EFFECT OF OWNERSHIP STRUCTURE ON FINANCIAL PERFORMANCE OF NIGERIA DEPOSIT MONEY BANKS

(A Case Study of Guarantee Trust Bank Plc)

BY

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HND/23/BFN/FT/0272

BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BANKING AND FINANCE, INSTITUTE OF FINANCE AND MANAGEMENT STUDIES, KWARA STATE POLYTECHNIC ILORIN KWARA STATE

IN PARTIAL FULFILLMENT OF THE REQUIREMENT OF THE AWARD OF HIGHER NATIONAL DIPLOMA (HND) IN BANKING AND FINANCE MANAGEMENT

MAY 2025

CERTIFICATION

This is to certify that this research study was conducted by **OLATUNJI FAVOUR ELIZABETH** with Matriculation Number **HND/23/BFN/FT/0272** and this work has been read and approved as meeting the requirement for the award of Higher National Diploma (HND) in Banking and Finance, Institute of Finance and Management Studies (IFMS), Kwara State Polytechnic.

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DEDICATION

I dedicate this project to God Almighty my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding. He has been the source of my strength throughout this program and on His wings only have I soared.

I also dedicated this research, work **PARENTS, FRIENDS AND LOVED ONES.**

ACKNOWLEDGEMENT

In this profound journey of knowledge and self-discovery, I extend my heartfelt gratitude to the Almighty GOD, the divine architect of my life. His guiding light has permeated every facet of my project, illuminating my path with wisdom and inspiration.

I express my sincere gratitude to my supervisor **DR OLOWONIYI. A.O** for his understanding, despite his busy and tight official schedule; he found this research work worthy of supervision. I equally place a record to express my sincere gratitude to my HOD and to the entire lecturers in my noble department, may God be with you all (Amen).

My appreciation also goes to **My PARENTS** that contributed and gave me words of advice throughout my days in school, I really appreciate you and may you never lack any good thing in life .

I also express my appreciation to all **My Lovely Friends And Siblings**, thank you all for your love and kindness.

ABSTRACT

The study examined the effect of ownership structure on the financial performance of listed Deposit Money Banks in Nigeria for the period of 2011-2020.The sample size of the study is 10 Deposit Money Banks (DMBs). Secondary data were used, the data were extracted from the financial reports and accounts of the banks that made up the sample of the study. The study employed Random Effect regression as the best estimator of the regression model. The study revealed that managerial ownership and concentrated ownership have significant positive impact on the financial performance of DMBs in Nigeria. While institutional ownership has positive but insignificant impact on financial performance of DMBs in Nigeria.

The study recommends that, the board of directors in the DMBs in Nigeria should

ensure that shareholding of the insider managers is increase in such a way that the proportion of their shareholding should exceed 20% of the total shareholding in the banks as it was found being among the factors that increase DMBs profitability. Doing this will encourage managers to put more effort to work toward improving DMBs profitability. The study also recommends that DMBs in Nigeria should pursue policy of diffused ownership structure such as concentrated ownership. This will ease monitoring and controlling firm performance since they have highest shareholding. They may also use their positions to improve their lots and the performance of DMBs

Keywords: Ownership Structure, Firm Performance, Concentrated Ownership, Managerial Ownership, Deposit Money Banks.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The question whether the ownership structure influences a firm's profit has kept researchers busy for many decades now. Most people would agree that it started when Berle and Means (2018) started to investigate the subject. In the book, the authors are quite philosophical about the topic. They argue that stock owners are not necessarily engaged with the company anymore. They also find that when a company has many owners, the mangers have more power in the company then when the ownership is held by a low number of individuals. Later on, the question coined above becomes more and more interesting for researchers to look into from various different angles. All of them have in common that the demeanour is corporate performance. What differs it the factors influencing the performance of the companies they have researched.

Ownership structure is one of the important factors employed in shaping the corporate governance system of a firm. In analyzing this relationship, up to now different aspects of ownership structure are considered, for instance being managerial or non-managerial shareholders, shareholders concentration or dispersion, being whole or retail, being internal (domestic) or being foreign shareholders, being institutional or individual shareholders.

As ownership increases over time, many researchers have looked to these shareholders (managerial, institutional, concentrated and foreign) as potential monitors due to their monitoring advantage over diffuse shareholders. As they are increasing their shareholdings and their aim is to maximize their return on investment, thus, may create a new management discipline. Ownership structure is closely connected with the conflicts that can affect the operating performance of the firm. Anderson, Mansi and Reeb (2016) asserted that ownership structure will lead to conflict. Morey, et. al, (2018) opined that this conflict of interest might cause agency problems. As a company's ownership structure changes and ownership is separated from control, incentive alignment problems become evident. Prior studies (Afang & Bature, 2016; Marouan & Moez, 2015; Benjamin, Love & Kabiru, 2014; Ibrahim, 2012; among others) have examined the relationship between ownership structure and firm value or performance in other contexts including the Nigeria context. The results were mixed and inconclusive because it has not been clearly established as to whether or not there is any relationship between ownership structure and financial performance. These researchers used techniques like Ordinary Least Square, Least Square Regression method, Two-Stage least Square, Pooled OLS etc. None of these studies have examined the relationship using Generalised Moment Method (GMM).

This is because it accommodates firm level characteristics and has the ability to address endogeneity bias. It proves to be the best and most efficient estimator since it uses both level and lag values as instruments. The question still remains whether there is any significant relationship between ownership structure and financial performance of DMBs in Nigeria.

One of the most common ways to look into the subject is to see whether managerial ownership has an influence on the performance of corporations. Morc et al. (1988) and Coles et al. (2012) for example try to find a relationship between the two without a conclusive result. Park and Jang (2010) find a positive relationship. The main argument between these researches is whether the agency costs can be reduced. In other words, this means that people want to know whether managerial ownership aligns the interests of the owners and the managers. Another way of looking at the problem is to see if family or founder ownership has an influence on the financial performance of a company. Isakov and Weisskopf (2014) find that family ownership diminishes the agency costs and therefore have a higher financial performance. Anderson and Reeb (2003) agree with these findings but did not hypothesized this as they thought that family ownership would disadvantage the smaller investors in the company.

Also in the field of ownership density and its relation to financial performance there is no clear consensus of the results. Researchers have so far come with different results in terms of direction and significance of the results as well as on the best way to measure them. This study (the one you are reading) is going bring these studies together and try to find a general result. In these studies, the highest number of observations for a single study is 8370 (Elyasiani and Jia 2010). This number is relatively high but statistically relatively insignificant. There is an incredible amount of businesses in the world with all the possible different ownership structures. Arguably the best way of looking at it would be by combining all the results together to make the best possible prediction for businesses in the future.

This study will give a relatively good overview of what the influence of (outsider) ownership is on the financial result of Guaranty Trust Bank Plc. The research will also try to answer the question whether the results are statistically interesting or if the relationship between the two is not directly measurable, meaning that the conclusion will be that there is no statistically significant relationship between the two variables.

1.2 Statement of the Problem

Relationship between ownership structure and corporate performance of any company has been a serious agenda for corporate governance and that of performance of a firm. Hence, who has the total control of the firm’s equity and how this control and ownership affect firm performance in term of input and output has been a major issue by researchers for a long period of time. But there is a scanty research works on the effects of ownership structure on financial performance in the banking sector in Nigeria.

Shareholders in the public corporations are countless and small to the extent that they lack effective control of the decisions of the management team, and as a result they do not have the total assurance on the management team that represents their interests. Ways to curb this problem have been developed and advanced, as stated previously i.e. the disciplining effect of the takeover market, the positive incentive effects of the management shareholding stake and the benefits of large monitoring shareholders.

Studies have revealed that negative effects are also found in the studies of Pound (1988) and Hand (1990). One of the arguments that support this is the *institutional myopia* argument, which reveals that the investors favour short term returns to long term returns and will seize the opportunity persuade managers to pursue short term gains. Wahal (1996) find only short term positive effects of institutional ownership but not long term, as he argues that institutional investors have a time preference for short term result. Other studies illustrate this argument: institutional investors are sensitive to earning news, because they might use current earnings as proxy under the information asymmetry circumstance (Porter 1992); institutional investors consider the investment in a firm as one asset in a portfolio (Coffee 1991); the managers in the investing institutions are measured on short term results by their principals (Badrinath et al 1989). Another argument is *strategic-alignment-conflict-of-interest* by Pound (1988).

Locally, Ndemo (2009) found out that since the early 1990s, the Kenyan Government has pursued a deliberate policy of divestiture, aimed at reducing state ownership of corporations with a view to attracting private sector participation in management of the fledgling state corporations. It was assumed that this policy would serve as a driver that will bring modern management styles into the public sector which will undoubtedly improve the financial performance of these organisations. Obviously, government ownership of firms was aimed to still impact firm performance negatively and this is an indication that the divestiture program in the banking sector in Nigeria is yet to reach a critical level where its value can begin to reflect on corporate performance. To meet the main objectives of this study, the relationship between ownership structure and corporate performance will be investigated.

1.3 Research Questions

This study will be carried out to answer the following questions:

i) What are the effects of ownership structure on the financial performance of Guaranty Trust Bank?

ii) Do the family ownership structure effects banks financial performance?

iii) What is the prevalence of ownership structure on the financial performance of Guaranty Trust Bank?

1.4 Research Objectives

The general main objective of this study is to investigate the effects of ownership structure on the financial performance of Guaranty Trust Bank Plc. The specific objectives are:

i) To examine the effects of institutional ownership structure on the financial performance of Guaranty Trust Bank

ii) To ascertain whether family ownership structure have effects on banks financial performance

iii) To study the prevalence of ownership structure on the financial performance of Guaranty Trust Bank

1.5 Research Hypothesis

The followings are the research hypotheses to be tested in this study:

Ho: There is no significant relationship between private ownership structure and financial performance

H1: There is a significant influence of government ownership structure and financial performance

1.6 Significance of Study

This study is of helps policy makers as they seeks to create a conducive environment and design policies to strengthen and build confidence across all categories of investors to build an economy that is inclusive. One of the key drivers of growth in a developing economy like Nigeria is inclusion of both large and small scale investors in mobilizing the scarce resources. Through the findings of the study, the government of Nigeria is able to appreciate mobilization of resources across the divide by all categories of investors in support of economic development to achieve the vision 2020 either by reducing information asymmetry or increasing investors' awareness campaign through trainings workshop and seminars.

The study findings can help organisations' management and shareholders in evaluating the importance of contribution by different categories of investors on their financial performance in terms of reducing agency costs and bolstering the relationship between the principals and the agents. Further firm management will benefit from the study as they will acquire information that directly relates to their decision-making paradigm and be able to carry out their day-to-day operations.

Other companies in developing countries will learn from this Nigerian study and understand the diversity in ownership structure that they can replicate in their companies in order to improve their financial performance. The study findings inform them on which ownership structure have better link to financial performance and hence save on the costs of conducting cost benefit research in their companies.

To the scholars, the study is value-added to the existing body of knowledge as it recommends ways for improvement of financial performance by having inclusive investors who reduce agency costs and fosters empowering structures to all stakeholders in participating in decision making and stewardship of the companies' resources in enhancing financial performance. Nevertheless, this study serves as a stepping stone for newer research on ownership structures and financial performance of listed firms

1.7 Scope and Limitations of the Study

The study investigated the effect of ownership structure on financial performance of Guaranty Trust Bank Plc. According to Guaranty Trust Bank Plc Act, it is a legal requirement for all organisations to submit audited published final accounts on yearly basis and this made this study to have access to the required data.

The Major Limitations of the study will be

Cost Limitation: There will be cost limitation. This means that the researcher will not offer any gift or monetary incentives for the respondents to answer the questionnaire. This might result in certain prospective respondents choosing not to respond to the researchers.

Time Limitation: There are two types of time limitation that will be faced during the study. The study will be done for a period of four weeks. Hence the results would reflect the impact of the time constraint. The insights of the respondents will be observed during the period of the study. A more extensive study conducted over a larger time period or during a special period of time like when there will be higher numbers of issues, can include insights from respondents over a broader time period and can bring in further depth into the research.

1.8 Organization of the Study

The organization of the research is from chapter one which comprises the introduction which is sub divided into six sub section as follows:

Background of the study, Statement of the Study, Statement of Research Question. While Chapter Two deals with the Literature Review where we have the Conceptual Framework, Theoretical Review and Empirical Review, The Third Chapter entails with Research Methodology and The Fourth Chapter focuses on Data Analysis and Presentation while The Last Chapter comprises of the Summary, Conclusion and Recommendation.

1.9 Definition of Terms

Ownership Structure

Ownership structure refers to the distribution of ownership rights and control among various stakeholders of a firm, including shareholders, directors, and management. In the context of Nigerian banks, ownership structure encompasses the composition of shareholders, including institutional investors, individual investors, and government agencies.

Financial Performance

Financial performance refers to the ability of a firm to achieve its financial objectives, such as profitability, liquidity, and efficiency. In the context of Nigerian banks, financial performance encompasses various metrics, including:

- Return on Assets (ROA): Net income divided by total assets.

- Return on Equity (ROE): Net income divided by total equity.

- Net Interest Margin (NIM): Net interest income divided by total interest-earning assets.

- Efficiency Ratio: Operating expenses divided by total revenue.

GTBank (Case Study)

GTBank (Guaranty Trust Bank) is a Nigerian multinational bank with headquarters in Lagos, Nigeria. Established in 1990, GTBank has grown to become one of the largest banks in Nigeria, with operations in West Africa, East Africa, and Europe. GTBank provides a wide range of financial services, including corporate banking, retail banking, and investment banking.

Corporate Governance

Corporate governance refers to the system of rules, practices, and processes by which a firm is directed and controlled. In the context of Nigerian banks, corporate governance encompasses the role of the board of directors, management, and shareholders in ensuring the bank's financial performance and sustainability.

Board Composition

Board composition refers to the mix of directors on a firm's board, including their expertise, experience, and independence. In the context of Nigerian banks, board composition may influence financial performance by affecting the quality of decision-making and oversight.

Ownership Concentration

Ownership concentration refers to the extent to which ownership is concentrated among a few large shareholders. In the context of Nigerian banks, ownership concentration may influence financial performance by affecting the level of monitoring and control exercised by shareholders.

Institutional Ownership

Institutional ownership refers to the ownership stake held by institutional investors, such as pension funds, insurance companies, and mutual funds. In the context of Nigerian banks, institutional ownership may influence financial performance by affecting the level of monitoring and control exercised by these investors.

CHAPTER TWO

2.0 Literature Review

This chapter intends to discuss the conceptual framework, literature review and references of the chapter on the role of advertisement in enhancing marketing efficiency on the performance of banking industry which I choose Polaris Bank Plc as the case study.

2.1 Conceptual Review

2.1.1 Concept of Firm Performance

Firm's performance has to do with the manner and processes adopted by the firm on things of economic value to prudently utilize those things for the achievement of the general business goal and objectives (Musa et al., 2020). Banks are firms and such their objective is to make profit just like any other profit-making organization. Bank performance could be seen in term of how the management operates or the results of their actions. In view of the latter, performance could be seen in terms of absolute profits, rate of return, earnings per share, the quality of assets portfolio, level of liquidity and net contribution to the economic development of the nation. Performance however, is not determined by inputs alone but is also dependent on the environment within which the bank operates.

This environment is referring to as "PESTLM" comprising of political, economic, socio-cultural, technology, legal and marketing (Akingunola, et al., 2013). The level of banks performance is determined also by how the institution can positively influenced these environmental factors and effectively survive in a driven competitive environment (Akingunola, et al., 2013). Ifeanyi and Chukwuma (2016) viewed firm performance as the procedures by which the resources of a firm are used effectively, efficiently and economically to fulfil the goals of the firm. And is crucial in evaluating the overall success of the firm. Firm's performance may be looked at from the financial and the non- financial performance criteria. Measures such as Return on Assets (ROA), Return on Equity (ROE) are the financial performance measures commonly used. Firm performance includes firm financial performance or profitability. Profitability means ability to make profit from all business activities of an organization, banks, firm, or an enterprise. It shows how efficiently the management can make profit by using all the resources available in the market. Profitability is an important yardstick for measuring the efficiency the extent of profitability cannot be taken as final proof efficiency.

Sometimes, the terms profit and profitability are used interchangeably. But in real sense, there is a difference between the two. Profit is an absolute term, whereas, the profitability is a relative concept. However, they are closely related and mutually interdependent having distinct roles in banks or in a business. Profit refers to the total income earned by the banks during the specified period of time, while profitability refers to the operational efficiency of the banks. Profit maximization is the primary objective of all banks or an organisation as one of the profit-oriented organizations tries to maximize profit by minimizing costs, risks and bank loan losses which eventually turns bad. Profits enhance the growth and expansion of any bank and it does constitute retained earnings and dividends. Dividend is the proportion of profit given to share- holders usually at the end of accounting period as returns on their investment. What makes up this profit is lending or credit facilities offered is the rate of interest charged by the banks. So, if the banks are able to recover the principal plus the interest charged, then profit is declared as a result of the loan recovered.

2.1.2 Concept of Ownership Structure

Bijalwan and Madan (2013) opined that ownership structure is the distribution of equity with regards to votes and capital and also by the identity of the equity owners. Ownership structures are the unit and value of shares held by directors/managers, other corporate bodies (institution), foreigners, government, and family. According to Peter (2019), ownership is the stockholding by shareholders and directors which include shares held by directors/managers, institutional shareholding, shares held by foreigners, concentrated shareholding, government shareholding, and family ownership. He further states that institutional ownership and foreign ownership are external corporate governance mechanism. Ownership structure can be considered as both internal and external corporate governance mechanism.

Lietz (2013) asserts that ownership structure is also one of the mechanisms of corporate governance. Theoretical assertion provided that concentrated ownership is a direct way to align cash flow and control rights of outside investors (Shleifer & Vishny, 1997).

Managerial shareholding is the portion of equity shares held the managers of an entity and the reason behind discussing this corporate attribute is nothing more than the agency theory which assumes that managers that are actively participating in the managing the affairs of an entity tends to act in a way that will maximize the value of firms. According to Ullah, et. al, (2012), the managerial ownership is determined by the total shares held by the managers, directors, and executives. The corporate finance literature has long suggested that managerial ownership is an important mechanism to reduce agency conflicts through the alignment of interests between management and shareholders. Jensen and Meckling (1976) argued that the relationship between managerial share ownership and corporate debt is complex. It is argued that managerial share ownership can reduce managerial incentives to consume perquisites, expropriate wealth and to engage in other non-maximizing behaviour. However, as the level of managerial ownership increases, control over the firm passes from external shareholders to the managers. At some point, managerial entrenchment occurs where there will be no constraints on managerial behaviour leading to an increase in managerial opportunism.

In addition, concentrated shareholding or ownership which is also referred to as block ownership is the proportion of shares (usually more than 5%) owned by a certain number of shareholders. It is argued that the higher the number of shares owned by the block holders, the more mangers action will be regulated and monitored to act in the interest of the shareholders (Sanda et al. 2005).

Concentrated ownership refers to the structure where large number of firm’s stock is owned by shareholders. Concentrated shareholders or block holders are investors who hold at least 5% of the firm’s stock, and are most times concerned about the monitoring of the management decisions with the purpose of protecting their investments.

The management most times give preference to the large shareholders because of their influential impact on the firm’s important decisions. Ezugwu and Itodo (2014) opined that large and well-informed shareholders could demonstrate more efficiency in exercising their voting rights than an ownership structure dominated by small uninformed investors. In addition, they are better disposed to efficiently negotiate managerial incentive contracts that align with shareholders and managers’ interests than poorly informed small shareholder, whose representatives on the board of directors could be manipulated by the management. On the other hand, De Angelo and De Angelo (1985) presented some problems that may emanate from concentrated ownership. Its weakness, according to them, is because large investors could exploit business relationships with other firms they own, which could profit them at the bank's expense.

2.1.3 Shareholders and Stock Ownership Structure

As Okabe (2007) explains, shareholders exercise two types of influence over management. First, shareholders have a role in controlling internal management at Annual General Meetings (AGM). By exercising their vote at the meetings, shareholders are able to monitor and influence management by criticizing their performance, electing board members, fixing Auditor's annual remunerations and approving or disapproving measures brought to the meeting. Second, a publicly quoted company is monitored by capital markets. When the business performance of a company is deteriorating, shareholders express their disapproval to the management by selling their shares. On the other hand, the management has a possibility to be controlled by another company through a hostile takeover.

Nishizaki and Kurasawa (2002) suggest that the effectiveness of shareholder monitoring on corporate governance depends on stock ownership structure.

The investors differ in terms of wealth, risk aversion and the priority they attach to shareholder value relative to other goals. This is because shareholder interests influence owner preferences and investment choices, (Kibuthu, 2005). For each of these stakeholders, preferences regarding company strategy will involve a trade-off between the pursuit of shareholder value and other goals. Ezazi et al. (2011) posited that firm performance is positively related to the majority shareholder. This single shareholder controls more than half of a corporation's shares, or sometimes, one of a small group of shareholders who collectively control more than half of a corporation's outstanding shares. According to Imam and Mahfuja (2007) majority shareholder has a negative influence on firm performance. Their reasons were that firms having single ultimate owner operate under strong ownership and therefore experience higher productivity growth.

2.2 Theoretical Framework

2.2.1 Agency Theory

The principle underlining the issue of corporate governance is the agency theory developed by Jensen and Meckling (1976) resulting out of the separation of ownership and control. Under this theory, the main concern is to develop rules and incentives, based on implicit or explicit contracts, to eliminate or at least, minimize the conflict of interests between the owners and the managers (Akpan & Riman, 2012). This theory also suggests that different types of ownership could have different effects on the performance of a firm. It has been recognised that modern firms are seen to suffer from separation of ownership and control and hence professional managers (agents) run these firms and they cannot be held accountable by dispersed shareholders (Kyereboah-Coleman, 2008). To minimize these shortcoming various governance mechanisms aimed at aligning the interests of agents with those of principals, including equity ownership by few individuals, managers, institutions or foreign, may be considered. The agency theory as formalized by Jensen and Meckling (1976) asserted that the ownership structure can affect firm performance. After Jensen and Meckling's work, agency theory becomes a formal concept. They argue that, because corporations are not always run by the principal, corporations are always structured to minimise the costs of getting agents (agency cost) to follow the principal's interests. Different parties involved in the same situation with the same goal will have different motivations, according to the theory. This means that the agent will always have information power over the principal, resulting in information asymmetry between the two. However, because efficiency and effectiveness are inextricably linked, there will be conflicts of interest within and among the parties.

Agency theory clearly explains the presence of the motivation for management to adopt earnings management when it comes to earnings management practise. As a result, management could utilise results to deceive shareholders by portraying the company's earnings in a way that differs from what is declared in the financial reports. Additionally, Sunday et al. (2012) pointed out that earnings management can arise as a result of information asymmetry or agency conflicts that arise when equity ownership is separated from corporate management and managers have a comparative information advantage over shareholders, and that these market imperfections create an environment for managers to engage in accounting discretion in order to promote their selfish interests at the expense of shareholders.

At the same time, they provide managers with an opportunity to use that accounting discretion to provide their company's good image-related facts to investors in an appropriate manner.

However, because of the opportunity-seeking tendencies of managers (agents), it is critical for businesses to establish mechanisms that would act as a watchdog to close the gap between the interests of agents and the interests of the principal. Inthis regard, the ownership structure, of which managerial ownership, institutional ownership, and concentrated ownership are integral parts, serves as an effective and efficient mechanism or tool in meeting the expectations and needs of shareholders (principals), thereby providing better and effective monitoring of managers (agents), and thus providing an impetus for transparent and reliable reporting to improve performance. While the management (agents) are responsible for the preparation and fair presentation of financial statements in accordance with International Financial Reporting Standards (IFRSs) they are also expected to ensure that the financial statements are free of material misstatement, whether due to fraud or error, as part of the agency theory. Financial reporting difficulties develop when there is a conflict of interests between managers and owners (shareholders) combined with information asymmetries, as described by Beatty and Harris (1998), Kim and Yi (2006), and Richardson (2006). Financial performance would be unaffected if this agency problem did not exist, because managers would have no motive to misreport or hide information (keeping aside reporting incentives that might arise from strategic product market considerations). Because the purpose of corporate governance in its various forms is to reduce this agency problem, the study adopted agency theory as the underpinning theory that best explains the study. This suggests a natural link between ownership structure and financial performance, as effective corporate governance should result in high financial performance.

2.2.2 Stakeholder Theory

Heenetiga (2011) said that research into corporate governance also discusses the stakeholder theory in relation to firms' responsibility to the wider community. A stakeholder is any group of individuals who can affect or is affected by the activities of the firm, in achieving the objectives of the firm (Freeman 1984). A similar view has been put forward by the World Business Council for Sustainable Development (1999), which also identifies stakeholders as the representatives from labor organizations, academia, church, indigenous peoples, human rights groups, government and nongovernmental organizations and shareholders, employees, customers/consumers, suppliers, communities and legislators.

According to Ansoff (1965), a firm's objective could be achieved through balancing the conflicting interests of these various stakeholders. Therefore, a fundamental aspect of stakeholder theory is to identify the stakeholders an organization is responsible for. Any stakeholder is relevant if their investment is, in some form, subject to risk from the activities of the organization (Clarkson 1995).

Corporate governance systems are in a state of transition due to internationalization of capital markets, resulting in convergence of the shareholder value-based approach to corporate governance and the stakeholder concept of corporate governance towards sustainable business systems (Clarke 1998). It can be seen that stakeholder theory is an extension of the agency perspective, where responsibility of the board of directors is increased from shareholders to other stakeholders' interests (Smallman 2004).

Criticisms that focus on stakeholder theory identify the problem of who constitutes genuine stakeholders. One argument is that meeting stakeholders' interests also opens up a path for corruption, as it offers agents the opportunity to divert the wealth away from the shareholders to others (Smallman 2004). But the moral perspective of stakeholder theory is all stakeholders have a right to be treated fairly by an organization, and managers should manage the organization for the benefit of all stakeholders, regardless of whether the stakeholder management leads to better financial performance (Deegan 2004).

2.3 Empirical Review Studies

Abosede and Kajola (2011) examine the relationship between firms' ownership structure and financial performance in Nigeria, using a sample of thirty listed companies between 2001 and 2008. Using pooled OLS as a method of estimation and after controlling for four firm-specific characteristics, the results show a negative and significant relationship between ownership structure (director shareholding) and firm financial performance (ROE). Gugong, et al. (2014) examined the impact of ownership structure on the financial performance of listed insurance firms in Nigeria. The study uses panel data for seventeen (17) firms for the period 2001–2010 (10 years) the study found that there is a positive and significant relationship between ownership structure and firm's performance as measured by ROA and ROE.

Similarly, Adabenege et al. (2014) investigate the effect of ownership structure on the financial performance of listed oil and gas companies in Nigeria for the period of 2006-2015. Secondary data were used, extracted from the financial reports and accounts of the companies that made the sample of the study. The study employed robust OLS as the best estimator of the regression model. The findings revealed managerial ownership has a positive significant impact on the financial performance of oil and gas companies in Nigeria while ownership concentration has negative impact on ROA.

Zhang and Kyaw (2017) evaluate ownership structure and firm performance among Chinese companies. Data on 1178 non-financial companies with a total of 5815 firm-years from annual reports was utilised. Through fixed-effect panel model, the study has the shows that there is a positive relationship between firm performance and institutional ownership in Chinese companies. Second, the proportion of tradable shares negatively affects firm performance. Third, ownership concentration and state ownership appear to not affect firm performance. Saidu and Gidado (2018) examined the effect of managerial ownership on financial performance of listed manufacturing firms in Nigeria. The non-survey method of research was adopted where data were generated from annual reports and accounts of listed manufacturing firms in Nigeria. The study covers the forty (40) manufacturing firms listed on the floor of Nigeria Stock Exchange (NSE) as 31st December, 2016 out of which 10 were selected as sampled size. The technique of analysis adopted for this study was correlation and OLS regression techniques. The study found that managerial ownership has negative and significant impact on ROA of listed manufacturing firms in Nigeria.

In same manner, Yahaya and Lawa (2018) examine the effects of ownership structure on firm value of Nigerian deposit money banks. It also evaluated the relationship between ownership structure variables (concentrated, managerial and foreign) on firm value (Return on Equity and Return on Asset). The study used a sample of fifteen (15) banks quoted on the Nigerian Stock Exchange. The study employed secondary data which was obtained from audited report of Nigerian deposit money banks for a period of nine years (2008-2016). The data obtained were subjected to System Generalised Moment Method. Findings reveal that only institutional ownership has positive and significant effect on financial performance while others have insignificant effect while managerial ownership, foreign ownership and concentrated ownership have negative effect on firm performance.

In addition, Musa et al. (2020) investigate the effect of board size and ownership structure attributes of corporate governance on financial performance of Deposit Money Banks (DMBs) financial performance in Nigeria. Panel Data were collected from the published Annual Reports of 16 quoted/listed DMB in Nigeria for the period 2011-2015. Operationalizing Return on Assets (ROA) and Return on Capital Employed (ROCE) as the dependent variables while board size and ownership structure are the independent variables. The study discovered that managerial ownership and institutional ownership indicate negative ROA while block ownership has positive effect on ROA and a negative effect on ROCE.

Oyedokun et al. (2020) assess the impact of ownership structures on the firms' value of quoted manufacturing firms (consumer goods) in Nigeria for 2010-2018. The total numbers of quoted consumer goods firms in the Nigeria stock exchange as of 31st December 2018 were twenty-one (21). A judgmental sampling technique was used to sample nineteen (19) consumer goods firms for the study. The study used Managerial Ownership, Institutional Ownership, foreign Ownership, and ownership concentration affect firms' values of quoted consumer goods in Nigeria. Data were collected from secondary sources through the annual reports and accounts of sampled consumer goods firms in Nigeria. The study adopted a panel regression technique as a tool of analysis. The result showed a negative effect of managerial ownership on firm value. While institutional Ownership, foreign Ownership, and Ownership concentration all positively affect the firm value of consumer goods firms in Nigeria.

2.4 Gap in Literature

The relationship between ownership structure and financial performance has been extensively studied in the context of developed economies. However, the Nigerian banking industry presents a unique environment, characterized by a complex ownership structure, stringent regulatory requirements, and a rapidly evolving financial landscape.

Despite the growing body of research on the effect of ownership structure on financial performance, several gaps remain in the literature

CHAPTER THREE

3.0 Research Methodology

3.1 Introduction

This study adopts a quantitative research methodology and time series data which also involves an exploratory research design using ex-post facto design. The study variables include; independent and dependent variables.

3.2 Research Design

Measurement of Variables

Financial performance is the dependent variable in this study, while managerial ownership, institutional ownership and concentrated ownership are the independent variables.

Dependent Variable

Return on Assets (ROA): It measured by bank profit after tax divided by total equity (Saidu & Gidado, 2018; Osemene et al., 2018). This study used ROE since banks objective is to increase equity holder wealth. This is also inline with agency theory.

Independent Variables

Ownership structure is independent variable; Managerial ownership, institutional ownership, concentrated ownerships are all used as ownership structure. This is in line with Saidu and Gidado (2018) and Abosede and Kajola (2011).

Institutional Ownership

Proportion of shares held by institutions that is institutional shares divide by total shares (Osemene et al., 2018; Saidu & Gidado, 2018).

Managerial Ownership

Proportion of shares held by directors/managers that is directors/managers shares divide by total shares (Bukar, 2020; Adabenege, 2014)

Concentrated Ownership

proportion of shares held by shareholder at 5% and above (Salaudeen & Ejeh, 2018;).

Control Variables

The study used firm attributes as control variables.

Firm Size

This was expressed in terms of total assets. In this study the firm size is measured by natural logarithm of total assets (Zhang & Kyaw, 2016)

Firm Age

This was expressed using the firm current year considering year of listing (Saidu & Gidado, 2018)

3.3 Population of the Study

The study comprised of 14 Deposit Money Banks (DMBs) on the floor of Nigerian Exchange (NGX). The study sample size consisted of 10 DMBs listed on the floor of Nigerian Exchange (NGX).

3.4 Sample Size and Sampling Techniques

Simple random sampling technique was employed in selecting the sample size for the study. This technique gives each element of the population equal chance of being selected.

3.5 Methods of Data Collection

This research mainly utilized the secondary data, the source of data included published annual reports and Accounts of the banks covering the period of the study.

Other sources included Nigeria stock Exchange fact book, textbooks, Journals (prints and electronic) and the banks website/page. The secondary source of data collection method is used to generate data from the annual reports and account of the Deposit Money Bank. The use of secondary data in study is because of the nature of the study which is quantitative in nature.

3.6 Method of Data Analysis

The study used descriptive statistics to determine the centrality of research variables and the level of dispersions. The research used the mean, standard deviation, the minimum and the maximum to present the data. The correlation was employed to establish the nature of relationship between the independent variables and the dependent variable. Multiple linear regression was employed to establish the nature of the causal effect of the independent variable on the dependent variable.

3.7 Limitation of the Methodology

Generalizability: The study is limited to Guaranty Trust Bank Plc, and the findings may not be generalizable to other banks in Nigeria or other countries.

Data Availability: The accuracy and availability of data may affect the depth of the analysis. Some financial data or specific internet banking usage statistics may be confidential or incomplete.

Technological Changes: Rapid technological advancements and changes in the regulatory environment during the study period may impact the findings. The study's results may need to be interpreted in the context of these changes.

Customer Behavior: Changes in customer behavior and preferences over time may influence the adoption and impact of internet banking.

CHAPTER FOUR

4.0 Data Presentation, Analysis and Interpretation

4.1 Data Presentation

This analysis was carryout within a panel data estimation framework. The study model is based on previous studies with modification (Richardson et al., 2016; Peter 2019; Tanko et al., 2019). The basic models for panel data regression take the form:

$$ROE_{it} = \beta_0 + \beta_1 IO_{it} + \beta_2 MO_{it} + \beta_3 CO_{it} + \beta_4 FS_{it} + \beta_5 FA_{it} + \varepsilon it - - - - - 1$$

Where;

ROE = return on equity;

IO = institutional ownership;

MO = managerial ownership;

CO = concentrated ownership

FS=Firm size

FA = firm age;

i = firms 1 – 10;

t = the financial years 2011 – 2020;

$\beta 0$ = the intercept;

$\beta 1-5$ = the slope coefficient of explanatory variables; and Table 4.1. Variables Definition and Measurements.

ε = error term.

4.2 Data Analysis

Table 1
Descriptive Statistics

Variables	Obs.	Mean	Std Dev.	Min.	Max.
ROE	100	0.0175	0.1188	-0.0455	0.4327
MO	100	0.1570	0.3814	0.0001	0.3537
IO	100	0.2935	0.1383	0.0012	0.6574
CO	100	0.1577	0.1913	0.0513	0.7308
FS	100	7.2149	0.8018	3.0037	9.8366
FA	100	23.00	14.7470	5.000	49.000

Source: STATA Output, 2025

Table 1 show that the mean ROE of the sampled DMBs during the period of study was 0.0175 with a standard deviation (SD) 0.1188. This is an indication that the data for ROE deviate from both sides of the mean by 11.9%, which means that the data is slightly spread from its mean. The ROE also has a minimum and maximum value of -0.0455 and 0.4366 respectively. The managerial ownership has a mean of 0.1570 and an SD of 0.3814, which implies that data for managerial ownership deviate from both side of the mean by 0.224 since the standard deviation is greater than mean; a minimum and maximum value of 0.0001 and 0.3538 respectively.

The table also shows mean of institutional ownership during the period at value of 0.2935 and standard deviation (SD) of 0.1383. This indicates that there is no wide variation of institutional ownership during the period of the study since the mean is greater than the standard deviation. The minimum and maximum values of institutional ownership were 0.0012 and 0.6574.

The table also shows that the mean for concentrated ownership during the period of study is 0.1577 and the standard deviation (SD) of 0.1913. This indicates wide variation around the mean because the mean is less than the standard deviation. The minimum and maximum values of concentrated ownership were 0.0513 and 0.7308. The table also reports the mean firm size (log of total assets) of the banks for the period as a mean of 7.2149 with standard deviation (SD) of 0.8018. This shows that the data for the firm size (log of total assets) deviated from both sides of the mean 5.413, meaning that the data is widely spread from the mean. In addition, FS also has a minimum and maximum of 3.0037 and 9.8367.

However, Table 1 shows that the mean firm age of the sampled DMBs during the study period was 23, with a Standard deviation (SD) of 14.747, meaning that the data for FA deviate from both sides of the mean by 8.253%. This is shows that the data is no widely spread from the mean. The data for firm age also have a minimum and maximum value of 5 and 49 respectively.

Correlation coefficients

This section contains the relationship or level of association among the variable of the study. The summary of the correlation coefficients is presented in Table 2.

Also, to ensure that the data for this study is fit for the model, the study conducted data normality test. The Shapiro-wilk test for the data normality was conducted to test the null hypothesis that data for the variables of the study is not normally distributed, at a 5% level of significance. Indicates that all the data are not normally distributed since the probability value is greater than 5%. However, the study used ladder to transform the data (Turkey, 1981).

Table 2
Correlation Matrix

Variables	ROA	MO	IO	CO	FS	FA	VIF
ROA	1.0000						
MO	0.0349	1.0000					1.33
IO	0.2887	0.0087	1.0000				4.86
CO	-0.0269	-0.1250	0.1072	1.0000			1.46
FS	0.4852	-0.0583	0.5293	-0.1291	1.0000		1.56
FA	0.0716	0.1025	0.3078	-0.2846	0.4088	1.000	2.10

Source: STATA Output, 2025

Table 2 shows that there was positive correlation between managerial ownership, institutional ownership, firm size, firm age and ROA of the sampled DMBs during the period, which was explained by the 0.0349, 0.2887, 0.4852 and 0.0716 coefficient value respectively. This implies that as managerial ownership, institutional, firm size and firm age increases ROA will equally increases. It also implies that managerial ownership, institutional ownership, firm size and firm age moved in same direction with ROA. Only the relationship between firm size and ROA is moderate the rest are weak relationship.

In the same vein, the table shows that there is a weak and negative relationship between concentrated ownership and ROA at the correlation coefficient of - 0.0716. This means that as LAR increases, it leads to same inverse movement in ROA. In addition, the relationship between the independent indicates that there is no evidence of multicollinearity since none of the relationship is up to 0.8.

Diagnostic Tests

The study conducted test to check if there is evidence of multicollinearity and heteroscedasticity among explanatory variables. This section presents the result of VIF test and test for heteroscedasticity which were presented along with the regression result in Table 3

The Variance Inflation Factor (VIF) test was conducted to check for multicollinearity among explanatory variables of the study. It was expected that the VIF for all independent variables should be less than 10, while their tolerance levels should be greater than 10. The result of the VIF test as shown on Table 3 indicate that the highest VIF is 4.86 and the least is 1.33. Since none of the VIF is above 10 this applied the absence of multicollinearity.

The Breusch- Pagan/Cook-Weisberg test for heteroscedasticity was conducted to ascertain the existence or otherwise of heteroscedasticity. The test was to test the null hypothesis that there is no presence of heteroskedasticity among the standard errors of the data variable at 5% level of significance. Results shows that hettest has a Chi2 of 6.82, which is significance at the p-value 0f 0.1282. The result show that there no is presence of heteroskedasticity among values for ROA, MO, IO, CO, FS and FA.

Coupled with the fact that data for ROA, MO, IO, CO FS and FA are abnormally distributed, as it is evident in the result of the Shapiro-wilk test for data normality, implies that data values for the study required a more generalized least squares (GLS) regression analysis, which has fixed effect, random effects and robust regression analysis. Hence, the result of Hausman Fixed Random specification test shows a Chi2 of 13.67, which is insignificance at the p-value of 0.1887. This indicates that fixed effect regression analysis is not suitable for the study since the p-value is insignificant. However, the random effect regression is more suitable.

To this effect the Breusch and Pagan Langrangian Multiplier test for random effects was also conducted, the result of which shows Chi 7.86 at the significance p-value 0.0025. This means that the random effect regression analysis is more appropriate for fitted values of ROA. Thus, the result of the GLS random effect multiple regression analysis is presented on Table 3.

Table 3

Summary of Random Effect Regression Result.

Variables	Coefficient value	Z-Value	p>/z/
Constant	-0.5170	-4.12	0.000
MO	0.0286	3.98	0.000
IO	0.0147	0.90	0.540
CO	0.0155	4.27	0.000
FS	0.0752	3.93	0.000
FA	-0.0015	-1.46	0.143
Hettest Chi2	6.82		
Hettest Prob.	0.1282		
Hausman Chi2	13.67		
Hausman prob.	0.1887		
LM chi2	7.86		
LM prob.	0.0025		
Wald chi 2	21.53		
Prob.	0.0006		
R^2	0.2633		

Source: STATA Output, 2025

Table 3 contains the result of GLS random effect multiple regression for fitted of ROA. It has shown that the coefficient of the intercept (CONST) is -0.5170 which determines the value of ROA when there is an increase or decrease in any of the independent variables by 1 unit, while all others are held constant. The z-value of the CONST -4.12, which is significant at 1% (p-value = 0.000). MO has a coefficient of 0.0286 at the z-value of 3.98 and p-value of 0.000. This indicated that all things being equal, MO positively and significantly affect ROA. The positive coefficient value indicates that as MO increase by 1% ROA will also increase by 0.0286. The result is consistent with Gugong, et al. (2014) and Adabenege et al. (2014) who documented a positive relationship between MO and

ROA.

On the other hand, this finding is not in line with the findings of Abosede and Kajola (2011); Zhang and Kyaw (2017) and Saidu and Gidado (2018). This finding is also in agreement with the tenets of agency theory which provides that managers will align their interest if they are shareholder of the company.

IO has a coefficient of 0.0147 at the z-value 0.61 and p-value of 0.540. This indicated that IO positively and insignificantly influence ROA. The positive coefficient indicate that 1% increase of IO will lead to 1.47% increase of ROA.

This finding is in agreement with the study of Zhang and Kyaw (2017). However, disagreed with Musa et al. (2020). Also, the result revealed a positive and significant effect of CO on ROA at coefficient value of 0.0155 and p-value of 0.000. This positive coefficient value indicates that for any 1% increase of CO will lead to over 1.55% increase of ROA. The finding aligns with finding of Musa et al. (2020) and Oyedokun et al. (2020) while the finding disagreed with the findings of Zhang and Kyaw (2017) and Yahaya and Lawa (2018).

The results also shows that firm size has positive and significant effect on ROA. This indicates that as firm size increase by 1% and other factor remain constants ROA will equally increase. The result also shows that firm age has negative and insignificant impact on RO. This means that as firm age increases by 1% ROA will decrease.

Regression Analysis

Effect of Ownership Structure on Financial Performance (ROE and ROA) of Deposit Money Banks

The two measures of Profitability in this research work are Return on Asset (ROA) and Return on Equity (ROE). In ROA model, size, debt, growth and DPS are instrumented because of endogeneity problem while in ROE model each of the ownership structures (i.e. managerial, institutional, concentrated and foreign ownership structures) and DPS are instrumented because they are suspected to be endogenous. The regression result that shows the effect of ownership structure on profitability of DMBs using ROA and ROE and controlling for Size (Total Asset), Debt, Growth ratio and Dividend per share (DPS), is presented in the table 4

Table 4|Effect of Ownership Structure on Financial Performance of Deposit Money Banks

VARIABLES	(1) ROA	p-value	(2) ROE	p-value
L.ROA	-0.0781	0.460		
	(0.106)			
L.ROE			-0.134***	0.008
			(0.0502)	
CONC	-0.000120	0.692	-0.00268	0.408
	(0.000302)		(0.00324)	
L.CONC			0.000957	0.638
			(0.00204)	
INOWN	0.000570*	0.062	-0.00195	0.570
	(0.000306)		(0.00342)	
L.INOWN			0.00706	0.156
			(0.00497)	
MOWN	-0.000573	0.144	-0.00180	0.506
	(0.000393)		(0.00271)	
L.MOWN			0.00393	0.403
			(0.00470)	
FOWN	-0.000128	0.405	0.00273	0.564
	(0.000154)		(0.00473)	
L.FOWN			-0.00515	0.328
			(0.00527)	
DPS	-3.47e-05	0.428	-0.00300	0.209
	(4.38e-05)		(0.00239)	
L.DPS	4.54e-05	0.443	0.000928	0.381
	(5.91e-05)		(0.00106)	
SIZE	-0.00699	0.173	-0.0379	0.521
	(0.00512)		(0.0591)	
L.SIZE	-0.0110*	0.088		
	(0.00642)			
DEBT	-0.0297	0.220	-0.366	0.310
	(0.0242)		(0.361)	
L.DEBT	0.0403	0.410		
	(0.0489)			
GROWTH	0.00141	0.916	0.440	0.240
	(0.0133)		(0.374)	
L.GROWTH	0.0330**	0.015		
	(0.0136)			
Constant	0.0949	0.158	0.741	0.334
	(0.0673)		(0.768)	
Observations	105		102	
Wald Chi²	324.51***		5.94e+09***	
p-value	0.000		0.000	
Sargan Test	67.68496		63.96953	
p-value	0.1572		0.9907	
AR test (2)	-.51		-1.0889	
p-value	0.6101		0.2762	

Source: Author’s Computation, 2025

4.3 Data Interpretation

Results from table 4, show that ownership structure does not have significant effect on ROE. This means that shareholders have no capacity to monitor managers or influence decision making or due to their passive role in monitoring managers leading to insignificant influence on ROE of DMBs in Nigeria. This consistence with the findings of Uhmoibhi (2007); Almujamed (2012); Sebastine et al. (2014) and Gayan and Shanika (2016) but against the works of Ibrahim (2012) and Benjamin et al.(2014). Moreover, concentrated ownership does not effect on ROA. This implies that concentrated ownership is not a factor determining ROA. This is consistence with the works of Ibrahim (2012); Alexander et al. (2014) but against the finding of Sebastine et al. (2014). However, institutional ownership contemporaneous value has a positive significant effect on ROA. This means that the existence of institutional shareholders might discipline management for better performance, due to their power to influence board decisions, absorb the cost of effective monitoring, and engage in active ownership. This supported by Ibrahim (2012); Benjamin et al. (2014) and Zuriawati et al. (2014).

While, managerial ownership does not have significant effect on ROA. This implies that managerial ownership is not a factor determining ROA of DMBs in Nigeria. It may due to low motivation to work by the managers or a weak sense of belonging towards the business success. This is consistence with the finding of Anthony (2012) but against the work of Mahmud et al. (2010). Similarly, foreign ownership does not have statistically significant effect on ROA. Invariably it is not a determinant of ROA of deposit money banks in Nigeria. This is supported by Zuriawati et al. (2014). For control variables, Lagged size is found to affect ROA negatively while lagged growth ratio is found to affect ROA positively. This means that previous growth opportunities of DMBs in Nigeria influence the current profitability of the banks. This is consistence with the findings of Zuriawati et al. (2014).

CHAPTER FIVE

5.0 Summary, Conclusion and Recommendations

5.1 Summary of Findings

This study examined the effect of ownership structure variables that influence the performance of deposit money banks in an emerging economy, Nigeria. Using panel data regression analysis with the fixed effects model, the findings show that board ownership stake has a strong direct effect on risk-adjusted return on assets and equity. Board chairman ownership stake has a strong favorable influence on dividend yield. Institutional ownership has a strong positive effect on growth in earnings per share. Ownership concentration has a strong positive influence on dividend yield and cost-to-income ratio of the listed banks in the emerging economy. The study concurred to agency theory which suggests that to mitigate the divergence of interests and consequential agency problems, internal corporate governance mechanisms in the area of ownership structure should be used to monitor and induce managers to make better decisions that can lead to better firm performance.

5.2Conclusion

The study concludes that institutional ownership have positive significant effect on financial performance of DMBs in Nigeria. Other ownership have insignificant effect on financial performance. It was therefore found that there is a positive relationship between foreign shareholding and ROE. The study concluded that, the higher proportion of foreign shareholding increases the performance of DMBs in Nigeria.

The main objective of this study is to assess the effect of ownership structure on profitability of deposit money banks in Nigeria towards ensuring optimal bank profitability and sustainable livelihoods of listed deposit money banks in Nigeria.

Sequel to the finding of the study, the following conclusions have been drawn that:

i. Managerial ownership significantly increases ROA Also, the variations on return on asset (ROA) are significantly explained by MO as adopted by listed banks in Nigeria. This implies that managers put more effort to increase DMBs profitability because of the shares proportion they have in the bank.
ii. Institutional ownership positively increases banks profitability. This implies that the representatives' institutions that have proportion of shares in DMBs are more concerned on how profitability of the DMB will increase.
iii. Concentrated ownership has a positive significant effect on return on assets (ROA).

This suggests that concentrated owners monitored the activities of DMBs for the purpose of increasing their share wealth.

5.3Recommendation

On the basis of the results and conclusions of the study of effect of ownership structure on profitability of deposit money banks in Nigeria. The following are the recommendations so as to be considered in the future intervention strategies which can improve the Bank Performance

i. The board of directors in the DMBs in Nigeria should ensure that shareholding of the insider managers is increase in such a way that the proportion of their shareholding should be minimal which should not exceed 20% of the total shareholding in the company as it was found being among the factors that increase DMBs profitability. Doing this will encourage managers to more effort to work toward improving DMBs profitability.
ii. Regulators should enact relevant laws that will guide against a group of persons or institutional investors to own large percentage of the equity shares of

performing DMBs. This is because high institutional ownership increases profitability but is insignificant.

iii. DMBs in Nigeria should pursue policy of diffused ownership structure such as concentrated ownership. This will be easier to monitored and controlled firm performance since they have highest shareholding. They may also use their positions to improve their lots and the performance of DMBs.

iv. Institutional shareholders should continuing using their power, resources and expertise to exercise control over management abuse of power which can affect the performance of the firm.

v. Banks in Nigeria should pay more attention to foreign shareholding (foreign investors) in their firms.

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