enterprise and each has implications for both non-financial and financial performance of the enterprise. Ghanaian service and manufacturing sectors are predominantly informal in nature which can be closely linked to the major types of ownership structure. That is, empirical evidence suggests that ownership structure varies with expansion in scale of production which in turn moves firms towards formality. The fight against informality in developing countries of which Ghana is not an exception has its roots embedded in the dominant type of ownership and how its support firm performance. That is, one major avenue for survival and expansion is for small firms to team up (change from sole proprietorship to unlimited liability partnership), for medium scale enterprises to merge into a large firm (limited liability partnership) or/and large enterprise to go public (float shares on a stock market) to increase working capital and expand into other markets.

For firms to change from one ownership structure to another clearly requires assurance that the benefits shall exceed the obvious cost and hence performance shall be enhanced. Such assurance can best be achieved by empirical studies in a particular business area to identify the best ownership structure that is performance oriented and enhances the probability of success significantly.

Problem statement

A number of studies have therefore committed resources to examining the role that ownership play in the financial performance of enterprises in Ghana. A critical review, as presented in the next chapter, however suggested that almost all recent studies on the association between firm performance and ownership structure have been concentrated on listed firms with little attention paid to the unlisted firms (e.g. Appiadjei, Ampong & Nsiah, 2017; Nyarko, Kong & Naiping, 2017; Gokah, 2016; Dedzo, 2015; Osei, 2015; Agyei & Owusu, 2014; Owiredu, Oppong & Churchull, 2014; Barnor & Odonkor, 2013). Considering the fact that unlisted firms dominate both the service and the manufacturing sectors of Ghana, information on the role of ownership structure on the financial performance of unlisted firms must be made readily available through empirical studies. According to the Ghana Statistical Service (2017:1), "none of the ten regions of the country has up to 20 percent of businesses or what the statistical service calls 'non-household establishments' being formal". There are currently 42 listed firms in Ghana (GSE, 2019) compared with the fact that the enterprise survey sample frame alone identified 720 service and light manufacturing enterprises in the four business zones (World Bank, 2013) while the 2016 Regional Spatial Business Report of the Ghana Statistical Service identified 638,000 non-household (commercial) establishments in the country of which 395,977 (representing 62%) were classified as informal (GSS, 2017).

The statistics explain why a greater deal of policies on enterprises in Ghana are on unlisted informal enterprises and how their growth and performance can provide employment. Jones (2012) used one listed firms to study the role of female ownership in Ghana and observed that female-owned firms are about 25% less productive than male-owned firms. Jones, however, used a 12 year panel which spans the period of 1991 to 2002 which offer very little information about real activities of enterprises even within the year of the study. The gap therefore still exist for the assessment of the ownership-financial performance relationship for unlisted firms since a more recent data will give a more recent picture of the relationship.

Again, activities of financial institutions are directly linked to that of manufacturing and service sectors and any turbulence in the financial sector shall be felt in these sectors as well (Amuakwa-Mensah & Boakye-Adjei, 2015). The current crisis in the financial sector of Ghana obviously have implications on access to finance to business in Ghana. Andow and Bature (2016) asserted that the ability of an enterprise to access external finance depends largely on the ownership structure and hence ownership structure can be the lead variables to consider when access to finance is limited. The question then is whether current ownership structures of enterprises really affects their performance and if so which structure is most growth oriented?

According to Demsetz and Villalonga (2001), "Empirical studies showed conflicting results about relationship between ownership structure and performance" (p.201) even in countries where the issues seems to have receive enough attention. Sadeghi and Rahimi (2012) clarified that different ownership structures and non-homogeneous conditions in the various countries suggest that ownership structure and firm value in the financial market performance of developed and developing countries are different which calls for studies in every business environment on the relationship. There is therefore the need to intensify research into the nature of the relationship in the broader segment of the unlisted enterprises in Ghana which is what this study sort to do.

This study contributes to the many studies done on ownership and performance by using a nationwide level survey data that allows different ownership variables to be generated and evaluated on one platform, form comparison on which structures is most consistent for growth. The main aim of the study was to evaluate the effects of ownership structure on the growth of enterprises in Ghana using sales growth as a proxy for financial performance.

Purpose of the study

The main purpose of the study was to examine the effects of ownership structure on the financial performance of unlisted firms in Ghana.

Objective of the study

To achieve the main purpose of the study, the following specific objectives were formulated.

1. To determine the effects of legal structure of an enterprise on financial performance of enterprises in service and manufacturing sector of Ghana.
2. To examine the effects of the presence of a female in the top management on financial performance of enterprises in service and manufacturing sectors of Ghana.
3. To determine the effects of foreign ownership on financial performance of enterprises in service and manufacturing sectors of Ghana.
4. To identify the impact of ownership concentration on the sales growth of the enterprise in Ghana.

Hypotheses of the study

To address the stated objectives, the following null hypothesis shall be tested. Failure to accept the stated null hypothesis shall lead to the conclusion that a statistical relationship exists between the dependent and independent variable in question.

1. Ho: The Ownership type of an enterprise does not have statistically significant effects on the profit per employee of enterprises in the manufacturing and service sector of Ghana.

2. Ho: The presence of a female in the top management of an enterprise does not have statistically significant effects on the profit per employee of enterprises in the manufacturing and service sector of Ghana.

3. Ho: The foreign ownership of an enterprise does not have statistically significant effects on the profit per employee of enterprises in the manufacturing and service sector of Ghana.

4. Ho: The ownership concentration of an enterprise does not have statistically significant effects on the profit per employee of enterprises in the manufacturing and service sector of Ghana.

Significance of the study

Considering the role that ownership structure play in the survival of an enterprise; information on its impact on performance is of great importance to all stakeholders including owners of enterprises. The outcome of the study provides grounds for enterprises that are considering changing ownership to re-assess their decision in terms of whether they are making a growth oriented move or getting to slippery grounds. Policy makers also have information on which industry to support with tax exemption and other assistance to grow enough to meet the growing demand for jobs in Ghana. This particularly could be related to domestic and foreign ownership and how tax exemptions are distributed by policy makers.

Delimitation of the study

The study had a wider scope in terms of ownership definition and geographical by using a nationwide data set. Though the analysis involved firms from both the manufacturing and service sectors of Ghana; the analyses excluded firms from the agricultural sector of Ghana whether into service or into manufacturing.

Limitation of the study

From the scope, the major limitation of the study was the inability to include enterprises from the agricultural sector of Ghana. Considering the important role that agriculture performs in Ghana, it was the desire of the researcher to include firms from the sector but for data limitations. The limitation, however, only affected the level of generalization but not the consistency of outcome since best practices in the literature was followed.

Definition of terms

The key variables in the study were defined and operationalized in this study as:

1. **Ownership structure** relates to the decision making segment of the firm and is defined by the distribution of equity with regard to votes and capital (Anthony, 2014 as cited in Ng'ang'a, 2017).
2. **Foreign owned firm** refers to companies with a higher percentage of enterprise owned by foreign partners, foreign financial entities and foreign nationalities (Herdjionol *et al.*, 2016).
3. **Ownership concentration** refers to the percentage of an enterprise that is owned by the largest owner (Ng'ang'a, 2017).
4. **Financial performance** refers to general measure of a firm's overall financial health over a given period of time, and can be used to compare

similar firms across the same industry or to compare industries or sectors in aggregation (Ngumi, 2016).

5. **Capital structure** refers to the approach a firm uses in financing their assets through the mixture of debt, equity or hybrid securities (Saad, 2010).
6. **Corporate Governance** entails process and structure used to direct and manage business affairs of an enterprise towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholder/owners long term value while taking into account the interest of other stakeholders (CMA Act, 2002).

Organization of the study

This paper was organized into five main chapters. The Chapter One presented the Introduction which covered the background of the study, the problem statement, the research objectives, the research questions, and the purpose of study, the delimitation of the study, the limitations of the study, definition of terms and the organization of the study. The Chapter Two presents the review of the related literature which shall cover both theoretical and empirical review in the area of growth and firm size nexus. The Chapter Three described the research methods applied in the conduct of the research. The Chapter Four presented, analyzed and discussed the results from the estimations based on secondary data used on the stated research objectives and hypotheses. The Chapter Five presented the summary of findings, conclusions that can be drawn from the research conducted, research recommendations and offered directions for further studies since research is a cycle.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This Chapter presents the review of the related literature with consideration to theoretical and empirical issues. It begins with the theoretical and conceptual framework of the study, followed by discussions on ownership structure and financial performance and finally a chapter conclusion.

The Agency Theory

The agency theory was proposed by Jensen and Meckling (1976) to explain the association between principals such as shareholders or enterprise owners, and agents such as a senior manager of a firm or caretakers in the case of small and medium scale firms. The principal agents work as an agent and expect the agent to work always for the best interest of the organization or enterprise. Jensen and Meckling (1976) defined the agency relationship as "a contract (explicit or implicit) under which one or more persons (the principal (s)) engage another person (the agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent" (Lawal, Agbib & Mustaphac, 2018:p.2).

In the situation where the agent and principals have diverging interest, then the agent may not always act in the best interest of the principal which is value maximization. The conflict that arise as a result of the non-alignment of the interest of the agent with that of the principal is termed the *principal-agent* *problem*. The resulting value loss from the principal-agent problem when ownership is separated from control is called an *agency cost* (Lawal, Agbib & Mustaphac, 2018). Ownership structure and corporate governance may be seen as the instruments through which the principal-agent problem can be managed to reduce the agency cost and hence reducing the value of destruction caused by the agency problem.

It is clear then that the ownership structure type adopted by a firm determines the level of separation between ownership and control which then determines how the agency problem shall impact financial performance of the enterprise. The major inference from the agency theory is the fact that the association between firm performance and ownership structure can be explain by the extent to which a given ownership structure mitigates the effects of agency problem and its associated cost.

According to Lawal, Agbib and Mustaphac, (2018) debt financing is one avenue to reducing agency problem since it's related to information asymmetry and free cash flow. Also, align the interests between managers and owners could be another sure means of reducing total agencies costs. Jensen and Meckling (1976) further stated that the association between agency costs and managerial ownership is linear and hence acquisition of all of the shares by managers is one surest way to achieve optimal point for the firm. In the case of non-listed firms, it could be postulated that the larger the share of the largest owner who doubles as manager, the lower the agency cost. Spreading ownership concentration is another way of decreasing agency costs is by allowing shareholders to take significant interest in monitoring organisational operations and performance (Gilson, Kose & Lang, 1990).

According to Aggrawal and Knoeber (1996), agents such as manager of companies may not endeavour into activities that are rigorously profit maximizing where enterprise owners or shareholders are not firmly checking their behaviours. Lawal, Agbib and Mustaphac, (2018) identified three broad categories of agency cost that can arise due to the agency problem as monitoring costs, bonding costs, residual cost.

By the core tenets of the agency theory of the firm, Owner controlled firms should perform better than other form of ownership structure that separate ownership from control since that former has all the reasons to maximize the firms value. Despite the real possibility of agency cost in institutional managed enterprises; Pound (1988) contends that sole ownership in monitoring could be less efficient as compared to institutional ownership, due mainly to the ability of institutional ownership to pool funds.

Transactions Costs Theories

Transaction cost refers to the extra cost of acquiring a product over and above the actual value of the product (Ling, Sim, & Ling., 2018). The ownership type or structure of an enterprise can influence the level of transaction cost. Agency cost and principal agency problem are anchored on transaction cost, since the behaviour of the agent can increase or reduce transaction cost (Aktas, Croci & Petmezas, 2015). Hence, when owners and principals interest are align, there are high tendency to contain transaction cost of an enterprise.

Conceptual Framework

Based on the propositions of agency theory and capital structure, the study developed a conceptual framework similar to that of Balagobei (2017) in a similar study in the Case of Sri Lanka.

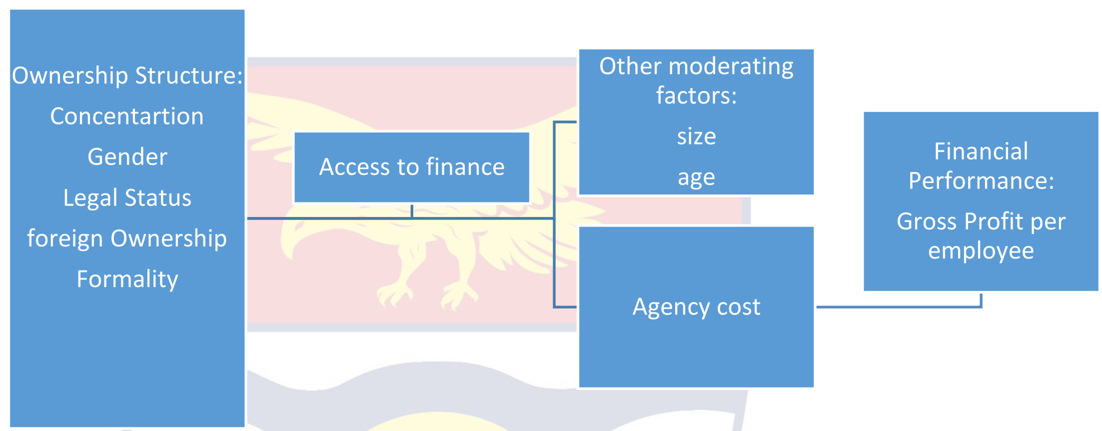

Figure 1: Conceptual Framework

Source: Buabeng, 2019

From Figure 1, the entire process of the life of an enterprise begins with the ownership structure which can inform the size of the *head capital* as well as the level of access to finance – both formal and informal sources of finance. It is more likely that an enterprise shall begin from owner managed, be it self-employment (sole proprietorship) or some form of unlimited liability partnership. Though existing evidence suggest that some large enterprises do start with huge funds (some form of franchising from a more experience firm through foreign direct investment) in the case of Ghana (Fraser, 2005) but the most dominant form of enterprises are still the SMEs which evolves over time. Ownership is surely not static over the life span of the enterprise as most enterprises, do evolve from one ownership structure to another. That is, even purely state owned enterprises may be privatized fully or partially over time through some form of public private partnership.

As enterprises moves from owner managed to partnership or shareholding, ownership is separated from control and the issue of agency problem and agency cost is accentuated. The level of agency cost intend depends on the kind of cooperate governance in the case of more formal or well organized enterprises or the level of involvement of the majority shareholder in the case of informal enterprises (Lawal et al., 2018). Other moderating factors such as age, size and owner or managers personal attributes such as sex and level of education/experience play a vital role in the extent of agency problem and how it is managed. The transmission channel may not be as straight forward as contained in the framework but impact on ownership of enterprises on financial performance is surely a direct or an indirect one that manifest through a path similar to what is contained in the agency theory of the firm.

If the ownership structure facilitates access to finance and manages agency problems well; then firms are likely to exhibit superior financial performance. The reverse is true on the situation where agency problem is not well managed and financial constraint exacerbate the negative effects. In relation to enterprise size, larger firms may benefit more from the access to finance aspect than reduced agency cost which leaves room for both superior and reduced financial performance (Andow & Bature, 2016). For example, larger enterprises can align managers' interest with that of the organization by adopting the right compensation package. But smaller enterprises may have less organized compensation package due to the less formal ownership structure which makes it difficult to use compensation to check agent's behaviour.

In line with the learning theory, older firms can most likely benefit from both access to formal and more reliable source of finance as well as manage agency cost. The joint effect of size and age has implication on the nature of ownership which in turn determines the corporate government and capital structure that eventually affects efficiency and financial performance of an enterprise (Agyei & Owusu, 2014).

Ownership structure and enterprise performance

Two conflicting theories emerged on the association between enterprise ownership structure and performance. Berle and Means (1932) suggested that ownership and enterprise performance are directly related in the equilibrium hypothesis by Demsetz (1983). The equilibrium hypothesis asserted that no methodical association should exist between difference in performance and ownership structure of the firm. Though most studies have evaluated the association between enterprise performance and ownership structure, the outcome has been mixed as supports are found for both positions across the globe. Gugler (2001), catalogued the main empirical work on the relationship between performance and ownership structure from 1932 to 1998. The outcome indicated that from a total of 33 empirical studies, 6 dealt with insider holdings and 27 considered outsider ownership concentration. The outcome of the outsider concentration of ownership was negative in 2 studies, positive in 12 studies, and neutral in 13 studies. Here the positive position was favoured.

Other authors have studied the effect of ownership structure on enterprise performance controlling for endogeneity of ownership. Demsetz and Villalonga (2001), Cho (1998), Loderer and Martin (1997) and Hermalin and Weisbach (1991) all assumed that the source of endogeneity to be bicausality, and used simultaneous equations models. They analyses found no significant relationships between ownership structure and performance, which they viewed as support for the Demsetz's (1983) equilibrium hypothesis.

Himmelberg, Hubbard and Palia (1999) contended that unobserved firm heterogeneity explained a greater portion of the cross-sectional difference in managerial ownership, as other possible source of endogeneity. The fixed-effects panel data approach can be used to handle the problem of endogeneity if the unobserved heterogeneity is fixed, but and also found no significant association between ownership structure and performance.

The fixed-effects method has been criticised by Zhou (2001), however, criticised the fixed-effects approach by arguing that using fixed-effects approach may not allow the detection of any effect of ownership on enterprise performance though it may exist. Khanna, Kogan and Palepu (2005) observed that the outcome of Himmelberg et al. (1999), of the lack of statistical association between firm value and ownership and in fixed-effects estimation, is particular to the period under consideration. He stated that if the data is extended beyond 10 years, the association turns out to become significant.

Foreign ownership and enterprise performance

Agency theory proposes that foreign stockholders would be unwilling to perform active corporate governance because of lack of country specific knowledge regarding law, competition, regulation, corporate strategy and local investors (Bohren & Odegaard, 2001). Brennan and Cao (1997) asserted that monitoring costs for foreign owners could be significantly high compared to local owners, due mainly to differences in business ideologies. Hence, increases in the presence of foreign ownership could be injurious to financial performance. This investor standpoint is a general situation where investors choose investing domestically instead of taking optimum risk-return situations due to their limited knowledge of a foreign market (Klungland & Sunde, 2009).

Hill (2003) maintained that individuals must anticipate that foreign ownership encourage development and build competences in the domestic business environment. Moreover, foreign companies can create values from the so call foreign direct investment "spill overs" in the domestic business environment (Hill, 2003). The foreign owner introduces capital in terms of financial, technology, human resources which is mostly scarce in developing countries like Ghana and hence positions the enterprise to generate superior financial performance. The significant presence of foreign investor can also reduce risk through diversification of their portfolios and extended market in terms of both raw materials and finished goods.

A number of empirical studies have been conducted into the effects of foreign ownership on financial performance of firms or enterprises both within and outside Ghana. There has been evidence to support both the negative and positive spill-over of foreign ownership.

Domestic ownership and firm performance

Enterprises with total domestic ownership may have perfect knowledge of local market which puts it in a position to generate superior financial performance. Domestic or local ownership refers to the businesses owned by local residence and can be viewed in terms of varied ownership and institutional ownership (Ng'ang'a, 2017). Diverse ownership refers to companies owned by local individuals with no single controlling shareholder. Margaritis and Psillaki (2010) examine the association among ownership structure, firm performance, capital structure and their analysis indicated that listed firms that had high concentration of ownership have greater controls which expands financial efficiency and decrease agency costs leading to improved financial performance, while listed firms with greater dispersed ownership face more agency costs which lowers their financial performance.

Czarnitzki (2015) study observed that the dispersed ownership concentration impact financial performance indicators but not stock market performance indicators, which indicated that there might be some other significant factors that affects firm's performance aside ownership structure. Kiruri (2013) researched on the effects of ownership structure on banks profitability in Kenya and found that local ownership and foreign ownership had positive and significant effects on the banks profitability while institutional ownership and state ownership had negative and significant impacts on the banks performance.

Formal, Informal Status and Enterprise Profitability

Formal status is an open construct which has several categorisation but the most common operationalization has been registration with the most recognized regulatory bodies (Aparicio, 2014). In the case of developing countries like Ghana, an enterprise is considered formal when it has registered with the Registrar General's Department such that the revenue services have access to their data for tax filling (World Bank, 2013). Enterprises that operate outside these formal regulatory environments are thus referred to as informal enterprises. The existing theory suggest that the proliferation of informal enterprises are mostly as a results of regulatory lapses that allow some enterprises to evade taxes and registration fees by turning such funds into profits (ILO, 2013). By these informal benefits, informal enterprises with the same cost and revenue structure as a given formal enterprise has the tendency to report higher returns, because they could evade payments the formal enterprise will pay. Hence, informal enterprises are more likely to show superior profitability figures compared to the formal counterpart. Also, the informal enterprises, by operating outside the regulations, do not pay benefits such as social security for their workers or grant them paid leave which allow them to generate more profitability per employee than their formal counterparts.

On the flip side, formal firms enjoy the advantages of going formal in the form of being able to apply for certain formal contracts that the informal enterprises cannot apply as well as attract their best talents in the industry since they have more decent employment than the informal counterparts (Aparicio, 2014). From this angle, the formal enterprises could generate more profit per employee than the informal enterprise. The actual empirical effect of formality status therefore depends on the sector of operation and the level of regulations in the sector in which an enterprise operates.

The empirical evidence suggest that the business environment of Ghana is dominated by informal enterprise (Amissa &Gyeke-Dako, 2016) but the evaluation of informal status on profitability is less frequent in Ghana.

Empirical Literature Review

Empirical association between ownership structure or type and enterprise performance has receive attention at both domestic and the rest of the world. The outcome, however, suggests that the concentration has mostly been on the listed firms that have more defined ownership structure and clear separation of ownership from control. That is, a better case can be made for agency problem and hence agency cost for listed firms than for unlisted and other less formal forms of ownership. The review concentrated on some recent evidence among the listed firms both within and outside Ghana.

Gender of owner and firm performance

Appiadjei, Oppong Ampong and Nsiah (2017) examined Firm Performance and Board Gender Diversity covering all the 34 listed businesses on the Ghana's capital market over the period of 2010 to 2014. The outcome indicated that women are poorly represented on the corporate boards of listed firms in Ghana. It was observed that multinationals appointed 62% female on their boards, while Local firms appointed 38%. The regression analyses found that, a unit increase in the proportion of women on a firm's board, increased return on equity by about 21.6. Additionally, a unit increase in the ratio of females on board increases the net profit margin by about 18.2.

Osei (2015) examined the association between enterprise financial performance and board gender diversity of 31 listed firms on the GSE over the period of 2003-2014 firms in Ghana. After accounting for enterprise size, industrial dummies, ownership board size and other corporate governance measures using the generalized least squares estimation methods and the pooled OLS, and the finding of the study was mixed. The analysis of the study found significant positive association between gender diversity and firm performance measured by profit margin, return on capital employed and gross profit margin. The study also observed no statistical significant association between all five firm performance measures and board diversity, measured as female executive board members.

Jones (2012) assessed the impacts of female ownership on enterrpise performance in Ghana. The outcome suggested that, male-owned enterprises are about 25% more productive than female-owned enterprises, keeping other factors such as sector, union status and location constant. In addition, the low level of productivity was found to lowering the survival prospects of female-owned enterprises.

Ongore and K'Obonyo (2011) studied the connections among board and manager characteristics, ownership and firm performance using 54 listed firms on the Nairobi Stock Exchange (NSE). Based on the outcomes of the analysis of the study, a significant positive relationship was observed between institutional and diverse ownership forms, managerial discretion, foreign insider, and firm performance. However, there was a statistical significant negative association between government, ownership concentration and firm performance.

Andow and Bature (2016) studied the association between the financial performance and Ownership structure of listed multinational enterprises in Nigeria. The result revealed that foreign and managerial ownership had significant negatively impacts the performance of listed multinational enterprises, while enterprise size positively impacts the enterprises performance. Abdul (2016) examined the effects of ownership on enterprise performance on the Bombay Stock Exchange (BSE) in India covering the period of 2011-2015. The analysis used correlation statistical analysis and found that ownership structure measured by concentrate, managerial, institutional, and foreign shareholding has influence on enterprises' financial performance measured by Return on Assets (ROA).

Saseela and Thirunavukkarasu (2017) explored the association between financial performance and ownership structure of listed tobacco and beverage food companies in Sri Lanka covering the years 2010 to 2015. The analysis also studied the impact of ownership structure on financial performance. The analysis used regression analysis and Pearson's correlation coefficient; the analysis suggeted that the foreign ownership structure and ownership concentration had direct positively impact on the financial performance of the companies measured by ROE (Return on Equity). The analysis again observed significant effects of foreign ownership structure on financial performance.

Foreign ownership and firm performance

Barnor and Odonkor (2013) using panel data on selected insurance companies and banks from the years 2000-2010 to analyse the impact of three major types (Close corporations, Government ownership and foreign ownership) on financial performance, measured as return on asset and return on equity. Their results indicated that both government-owned firms and closed corporations did not perform better than the foreign owned firms in terms of effects on financial performance. The actual gender composition and level of concentration of ownership were not considered which this study considered. Ramachandran and Shah (2000) used firm-level dataset on Zimbabwe, Ghana and Kenya to examine the impacts of foreign ownership on value added of enterprises in sub-Saharan Africa. The survey data included both listed and unlisted firms as well as firms from micro to large enterprises in the service and manufacturing industry. The econometric analysis indicated that foreign ownership has a significant effect on value added only when it exceeds a majority share.

Ng'ang'a (2017) studied the impact of ownership structure on financial performance of listed enterprises on the Nairobi Securities Exchange (NSE) in Kenya. The results indicated that all ownership structures types had a statistical significant positive effect on the financial performance of listed enterprises in

Kenya. Further analysis indicated that Managerial shareholding and foreign ownership had the strongest significant positive effects on the financial performance of listed enterprises. Ng'ang'a explained the findings to imply that foreign owners can effectively control and monitor their managers. Therefore it was concluded that each type of ownership structure has a significant positive contribution on firm's financial performance. Nganga's observation supports the view of the agency theory that once agency problem are controlled for by proper monitoring or alignment of managers' interest with that of the organization; superior financial performance can be assured.

Belkhir (2006 as cited in Barnor & Odonkor, 2013) posited that directors and managers that have their personal wealth significantly connected to the value of the enterprise shall have the motivation to act in the best interests of outside shareholders. Also, the fact that local firms leverage on their knowledge about the local market to exhibit superior financial performance was highlighted.

Balagobei and Thirunavukkarasu (2017) investigated the relationship between ownership structure and financial performance of listed beverage food and tobacco companies for the period of 2010-2015. This study also examines the impact of ownership structure on financial performance. The sample consists of 10 listed beverage food and tobacco companies in Sri Lanka. In this study, data was collected from secondary sources and hypotheses are examined by using Pearson's correlation and regression analysis. The results revealled that ownership concentration and foreign ownership structure are positively correlated with financial performance of listed beverage food and tobacco companies while institutional ownership structure was not significantly correlated with financial performance. It is also found that there is a significant impact of foreign ownership structure on financial performance. Higher the foreign ownership structure in listed beverage food and tobacco companies, the higher the financial performance which is preferable for the shareholders and it improves the wealth of companies.

Lee (2008) concentrated on the effects of ownership concentration and identity of owners on enterprise performance. The analysis observed tha the effects of foreign ownership and institutional ownership are insignificant, but ownership concentration had significant positive effects on enterprise performance.

Ownership concentration and firm performance

Nyarko, Kong and Naiping (2017) studied the association between corporate governance and enterprise performance in Ghana. The findings showed that foreign ownership, institutional ownership, large board size, long serving CEOs, size of audit committee, annual general meeting, audit committee independence and dividend policy are positively related with the financial performance of banks in Ghana. Owiredu, Oppong, & Churchull (2014) studied the impact of ownership structure on the performance of listed enterprises on the Ghana Stock Exchange (GSE). The results indicated that there is a significant negative association between ownership concentration and enterprise performance. The results further found a statistical significant positive association between insider ownership and firm performance.

Gokah (2016) studied the association between enterprise performance and corporate governance of financial institutions listed on the GSE. The results indicated a statistical significant positive association between managerial ownership and firm performance. A statistical significant positive relationship was observed between board size and firm performance. Agyei and Owusu (2014) used a firm level data for eight sampled listed manufacturing enterprise from GSE covering the period of 2007 to 2011. The results suggested that corporate governance and ownership structure play important role in firm's capital mix determination.

Dedzo (2015) studied composition of board of directors and its effects on firm performance and service delivery firm performance in the Ghanaian banking industry. Using static and dynamic panel models, the presence of independent non-executive directors and board size were observed to have statistical significant positive effects on performance, whilst board members' political attachment was observed to have profound significant negative effects on firm performance. Abbasi, Asadipour and Pourkiyani (2017) investigated the impact of ownership structure on the performance of listed enterprise on the Tehran Stock Exchange using a sample of 78 companies within a period of 7 years (2007-2013). Multiple regression and panel data model were used for the analysis. The findings showed that the ownership structure have a significant impact on firm performance, that is changing ownership concentration has a direct and positive correlation with financial performance variable.

Earlier, Saeedi and Shiri-Qehi (2012) investigated the effect of ownership structure on the performance of companies listed on the Stock Exchange of Tehran using a total of 93 companies. The outcome of the fixed effects pooled regression showed that there is no relationship between the different types of ownership and performance. However, in the extended regression, linear significant and negative correlation between the holders of more than 5%, of share and its performance is shown and the impact of other indicators of ownership structure; i.e., share of actual, legal and largest shareholder on the company's performance was not confirmed.

The results of Sadeghi (2012) suggest that in the Tehran Stock Exchange, ownership structure and concentration does not affect the performance of companies listed on the Tehran Stock Exchange, but the performance of company has significant effect on the ownership structure. Namazi and Kermani (2008) investigated the significant relationship between ownership structure and performance of companies in Tehran Stock Exchange. The research sample consisted of 66 companies during 2003 and 2007. The findings eventually found a significant relationship between ownership structure and performance. Ebrahimi Kordlar et al (2006) showed a significant positive relationship between institutional ownership and corporate performance.

Okoth and Ongore (2011) examined the effects of ownership structure on the performance of companies listed on the Stock Exchange Kenya. 42 companies (54 companies) listed on the Kenya Stock Exchange using primary and secondary data were examined. The findings showed that the concentration of ownership and state ownership significantly and negatively associated with firm performance. On the other hand external ownership, dispersed ownership, ownership and manager possession has a significant positive relationship with the company's performance. Imran Khan's findings (2010) showed non-linear relationship between ownership, capital structure and firm performance. Demsetz and Villalonga (2001) found no significant relationship between ownership structure and firm performance.

Chapter summary

The theoretical review settled on the agency theory for the firms among the many theories that explains firm performance because agency problem arises mainly due to ownership choice. The empirical review suggest a common trend both within and outside Ghana where greater percent of studies on ownership structure and enterprise performance are concentrated on listed firms mainly due to data availability. That is, less studies have been done on unlisted firms which create a research gap for further research especially as survey datasets makes data available on unlisted firms in both the service and manufacturing firms.

Also, the outcome of studies on the relationship between ownership structure and financial performance was inconclusive as some studies observed negative relationship while others observed positive relationship with others observing no relationship at all. With reference to the case of Ghana, it was clear from the empirical review that ownership structure is mostly not target directly but rather proxies of it have been used. This study seeks to contribute to the filling of the research gap by using a firm level survey data on service and manufacturing firms in Ghana to re-examine the association between financial enterprise performance and ownership structure in Ghana.

CHAPTER THREE

RESEARCH METHODS

Introduction

The Chapter presents the overall methods followed in conducting the study. It presents the research design and approach, data source and description, econometric model specification and estimation methods as well as ethical considerations.

Research Design

The study adopted the explanatory research design to examine the relationship among macroeconomic factors and the level of non-performing loans. The study followed the objectivism as an ontological position and hence employed the positivist philosophy as epistemological position. Based on the core tenets of positivist philosophy, the quantitative research approach was also used to address the stated research objective (Eisenhardt & Graebner, 2007). The dependent variables and independent variables were all continuous variables that allows for quantitative analysis and generalization as required by the positivist philosophy (Cresswell, 2014).

The major weakness of the purely quantitative approach could be traced from the position of interpretivist who views quantitative analysis as too restrictive (Cresswell, 2014). The use of a nationwide representative survey, however, excludes the possibility of mixed method on the same firms; hence the design was used since it allows for generalisation.

Data Source and Description

The study used secondary survey data from the World Bank Enterprise Survey (ES) panel dataset on Ghana for the years 2007 and 2013. The data set covers 720 enterprises in the non-agricultural sector of Ghana for the 2006 and 2012 business years. There has been two survey under the enterprise survey dataset in Ghana which were released in 2007 and 2013 (World Bank, 2013). The random sampling procedures of the World Bank Enterprise Survey (ES) attempted to achieve nationwide representation data on non-agricultural enterprises by zoning Ghana into four business zones as Accra, Tema, Takoradi and Northern zone (World Bank, 2013). The Takoradi zone comprises enterprises in Sekondi-Takoradi and Cape Coast business districts while the Northern Zone comprise enterprises in Kumasi and Tamale. This allows for nationwide analysis of issues on the service and manufacturing enterprises for a macro view of issues that have been duly explored at the micro level.

The panel dataset is also rich in information on firm sales and cost values that allows for the estimation of the gross profit before interest and tax as well as different measures of ownership. Another good side of the dataset is the fact that some of the ownership variables are categorical while others are continuous interval-ratio variables. For example, the variable on presence of female in the ownership is categorical answered as “yes” or “no” while the percentage of enterprise owned by the largest owner is a numerical variables measure in percentage.

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Econometric model specification and estimation technique

The econometric model specification followed the static panel models and estimations techniques. The static model followed the specification below:

$$\text{Profpe}_{it} = \alpha_i \beta_3 \text{LStatus}_{it} + + \beta_1 \text{Fown}_{it} + \beta_2 Formal_{it} + \beta_4 FI_{it} + \beta_5 Conc_{it} + \beta_6 Age_{it} + \beta_7 Lagsales_{it} + \beta_8 \text{Exp}_{it} + e_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Where e_{it} is the error term which is normally distributed and β's are to the slope coefficients to be estimated. The ownership variables is measured in three different ways as: gender of the largest owner, Ownership type and percentage of enterprise owned by a foreigner which is a measure of foreign direct investment (FDI). The choice of whether to estimate pool, random of fixed effects model depends on the behaviour of the intercept term (α_i). The pooled OLS simply disregard the time variation in the dataset and model a simple OLS estimation. Since the time period was very short (t=2), the pooled model was a possibility, but primary analysis did not meet all the OLS assumption. The option then was to estimate the static Fixed Effects (FE) or Random Effects (RE) model. The estimation of FE or RE model depended solely on the assumption about α_i as to whether it varies with the independent variables or not (Lüdecke, 2019). The FE assumes a variable intercept (αi) but that which is fixed for each independent variable, while the RE assume a constant intercept (α) just as in the case of normal OLS model (Torres-Reyna, 2007). Green stated the difference between FE and RE as:

> "…the crucial distinction between fixed and random effects is whether the unobserved individual effect embodies elements that are correlated with the regressors in the model, not whether these effects are stochastic or not" (Greene, 2008, p.183)

Both models were initially estimated and the consistent model was selected based on the Hausman's specification test. The Hausman test is a model comparison test that allows for the most consistent model to be selected after both have been estimated and estimates compared (Sahlan, 2017). Since the FE and RE have different assumptions that cannot be fully based on theory in any given context, the Hausman test provides a statistic basis to determining which of the two models consistent (Sahlan, 2017) is. Though other specification test such as Suest test and likelihood ratio test exist, the Hausman's test is considered one of the best in the case of static panel estimations. In the context of static panel in STATA, the null hypothesis of the Hausman test is stated as:

Ho: difference in coefficients not systematic

The simplify implication of the null hypothesis is that the random effects model is the best or consistent model while a reject of the null makes the fixed effects model the best to be interpreted. Using the 95 percent confidence interval, the null hypothesis is rejected when the probability value is less than 5 percent and failed to reject otherwise. The models estimated in this study failed to reject the null hypothesis and hence the random effects model was used through the analysis as presented in the next chapter. The selection of the RE model in the specification test was expected since the time period was short and variation are more likely to be random than fixed across independent variables (Greene, 2008).

The panel data estimation has the advantage of correcting for most basic problems associated with cross-sectional and time series models. That is, since panel data can be considered a cross-section of time series variables, the weakness tend to cancel in most cases such that the static model present a superior estimate of the dependent variable (Sahlan, 2017). That is, serial correlation and multicolinearity are of less concern. The correctional analysis of independent variables (See Appendix A), indicated weak correlation among the regressors, which reduce the tendency of multicolinearity. Also, the post-estimation test indicated that all the variance inflation factors (VIF) were below the rule of thumb of 10 with an average VIF of 1.09, which indicate multicollinearity was not a major concern (Williams, 2015). Hetroskedasticity was still a concern but it was addressed in this study by computing the robust standard errors (clustered).

Measurement of Variables

Table 1 gives a break down on how the main variables and control variables shall be estimated from the panel dataset. All variables exist in the dataset as mentioned in the tables.

Table 1: Measurement of Variables

Variable	Operationalisation and Measurement
Female ownership	Largest owner is female (Gender of largest owner)
Concentration	Percentage of enterprises own by the largest owner
Ownership type	Ownership type of the enterprise as shareholding, sole proprietorship, unlimited partnership or limited partnership
Foreign Ownership (FDI)	Percentage of enterprise own by foreigner
Formality	Registration with the Registrar General of Ghana or not
Firm size	Size of capital
Experience	Manager's years of experience in the business
Lag Sales	Sale value three years ago
Enterprise age	Number of years in continuous operation
Gross Profit (prof)	Total sales values – raw material cost – total wage –cost of finished good for resale
Gross Profit per employee	$Profitability = \frac{Gross\ Profit}{Number\ of\ Employees}$

Source: WBES Survey data (2020)

Justification for Variables

A major contribution of this study was the decision to consider ownership as a latent variables with several observed aspect such as level of concentration, gender of owner, formal status, foreign-domestic status and Ownership type . The inclusion of several ownership status was therefore justifiable by the need to provide a holistic account of the effects of the different operationalization of the concept since it is possible for a firm to conform to more than one ownership categorization at a point in time. Because of the tendency for firms to belong to more than one ownership style at a time, most of them were categorized to reduce the tendency of high correlation since correlation among categorical variable is meaningless. The use of Gross profitability by employee was motivated by the fact that the enterprises in Ghana are known to be more labour intensive especially for the unlisted enterprises that dominate the survey data used (World Bank, 2013). Also, since the survey measured size as number of employees, the use of Gross profit per employees control for the effects of size, which makes comparison across small, medium and large firms appropriate. It also explains why, for the manufacturing firms, capital was used as proxy for firm size since the number of employees has already been controlled for.

Ethical Considerations

The study adopted a secondary data from a trusted source which is of open access and hence ethical issues of sampling, instrument for data collection and data collection procedures were of less concern to the study. The survey data was obtained from World Bank in a way that already ensure anonymity and confidentiality of the enterprises and owners of the enterprises. The major ethical issues of the study were data handing and reporting of outcomes. The study adopted the right methods for the analysis and the results were reported as objective as possible.

Chapter summary

This chapter provided an over view of the methods used in conducting the study. It provided the research design, the approach and the ontological position. The source and the description of the secondary survey data used was provided as well as the model specification and estimation techniques.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents the results estimated from the 2007/2013 enterprise survey panel dataset and discussion of the findings. The presentation was divided into sections based on the four main objectives and hence more than one hypothesis was tested under a particular section. The regression analysis were presented and discusses the direction and level of effect of the ownership variable that were continuous variables along with some selected categorical variables.

Summary statistics based on sector of operation of enterprises

The analysis began with the analysis and comparison of mean gross profitability across the manufacturing and service sectors in terms of the five ownership structure identified. Table 1 presents the mean gross profit based on sectors.

Table 2: Descriptive Statistics of Gross Profit Variable based on Sectors

Industrial strata	Manufacturing sector		Service sector	
	Mean (%)	CV (%)	Mean	CV (%)

			(%)	
Overall	2.15×10^{9}	7.70	5.50×10^{8}	5.47
Gender of Top Manager				
Female	1,547,174	5.05	6,040,876	3.78
Male	5,202,802	6.82	-2,962,842	-29.9
Ownership Type				
Shareholding company	1.23×10^{10}	3.39	2.20×10^{9}	2.99
Limited partnership	1.19×10^{9}	1.20	1.33×10^{7}	3.84
Unlimited Partnership	6932036	2.72	4.97×10^{8}	1.30
Sole proprietorship	3.12×10^{8}	8.21	3.86×10^{8}	6.13
FDI				
Foreign	8.81×10^{9}	3.55	7.88×10^{8}	5.51
Domestic	1.36×10^{9}	10.08	5.27×10^{8}	5.41
Registration status				
Formal	2.46×10^{9}	7.01	6.65×10^{8}	5.18
Informal	1.59×10^{9}	9.63	2.04×10^{8}	3.16

Source: Survey Data (2020)

The outcome of Table 1 suggests that the average profitability of manufacturing enterprises in the business sector in Ghana, within the study period, was about 2.15 billion Ghana Cedis with a relative spread of about 7.70. The spread gives an indication of wide variations in the profitability of the manufacturing enterprises in Ghana. The sectorial analysis further suggested that the average profit in the service sector was about 550 million Ghana Cedis with a relative spread of about 5.47. On the average the gross profit of the manufacturing sector was significantly higher than that of the service sector. The t-test comparison of means supported the observation that the mean profitability in the manufacturing sector is significantly higher than that of the service sector at the five percent significance level ($t = 2.0312$, $df = 1175$, $Pr(T > t) = 0.0212<0.05$).

The analysis according to the gender of the top managers was done in terms of profitability. The results suggested that the mean profitability of the enterprises with female as the top manager was about 1,547,174.00 Ghana Cedis with a relative spread of about 5.05 in the manufacturing sector. The mean profitability of enterprises with males as top managers was about 5,202,802.00 Ghana Cedis with a spread of 6.82. The independent sample t-test of equality of the means suggested that a marginal significant difference could be observed between the mean profitability of female managed and male managed at the ten percent significant level ($t = -1.4003$, $df = 335$, $Pr(T < t) = 0.0812<0.1$). In absolute terms, it was concluded that male managed enterprises outperformed the female managed enterprises in the manufacturing sector, keeping all other factors constant.

The story was different in the case of the service sector where female managed enterprises outperformed the male managed enterprises to the extent that the male managed enterprises actually recorded negative profits on the average. The difference was statistically significant at the five percent significance level. The outcome can be a premise to conclude that gender play significant role in the business sector of Ghana but the actual effects is sector dependents.

The next ownership variable considered was the Ownership type which was measured on four categorical scales as shareholding, limited partnership, unlimited partnership and sole proprietorship enterprises. The outcome in the manufacturing sector suggested that the Shareholding enterprises had the highest profitability performance with a mean gross profit of about 12.3 billion Ghana Cedis with a relative spread of 3.39. The Limited liability Partnership enterprises followed with a mean profitability of about 1.19 billion Ghana Cedis with a relative spread of about 1.20. The Sole Proprietorship enterprises followed with an average profitability of about 34 million Cedis with a relative spread of about 8.21. The profitability among the Sole Proprietorship business had the widest spread as compared to the Limited Partnership and the Shareholding which indicates that some individual enterprises may outperform enterprises in the other sectors though most of the least performing enterprises may also be in the Sole Proprietorship business. Finally, the Limited liability enterprises followed with an average profit of about 6,932,036.00 Ghana Cedis with a relative spread of about 2.72. The fact that Sole Proprietorship business outperformed Unlimited Liability Partnership could explain why the Sole business dominates the Manufacturing sectors of Ghana.

The outcome in the service sector again indicated that the Shareholding enterprises had the highest profitability performance with a mean gross profit of about 2.20 billion Ghana Cedis with a relative spread of 2.99. The Unlimited liability Partnership enterprises followed with a mean profitability of about 497 million Ghana Cedis with a relative spread of about 1.30. The Sole Proprietorship enterprises followed with an average profitability of about 367 million Ghana Cedis with a relative spread of about 6.10. The profitability among the Sole Proprietorship business had the widest spread as compared to the Limited Partnership and the Shareholding which indicates that some individual enterprises may outperform enterprises in the other sectors though most of the least performing enterprise may also be in the Sole Proprietorship business. Finally, the unlimited liability enterprises followed with an average profit of about 13.3 million Ghana Cedis with a relative spread of about 3.86.

It was interesting to note the level of performance of the Limited and Unlimited Partnership as business units in the services and manufacturing sectors. That is, Limited Partnership leads to high profitability performance in the manufacturing sector while Unlimited Partnership enterprises perform relatively better in the service sector. This could be due to the fact that the service sector does not require high start-up capital or that informal activity flourish better in the service sector than the manufacturing sector. Sole Proprietorship enterprises performed relatively well in terms of profitability in both the service and manufacturing sector.

In the case of foreign or domestic ownership, the outcome suggested that enterprises with foreign ownership (FDI presence) outperformed the enterprises with domestic ownership. The average profit of the foreign enterprises in the manufacturing sector was about 8.81 billion Ghana Cedis with a relative spread of about 3.55 while that of the domestic based enterprises was about 1.36 billion Ghana Cedis with a relative spread of about 10.08. The independent t-test confirmed the observation that the foreign owned enterprises outperformed the domestic based enterprises in terms of profitability at the five percent significance level ($t = -2.9767$, $df = 648$, p-value<0.05).

The case was not different in the service sector except that the domestic enterprises performed relatively better relative to the foreign based enterprises. That is, the average profit of the foreign based enterprises was about 788 million Ghana Cedis as compared to 527 million Ghana Cedis with almost identical spread in their distributions. The t-test did not observe any significance difference between the profitability of the foreign and domestic enterprises in the service sector at the five percent significance level ($t = -0.2332$, $df = 525$, p-value>0.05).

Another ownership variables considered in the descriptive analysis was registration status as either formal or informal. The average profitability value suggested that formal enterprises are more profitable than informal enterprises in both the service and manufacturing sector. The informal enterprises in the manufacturing sector were however relatively closer in performance to the formal enterprises. The t-test indicated no significant difference between the average profitability of the formal and informal enterprises in the manufacturing sector at the five percent significance level ($t = 0.5546$, $df = 456$, p-value>0.05). The t-test in the service sector however confirmed the observation that the foreign enterprises outperformed the domestic enterprises at the five percent significance level ($t = 2.3132$, $df = 483$, p-value<0.05).

The descriptive analysis lead to the conclusion that on the average, enterprises in the manufacturing sector of Ghana are more profitable than those in the service sector irrespective of the ownership structure used. Also, the independent variables have different effects in the service and manufacturing sectors of Ghana.

Relationship between ownership structure and profitability in the Manufacturing sector

The regression analysis estimated, followed the static panel estimation techniques, hence both the random and fixed effects models were estimated. The Wald-test of overall significance suggested that both models were better than an empty model with only an intercept and hence the independent variables jointly explain profitability of enterprises in the manufacturing sector of Ghana. The R-square of random effects model was about 83.45% while that of the fixed effects model was about 82.41% which indicate both model have high explanatory power, hence both models were dimmed fit for interpretation. The Huasman test of model selection, however, failed to reject the null hypothesis that the random effects model is consistent at the five percent significance level (chi2 (10) = 1.71, Prob>chi2 = 0.9981>0.05). Hence, the random effects model was selected over the fixed effects model for final interpretation and policy recommendation. A very good observation from the two models was the fact that the direction of effects (sign of coefficients) were consistent but only the size of the effects differ which indicates they were corrected for in the random effects model. Also, the panel data had only two time period which makes it closer to cross-sectional than pure panel, making the choice of random effects model consistent with theory.

Table 3: Effects of Ownership Variables on Gross Profitability per Employee

	Dependent variable: Gross Profitability per employee							
	Random Effects model				Fixed Effects Model			
Variables	**Coef.**	**S.E**	**z**	**P>z**	**Coef.**	**S.E.**	**t**	**P>t**
Concentration	-0.50275	0.15681	-3.21	0.001	-0.49289	0.13375	-3.69	0.066
Concentration Square	0.2933	0.1425	2.06	0.040	0.02875	0.01280	2.25	0.154
Ref: Shareholding								
Partnership	-0.17033	0.06484	-2.63	0.009	-0.163310	0.91393	-1.79	0.216
Sole Proprietorship	0.193932	0.116836	1.66	0.097	0.198184	0.11346	1.75	0.223
Ref: informal								
Formal	0.46700	0.15610	2.99	0.003	0.40922	0.2950	1.39	0.300
Ref: domestic								
FDI presence	-0.17801	0.054186	-2.06	0.175	0.086335	-0.054948	1.06	0.231
Ref: No female ownership								
Female ownership	0.72525	0.23172	3.13	0.002	0.80589	0.15637	5.15	0.036
Log of age	-0.08607	76370.07	-1.13	0.260	-0.074967	0.059775	-1.25	0.337
Lag of sales	0.00052	0.000115	45.136	0.000	0.00514	.0000805	63.88	0.000
Log of capital	0.072874	0.015354	4.75	0.000	0.07031	0.031195	2.25	0.153
Experience	0.003266	0.034171	0.96	0.339	0.00347	0.002913	1.19	0.356
Internal funds	0.008667	0.017602	0.49	0.622	0.00873	0.01980	0.44	0.702
_cons	0.12718	0.046631	2.73	0.006	0.12338	0.68264	1.81	0.212
R-square= 0.8345		F(12,424) = 4.56 Prob > F = 0.0000			R-square =0.8241	Wald chi2(12) = 97.18 Prob > chi2 = 0.0000		

Huasman Test

b = consistent under Ho and Ha

B = inconsistent under Ha, efficient under Ho;

Test: Ho: difference in coefficients not systematic

chi2(10) = (b-B)'[(V_b-V_B)^(-1)](b-B)= 1.71 Prob>chi2 = 0.9981

Source: Survey Data (2020)

The random effects model as presented in Table 3 suggested that ownership concentration, measured as the percentage of an enterprise owned by the largest owner, has negative but decreasing effects on gross profit per employees of enterprises in the manufacturing sector of Ghana. That is, the linear term indicated negative significant effects on profitability while the quadratic term had direct significant effects on profitability at the five percent level of significance. The results suggests that as ownership concentration increase for a manufacturing sector, the profitability initially drops but begin to increase as the level of concentration attain an optimal level. The marginal effects of a small change in ownership concentration on profitability can be estimated as:

$$\frac{d\text{Profit}}{dConcentration} = -0.50275 - 2(0.29326)\,concentration \;....(4)$$

The implication of equation (4) is that increase in concentration results in increases in profitability at a decreasing rate up to a maximum point after which further increase in concentration reduces profitability of the enterprise. The optimal level of concentration before the relationship terns to negative could be estimated as below:

$$optimal\ concentration = \frac{0.50275}{2(0.2933)} = 85.72\%$$

The optimal concentration suggest that, on the average, concentration shall have direct effects on profitability only if the percentage of enterprise own by the largest owner (ownership concentration) exceeds 85.72 percent in the manufacturing sector of Ghana. That is, ownership concentration must approach sole proprietorship before it has direct effects on profitability in the manufacturing sector.

With regards to the Ownership type of enterprises the outcome suggested that compared to the shareholding enterprises, the profitability of the Partnership (limited or Unlimited Liability) significantly decreases by about 0.17 Ghana Cedis annually. No significant difference could be observed between the performance of the Shareholding business and that of the Sole Proprietorship business at the five percent significance level (p-value=0.097>0.05). The fact that no significant difference could be observed between the profitability performance of the Shareholding and Sole Proprietors could be seen from the descriptive statistics as presented in Table 2. Only the Sole Proprietorship could obtain an average profitability in the billions as in the case of the Shareholding. It must be noted that the Shareholding enterprises are at the extreme end of the formal enterprises while Sole proprietorship sits at the other end of informal enterprises. That is, while all the Shareholding firms are formal only 40 percent of the Sole proprietors are formal when *formality* is measured as registration with the appropriate agencies. Hence, the Sole proprietors could be said to be reaping the benefits of informality which allows them space to avoid tax and other transaction cost that goes with formality. The outcome on the formality variable confirms this assertion. The results was, however, marginally significant at the ten percent significance level which suggest that when an error margin of ten percent is allowed, the shareholding enterprises could be said to have superior performance to the sole proprietorship in the manufacturing enterprises of Ghana.

The results on formal status indicated that formality have direct effects on profitability per employees in the manufacturing sector of Ghana at the five percent significance level. That is, compare the informal enterprises to the formal enterprises, profitability per employees increases by about 0.47 Ghana cedis annually. The observation points to the fact that formality has some advantages over informality in the manufacturing sector that could over shadow the tax evasion advantages of informality. The results could be regarded as the reason for the marginal significant positive effects of shareholding on profitability as compared with the sole proprietors.

No statistical significant difference was observed between the profitability of domestic enterprises and the enterprises with the presence of foreign direct investment at the five percent significance level. The outcome confirmed the existence of positive spill-over effects of FDI flow on the performance of the destination firms. That is, since the enterprises in the sample were firms in the light manufacturing industry, it might be easier for managers of domestic firms to absorb the technology of the foreign firms (absorptive capacity) and hence compete favourably. The results further revealed that compared to the enterprises with no female presence in their top management, the profitability of enterprise with female presence in their top management increased by about 0.73 Ghana Cedis. Enterprise size, measured as the size of capital, and previous sales value depicted direct significant effects on profitability of the enterprises in the manufacturing sector. However, enterprise age, manager’s experience and internal financing of working capital did not indicate any statistical significant effect on the level of profitability per employees at the five percent significance level.

Relationship between ownership structure and profitability in the Service sector of Ghana

The static panel models, presented in Table 4, indicated that the random effects model is still consistent in service sector modelling as indicated by the Hausman test (chi2 (8) = 5.37, Prob>chi2 = 0.7177>0.05). The Wald-test of overall significance suggested the random effects model is better than an empty model with only intercept and hence the independent variables jointly explain profitability of enterprises in the service sector of Ghana. The R-square of 0.5792 was relatively good for short panel static model and hence the model was considered fit for interpretation and policy recommendation.

Table 4: The model with Gross Profit as the dependent variable in the service sector

	Random Effects Model				Fixed Effects Model			
Variables	**Coef.**	**S.E.**	**z**	**P>z**	**Coef.**	**S.E.**	**t**	**P>t**
Concentration	-0.809865	0.958897	-1.94	0.039	-0.142273	0.76131	-1.87	0.203
Concentration Square	0.487837	0.674293	1.82	0.047	0.918775	0.478145	1.92	0.195
Ref: Shareholding								
Partnership	0.557692	0.132571	3.40	0.001	0.233524	0.132571	4.13	0.054
Sole Proprietorship	0.703134	0.163831	0.53	0.596	0.181408	0.163830	27.06	0.001
Ref: Informal								
Formal	-0.287494	0.108843	-2.64	0.008	-0.2777856	0.108843	-2.63	0.119
Ref: Domestic								
FDI presence	0.152129	0.395235	3.85	0.000	0.218265	0.395235	2.21	0.157
Ref: No Female ownership								
Female ownership	-0.120065	0.395235	-1.51	0.131	-0.833514	0.395235	-1.10	0.387
Log of age	0.176120	0.823908	2.14	0.033	0.403644	0.823908	0.11	0.921
Lag of sales	0.0324679	0.0039806	8.16	0.000	0.0487998	0.0039806	7.02	0.020
Experience	-0.987407	0.652085	-1.51	0.130	0.104598	-0.151	0.24	0.833
_cons	0.964607	0.3919554	0.25	0.806	0.451103	0.25	1.54	0.264
Diagnostics test								
	R-square= 0.5792	F(10,361) = 10.74 Prob > F =0.686			R-sq.=0.6306	Wald chi2(10) = 6.93 Prob > chi2 = 0.7317		
Hausman test								
b = consistent under Ho and Ha B = inconsistent under Ha, efficient under Ho Test: Ho: difference in coefficients not systematic chi2(8) = (b-B)'[(V_b-V_B)^(-1)](b-B) = 5.37 Prob>chi2 = 0.7177								

Source: Survey Data (2020)

The model as presented in Table 4 again suggested that concentration, measured as the percentage of an enterprise owned by the largest owner, has negative but increasing effects on profit per employees of enterprises in the service sector of Ghana. That is, the linear term indicated a negative significant effect on profitability while the quadratic term had direct significant effect on profitability at the five percent level of significance. The marginal effect of a small change in concentration on profitability in the service sector can be estimated as:

$$\frac{d\mathrm{Profit}}{dConcentration} = -0.809865 + 2\left(0.487837\right) concentration \ ....\left(5\right)$$

The implication of equation (5) is that increase in concentration results in increases in profitability at a decreasing rate up to a maximum point after which further increase in concentration reduces profitability of the enterprise. The optimal level of concentration before the relationship turns to negative could be estimated as below:

$$optimal\ \ concentration = \frac{0.809865}{2\left(0.487837\right)} = 83.01\%$$

The optimal concentration suggests that, on the average, if the percentage of enterprise own by the largest owner exceeds 83.01 percent, then such ownership concentration can have direct effects on the profitability of the enterprises.

With regards to the Ownership type of enterprises, the outcome suggested that compared to the shareholding enterprises, the profitability of the Partnership enterprises significantly decreases by about 0.56 Ghana cedis annually in the service sector. No significant difference could be observed between the performance of the Shareholding business and that of the Sole Proprietorship business at the five percent significance level. The results on formality indicated that, compared to the informal enterprises, profit per employees of formal enterprises reduces by about 0.29 Ghana cedis annually in the service sector. The observation that informality pays in the service sector could explain why the sole proprietorship (predominantly informal) could compete favourable with the shareholding enterprises (predominantly formal).

Foreign direct investment was found to be directly related to profit per employees of the enterprises in the service sector. That is, compared to the domestic enterprises the profit per employees of enterprises with foreign presence in top management increases by about 0.15 Ghana cedis annually. The outcome confirms the finance literature that foreign managers may present fresh ideas that could allow a firm with significant foreign presence in the top management (FDI) to outperform the domestic enterprise financially. The sex composition of the top managers was found not to be statistically significant at explain profit per employee in the service sector of Ghana.

The age of the enterprise and previous sales level both indicated significant effects on profit per employee of service sector enterprises. The experience of the top manager did not significantly influence profit per employee at five percent significance level.

Discussion of Results

The results as discussed above had enough information to effectively address all the stated objectives. The first objective of the study aimed at ascertaining the relationship between Ownership type and profitability of unlisted firms in Ghana. The analysis suggested that legal structure had statistical significant relationship with profitability in both the service and manufacturing sector. The analysis revealed that unlisted enterprises with traded or non-traded shares outperformed the Limited and Unlimited Partnership enterprises but it had identical performance with the Sole Proprietors in terms of gross profit per employee in the manufacturing sector.

The second objective evaluated the relationship between Ownership type and profitability of unlisted firms in the service sector of Ghana. The outcome again lead to the conclusion that shareholding enterprises outperformed the Limited and Unlimited Liability Partnership but performed identical to that of the Sole Proprietorship. Theoretically, this observation contradicts the equilibrium hypothesis by Demsetz (1983), which indicate that there are no statistical association between variation in ownership structure and variations in enterprise performance. Empirically, Ng'ang'a (2017) observed that managerial shareholding had the strongest positive significant effects on enterprise's performance among correlates of enterprise performance and Gokah (2016) made a similar observation in the case of Ghana. The major implication of the findings in the first two objectives was that Ownership type have significant effects on financial performance of enterprises but the exact effect depends largely on the sector in which the enterprise is operating.

The third and fourth objectives sort to examine the relationship between the genders of the Top Manager and profitability in the manufacturing and service sector respectively. The analysis suggested that male managed enterprises outperform the female managed enterprises in the manufacturing sector in terms of gross profitability but not in the service sector, keeping all other factors constant. The outcome on the role of gender composition of the top manager on profitability in the manufacturing sector support the earlier observation of Jones (2012) who observed that male-owned enterprise are more productive than female-owned enterprise in the manufacturing sector of Ghana, which could results in their low financial performance. However, female managed enterprises were observed to perform identically to the male managed enterprises in the service sector of Ghana which contradict Jones (2012) observation but it must be realize that the observation was only in the manufacturing sector which this study supports.

The five and sixth objective aimed at determining the relationship between foreign ownership and the profitability of unlisted enterprise in the manufacturing and service sectors of Ghana respectively. The outcome suggested that enterprises with foreign ownership (FDI presence) outperformed the enterprises with domestic ownership in the service sector but the performance was identical in manufacturing sector of Ghana in terms of profitability. The outcome in the service sector of Ghana supports earlier studies such as Ramachandran and Shah (2000), Ongore and K'Obonyo (2011) and Ng'ang'a (2017) who observed positive impact of foreign ownership on financial performance of firms. Ng'ang'a (2017) found foreign ownership to be among the strongest drivers of enterprise financial performance and attributed the outcome to the fact that foreign owners can effectively control and monitor other managers in their enterprise for improved performance.

The study of Ramachandran and Shah concluded that foreign ownership have significant effects on profitability in both the service and manufacturing sector and for both listed and unlisted enterprises in Sub-Saharan African countries including Ghana but this study did not observed the effects in the manufacturing sector. Though this study used different datasets from different credible sources, the sample in both dataset considered enterprise in light manufacturing. One possible explanation for the observed differences on the effects of foreign ownership on firm performance could be the time period for the data used. The study of Ramachandran and Shah used a longer panel than this study which allows lag effects to be traced but could also suffer from the fact that the time period covered the eight years (1992-1998) post economic recovery programme (ERP) and structural adjustment programme (SAP), which means they could be recording the gains of the programme instead. In essence, the aim of the regional programme for enterprise development (RPED) dataset in Ghana and other Sub-Sahara African countries was to measure the effectiveness of the ERP and SAP. The dataset used in this study was not continuous which allows for the actual relationship to be traced without the lag effects of previous enterprises performance. The effects of foreign ownership on firm performance, therefore, require further discussion form empirical point of view in Ghana and other Sub-Sahara African countries.

The outcome however contradicts the study of Andow and Bature (2016) in Nigeria which discovered the foreign ownership have negative impact on enterprise performance. The study, however, observed no statistical significant difference between the profitability of the foreign and domestic unlisted enterprises in the manufacturing sector of Ghana.

The seventh and eight objective sort to examine the relationship between formal ownership status and the profitability of unlisted enterprise in the manufacturing and service sectors of Ghana respectively. The analysis found that formal status have significant effects on enterprise profitability but the direction of effects differ in the service and manufacturing sectors of Ghana. That is, going formal improves financial performance in the manufacturing sector but reduces performance in the service sector of Ghana. The fact that informal enterprise could thrive well in the service sector than in the manufacturing sector could be explained by the fact that it is easier for service enterprises to operates without a physical location than for a manufacturing sector to do so. The taxes and other regulatory payment evaded can allow the informal enterprises to outperform a formal enterprise with the same sales potential. In the case of the manufacturing sector, formal enterprises have better chances at getting a formal contract than the informal enterprises which makes the formal enterprises more productive and financially sound than their informal counterparts. The findings of the study in the manufacturing sector supports the earlier findings of Medvedev and Oviedo (2013) on selected Sub-Saharan African countries including Ghana. Similar observations were also made in the studies of Aparicio (2014) and Galiani and Melendez (2013) elsewhere.

The ninth and tenth objectives aimed at determining the relationship between ownership concentration and the profitability of unlisted enterprise in the manufacturing and service sectors of Ghana. A negative but increasing effects was observed between the level of ownership concentration and the profitability of enterprises in both the service and manufacturing sectors of Ghana. From the non-linear relationships, the optimal level of concentration in the manufacturing sector was estimated to be about 85.72 percent while that of the service sector was about 83.01 percent. The non-linear relationship between ownership concentration and enterprise profitability was in support of earlier study by Imran Khan's (2010). The observation that concentration impact significantly on enterprise performance has been observed by studies such as Owiredu, Oppong, and Churchull (2014) and Kiruri (2013) among others. Okoth and Ongore (2011) and Ongore and K'Obonyo (2011) both observed negative relationship between ownership concentration and enterprise performance. Belkhir (2006 as cited in Barnor & Odonkor, 2013) explained tht directors and managers that have their personal wealth linked to the firm value; shall have the motivation to act in the best interests of outside shareholders, which explain why the effects eventually turn to positive as concentration increases.

Chapter Summary

This chapter used the proposed econometric models to estimates the regression models based on the secondary data adopted. The results were presented and discussed based on the stated objectives including the control variables. A discussion section was offered to discuss how the stated objectives were achieved since the use of regression models does not allow presentation of results to be done in terms of objectives. That is, since all the variables that answer specific objectives were in the same model, the presentation could not follow objective by objective, and hence a discussion section was created for that. The results found responses for all stated objectives which were then integrated into the empirical literature. The summary of the main finding has been provided in the next chapter.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents a summary of the entire study and the outline of the major findings of the study. The appropriate conclusions were drawn and recommendations were given. Based on the conclusions drawn, some directions for further studies were suggested as well.

Summary of the Study

The main purpose of the study was to examine the relationship between ownership variables and financial performance of unlisted enterprises in Ghana. The study covered enterprises in both the service and manufacturing sector of Ghana using a firm level dataset with nationwide representations. The analysis was, however, predominantly quantitative. The World Bank Enterprise Survey dataset, which covers the service and manufacturing enterprises in the non-agricultural sector, was used since it has several ownership variables and enough information to estimate gross profitability before interest and tax. Five different ownership variables were employed based on literature which were ownership by sex, Ownership type , foreign or domestic ownership, *formal* or informal ownership and ownership by inside concentration.

The broadness of the ownership definition was one major contribution of the study since it allows the role of the respective ownership structure to be assessed under the same methodology and on the same sample of enterprises. Also, the study modelled the simultaneous relationship between ownership concentration and profitability which addresses the issues of endogeneity recognised as limitations of earlier studies on ownership in the domestic setting. The ANOVA and simultaneous equation regression model, specifically the seemingly unrelated regression equations (SURE) model, was used for the analyses. The major objectives stated for the analysis are:

1. To examine the effects of the presence of a female in the top management on financial performance of enterprises in service and manufacturing sectors of Ghana.
2. To determine the effects of legal structure of an enterprise on financial performance of enterprises in service and manufacturing sectors of Ghana.
3. To examine the effects of formal status of an enterprise on financial performance of enterprises in service and manufacturing sectors of Ghana.
4. To determine the effects of foreign ownership on financial performance of enterprises in service and manufacturing sectors of Ghana.
5. To identify the impact of ownership concentration on the sales growth of the enterprise in Ghana.

The analysis were mostly done on sector basis and the results compared on common grounds such as magnitude and sign of effects. The outcome of the extensive analyses are presented in the next section.

Summary of Main Findings

The main findings of the study, when all other factors are kept constant, were:

1. Enterprises with a male as top manager outperform the female managed enterprises in the manufacturing sector in terms of profitability while female managed enterprises were observed to outperform the male managed enterprises in the service sector of Ghana.
2. Unlisted enterprises with traded or non-traded shares outperformed the Limited and Unlimited liability Partnership enterprises but had identical performance with the Sole Proprietorship in terms of gross profitability in both the manufacturing and service sectors of Ghana.
3. Enterprises with foreign ownership (FDI presence) outperformed the enterprises with domestic ownership in the service sector in terms of profitability but no statistical significant difference was observed between the profitability of the foreign and domestic unlisted enterprises in the manufacturing sector of Ghana.
4. The analysis found that formal status have significant effect on enterprise profitability but the direction of effect differ in the service and manufacturing sectors of Ghana. Formal status is beneficial to manufacturing enterprises but informality pays in the service sector.
5. Ownership concentration had negative but increasing effect on profit per employee in both the manufacturing and service sectors of Ghana.

6. The optimal level of concentration in the manufacturing sector was estimated to be about 85.72 percent while that of the service sector was about 83.01 percent.

Conclusions

The outcome of the study forms the basis for a number of conclusion to be drawn in the business environment of Ghana. The observation that most ownership variables have different magnitude and effects support the argument that dynamics of the manufacturing sector differ significantly from that of the service sector, which implies that policy that ignore the role of sector in their implementation shall see less success. For example, most SME policies in Ghana use size categorization with little or no emphasis on the sector or type of ownership, but the outcome of this study clearly points to the fact that these factors matters in the financial performance of an enterprise. Also, the observation that foreign ownership matters more in the service sector than in the manufacturing sector, forms the basis to conclude that the positive effects of FDI is not automatic and that the state must direct the inflow into more productive sectors which in the case of Ghana for the best results. The major implication of the finding is that foreign investment flow is still trade and efficiency seeking and hence reaping the gains in the service sector to the detriment of the manufacturing sector. This observation should be a cause of concern to policy makers since import substitution shall be a reality only if foreign investment and technology flows into the manufacturing sector and perform significantly.

On the issue of formality of enterprise, the results suggest that enterprises in the manufacturing sector shall gradually be moving towards formal ownership since it has real benefits to offer, but the service sector shall remain informal for sometimes until regulations are made to work. Also, the fact that the service sector survives on the benefits of staying informal, any attempt to formal the service sector with incentive packages shall see more of them going out of business. For the sake of employment, the service sector must be gradually organized than spontaneously formalized.

The observation that ownership concentration initially have negative effects on profitability calls for more diversification of ownership and a shift away from inside concentration to outside concentration by releasing part of ownership to the general public or workers. This shall reduce autocracy and enrich decision making for improved financial performance. Finally, the observation that the optimal concentration in both the services and the manufacturing was very high, above 80%, suggest that self-employments or sole proprietorship is lucrative in both sectors. Measures to encourage partnership must therefore remove the benefits of informal self-employment through law enforcement.

Recommendations

Based on the conclusion drawn from the main findings; the following recommendations were made:

Fist, the study recommend that management of partnership, both limited and unlimited, must open up to the public to acquire trading or non-trading shares which shall complete the expansion process they started and help them reap the benefits of expansion. The results suggested that in the business environment of Ghana; either you stay on your own or if an enterprise is opening up it must open up to the public completely to enjoy superior financial performance.

Also, management of enterprises in the service sector must open up to foreign direct investment by reducing inside concentration since it has positive prospect for the financial performance of the enterprise. Manufacturing enterprises must go formal in their business to be able to access formal contracts for improved financial performance. The management of the manufacturing sector must consider the level of external ownership, especially foreign direct investment, since that may not always be performance oriented. The enterprises must, however, go formal by registering their businesses to reap the benefit of formality in the sector. The Ministry of Trade and Industry must design special packages for the respective sectors and enforce the existing ones since the service and manufacturing sectors clearly respond to different stimulus.

The Ghana Stock Exchange (GSE) must reconsider its listing requirement to get more enterprises listed, since shareholding is performance oriented. Alternatively, the GSE can create a parallel capital market for the smaller and younger enterprises just as the case of International Financial Reporting Standard (IFRS), which has different standard for small and medium scale enterprises (IFRS for SMEs).

Suggestion for Further Studies

The study had a wider geographical scope for using a nationwide survey as well as used several operationalization of the construct of ownership but was limited in the definition of financial performance. Future studies can expand the scope of the measurement of financial performance to include growth rate when the datasets enrich to allow for multiple profitability measures. It is currently possible to measure growth in terms of sales but effects of sales was assumed to be already captured in the profitability measures and hence was excluded from the analyses.

Also, the measurement of profitability was at the gross since interest charges and profitability were not readily available in the data. Further studies can improve on the measurement of profitability to profit after interest and tax. Currently that is only possible with listed firms but as data availability improve it could be done with both the listed and unlisted firms. Researchers must also acknowledge the simultaneous relationship between concentration and profitability of enterprises in order to redefined and refine the ownership and profitability relationship.

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APPENDIX

Appendix A:

The estimated results

Table 1: ANOVA output of sales growth by Ownership type

Source	SS	df	MS	F	Prob > F
Between groups	6.1885e+21	2	3.0942e+21	25.94	0.0000
Within groups	1.4006e+23	1174	1.1930e+20		
Total	1.4625e+23	1176	1.2436e+20		

W0 = 1.86335757 df(2, 881) Pr > F = 0.15576177

Source:

Pairwise Correlational analysis

```
. pwcorr owner_ship manager_exp concent salesgr age capital
```

	owner_~p	manage~p	concent	salesgr	age	capital
owner_ship	1.0000					
manager_exp	-0.0291	1.0000				
concent	-0.0853	-0.1345	1.0000			
salesgr	0.0210	-0.0183	-0.0018	1.0000		
age	0.0171	0.4061	-0.1540	-0.0453	1.0000	
capital	0.0827	0.0552	-0.0706	0.0963	0.0443	1.0000

Variable	VIF	1/VIF
age	1.20	0.831276
manager_exp	1.20	0.836707
concent	1.03	0.967037
capital	1.02	0.982846
salesgr	1.01	0.987715
Mean VIF	1.09	