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Institutional Ownership and Insolvency Risk: The moderating Role of Share Ownership Concentration in Nigeria

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Abstract:

Sequel to seeming paradox of having institutional shareholders and growing business mortality rate, despite their reputation of monitoring expertise, this study was carried out to evaluate the impact of institutional ownership oninsolvency risk of quoted manufacturing companies in Nigeria, within the moderating framework of share ownership concentration. Insolvency risk was measured using Altman's Z-score to construct insolvency probability, based on the Z-score as log-odd ratio function of solvency probability. Institutional ownership and share ownership concentration were operationalized in terms of their proportion to total number of shares in issue. Secondary data were collected from the annual financial reports of thirty-three listed manufacturing companies, using purposive sampling technique. Multiple linear regression was used as the statistical tool. Following analyses, it was found that institutional ownership exerts negative impact on insolvency risk, while ownership concentration exerts positive influence on insolvency risk. But when the moderating influence of share ownership concentration was isolated and put under control, insolvency risk's response coefficient became a decreasing linear function of share ownership concentration. Therefore, this study has produced conclusive evidence that the avowed monitoring effectiveness of institutional shareholders depends on their block-shareholding status, without which they gravitatetowards passive opportunism.Hence, among other recommendations, companies with high concentration of corporate share ownership should seek to attract institutional investors and create incentives for them to maintain high equity stakes in order to minimize their insolvency risk.

Keywords:

Institutional ownership, insolvency risk, Ownership concentration, Nigeria.

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1. INTRODUCTION

The primary goal of any organization is to continually grow and maintain its survival. To this end, business owners employ diverse means of pursuing business going-concern objective. One of such means that is of strategic importance is exploitation of institutional ownership mechanism (Shleifer & Vishny, 1986; Hartzell & Starks, 2003; Fred-Horsfall, 2019). Institutional ownership plays a vital role in promoting good corporate governance and monitoring management's actions. Institutional investors are considered sophisticated in their corporate monitoring capabilities due to access to advanced research tools, data analytics, and advisory services, also their ability to collaborate and share information among themselves across different board structures, and familiarity with best practices and regulatory requirements. To that extent, they are seen as strategic tools with which to exercise monitoring and controlling oversights overmanagement activities.

Corporate monitoring is necessitated by the default state of public corporate structure.This is because public companies are so structured that absentee owners (being the principal) entrusts their resources in the hands of managers (being agents) who are to utilize the resources in a manner that would maximize the interest of the principals.This arrangement often provide recipe for managerial opportunism, thus constituting threats against going-concern. According to agency theory, there is natural tendency for agency conflict to arise in such agency relationship.

The main thesis of agency theory is that, the actions of principals (e.g. shareholders) and agents (e.g. managers) are always motivated by their self-interest which are often divergent; the agents are likely to pursue their self-interest goal that contradicts with the goals of the principals, even though agents are supposed to work for the self-interest of the principal. A further fillip to the recipe for managerial opportunism is the state of information asymmetry made possible by the default state of modern corporate structure. Therefore, existence of potency for agency conflict with no mitigating framework in place, threatens corporate sustainability as a going-concern.

The motivation for examining the nexus between institutional ownership and insolvency risk stems from anxiety attributed to past high-profile corporate failure, such as Enron and WorldCom (Rashid, 2011) internationally, and high business mortality rate in emerging economies (such as Nigeria's) which has attracted both academic and commercial interest (Rossouw, 2005). Due to these corporate failures, the importance of corporate ownership activism has occupied front burner in mainstream corporate discuss, (Gantchev, Gredil&Jotikasthira, 2018; Klein & Zur, 2016). It is a generally held notion that shareholders' effective monitoring promotessuperior performance, and higher degree of solvency (Kyereboah-Coleman &Biekpe, 2005). Thus, given the veracity of the conjecture that institutional ownership deters managerial opportunism, a negative relationship should exist between institutional ownership and insolvency risk.

Nonetheless, it remains unclear if the risk of insolvency will adversely react to perpetually increasing institutional ownership, given the apprehensions over agency issues stemming

from the expropriation interests of minority shareholders (Boubakri, Cosset &Guedhami, 2005). The existing literature on corporate ownership states that small shareholders only participate in small amount of the welfare because they will not be concerned with monitoring because they would have to bear the associated costs (Zhong, Gribben & Zheng, 2007). Large shareholders are crucial to a company's internal control because their level of involvement encourages them to monitor and influence the company's direction (Gabrielsen, Gramlich&Plenborg, 2002; Shleifer & Vishny, 1997; Yeo, Tan, Ho & Chen, 2002).This suggests that larger shareholders, in line with the efficient monitoring theory (Jensen & Meckling, 1976), are inversely related to insolvency risk.However, if the major shareholder level becomes extremely high, it may produce agency problems due to minority owners' expropriation interests (Boubakri, Cosset, &Guedhami, 2005).

In emerging economy like Nigeria, due to dearth of prior studies on the subject matter of interest to the current inquiry, it is difficult to conclude on the extent to which institutional ownership influencescorporate solvency. Consequently,the aim of the study is to investigate whether concern for expropriation interest of minority shareholders is justified inthe pursuit ofshareholders' activism as a check against insolvency risk of listed manufacturing companies in Nigeria. Pursuant to this objective, the study aims to interrogate the impact of institutional ownership on corporate insolvency risk, within the moderating influence of ownership concentration, as presented in the conceptual framework in figure-1:

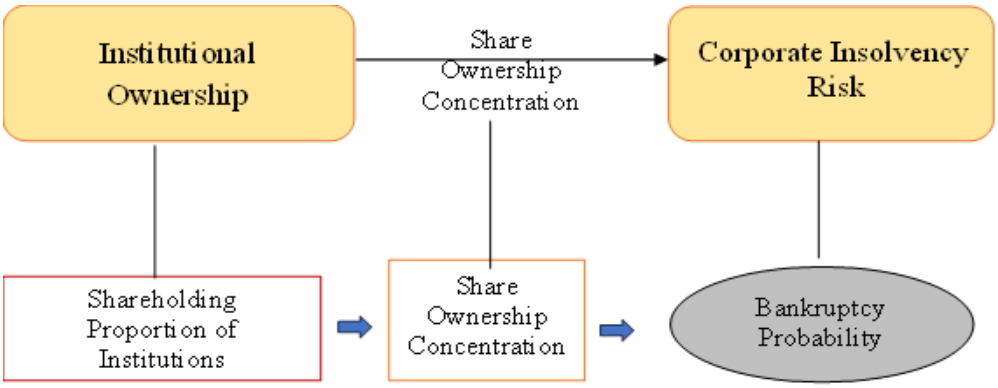

Figure 1: Conceptual Framework of Institutional Ownership and Corporate Insolvency Risk

Source: Desk Research (2024)

Specifically, this study aims to proffer answers to the following posers: what is the impact of institutional ownership on corporate insolvency of listed manufacturing companies in Nigeria? Does shareholding concentration moderate the impact of institutional ownership on corporate insolvency risk of listed manufacturing companies in Nigeria? How does shareholding concentration moderate the influence of institutional ownership, given the existence of any moderating influence?

The rest of this paper progresses as follows: literature review in section two; methodology in section three; analysis and results in section four and finally, conclusion in section five.

2.REVIEW OF RELATED LITERATURE

2.1 Theoretical Review

Agency theory posits that the division between ownership and control leads to a conflict between the interests of owners and those of managers (Jensen & Meckling, 1976), thereby making the oversight of managerial decisions essential for protecting shareholder interests. Corporate governance creates a number of constraints to reduce agency costs that result from the contract relationship within a firm, as well as a framework to ensure that company finance suppliers meet their investment return objectives (Shleifer and Vishny, 1997). In terms of going-concern sustainability, corporate governance is responsible for ensuring effective risk management.

Institutional ownership structure is seen as an important monitoring mechanism for managers; thus, it may play a role in reducing risk exposures. Thus, because properly structured corporate governance mechanisms are expected to reduce risk exposures during strategy formulation by effectively monitoring management in the risk evaluation process, the effective monitoring hypothesis is clearly implied to be the underlying theory. However, a number of other recorded research indicate that different corporate ownership structures may result in varied motivations to supervise and monitor a company's management (Morck, Shleifer, & Vishny, 1988; Shleifer & Vishny, 1986). For example, ownership concentration may alter the extent of information asymmetry between managers and investors, and hence the quality of monitoring.

The presence of major shareholders in a company is gauged by ownership concentration (Thomsen & Pedersen, 2000, as referenced in Roodposhti&Chasmi, 2010). There are two different expectations for companies with highly concentrated ownership. While some researchers believe that ownership concentration and corporate insolvency risk are positively correlated, others came to the conclusion that there is a negative correlation because it does encourage managers to take on opportunistic endeavors that may be deemed too risky, such as empire building, the expropriation of minority interest, aggressive growth, etc. The work of Ramsay and Blair (1993), Zhong, Gribbin, and Zheng (2007), Chen, Elder, and Hung (2010), Roodposhti and Chasmi (2010), and others have all revealed a positive link.However, research by Halioui and Jerbi (2012), Abdoli (2011), Morck, Scheifer, and Vishny (1988), McConnell and Servaes (1990), and Wang Xu and Zhu (2001) has shown a negative correlation between ownership concentration and business insolvency risk.

Hence, regarding the influence of institutional ownership on corporate insolvency risk, and how ownership concentration is likely to moderate their nexus, theoretical literature is divergent.

2.2. Institutional Ownership and Corporate Insolvency Risk

The relationship between institutional ownership and corporate insolvency has been the subject of numerous prior investigations, much like in theoretical literature, although the findings remain highly diverse. According to Tarighi, Appolloni, Shirzad, and Azad (2022), institutional investors may monitor managerial operations at a lesser cost and possess greater competence than individual shareholders. This reduces agency concerns and information asymmetry. Similarly, McConnell and Servaes (1990), Uwuigbe and Olusanmi (2012), and Alfaraih, Alanezi, and Almujamed (2012) have demonstrated a negative and significant correlation between institutional ownership and a firm's financial distress. Institutional investors place more emphasis on the company's long-term performance than its short-term performance (Donker, Santen & Zahir, 2009).Institutional investors thus keep a close eye on management's activities, improving the business's financial stability and reducing the likelihood of financial crisis.

However, a number of earlier researchers, such as Annither, Johann, and Hidayat (2020), Gillan and Starks (2000), and Donker et al. (2009), asserted that the inability of institutional investors to advise management of their incentives to act passively against management in the case of close business relationships may increase the likelihood that financial distress will occur for the firms. According to Pivin and Yagil (2024), the relationship is bi-directional; institutional shareholders "vote with their feet" and decrease their investment in the company if its solvency level declines.

Others, however, such as Gregory & Wang (2013), Al-Najjar (2015), and Udin, Khan & Javid (2017), found no discernible impact of institutional ownership on the likelihood of enterprises experiencing financial distress.

It is intriguing to consider the potential that the results would alter if the studies had been conducted in a Nigerian environment, given that the majority of historical research was conducted outside of Nigeria. That, however, is unrealistic because a recent study by Oranefo (2022) on the impact of institutional ownership on bankruptcy risk in Nigerian banks produced results that were in conflict with a previous study by Uwuigbe and Olusanmi (2012). An ex post facto research design was used for Oranefo's (2022) study. The annual reports and audited accounts of the nine deposit money banks that were being evaluated were the source of the data. The study found that the probability of insolvency for Nigerian commercial banks is significantly reduced by institutional ownership.Thus, yet again, the result was at variance with the *a priori* expectation.

Though few strands of studies from Nigeria were reviewed, a number of the prior studies share a common affinity with Oranefo's (2022) and Uwuigbe and Olusanmi's (2012), which is the fact that Nigerian economy is an emerging one. As such, the divergence in results on institutional ownership nexus with insolvency risk can arguably be described as pervasive. This is why it is the scholarly opinion of the author that the observed divergence in literature might be connected with contextual factors that are often ignored; e.g.shareholding concentration. Already, the bi-directional result from Pivin and Yagil (2024) study alludes to this thinking. As a further fillip to the influence of this contextual factor, LajiliandZéghal

(2010)have shown in their study that a multi-theory foundation for governance research may be warranted in future studies on the relationship between institutional ownership and insolvency risk, as interactions between two or more corporate governance characteristics may have a significant impact on the decision to file for bankruptcy. Therefore, the following hypothesis is suggested for testing:

> H_{01}: *Without controlling for share ownership concentration, institutional ownership does not exert significant influence on corporate insolvency risk*

By holding ownership concentration constant as a moderator, research studies have investigated the relationship between institutional ownership and corporate insolvency risk(Hartzell & Starks, 2003; Gantchev *et al.*, 2018; and Jorion*et al.*, 2017).For instance, by isolating the impact of block shareholdings, 1% increase in institutional ownership reduces insolvency risk by 0.5% to 1.5% (Gantchev *et al.*, 2018); institutional ownership reduces the likelihood of bankruptcy by 10% to 20% (Jorion, 2017). The expectation is that this interaction between ownership concentration and institutional ownership is not any different in Nigerian context. Accordingly, we proposed the following hypothesis for testing:

> H_{02}: *Share ownership concentration does not significantly moderate the impact of institutional ownership on corporate insolvency risk*

Next, if there is significant interaction between ownership concentration and institutional ownership, exactly how such interaction moderates the impact of institutional ownership on insolvency risk is largely unknown, especially in the case of Nigeria. Intuitively, one should expect that greater concentration of ownership in the hands of institutional shareholders should strengthen their risk-deterrent effectiveness. But it is also arguable that greater controlling power can come with greater tenacity for expropriation interest of minority shareholders.However, recent empirical evidence suggests risk-deterrence attribute as more likely between the two possible scenarios. For instance, Pivin and Yagil's (2024) finding of bi-directional relationship between institutional ownership and insolvency risk might be an indication of deterrent-moderating influence of ownership concentration. It is therefore, pertinent to go beyond testing for interaction significance between these two corporate governance attributes. Hence, the follow-up hypothesis is necessary:

> H_{03}: *The corporate insolvency risk response coefficient of institutional ownership of listed manufacturing companies in Nigeria is not a decreasing function of shareholding ownership concentration*

3. METHODOLOGY

3.1 Research Design

The population of the current study consists of listed manufacturing companies on the Nigerian Exchange Group. Purposive sampling method was adopted since sample inclusion was determined by certain criteria such as uninterrupted listing membership within the study period, and annual report accessibility. Of the total fifty-eight (58) companies that make up

the population members, twenty-five (25) were discarded since they failed to meet the inclusion criteria. At the end of the census, secondary data were collected and utilized from the audited annual reports of thirty-three (33) listed companies covering the periods 2021 – 2023.

Multiple linear regression technique based on panel data methodology (fixe-effect model) was used following redundant fixed-effect test confirmation as the most appropriate approach for the analysis.

3.2 Operationalization of Variables

Following in the footsteps of Edward and Kishore (1999), and Obiosa and Briggs (2022), insolvency risk as the dependent variable was operationalized using probability function of insolvency, while institutional ownership was operationalized in *tandem* with insights provided byHashim (2008). On the other hand, ownership concentration was measured operationally as proportion of equity shares owned by shareholders who own 5% or more shares (Alzoubi, 2015).

Table 1: Operational Measures of Variable

Variables	Operationalization	Authority
Insolvency Risk (RISK)	$Prob(insolvency) = 1 - \left(\frac{1}{1+e^{-z}}\right)$ where Z = Altman's (1967) zed score,which is log-odd ratio function of bankruptcy probability	Agresti (2013) Obiosa& Briggs, 2022
Institutional Ownership (INSO)	$INSO = \frac{X_{it}}{N}$ X_{ijt} = Number of shares owned by entities except private individuals N = Total no. of shares in issue	Hashim (2008)
Ownership Concentration (COWN)	$COWN = \frac{B_{jt}}{N}$ B_{jt}= No. of equity shares owned by 5% or more shares N = Total no. of shares in issue	Alzoubi (2015)

Source: Desk Research (2024)

3.3 Model Specification and Hypotheses Evaluation Criteria

In line with the stated objective, insolvency risk (*RISK*) is modeled in terms of institutional ownership (*INSO*), and share ownership concentration (*COWN*) as follows:

$$RISK_{it} = b_0 + b_1 INSO_{it} + b_2 COWN_{it} + U \qquad Eqn.1$$

The coefficient; b_1 if significant, is expected to be negative (i.e. $b_1 < 0$) thus, confirming the effective monitoring hypothesis, otherwise confirming the expropriation hypothesis. Either way, its statistical significance would mean the rejection of H_{01}.

To test for H_{02}, an interaction term is included in eqn.1 as follows:

$$RISK_{it} = \beta_0 + \beta_1 INSO_{it} + \beta_2 COWN_{it} + \beta_3 INSO_{it} * COWN_{it} + e \qquad Eqn.2$$

H_{02} is rejected if β_3 is significant at 5% level of significance. If the coefficient of the interaction term; β_3 is significant at 5% level of significance, then effectively, $RISK_{it}$'s response coefficient of $INSO_{it}$could then be interpreted to be a linear function of $INSO_{it}$ as follows:

$$\frac{\partial(RISK)}{\partial(INSO)} = (\beta_1 + \beta_3 COWN_{it})$$

H_{03} is rejected if $\beta_3 < 0$, in which case the degree of shareholding concentration which completely dilutes the impact of institutional ownership on corporate insolvency risk is measured by the following expression:

$$COWN^* = -\frac{\beta_1}{\beta_3}$$

In such a case, greater intensities of*COWN* gives rise to lower impact of *INSO* on *RISK*.

4. RESULT

4.1 Descriptive Statistics

Table 2presents the mean (average) for each of the variables, as well as their maximum and minimum values, standard deviation, and Jarque-Bera (JB) statistics (normality test). The table provided some insight into the insolvency risk and ownership structure characteristics of the sampled firms used in this study.

The provided statisticsappear to indicate that on average, over the three (3) year period (2021-2023), the sampled manufacturing firms in Nigeria were characterized by considerable degrees of insolvency risk. However, the wide margin between the mean (12.0%) and median scores (7.3%) shows an indication about mild presence of outliers; generally, insolvency risk was observed to be low as suggested by the median scores.

Table 2: Descriptive Statistics

	RISK	***INSO***	***COWN***
Mean	0.119979	0.182513	0.042164
Median	0.073108	0.183539	0.039243
Maximum	0.663305	0.209412	0.078518

Minimum	0.000000	0.144319	0.010289
Std. Dev.	0.158311	0.014110	0.020365
Skewness	2.171572	-0.214533	0.168031
Kurtosis	6.812174	2.601588	1.896093
Jarque-Bera	137.7567	1.414172	5.492637
Probability	0.000000	0.493079	0.064164
Observations	99	99	99

Source: Author's Computation via Eviews 12

But with institutional and concentrated ownership, the distributions were fairly normal as indicated by their respective Jarque-Bera statistics. Additionally, the narrow difference between the maximum and minimum value of the ownership structures demonstrates that the sampled firms in this study are dominated by companies with fair spread of the two ownership structures of interest to the current study.

4.2 Test of Hypothesis: H_{01}

Following the empirical confirmation of Fixed-Effect Model as the suitable approach for the regression analysis and its subsequent utilization, results on the impact of institutional ownership and ownership concentration on corporate insolvency are presented in table-3.

Table 3: Regression Result of Corporate Insolvency Risk

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.131931	0.001424	92.65016	0.0000
INSO	-0.058992	0.007468	-7.899844	0.0000
COWN	-0.028103	0.004619	-6.084547	0.0000

Cross-section fixed (dummy variables)

Weighted Statistics			
R-squared	0.999821	Mean dependent var	0.179033
Adjusted R-squared	0.999727	S.D. dependent var	0.113196
S.E. of regression	0.003029	Sum squared resid	0.000587
F-statistic	10537.62	Durbin-Watson stat	3.485187
Prob(F-statistic)	0.000000		

Source: Author's computation via Eviews version 12

The F-statistic (10537.62) and its probability value of 0.00000 show indication of high goodness-of-fit, suggesting that the estimated model produced reliable representation of the population parameters. However, the R^2 and it adjusted version appear to be excessively inflated, which is an indication that thedisruptive effect of multicollinearity in the inferential process is beyond the tolerable threshold. Likewise, the Durbin-Watson statistic (3.485) indicates worrisome level of autocorrelation. To mitigate the effect of these statistical anomalies on the outcome of the inferences, the OLS was discarded and White's (1980) standard error was used in its place.

According to table 3, *INSO* has a significant coefficient of -0.059 approximately. This means, corporate insolvency risk decreases by 0.059 for every unit increase in institutional ownership. Likewise, *COWN* has an approximate significant coefficient of -0.028, implying that each unit increase in ownership concentration reduces corporate insolvency risk by 0.028 points. Since the focal hypothesis is on the impact of *INSO* on *RISK*, given the sufficient statistical justification (p-value < 0.05), we conclude by strongly rejecting H_{01}.

4.3 Test of Hypothesis: H_{02}

Using the same setting and equation but with an included interaction term, we recast the result in table-4.

Table 4: Moderating Impact of Ownership Concentration

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.117566	0.004009	29.32705	0.0000
INSO	0.019829	0.020488	0.967818	0.3368
COWN	0.434095	0.068241	6.361238	0.0000
INSO*COWN	-2.621295	0.391178	-6.701026	0.0000
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.999862	Mean dependent var		0.208890
Adjusted R-squared	0.999785	S.D. dependent var		0.201908
S.E. of regression	0.003170	Sum squared resid		0.000633
F-statistic	13031.76	Durbin-Watson stat		3.422081
Prob(F-statistic)	0.000000			

Source: Author's computation via Eviews version 12

All of the information criteria indicators, such as the F-statistic (13031.76) and the probability of significance that goes along with it, support the goodness-of-fit in this case as well, indicating that the fitted model accurately captures the population parameters. The presence of multicollinearity issues is confirmed by the coefficients of determination (R^2), which appear to be greatly overstated. Also, an unacceptable degree of autocorrelation is shown by the Durbin-Watson statistic of 3.422. To lessen the impact of these statistical abnormalities on the results of the inferences, White's (1980) robust standard error was used.

According to table-4, the coefficient of *INSO* has changed status from being significant -0.0590 to insignificant 0.1176. This means that, by isolating and holding the effect of *COWN* constant, higher *INSO* will tend to have increasing effect on insolvency risk, though this result is statistically insignificant.

Similarly, *COWN* has also changed from being -0.0281 to 0.434.It means, increasing share ownership concentration alone without its interaction with institutional ownership, will tend to elicit increasing effect on insolvency risk. Notice that the significance status remained the same, as only the direction of impact changed.

However, the main focus in this section of hypothesis testing is the interaction term: *INSO*COWN*, which coefficient is reported as -2.621 approximately. Since its p-value is less than the 5% threshold, it implies that the ownership concentration exerts significant moderating impact on the influence of *INSO* on *RISK*, hence there is sufficient statistical justification to reject H_{02}.

4.4 Test of Hypothesis: H_{03}

According to table-4, *COWN* is significant at 1% and it exerts increasing effect on *RISK*. This implies that greater degrees of ownership concentration tend to elicit insolvency risk, thus, alluding to the expropriation hypothesis. *INSO* on the other hand, is insignificant at 5% level though its positive sign suggests that it tends to exert increasing effect on *RISK* when *COWN* is held constant. The implication is far-reaching: it means institutional ownership without concentration of ownership will tend to be ineffectual in reducing corporate insolvency risk.

Using the result as reported in table-4, *RISK*'s response coefficient of *INSO* can be expressed as follows:

$$\frac{\partial(RISK)}{\partial(INSO)} = (0.020 - 2.621 * COWN_{it})$$

Thus, the value of *COWN*(i.e. *COWN* $\leq$ 0.763%)which sets the right-hand side of the equation to zero is 0.763% (i.e. [0.02 ÷ 2.621] x 100). Any value of *COWN* lower than 0.763%, *RISK's* response coefficient of *INSO* will tend to be positive, meaning the expropriation hypothesis will likely hold true. But provided COWN > 0.763%,*RISK's* response coefficient of *INSO* will tend to be negative, implying that monitoring hypothesis will be upheld. Therefore, regarding hypothesis H_{03}, result of the analysis has produced sufficient statistical reason to reject the hypothesis, meaning that the insolvency risk response coefficient of institutional ownership is a decreasing linear function of ownership concentration.

4.5 Discussion of Findings

In summary, this study has produced empirical evidence that supports stronger prevalence of effective monitoring than expropriation tendencies in institutional shareholding in Nigeria. This study supports the notion made by Tarighi et al. (2022) that institutional investors may monitor managerial operations at a lesser cost and possess greater competence than ordinary shareholders, hence reducing agency problems and information asymmetry. Similarly, the results of the study corroborate the empirical findings of Alfaraih et al. (2012), Uwuigbe and Olusanmi (2012), and McConnel and Servaes (1990), whose submissions affirm institutional ownership as a powerful deterrent mechanism against managerial opportunism that results in financial distress for the firm. Institutional investors thus keep a close eye on management practices in Nigerian listed industrial companies, improving their financial health and reducing the likelihood of financial hardship.

However, shareholding/ownership structures matter a lot in determining the deterrent potency of institutional ownership against managerial opportunism. This finding aligns with Hartzell and Starks' (2003) study's finding where they found that when institutional ownership is more concentrated, institutional investors play a crucial monitoring role in mitigating the agency problem between shareholders and managers.In companies where shareholding is dispersedly held, institutional owners are likely to be ineffectual in their monitoring role, compared to where shares are concentrated in few hands that also include institutional investors. Perhaps, this explains why there is divergence in literature on institutional shareholding nexus to corporate insolvency risk as alluded to byPivin and Yagil (2024) in their bi-directional result.

5. CONCLUSION

The purpose of this study was to determine the impact of institutional ownership on the risk of bankruptcy, within the moderating influence of share ownership concentration in listed manufacturing companies. The objective was to investigate the role of share ownership concentration in how the inclusion of institutional shareholders in the corporate governance equation affect their reputed monitoring expertise. This objective comes under the heels of their touted role as monitoring mechanism in curtailing corporate risk exposures due to managerial opportunism.This study has produced conclusive evidence that the avowed monitoring effectiveness depends on their block-shareholding status, without which they gravitate towards passive opportunism.

Based on the findings, the study recommendsencouragement of institutional ownership for the purpose of achieving effective monitoringas follows:

- Companies with high concentration of corporate share ownership should seek to attract institutional investors and create incentives for them to maintain high equity stakes in order to minimize their insolvency risk. Optimal mix of institutional ownership should Protect shareholder rights: Ensure shareholders have voting power and can participate in decision-making.
- Companies should foster a long-term investment culture as this would encourage institutional investors to adopt a long-term perspective.
- Companies should develop a robust investor relations program. They should engage with institutional investors through regular communication and feedback.

By implementing these measures, companies can attract and retain institutional investors, promoting effective monitoring and better governance practices.

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