



## Ownership Concentration and Performance: JSE-TOP40 Perspective

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**Abstract:** This study aims to address the problem of agency cost by examining the impact of ownership concentration on the performance of the JSE-TOP40 listed companies, using the profitability and market variable. The effectiveness of ownership concentration in alleviating the agency cost issue was investigated over a period from 2010 to 2018. The findings revealed that company performance deteriorated with managerial ownership for JSE-TOP40 companies. Likewise, results showed that foreign ownership concentration negatively impacted performance. The persistence of agency costs in these companies imply that companies should continue to monitor them vigorously and apply corporate governance to the detriment of the poor performance. Further, corporate governance implication should be questioned as to its benefit extracted towards these companies.

**Keywords:** King reports; JSE; TOP40; managerial ownership; board of directors; agency cost

**JEL Classification:** G32; G34

### 1. Introduction and Background

The aim of corporate governance is to advocate for good behaviours in management (Tshipa, Brummer, Wolmarans & Du Toit, 2018; Tawfeeq & Alabdullah, 2018; Saleh, Halili, Zeitun, & Salim, 2017). In South Africa there are numerous corporate

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governance policies, which were enacted such as King Report I, King Report II, King Report III and King Report IV. These corporate governance policies were updated because of international and domestic key stakeholders' persuasion (Rossouw, Van Der Watt & Malan, 2002). The development of corporate governance policies forces the board of directors to observe any misconduct which management might evoke while creating wealth for shareholders; and to report such misguided advice to shareholders through the "comply or explain" principles (Rossouw *et al.*, 2002). However, the newly enacted King Report IV makes it a prerogative for executives in the corporate industry to "explain and comply"; therefore, making it hard for executives to escape liability for their actions. As a result, they must be held accountable to shareholders who provide capital to the company, thus making it necessary for current and prospective shareholders to trust the integrity of its board of directors.

However, many corporate governance problems have disrupted financial markets, eroded shareholders' wealth and allowed corporations to escape conviction for misconduct. It remains questionable whether corporate governance policies are effective in helping to deter and advocate for good management skills in the South African corporate sector – especially due to a lack of integrity and quality in the financial statements issued by these companies after the auditing process has been completed. Auditing companies considered the best in the world, like Deloitte SA who audited Steinhoff International Holding NV and African Bank; and KPMG who audited VBS Mutual Bank, reflect loopholes in corporate governance policies (Van Wyk, 2021; Buthelezi, 2020; Rossouw & Styan, 2019). The argument can be made from the common law corporate governance perspective that the downfall of Steinhoff International Holding NV resulted from its secondary listing in a civil law country such as Germany, making it challenging to protect shareholders' interests because of the heavy entrenchment present in these countries.

The King reports corporate governance policies were developed with the spirit of "ubuntu" which embraces stakeholder engagement (Khoza, 2013). However, the lack of accountability from multinational companies' management shows that stakeholder engagement does not happen as expected. In this pursuit, it becomes evident that the major component of a country that has incorporated Anglo-Saxon corporate policies is the ability of shareholders to display their discontent with the board of directors through the voting process (Mollah, Al Farooque & Karim, 2012).

This process affords shareholders the chance to elect a board of directors deemed fit and proper to represent the interests of shareholders and other primary stakeholders. In addition, this study is persuaded by lack of empirical studies focusing on the JSE-TOP listed companies – except for Mosimanyane and Marozva (2023), who used the share price at the end of the year and return of asset (ROA) to measure performance,

which differs from the current study as the ROE and Tobin's Q was used to represent performance. This study aims to address the following questions:

- Does foreign and managerial ownership affect the ROE of the JSE-TOP40 listed companies?
- Does foreign and managerial ownership affect the Tobin's Q of the JSE-TOP40 listed companies?

## 2. Literature Review

### 2.1. Global Perspective

Sutton, Veliyath, Pieper, Hair Jr and Caylor (2017: 2) did a study focusing on a sample of 748 USA's listed companies and developed a Shareholder Inequality Index (SII) to incorporate investors preferences and tastes, as well as to measure the secondary agency index efficiently and effectively through the application of a partial least squares structural equation modelling (PLS-SEM), in order to enable corporate agents to identify major problems associated with conflict in the management of business, namely: "blockholder power, differential control neutrality or absence of board". Their motivation to use this methodology is because it caters for reflective and formative experiences among investors.

They find that there is a significant relationship between secondary agencies measured by their SII with the differential control when measured using the dual class ownership structure. In addition, they assert that these differential dual class shares are attributed to the ownership structure arising from ownership by the managers and sponsors occupying top positions as measured by the factor of .778. It is evident that some of the mechanisms that are implemented to alleviate or minimise the agency cost problem such as stock options give rise to the principal-principal agency problem. As noted by Sutton *et al.* (2017), granting shares to these sponsors lead them to pursue an interest in the organisation which jeopardises the interests of shareholders.

Tuggle, Sirmon, Reutzel and Bierman (2010) using a panel data methodology through the application of the fixed effect model, focused on a sample of 178 US listed firms from 1994 to 2000. Their focus was on the internal board structures monitoring board effectiveness measured by the age of a director, directors' scope of employment, board size, insider ownership and dual leadership. They find that ownership concentration and director ownership from the perspective of the agency cost when measured by the institutional ownership, have a negative and insignificant relationship with the level of remuneration when executives are remunerated or compensated (Tuggle *et al.*, 2010). However, when the study focused on the high level of ownership concentration, it was found that it acts as a better mechanism to

monitor the remuneration received by the board, which is put in place by management (Tuggle *et al.*, 2010).

Tuggle *et al.* (2010) findings contradict the agency cost theory which suggests that director age and insider ownership concentration is one of the mechanisms which is used to align shareholder interests with directors – as widely argued that age comes with experience and knowledge (Jensen & Meckling, 1976). In addition, Rossi, Barth and Cedula (2018) focusing on Italy, a civil law country, support the agency problem theory that institutional concentration could be used by shareholders as an external mechanism to monitor the performance of directors. However, the empirical study by Mollah *et al.* (2012) finds that insider ownership does not lead to a firm performing better.

The differences in such findings might be attributed to the assumption that other studies did not include the institutional percentage of pension funds, banks, savings, loans, and labour unions, but applied the natural logarithm of the top three shareholding patterns (Lepore, Paolone, Pisano & Alvino, 2017), which is partly consistent with Ali, Qiang and Ashraf (2018), who used the top ten shareholding patterns.

De-la-Hoz and Pombo (2016) focused on the Latin American countries, Argentina, Brazil, Chile, Colombia, Mexico and Peru, with their sampling date starting from 1997 to 2011, which consisted of 562 non-financial companies. They found that performance declines with firm size when measured by Tobin's Q. Moreover, they indicated that institution lead to increase in value and better corporate governance. This could be attributed to mature companies growing at a slower pace, experiencing no growth or slight growth; however, this study is inconsistent with the findings of (Saleh *et al.*, 2017).

## 2.2. Emerging Perspective

Briano-Turrent and Rodriguez-Ariza (2016) also focused on Latin American countries, namely: Argentina, Brazil, Mexico and Chile. Their sample period started in 2004 and end on 2010 using an Unbalanced Dynamic Multiple (UDM) regression methodology and found that there is a significant improvement when this methodology was implemented to develop corporate governance policies in these countries. They further note that there is a significant use of leverage in Brazil, Mexico and Chile. In the case of Argentina, Mexico, Brazil and Chile, it was found that there is a significant improvement in the performance of companies in those countries when measured by the ROA.

Briano-Turrent and Rodriguez-Ariza (2016), adjusting to the CEO duality, find no relationship, whereas leverage, firm age and size are found to have a relationship with corporate performance. In contrast, when using profitability to measure

performance, they find no existing relationship. These results are in contrast with the findings of Saleh *et al.* (2017) who suggest that there is no relationship at all between firm age and firm size in Australia, a developed country. Furthermore, there is a significant relationship between highly concentrated companies and firm performance as measured by profitability in the 15 European countries.

However, according to the literature, such results may be attributed to the location of the study, the policy and the nature of the different countries' corporate governance. As posited by Briano-Turrent and Rodriguez-Ariza (2016), countries with civil law characteristics have a tendency of not protecting their investors, in contrast to common law counties which made significant progress in introducing policies that protect the interest of shareholders.

It is extremely important to ensure that ownership concentration affects corporate governance in a positive way, especially in regions where there is weak governance, and the interests of shareholders are not well protected. According to Briano-Turrent and Rodriguez-Ariza (2016), ownership concentration plays a significant role in monitoring directors to align their interests with the interests of their shareholders and investors.

### **2.3. Southern African PERSPECTIVE**

Tshipa *et al.* (2018) did a study from 2002 to 2014 of 186 listed companies on the JSE. They used Ohlson valuation methodology and found that roughly 93 percent of the listed firms the JSE have non-dual leadership structures. Their study found that there is a significant relationship between internal corporate structure, like board diversity, board size, and leadership structure, and the share price and earning per share (EPS). This indicated that such companies adhere to corporate governance and therefore help to create an environment that shareholders are familiar with and confident that their interests are protected. It was also found that a board size adjusted to 1 percent had a significant relationship with the movement in shares, supporting the assertion made by other scholars that "skills, expertise and efficacy" create shareholder wealth (Tshipa *et al.*, 2018; Jensen & Meckling, 1976).

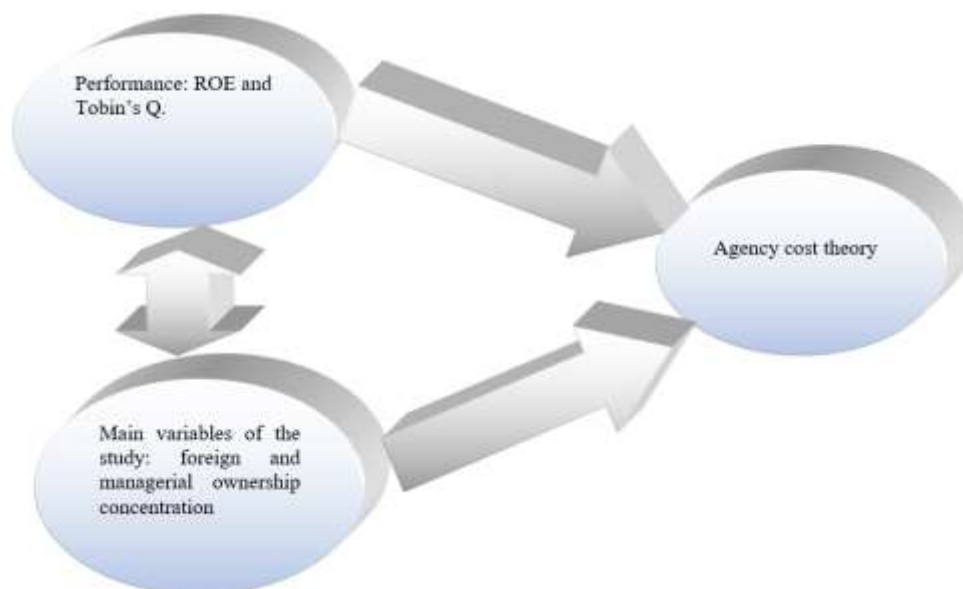
Mollah *et al.* (2012) focus on the Botswana Stock Market (BSM), using OLS with a sample period starting from 2000 to 2007, and thus focused on the ownership concentration of directors, government, institutions, public and foreign shareholding and the ROA, ROE, Tobin's Q and the market capitalisation rate to proxy for company performance. They found that shareholders heavily invested in the BSM are institutional shareholders with an average shareholding of 36.76 percent, directors have 9.88 percent, minority shareholders have 8.79 percent and foreign shareholding have 11.42 percent.

In addition, Mollah *et al.* (2012) found the ROA to be a better mechanism of performance measure in relation to foreign shareholding than the ROE and Tobin's Q. When using the market capitalisation rate, they find that directors and government shareholding yield a negative performance. This means that shareholding by the government and directors does not enhance the performance of companies listed on the BSE.

This is an unexpected result as Al-Saidi and Al-Shammari (2015) argue that governments operate enterprises in the market with high barriers of entry and are highly inelastic and are most likely to perform better when compared with other companies that have different ownership structures. However, it must be emphasised that a government's main goal is not to pursue profit maximisation, rather to pursue social maximisation goals with a combination of wealth maximisation goals.

In contrast, it was found that companies with foreign ownership listed on the BSM perform better without year dummies while they perform insignificant with year dummies. The ownership concentration when measured by an institutional investor and minority shareholders found a slightly positive relationship concerning the performance of companies listed on the BSM (Mollah *et al.*, 2012). The audit committee, on the other hand, found that there is a major improvement concerning the performance of companies when an external director chairs the audit committee. However, a negative relationship was found in relation to the performance of companies listed on the BSM when the executive committee is chaired by the internal director. It is evident from the above results that shareholders value independence associated with external directors because they are likely to render independent advice to the board of directors, shareholders and key stakeholders.

Waweru and Prot (2018) focusing on the following African countries, Kenya and Tanzania, from 2005 till 2014 which consisted of 48 non-financial companies. They found that when corporate agents have a high ownership stake in the company, there is a tendency to maximise self-enrichment – therefore compromising the interests of shareholders. Moreover, it was found that ownership concentration when measured using the top 10 shareholdings does not lead to a reduction in their earning management. This is a major problem because it indicates that African countries are prone to the agency cost problem – and other empirical studies support this notion (Rossi *et al.*, 2018; Lepore *et al.*, 2017).



**Figure 1. Conceptual Framework of the Study**

*Source: The author*

### 3. Methodology and Data Analysis

Data used in this study were collected from the IRESS BFA INET for the period from 2010 to 2018. The results of companies that published financial statements with foreign currencies due to dual listing were converted to rand. These were implemented by using the 12-months average spot price to deal with outliers. As a result, 12 months average spot rate was used to convert the total asset to rand in order to represent firm size. However, financial companies, investment companies, and banking companies were excluded from the final sample due to their complicated capital structures, and severe policies governing their business operations. Furthermore, companies that were not in business during the period of the study were excluded from the final sample. Thus, MS excel was used to collect raw data and clean the selected companies; therefore, leading to the final samples size of 23 TOP40-JSE listed companies. This in turn led to using the two-step dynamic GMM model through the application of Stata software as depicted in the following model.

$$\Delta Perf_{it} = (\alpha - 1)\Delta Perf_{t-1} + \beta_1 \Delta MO_{it} + \beta_2 \Delta FO_{it} \sum_{k=1} \beta_k \Delta X_{k,it} + \Delta \delta_i + \Delta \mu_t + \Delta \varepsilon_{it} \quad (1)$$

- $\Delta \varepsilon_{it}$  represent the error term.
- $\alpha$  and  $\beta_k$  represent an unknown coefficient.

- $\Delta\delta_i$  represent the non-random variables.
- $\Delta Perf_{it}$  represent performance.
- $\Delta\mu_t$  represent omitted variables that were excluded from the sample but affect the dependent variables.
- $\Delta X_{k,it}$  represent the firm control variables and independent control macro-economic variables.

**Table 1. Main Variables of the Study**

<i>Variable type</i>	<b>Acronym</b>	<b>Proxied by</b>	<b>Proxy</b>
<i>Accounting measures</i>			
<i>Dependent profitability variable</i>	RoE	Return on Equity	Log of net income over total equity
<i>Market measures</i>			
<i>Dependent market variable</i>	TQ's	Tobin's Q	Market value of shares plus total book value of total debts over book value of total assets
<i>Agency cost measures</i>			
<i>Independent main variable of the study</i>	FO	Foreign ownership	Measured by a dummy variable of 0 for foreign firms and 1 for local companies
	MO	Managerial ownership	Measured by the value of shareholder-beneficial over the 12 months average value of ownership concentration
<i>Firm-specific variables</i>			
<i>Independent firm control variables</i>	FS	Firm size	Natural logarithm of total asset
	DR	Debt ratio	Total debts over total assets
	GS	Growth in sales	Increase or decrease in sales over a period
	LR	Liquidity ratio	Current assets over current liabilities
<i>Macro-economic variables</i>			
<i>Independent control macro-economic variables</i>	GDP	Gross domestic product	Logged averaged quarterly nominal gross domestic product
	PR	Prime rate	Average monthly prime rate



### 3.1. Presentation and analysis of results

**Table 2. Descriptive Statistics**

<i>Variab- les</i>	Mean	Media n	Maxim um	Minim um	Std. Dev.	Skewn ess	Kurto sis	Jarque- Bera
<i>ROE</i>	16,275 8	17,42	441,52	- 483,65	58,700 2	- 3,2166	54,48 29	23217.44 ***
<i>TQ</i>	2 039,80	1 537,04	9 066,11	119,56 43	1 682,08	1,5865	5,834 2	156.1118 ***
<i>DR</i>	0,5746	0,52	2,67	0,04	0,328	2,5357	15,84 86	1645.69* **
<i>Logged FS</i>	17,783	17,839 6	21,671 2	15,099 3	1,3528	0,1794	2,707 6	1,8481
<i>GDPN</i>	##### ###	##### ###	##### ##	##### ###	##### ###	0,0277	1,744 8	13.6147* **
<i>LR</i>	1,6671	1,29	6,82	0,22	1,031	2,2445	8,949	479.0504 ***
<i>PR</i>	9,5046	9,4167	10,458 3	8,5	0,6762	0,0465	1,585	17.3443* **
<i>MO</i>	0,03	0,0068	0,5296	0	0,0596	4,4014	29,85 07	6886.588 ***
<i>GS</i>	8,1085	8	53	-64	12,708 5	- 0,3116	8,536 7	267.7452 ***

\*\*\*, \*\*, \* represent significant at 0,1%, 1% and 5% percent, respectively.

In Table 1, the return on equity (ROE) had a mean of 16,28 percent, a median of 17,42, a standard deviation of 58,70 with the best performing company returning a 441,52 percent and the worst returning a negative 483,56 percent. Considering the market value variable such as the Tobin's Q, then its mean is R2 039, 80, it has a median of R1 537,04, a standard deviation of R1 682.08 and the highest performance being the average of R9 066.11 and worst performer being R119,56. There are no issues of outliers with the dependent variables as there is no huge gap between their mean and median (Gyimah, Addai & Asamoah, 2021). According to the main independent variables, the managerial ownership concentration has a mean of 0.0300, a median of 0.0068, a standard deviation of 0.0596 with the highest average ownership by an insider being 0.5296 with no minimum return. The control firm specific variables indicate that the debt ratio has a mean of 0,5746 percent, a median of 0,52 and 0,32 percent. The mean that most of the companies selected in the sample uses more debt in their capital structure to finance their business operations. As a result, it is thus posited that the JSE-TOP40 companies are utilising debts sufficiently whereas Mangena and Chamisa (2008) found in their study that debts was a major cause of company suspension when used inefficiently and ineffectively due to a mean of 86.2 percent.

In addition, liquidity has a mean of 1.6671, a median of 1.29, and a standard deviation of 1.031, with the highest company having a maximum liquidity of 6.82 and a minimum liquidity of 0,22. Considering growth in sale which had a mean of 8.11, a median of 8.00, a standard deviation of 12.71, a maximum growth sales of 53 percent and a minimum growth in sales of minus 64 percent, the logged firm size has a mean of 17.783, a median of 17.8396 and a standard deviation of 1.3528. Judging from the logged firm size, it is found to have a maximum value of 21.6712 and a minimum value of 15.0993. The skewness and kurtosis for all selected control firm specific variables failed to retain a coefficient closer to zero, thus leading to the conclusion that the variables are not normally distributed. This is consistent with the Jarque-Bera which is abnormally distributed as indicated by the p-value not exceeding 0.1 percent with the exclusion of logged firm size. The macro control variables have a mean of R3 811 919.00, a median of R3 805 350.00 and a standard deviation of R695 373,90. While the prime rate retained the mean of 9.5045, a median of 9,4167 and a standard deviation of 0.6762, with the maximum retained during the period being 6.82 and the minimum value being 0,22 percent.

Table 3. Pearson Correlation Matrix

<i>Variables</i>	<b>ROE</b>	<b>TQ</b>	<b>DP</b>	<b>DR</b>	<b>FS</b>	<b>GDPN</b>	<b>LR</b>	<b>PR</b>	<b>MO</b>	<b>G S</b>
<b>ROE</b>	1									
<b>TQ</b>	0,1947 ***	1								
<b>DR</b>	-0,0636	(0,1538) *	-0,0276	1						
<b>FS</b>	-0,1079	(0,5326) ***	-0,0462	0,2075* *	1					
<b>GDPN</b>	0,0594	-0,1063	0,0556	0,0688	0,2089 **	1				
<b>LR</b>	0,0989	0,3269* **	0,0078	(0,5058) ***	(0,2138) **	-0,0328	1			
<b>PR</b>	0,1433 *	(0,1455) *	-0,0256	0,0501	0,1164	0,6156 ***	-0,0481	1		
<b>MO</b>	-0,1277	-0,0624	-0,091	0,0439	(0,2782) ***	-0,1018	-0,0941	0,019	1	
<b>GS</b>	0,0116	0,1626* *	-0,0632	0,1560* *	-0,1046	(0,1398) *	0,0162	-0,1179	0,0249	1

\*\*\*, \*\*, \* represent significant at 0,1%, 1% and 5% percent, respectively.

The results in Table 3 indicate that the issue of multi-collinearity is not present as the variables found that the coefficients are less than the 0,8 (Palaniappan, 2017). This means that there will not be a problem in the final stage when running the generalised method of moment (GMM) to find out whether the agency cost is alleviated by the selected variables in order to achieve the objectives of this study. The Pearson correlation matrix finds that the managerial ownership concentration is neither significant at 0.1, nor at 5 percent. This does not help even though the managerial ownership concentration was found to have an insignificant negative impact on the performance as measured by the ROE and Tobin's Q; thus, there is not enough evidence to validate this finding. In addition, debts have a negative significant relationship with the Tobin's Q at an interval of 5 percent. Stated differently, the increase in debts is not a good measure to alleviate the agency cost issues in the performance of the JSE-TOP40 companies.

In fact, the bigger the firm size, the poorer it performs (Tobin's Q) – as noted by a significant p-value of 0.1 percent. It is not surprising that the prime rate lead to poor performance in these companies. The interest rate is one of the key components used by the South African Reserve Bank (SARB) to contract the purchasing power of consumers, as a result, leading to price stability, inflation rate target control and exchange rate stability.

However, we find that growth sales have a positive significant relationship with the performance of the Tobin's Q at an interval of 5 percent. This results in growth in sales enhancing performance in the JSE-TOP40 companies because investors, shareholders, analysts and other key stakeholders are confident that the survival of these companies depends on their ability to identify opportunities that lead to increases in sales. Therefore, companies that will survive in future are the ones that are able to consistently maintain their growth and pay their cost of sales and expenses.

**Table 4. Main Results of the Study**

Variables	Pool ed effec ts	Fixe d effec ts	Rand om effec ts	2- step GM M	GLS	Varia bles	Pool ed effec ts	Fixe d effec ts	Rand om effec ts	2- step GM M	GLS
	ROE	ROE	ROE	ROE	ROE		TQ	TQ	TQ	TQ	TQ
L.RO E	0.0642	-0.109	0.0642	-0.228***	0.0642	L.TQ	0.869***	0.417***	0.869***	0.681***	0.869***
	(0.0776)	(0.0780)	(0.0776)	(0.0135)	(0.0754)		(0.0382)	(0.0680)	(0.0382)	(0.0704)	(0.0372)
FO	-22.52	20.22	-22.52	-229.3	-22.52	FO	31.84	816.3	31.84	-1057.0**	31.84

	(12.4 6)	(60.2 4)	(12.4 6)	(133. 6)	(12.1 2)		(143. 0)	(643. 1)	(143. 0)	(302. 6)	(139. 0)
<i>MO</i>	- 166. 1*	- 229. 4	- 166. 1*	- 358. 0*	- 166. 1*	<i>MO</i>	- 667. 0	- 3957 .7*	- 667. 0	- 1080 .1	- 667. 0
	(82.0 1)	(142. 6)	(82.0 1)	(158. 8)	(79.7 5)		(959. 2)	(152 3.8)	(959. 2)	(233 8.5)	(932. 7)
<i>FS</i>	- 6.88 4	- 23.0 1	- 6.88 4	- 4.55 9	- 6.88 4	<i>FS</i>	- 145. 6**	- 764. 3***	- 145. 6**	- 290. 4***	- 145. 6**
	(3.73 0)	(17.4 7)	(3.73 0)	(10.8 5)	(3.62 7)		(48.0 0)	(186. 4)	(48.0 0)	(68.2 2)	(46.6 7)
<i>DR</i>	- 13.2 5	- 86.3 7**	- 13.2 5	- 383. 9***	- 13.2 5	<i>DR</i>	- 80.0 6	- 409. 8	- 80.0 6	- 106. 2	- 80.0 6
	(16.8 2)	(28.7 0)	(16.8 2)	(36.3 7)	(16.3 5)		(188. 8)	(316. 3)	(188. 8)	(424. 8)	(183. 6)
<i>GS</i>	0.19 7	0.46 1	0.19 7	0.70 9***	0.19 7	<i>GS</i>	- 6.01 6	2.22 4	- 6.01 6	- 6.89 6	- 6.01 6
	(0.37 3)	(0.40 8)	(0.37 3)	(0.15 8)	(0.36 2)		(4.23 2)	(4.38 1)	(4.23 2)	(6.57 0)	(4.11 6)
<i>LR</i>	2.88 9	- 1.55 3	2.88 9	- 34.2 1***	2.88 9	<i>LR</i>	- 26.9 8	172. 0	- 26.9 8	174. 2*	- 26.9 8
	(5.16 2)	(9.86 0)	(5.16 2)	(7.08 4)	(5.02 0)		(60.0 6)	(106. 7)	(60.0 6)	(77.2 5)	(58.4 0)
<i>PR</i>	23.4 1	26.7 7*	23.4 1	32.3 1***	23.4 1*	<i>PR</i>	70.7 4	- 102. 2	70.7 4	- 10.2	70.7 4
	(12.0 1)	(11.2 0)	(12.0 1)	(5.85 9)	(11.6 8)		(136. 2)	(121. 8)	(136. 2)	(66.0 2)	(132. 4)
<i>LGD PN</i>	- 105. 6	- 37.2 8	- 105. 6	- 197. 8**	- 105. 6	<i>LGD PN</i>	- 2405 .0	1054 .5	- 2405 .0	- 457. 4	- 2405 .0
	(122. 8)	(122. 5)	(122. 8)	(55.9 1)	(119. 4)		(140 3.2)	(132 2.8)	(140 3.2)	(895. 4)	(136 4.5)
<i>_cons</i>	636. 1	459. 1	636. 1	1565 .6**	636. 1	<i>_cons</i>	1812 9.6*	8193 .4	1812 9.6*	9533 .6	1812 9.6*
	(715. 6)	(678. 2)	(715. 6)	(467. 3)	(695. 8)		(813 6.8)	(728 3.6)	(813 6.8)	(519 5.3)	(791 2.6)
<i>N</i>	184	184	184	184	184	<i>N</i>	184	184	184	184	184
<i>R2</i>		0.16 5				<i>R2</i>		0.47 8			

\*\*\*, \*\*, \* represent significant at 0,1%, 1% and 5% percent, respectively.

Table 4, managerial ownership concentration has a negative significant relationship with the ROE in the JSE-TOP40 listed companies. This is consistent with the findings of Mollah *et al.* (2012) that directors do not enhance the performance of the companies listed in the BSM as well as Waweru and Prot's (2018) findings that

insiders have the tendency of enriching themselves when they have significant shares in the companies they are managing. This confirms the fact that management tends to misappropriate the interests of shareholders and thus rebuffing the agency cost theory by Jensen and Meckling (1976), Tuggle *et al.* (2010), and Briano-Turrent and Rodriguez-Ariza (2016) that managerial interest tends to align with the interests of shareholders. Alternatively, it could mean that there is a misalignment between the interests of management and that of shareholders, leading to the agency costs being a major concern as they could increase their remuneration even when companies are not performing well.

The managerial ownership findings are consistent with the foreign ownership concentration and performance of Tobin's Q. It must still be argued that capital, technological prowess, and human resource prowess are not beneficial to the JSE-TOP40 companies. However, we can argue that foreign ownership seeks to extract value from these entities rather than create it. Secondly, government bureaucracy, political instability, corruption and poor economic policies are some of the factors that might be hindering shareholders in these companies to the detriment of foreign shareholders, thus leading to these entities' ineffective monitoring of their interests and agent as they were not found to be a good measure in alleviating the agency cost (Mollah *et al.*, 2012) and that foreign ownership benefited the BSM financial market.

In addition, firm control variables such as the debt ratio and liquidity ratio, led to better performance in the ROE of the JSE-TOP40 companies. This was further supported by the firm size which led to poor performance as measured by Tobin's Q using the GMM model. These findings are reliable for debt ratio, growth in sales and firm size concerning the Tobin's Q performance measure in Table 3. However, they are inconsistent for the liquidity ratio concerning the ROE as noted in Table 4. Therefore, this implies that the average value of liquidity ratio of 1.66 is not enough to increase the performance of these companies.

Secondly, shareholders might not be confident that it would be converted to cash within a certain period as a major portion of their current assets might be in the form of inventory. The LGDPN led to the poor performance of the companies in the JSE-TOP40 companies. This could be an irrational tendency by investors as the nominal figure is not enough to substantiate a better performance and shareholders might attribute it to an increase in the money supply rather than to real economic factors – when compared to the growth in GDP in Ghana (Gyimah *et al.*, 2021). However, the prime rate led to the betterment of the performance (ROE) of the JSE-TOP40 companies. It seems an increase in the prime rate does not affect the cost of finance due to the low average debts of 57.46 percent as seen in Table 1.

#### 4. Conclusion and Summary

The main aim of this study was to find out whether ownership concentration measured by managerial ownership concentration and foreign ownership concentration alleviates agency cost problems and ultimately affects performance of the JSE-TOP40 companies. However, there was no evidence to support the fact that agency cost could be alleviated in the performance of these companies as they did not lead to the betterment of the ROE and Tobin's Q. These results are supported by the argument costs do not improve company (see for example Jensen & Meckling, 1976; Mollah *et al.*, 2012). There is a need for future studies to consider using J200 index which is an index of the JSE companies. They could also consider using the innovation theory (Lazonick, 2017) that views employees as more important than shareholders because they are responsible for innovative projects in the company.

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