Effects of ownership structure on financial performance in Nigerian deposit money banks

By

OWOLABI TITILAYO GRACE

ND/23/BFN/FT/0004

BEING A RESEARCH WORK SUBMITTED

TO THE DEPARTMENT OF BANKING AND FINANCE,

INSTITUTE OF FINANCE AND MANAGEMENT STUDIES,

KWARA STATE POLYTECHNIC, ILORIN

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR

THE AWARD OF HIGHER NATIONAL DIPLOMA (HND)

IN MASS COMMUNICATION

CERTIFICATION

This project has been read and approved as meeting the requirements for the award of National Diploma (ND) Banking and Finance Department, Institute of Finance and Management Studies, Kwara State Polytechnic, Kwara State.

______________________	____________________
MRS. OTAYOKHE E. Y	**DATE**
(Project supervisor)	
______________________	____________________
MRS. OTAYOKHE E. Y	**DATE**
(Project coordinator)	
______________________	____________________
MR. AJIBOYE, W.T.	**DATE**
(Head of Department)	
______________________	____________________
MR. SAFURA A.S	**DATE**
EXTERNAL EXAMINER	

DEDICATION

This project is dedicated to the Almighty GOD, who gives knowledge, wisdom, strength and understanding. The Author, king and finisher of my soul.

ACKNOWLEDGEMENTS

I acknowledge the presence of almighty God in the course of writing this project, all glory and adoration be unto him.

I want to register my sincere appreciation to Kwara state polytechnic Ilorin for considering me as one of their students in banking and finance department, which aided in writing of this research.

My gratitude also goes to the HOD banking and finance department MR. Wale Ajiboye.

In this regard, my special gratitude goes to my amiable supervisor, Mr Babatunde A.R and my supportive parents, I'm grateful for all the support, assistance and understanding shown to me.

ABSTRACT*s*

This study investigates the impact of ownership structure on the financial performance of Nigerian Deposit Money Banks (DMBs). In light of ongoing regulatory reforms and corporate governance developments, understanding how different ownership configurations influence key performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) has become increasingly important. The research examines various forms of ownership managerial, institutional, foreign, government, and dispersed and their distinct effects on bank performance. Drawing on recent empirical studies and financial data, the study explores the positive and negative implications of each ownership type within the Nigerian banking sector. Findings from prior research present mixed results, indicating the complexity of these relationships. By providing updated empirical evidence, this study aims to assist policymakers, investors, and stakeholders in optimizing ownership structures to enhance financial efficiency and stability within Nigerian banks.

TABLE OF CONTENTS

CHAPTER ONE

1.0 Introduction to the study

Ownership structure significantly influences the financial performance of banks globally. In Nigeria, Deposit Money Banks (DMBs) have experienced substantial changes in ownership structures due to regulatory reforms, corporate governance enhancements, and market dynamics. Understanding the interplay between ownership configurations and financial outcomes is crucial for assessing bank efficiency and stability.

The ownership structure of banks encompasses various forms, including institutional, managerial, foreign, government, and dispersed ownership. Each category exerts distinct impacts on financial performance. Institutional ownership, involving entities like pension funds and mutual funds, often correlates with improved performance due to enhanced oversight and a focus on long-term returns. However, excessive managerial ownership can lead to entrenchment issues, where managers prioritize personal interests over shareholders', potentially diminishing performance. Foreign ownership introduces capital and international best practices but may also raise concerns about capital repatriation and foreign influence over domestic banking policies. Government ownership can provide stability but might also lead to inefficiencies due to political interference. Dispersed ownership, while reducing the risk of control by a single entity, may weaken governance due to a lack of significant monitoring.

In Nigeria, the 2005 banking consolidation reforms mandated banks to increase their capital base to ₦25 billion, leading to mergers, acquisitions, and a shift in ownership structures. This reform attracted more foreign and institutional investors into the banking sector. Despite these changes, concerns persist regarding how different ownership structures affect financial performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM).

Several recent studies have examined the relationship between ownership structure and financial performance in Nigeria's banking sector. Abdulfatah et al. (2023) found that foreign ownership positively affects financial performance, while managerial and institutional ownership have negative impacts. Similarly, Dada et al. (2024) observed that foreign, managerial, and institutional ownership negatively impacted bank performance, particularly ROA. Conversely, Nwude et al. (2023) reported that disaggregated ownership structure and concentrated ownership positively and significantly relate to bank performance indices, suggesting that certain ownership configurations can enhance financial outcomes.

This study aims to provide empirical evidence on the impact of ownership structure on the financial performance of Nigerian Deposit Money Banks. By analyzing ownership patterns and financial indicators such as ROE, ROA, and NIM, the research seeks to offer insights into how ownership influences bank performance in Nigeria. The findings will be beneficial for policymakers, investors, and financial analysts in making informed decisions regarding bank ownership structures.

1.1 Statement of the Research Problem

The relationship between ownership structure and financial performance in Nigerian Deposit Money Banks (DMBs) continues to be a subject of extensive research and debate. While some studies suggest that concentrated ownership can enhance decision-making efficiency and align management interests with those of shareholders, others argue that it may lead to managerial entrenchment and agency conflicts, thereby negatively impacting performance.

Recent empirical studies provide nuanced insights into these dynamics. For instance, Nwude et al. (2023) found that disaggregated ownership structures and concentrated ownership positively and significantly relate to bank performance indices, suggesting that certain ownership configurations can enhance financial outcomes.

Conversely, Abdulfatah et al. (2023) observed that foreign ownership positively affects financial performance, while managerial and institutional ownership have negative impacts. Similarly, Kase (2021) reported that managerial ownership negatively affects profitability, whereas foreign ownership has a positive effect, and institutional ownership does not significantly impact financial performance.

These findings underscore the complexity of ownership structures' influence on bank performance. While certain ownership forms can align interests and enhance oversight, others may introduce agency conflicts or governance challenges. Therefore, policymakers and bank stakeholders must consider these dynamics when formulating strategies to optimize ownership configurations for improved financial performance.

1.2 Research Questions

This study seeks to answer the following questions:

1. What is the relationship between ownership structure and financial performance in Nigerian Deposit Money Banks?
2. How does institutional ownership affect the profitability of Nigerian Deposit Money Banks?
3. What is the impact of managerial ownership on the financial performance of Nigerian Deposit Money Banks?

1.3 Objectives of the Study

The main objective of this study is to examine the effects of ownership structure on the financial performance of Nigerian Deposit Money Banks. The specific objectives are to:

1. Analyze the relationship between ownership structure and financial performance in Nigerian Deposit Money Banks.

2. Assess the impact of institutional ownership on the profitability of Nigerian Deposit Money Banks.
3. Examine the influence of managerial ownership on the financial performance of Nigerian Deposit Money Banks.

1.4 Research Hypothesis

The study will test the following hypotheses:

H_{01}: There is no significant relationship between ownership structure and financial performance in Nigerian Deposit Money Banks.

H_{02}: Institutional ownership does not significantly affect the profitability of Nigerian Deposit Money Banks.

H_{03}: Managerial ownership has no significant impact on the financial performance of Nigerian Deposit Money Banks.

1.5 Significance of the Study

This research is significant to various stakeholders, including policymakers, investors, financial analysts, and bank management. It provides insights into how different ownership structures affect financial performance, aiding policymakers in shaping banking regulations. Investors can use the findings to make informed decisions about bank ownership structures, while financial analysts and scholars can expand on the research for further studies.

1.6 Scope and Limitations of the Study

The study focuses on Nigerian Deposit Money Banks and covers the period from 2015 to 2023, analyzing ownership structure and financial performance indicators such as profitability, return on assets (ROA), return on equity (ROE), and capital adequacy. While the study provides a comprehensive overview of the sector, it may not fully capture the unique dynamics of individual banks within the industry.

1.7 Definition of Terms

To ensure clarity and a proper understanding of this study, key terms related to ownership structure and financial performance are defined as follows:

1. **Ownership Structure**: The distribution of a company’s shares among different types of investors, including institutional, managerial, foreign, government, and retail shareholders. Ownership structure influences decision-making, corporate governance, and financial performance.
2. **Financial Performance**: A measure of an organization’s financial health and profitability over a specific period, often assessed using key indicators such as return on assets (ROA), return on equity (ROE), net interest margin (NIM), and earnings per share (EPS).
3. **Institutional Ownership**: The percentage of a company's shares owned by institutional investors such as pension funds, insurance companies, mutual funds, and hedge funds. Institutional investors often bring professional oversight and long-term strategic investments, which may improve financial performance.
4. **Managerial Ownership**: The proportion of a company’s shares owned by its executives, directors, and top management. High managerial ownership may align management interests with shareholders' but can also lead to conflicts of interest and entrenchment issues.
5. **Foreign Ownership**: The percentage of a company’s shares held by foreign investors or corporations based outside Nigeria. Foreign ownership can contribute to financial performance through capital inflows, advanced management practices, and international expertise.
6. **Government Ownership**: The extent to which a government holds shares in a company or bank. Government ownership in the banking sector can influence financial performance through policies, regulations, and state-backed interventions.

7. **Dispersed Ownership**: A situation where a company’s shares are widely distributed among many small investors rather than being concentrated in a few hands. Dispersed ownership can reduce the risk of control abuse but may also lead to weak governance due to a lack of concentrated oversight.
8. **Corporate Governance**: The system of rules, practices, and processes by which a company is directed and controlled. It involves balancing the interests of stakeholders, including shareholders, management, customers, and regulatory bodies. Good corporate governance enhances transparency, accountability, and financial performance.
9. **Return on Assets (ROA)**: A financial ratio that measures a company’s profitability in relation to its total assets. It indicates how efficiently a company uses its assets to generate earnings.
10. **Return on Equity (ROE)**: A measure of a company's profitability that shows how much profit is generated with the money invested by shareholders.
11. **Net Interest Margin (NIM)**: A profitability metric used by banks to measure the difference between interest income earned from loans and interest paid on deposits, expressed as a percentage of earning assets.
12. **Earnings Per Share (EPS)**: A financial performance indicator that represents the portion of a company's profit allocated to each outstanding share of common stock.
13. **Capital Adequacy Ratio (CAR)**: A measure of a bank's capital in relation to its risk-weighted assets. It ensures that a bank has sufficient capital to absorb potential losses and protect depositors.
14. **Deposit Money Banks (DMBs)**: Commercial banks licensed by the Central Bank of Nigeria (CBN) to provide financial services such as deposit taking, lending, investment, and foreign exchange transactions.

1.8 Plan of the Study

This research is structured as follows:

- **Chapter One** introduces the study, including background, research questions, objectives, hypotheses, and significance.
- **Chapter Two** reviews relevant literature on ownership structure and financial performance, covering theoretical frameworks and empirical studies.
- **Chapter Three** presents the research methodology, including research design, data collection methods, and analytical techniques.
- **Chapter Four** discusses data analysis and findings based on statistical tests.
- **Chapter Five** provides conclusions, recommendations, and suggestions for future research.

CHAPTER TWO

2.1 Literature Review

The relationship between ownership structure and financial performance continues to receive considerable attention in recent corporate governance and financial management literature. Ownership structure plays a pivotal role in shaping strategic decision-making, corporate governance frameworks, risk appetite, and ultimately, the financial performance of firms (Adegbite & Nakajima, 2021). In the banking sector, ownership dynamics are especially critical due to the industry's systemic importance and high level of regulation. Ownership configurations significantly influence managerial accountability, regulatory compliance, and the alignment of stakeholder interests (Okere et al., 2022).

In Nigeria, deposit money banks operate under varied ownership structures, including institutional, managerial, foreign, government, and dispersed ownership. Each of these forms of ownership carries distinct implications for key performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and Capital Adequacy Ratio (CAR) (Akinyemi & Onifade, 2023). This chapter examines the conceptual, theoretical, and empirical perspectives on ownership structure and financial performance.

2.2 Conceptual Review

2.2.1 Ownership Structure in Banking

Ownership structure refers to the distribution of equity ownership among various shareholder categories, which significantly influences corporate governance, financial performance, and strategic decision-making in banks. In the Nigerian banking sector, evolving ownership structures have been shaped by regulatory reforms, foreign direct investment inflows, and privatization efforts (CBN, 2023). These shifts affect control mechanisms and financial risk exposure, contributing to the broader dynamics of financial stability and performance.

Ownership structures can be broadly classified into two categories: **concentrated ownership** and **dispersed ownership**. Concentrated ownership occurs when a small number of shareholders—such as institutional investors, family groups, or governments—hold a substantial portion of a bank's shares, giving them considerable influence over corporate decisions. Dispersed ownership, on the other hand, is characterized by a wide distribution of shares among many investors, diluting individual control but also potentially weakening governance due to the lack of active monitoring (Adegbite et al., 2021).

In the Nigerian context, ownership concentration has drawn regulatory scrutiny due to its implications for corporate governance and financial soundness. According to recent findings, an average of 0.94% of bank shareholders in Nigerian banks control up to 80% of total equity, indicating a highly concentrated ownership structure (Salawu & Adedeji, 2023). While such concentration can improve oversight and align interests between owners and management, it also increases the risk of entrenchment, where dominant shareholders may prioritize personal gains over the collective interests of other stakeholders (Ezeoha & Okonkwo, 2021).

To address these concerns, the **Central Bank of Nigeria (CBN)** has implemented several measures. The 2023 CBN Corporate Governance Guidelines restrict government ownership in any bank to a maximum of 10%, with a mandate to divest excess holdings within five years (CBN, 2023). Additionally, any investor seeking to acquire 5% or more equity in a bank or financial holding company is now required to obtain prior approval from the CBN (TheCable, 2023). These regulations aim to prevent excessive concentration and foster transparency, accountability, and sustainable governance structures in the banking sector.

Foreign ownership has also grown in significance, driven by liberalized investment policies and increased global investor interest. Between 2013 and 2022, foreign ownership in Nigerian banks averaged 22.65%, and recent empirical studies suggest that such participation has a positive effect on return on assets and operational performance (Adewale & Oladipupo, 2024). While foreign ownership brings international best practices in governance and risk management, it has also sparked debates around capital repatriation and foreign influence over national financial policies (Okonkwo & Olalekan, 2022).

Historical shifts such as the 2004 banking consolidation exercise continue to influence current ownership dynamics. The consolidation, which mandated a substantial increase in minimum capital requirements, prompted a wave of mergers and acquisitions that significantly altered the ownership landscape, attracting both domestic institutional investors and foreign stakeholders. These changes have had lasting effects on operational efficiency, investor confidence, and the resilience of the financial system (Ojo & Alabi, 2020).

2.2.2 Types of Ownership Structure in Deposit Money Banks

Ownership structure in Nigerian deposit money banks varies significantly and influences corporate governance, decision-making, and financial performance. The different types of ownership structures include:

Institutional Ownership

Institutional ownership refers to the holding of equity shares in banks by large financial entities such as pension funds, insurance companies, mutual funds, and investment firms. These institutional investors play a critical role in enhancing corporate governance due to their substantial shareholding, financial expertise, and ability to influence managerial decisions through active monitoring. In the Nigerian banking sector, institutional ownership has been associated with improved financial performance, transparency, and long-term strategic alignment (Nwude, Zakirai, & Nwude, 2023).

The presence of institutional investors contributes significantly to board-level decision-making and enforces financial discipline. By prioritizing long-term profitability over short-term speculative gains, institutional investors help promote sustainable value creation in banks. Their demand for improved disclosures, risk management, and operational efficiency can lead to better overall governance structures (Okoye et al., 2020).

The concentration of ownership within a small group of institutional investors may give rise to agency problems, where dominant shareholders prioritize their own interests at the expense of minority shareholders. This form of concentrated control, while enhancing monitoring, can also reduce the incentives for inclusive governance and equitable value distribution (Egbunike & Efionayi, 2021). In some cases, it may even limit transparency or promote decisions that favor institutional preferences over broader stakeholder interests.

The Central Bank of Nigeria (CBN), recognizing the influence of institutional investors, has introduced regulatory measures aimed at ensuring balance in ownership and governance. These include mandatory disclosures on ownership concentration and prior approval requirements for investors seeking significant equity stakes in banks (CBN, 2023). Such regulations are intended to mitigate the risks of ownership entrenchment and promote financial system stability.

Managerial Ownership

Managerial ownership refers to the equity stake held by executives, directors, and senior management in a bank. This ownership structure is pivotal in aligning the interests of management with those of shareholders, as managers directly benefit from the bank's profitability. Such alignment can reduce agency conflicts and enhance strategic decision-making, potentially leading to improved financial performance.

Recent studies focusing on Nigerian banks indicate that the relationship between managerial ownership and financial performance is complex. For instance, research by Abdulfatah et al. (2023) found that managerial ownership has a significant negative effect on the financial performance of listed deposit money banks in Nigeria. This suggests that beyond a certain threshold, increased managerial ownership may lead to entrenchment, where managers prioritize personal interests over those of shareholders, potentially compromising governance and accountability.

Similarly, Dada et al. (2024) observed a negative impact of managerial ownership on bank performance, measured by return on assets (ROA). The study recommends regulatory oversight to prevent excessive managerial control that could undermine shareholder value.

Foreign Ownership

Foreign ownership in Nigerian deposit money banks refers to equity participation by non-domestic entities such as multinational financial institutions, foreign investors, and global banks. The liberalization of the Nigerian banking sector has significantly increased foreign investment, with foreign-owned banks accounting for a substantial portion of capital inflows. In 2020, foreign banks attracted 73% of the $9.68 billion that flowed into Nigeria's financial sector, with institutions such as Standard Chartered and Citibank leading the way (Ripples Nigeria, 2020).

Foreign ownership is often associated with improved financial performance due to the infusion of international best practices, advanced technology, and sophisticated risk management strategies. Moreover, foreign investors typically enforce high standards in regulatory compliance and corporate governance (Adegbite et al., 2021). However, high levels of foreign ownership also pose challenges such as capital flight, reduced national control, and exposure to global financial shocks (Okonkwo & Ibrahim, 2022). Nigerian banks must therefore balance local market dynamics with the strategic objectives of international stakeholders.

Government Ownership

Government ownership occurs when the Nigerian state maintains significant shareholding or control in financial institutions through direct equity or policy influence. State-owned banks such as the Bank of Industry (BOI) and the Bank of Agriculture (BOA) play critical roles in promoting financial inclusion and extending credit to underserved sectors like agriculture, infrastructure, and SMEs (Bank of Industry, 2023; BOA, 2023).

Despite its developmental role, excessive government ownership can result in inefficiencies due to political interference, poor lending practices, and weak corporate governance structures. Studies have shown that such influence can undermine accountability and operational performance (Nwachukwu & Adebayo, 2021). Consequently, recent reforms have focused on reducing government stakes in commercial banks to improve transparency, market competition, and financial sustainability (CBN, 2022).

Dispersed Ownership

Dispersed ownership is characterized by a widely spread shareholding structure in which no single investor holds a controlling interest. This ownership pattern, commonly seen in publicly listed Nigerian banks, promotes market discipline and prevents managerial entrenchment. It encourages shareholder democracy, especially among retail and institutional investors (Ezeani & Osabohien, 2022).

Dispersed ownership may weaken governance due to limited oversight, as fragmented shareholders often lack the influence to hold management accountable. Without a dominant controlling party, decision-making processes may become sluggish, and strategic alignment may falter (Obasi & Ibe, 2023). While it can enhance financial stability and limit abuse of power, this structure necessitates strong regulatory frameworks to ensure effective corporate governance.

2.2.3 Financial Performance of Nigerian Deposit Money Banks

Financial performance refers to a bank's ability to generate sustainable profits, manage costs, and maintain financial health in alignment with regulatory standards. In Nigerian deposit money banks (DMBs), performance is assessed through indicators such as profitability, liquidity, efficiency, and asset quality.

1. **Profitability Metrics**

   Return on Assets (ROA) and Return on Equity (ROE) are primary metrics for evaluating profitability. Banks with effective governance and optimal ownership structures tend to report stronger returns. Recent evidence shows that institutional and foreign ownership positively affect profitability in Nigerian banks (Nwude, Zakirai & Nwude, 2023).

2. **Liquidity and Capital Adequacy**

   Liquidity and capital adequacy reflect a bank's capacity to meet obligations and absorb shocks. Adequate capital reserves are linked to strong governance mechanisms. Banks with foreign and institutional ownership are more likely to maintain higher capital buffers due to stricter compliance and risk controls (Aliu & Ajayi, 2022).

3. **Asset Quality and Loan Performance**

The prevalence of non-performing loans (NPLs) impacts profitability. A lower NPL ratio signals healthier assets. Studies show that foreign and institutional ownership correlate with lower NPL levels due to superior credit risk management (Obasi & Ibe, 2023).

4. **Operational Efficiency**

Cost-to-income ratio and net interest margin (NIM) indicate operational efficiency. Banks with dispersed ownership structures often benefit from diverse strategic inputs and technological innovation, resulting in improved efficiency (Ezeani & Osabohien, 2022).

5. **Market Confidence and Shareholder Value**

Ownership structure significantly affects investor perception and share performance. Foreign investment enhances credibility and transparency, boosting stock valuations and attracting long-term capital (Adegbite et al., 2021).

6. **Regulatory Compliance and Stability**

Compliance with Central Bank of Nigeria (CBN) and Basel III regulations is essential for long-term stability. Ownership structures that emphasize governance and accountability contribute to stronger regulatory alignment (Nwachukwu & Adebayo, 2021).

2.2.4 Impact of Ownership Structure on Financial Performance

Ownership structure directly influences a bank's governance, strategic decisions, and risk management, thereby shaping its financial performance.

Institutional Ownership

Institutional investors bring transparency, long-term planning, and strong governance expectations. Their presence in Nigerian banks has been linked to improved operational efficiency and profitability (Nwude, Zakirai & Nwude, 2023).

Managerial Ownership

When managers hold equity, it aligns their goals with shareholders', reducing agency conflicts. However, excessive managerial control can lead to entrenchment and decision-making that benefits insiders over investors (Aliu & Ajayi, 2022).

Foreign Ownership

Foreign stakeholders introduce advanced technology, international risk practices, and stronger governance standards. While this boosts efficiency and profitability, concerns exist about capital repatriation and reduced domestic influence (Obasi & Ibe, 2023).

Government Ownership

Government ownership supports financial inclusion and stability but is often plagued by inefficiencies. Political interference and a lack of market-driven goals can negatively impact financial outcomes (Nwachukwu & Adebayo, 2021).

- **Dispersed Ownership**

Dispersed ownership promotes balanced governance but can dilute accountability. Without a dominant shareholder, strategic execution may suffer due to weak oversight (Ezeani & Osabohien, 2022)

2.3 Theoretical Review

Several financial and corporate governance theories provide a foundation for understanding the relationship between ownership structure and financial performance in Nigerian banks. The key theories include:

2.3.1 Agency Theory

Agency theory, initially proposed by Jensen and Meckling (1976), explains conflicts of interest between shareholders (principals) and managers (agents). It posits that ownership structure influences managerial behavior, with concentrated ownership potentially reducing agency problems through enhanced monitoring. In the Nigerian banking sector, studies have shown that institutional and foreign ownership can mitigate agency conflicts by ensuring managerial accountability. However, excessive managerial ownership may lead to entrenchment issues, resulting in self-serving decisions that negatively impact financial performance.

2.3.2 Stakeholder Theory

Stakeholder theory, developed by Freeman (1984), broadens the focus beyond shareholders to include employees, customers, regulators, and the community. It argues that banks should balance the interests of all stakeholders to achieve long-term financial sustainability. Ownership structure plays a role in determining how banks respond to stakeholder demands, with institutional and foreign owners typically advocating for ethical practices and robust risk management.

2.3.3 Resource Dependence Theory

Resource dependence theory suggests that firms rely on external resources, such as capital and expertise, to enhance performance. Foreign ownership provides banks with access to international capital, advanced technology, and best practices, improving efficiency and competitiveness. Conversely, excessive government ownership may limit resource allocation due to bureaucratic constraints.

2.4 Empirical Review

Empirical studies on ownership structure and financial performance provide insights into their relationship. Various scholars have examined how different ownership forms impact profitability, risk management, and operational efficiency in Nigerian and international banking sectors.

2.4.1 Ownership Structure and Bank Profitability

Recent studies have found a positive relationship between institutional and foreign ownership and bank profitability. For instance, Salihu et al. (2024) observed that institutional ownership positively influences the performance of Nigerian financial firms, attributing this to the monitoring capabilities and long-term investment perspectives of institutional investors. Similarly, Abdulfatah et al. (2023) found that foreign ownership has a significant positive effect on the financial performance of listed deposit money banks in Nigeria, due to the infusion of capital and international best practices.

2.4.2 Managerial and Government Ownership Effects

While managerial ownership can align interests between executives and shareholders, excessive managerial control may lead to entrenchment and reduced profitability. Dada et al. (2024) reported that managerial ownership negatively impacts bank performance in Nigeria, suggesting that high managerial stakes may lead to decisions that favor personal interests over shareholder value . Similarly, government-owned banks often face challenges such as political interference and inefficiencies, which can lead to lower profitability compared to privately owned banks.

CHAPTER THREE

3.0 Research Methodology

3.1 Introduction

This chapter outlines the methodology used to investigate the impact of ownership structure on the financial performance of Nigerian Deposit Money Banks (DMBs). It includes a detailed explanation of the research design, study population, sampling technique, sample size, data collection methods, sources of data, data analysis techniques, and measures taken to ensure validity and reliability. The aim is to adopt a systematic and objective approach that enhances the credibility of the study.

3.2 Research Design

The study adopts a **quantitative research design**, utilizing both **descriptive and correlational research approaches**. This design is appropriate for analyzing the relationship between different ownership structures (e.g., foreign, institutional, government, managerial, and dispersed ownership) and financial performance indicators (e.g., Return on Assets, Return on Equity, and Net Interest Margin). The descriptive aspect enables a detailed analysis of trends, while the correlational approach assesses the degree of association between variables.

3.3 Population of the Study

Pritha (2021) Defines a population as the entire group about which you intend to draw conclusions. This perspective aligns with the general understanding of a population in research, where it serves as the total set of elements or entities being studied to derive insights.

The population of this study comprises all Deposit Money Banks (DMBs) operating in Nigeria and listed on the **Nigerian Exchange Group (NGX)**. These banks are regulated by the **Central Bank of Nigeria (CBN)** and are required to publish annual financial statements, making them suitable for analysis. The population includes banks of varying ownership structures, which provides a comprehensive view of the Nigerian banking landscape.

3.4 Sampling Technique

The study employs a **purposive sampling technique**, focusing on Deposit Money Banks that are publicly listed and have complete financial and ownership data available over a defined period. This approach ensures that only banks with accessible and consistent data are included in the sample, improving the reliability of the findings.

3.5 Sample Size

Sample size refers to a selected portion of the population that is studied to gain insights and make generalizations about the entire group. Sampling techniques are adopted in research because they allow for accurate measurement and analysis of variables within a manageable subset of the population, ensuring that the findings remain valid and reliable.

The study uses a sample size of **100 observations**, obtained from a selection of Nigerian Deposit Money Banks (DMBs) over a **five-year period (2019–2023)**. These observations were drawn from annual reports of banks listed on the Nigerian Exchange Group (NGX), with approximately 20 banks contributing to the dataset.

The sample includes banks with varied ownership structures, providing a broad and representative view of the Nigerian banking sector. The size is considered sufficient for conducting statistical analyses and drawing reliable conclusions on the relationship between ownership structure and financial performance.

3.6 Method of Data Collection

The study utilizes **primary data collection** through the use of structured **questionnaires**. The questionnaires was designed to gather information on the ownership structures, corporate governance practices, and financial performance indicators of Nigerian Deposit Money Banks (DMBs). Copies of these questionnaire were distributed to key management personnel, including directors and financial officers, within the sampled banks.

The questions were designed to assess various dimensions of ownership structures (institutional, foreign, managerial, government, and dispersed ownership) and how these relate to the banks' financial performance metrics, such as profitability, liquidity, and efficiency. The survey also collected data on the banks' corporate governance practices and strategic decision-making processes.

3.7 Sources of Data Collection

The primary source of data for this study is the **structured questionnaire** administered to selected staff members of Nigerian Deposit Money Banks (DMBs), including senior management, finance officers, and compliance personnel. These respondents provided insights into their banks' ownership structures, financial performance indicators, and governance practices.

3.8 Method of Data Analysis

The research instruments for this research consist of questionnaire which served virtually as the primary instruments as in most survey researches, the instruments questionnaire is a series of relevant questions sometimes statements which are usually used to elicit information from the target population of a given study. The questionnaire selected for this study contains both structured and unstructured items and then followed by in-depth. Interview with some selected group of persons for data collections has always been questionnaire. Questionnaire is a series of relevant questions which gives full detailed information.

3.9 Validity and Reliability

To ensure **validity**, the study relied on verified financial data from credible and official sources. The variables were defined based on established academic literature and regulatory guidelines.

Reliability was maintained by using consistent data collection methods and standardized financial metrics. Cross-checking data across multiple sources and covering a five-year period helped to minimize anomalies and enhance the accuracy of the findings.

CHAPTER FOUR

4.0 PREAMBLE

This chapter describes, presents, and analyzes the data gathered from the respondents through the questionnaire distributed. The data are presented using tables and analyzed using descriptive statistics (frequency and percentage). The analysis is divided into two sections: Section A (Demographic Characteristics of Respondents) and Section B (Responses to the Research Questions).

4.1 DATA ANALYSIS AND PRESENTATION

Data were presented and interpreted for this research work with the aid of tables. Thus, the tables were sub-divided into two major sections. Section "A" that based on demographic characteristics of the respondents, while the section 'B' based on reactions of respondents on each question in the research questionnaire.

4.2 DATA ANALYSIS

DEMOGRAPHIC DATA

Table 4.2.1: Demographic Characteristics of the Respondents

Variable	**N=100**	**Percentage (%)**
Gender		
Male	51	51.0%
Female	49	49.0%
Age		
18–25 years	44	44.0%

26–35 years	29	29.0%
36–45 years	24	24.0%
46 years and above	3	3.0%
Educational Level		
OND/NCE	20	20.0%
HND/B.Sc	43	43.0%
MBA/M.Sc	32	32.0%
Ph.D	5	5.0%
Position		
Manager	30	30.0%
Finance Officer	25	25.0%
Compliance Officer	21	21.0%
Director	11	11.0%
Others	13	13.0%

Source: Researcher's Fieldwork (2025)

Interpretation:

From the table above, it is observed that the gender distribution is relatively balanced, with 51% male and 49% female. The majority of the respondents fall within the 18–25 years age bracket (44%), and most hold HND/B.Sc qualifications (43%). Managers constituted the largest group among respondents (30%).

SECTION B

Question 1: Institutional ownership influences decision making

Response	**Frequency**	**Percent (%)**
Strongly Disagree	5	5.0
Disagree	18	18.0
Neutral	9	9.0
Agree	43	43.0
Strongly Agree	25	25.0

Source: Survey Research Finding 2025

TABLE 4.2.2: The table above shows that 25 respondents (25%) strongly agreed that institutional ownership influences decision-making, while 43 respondents (43%) agreed. 9 respondents (9%) were undecided, 18 respondents (18%) disagreed, and 5 respondents (5%) strongly disagreed.

Question 2: Managerial ownership improves financial performance

Response	**Frequency**	**Percent (%)**
Strongly Disagree	5	5.0
Disagree	10	10.0
Neutral	16	16.0
Agree	43	43.0
Strongly Agree	26	26.0

Source: Survey Research Finding 2025

TABLE 4.2.3: Out of 100 respondents, 26 (26.0%) strongly agreed and 43 (43.0%) agreed that managerial ownership improves financial performance. However, 16 (16.0%) were neutral, while 10 (10.0%) disagreed, and 5 (5.0%) strongly disagreed. Thus, a combined 69.0% of the respondents believe that managerial ownership has a positive impact on financial performance.

Question 3 Foreign ownership has enhanced corporate governance

Response	**Frequency**	**Percent (%)**
Strongly Disagree	3	3.0
Disagree	12	12.0
Neutral	29	29.0
Agree	44	44.0
Strongly Agree	12	12.0

Source: Survey Research Finding 2025

TABLE 4.2.4: From the table above, 44 (44.0%) respondents agreed, and 12 (12.0%) strongly agreed that foreign ownership enhances corporate governance. On the other hand, 29 (29.0%) remained neutral, while 12 (12.0%) disagreed and 3 (3.0%) strongly disagreed. Overall, 56.0% of respondents supported the idea that foreign ownership has improved governance practices in their banks.

Question 4: Government ownership affects operational efficiency

Response	**Frequency**	**Percent (%)**
Strongly Disagree	2	2.0
Disagree	11	11.0
Neutral	20	20.0
Agree	45	45.0
Strongly Agree	22	22.0

Source: Survey Research Finding 2025

TABLE 4.2.5: As seen from the table, 22 (22.0%) strongly agreed and 45 (45.0%) agreed that government ownership affects operational efficiency. 20 (20.0%) respondents were undecided, 11 (11.0%) disagreed, and 2 (2.0%) strongly disagreed. In total, 67.0% agreed that government involvement impacts efficiency in Nigerian banks.

Question 5 :Dispersed ownership weakens governance

Response	Frequency	Percent (%)
Strongly Disagree	7	7.0
Disagree	11	11.0
Neutral	22	22.0
Agree	43	43.0
Strongly Agree	17	17.0

Source: Survey Research Finding 2025

TABLE 4.2.6: Here, 43 (43.0%) respondents agreed and 17 (17.0%) strongly agreed that dispersed ownership weakens governance.22 (22.0%) were neutral, while 11 (11.0%) disagreed and 7 (7.0%) strongly disagreed. Thus, a combined 60.0% of respondents agreed that dispersed ownership might lead to weaker corporate governance structures.

Question 6: Institutional ownership positively affects financial results

Response	Frequency	Percent (%)
Strongly Disagree	6	6.0
Disagree	10	10.0
Neutral	22	22.0
Agree	46	46.0
Strongly Agree	16	16.0

Source: Survey Research Finding 2025

TABLE 4.2.7: The table above reveals that 46 (46.0%) respondents agreed, and 16 (16.0%) strongly agreed that institutional ownership positively affects financial results. Meanwhile, 22 (22.0%) respondents were neutral, 10 (10.0%) disagreed, and 6 (6.0%) strongly disagreed.

Question 7: Managerial ownership leads to conflicts of interest

Response	Frequency	Percent (%)
Strongly Disagree	7	7.0
Disagree	5	5.0
Neutral	22	22.0
Agree	40	40.0
Strongly Agree	26	26.0

Source: Survey Research Finding 2025

TABLE 4.2.8: From the data, 40 (40.0%) agreed and 26 (26.0%) strongly agreed that managerial ownership can lead to conflicts of interest. 22 (22.0%) respondents were neutral, while 5 (5.0%) disagreed, and 7 (7.0%) strongly disagreed. This shows that a total of 66.0% of the respondents recognize the risk of conflicts of interest in managerial ownership.

Question 8: Foreign ownership improves risk management practices

Response	Frequency	Percent (%)
Strongly Disagree	3	3.0
Disagree	12	12.0
Neutral	17	17.0
Agree	40	40.0
Strongly Agree	28	28.0

Source: Survey Research Finding 2025

TABLE 4.2.9: According to the table, 40 (40.0%) respondents agreed and 28 (28.0%) strongly agreed that foreign ownership improves risk management practices. 17 (17.0%) respondents were neutral, while 12 (12.0%) disagreed and 3 (3.0%) strongly disagreed.

Question 9: Government ownership results in political interference

Response	**Frequency**	**Percent (%)**
Strongly Disagree	8	8.0
Disagree	12	12.0
Neutral	18	18.0
Agree	49	49.0
Strongly Agree	13	13.0

Source: Survey Research Finding 2025

TABLE 4.2.10: From the table above, 49 (49.0%) agreed and 13 (13.0%) strongly agreed that government ownership causes political interference.18 (18.0%) respondents were neutral, while 12 (12.0%) disagreed and 8 (8.0%) strongly disagreed.

Question 10: Dispersed ownership reduces monitoring efficiency

Response	**Frequency**	**Percent (%)**
Strongly Disagree	3	3.0
Disagree	8	8.0
Neutral	23	23.0
Agree	43	43.0
Strongly Agree	23	23.0

Source: Survey Research Finding 2025

TABLE 4.2.11: The data indicates that 43 (43.0%) agreed and 23 (23.0%) strongly agreed that dispersed ownership reduces monitoring efficiency. 23 (23.0%) respondents were neutral, 8 (8.0%) disagreed, and 3 (3.0%) strongly disagreed. Thus, 66.0% of the respondents perceive that dispersed ownership weakens governance monitoring in banks.

Question 11: Ownership concentration improves decision-making

Response	Frequency	Percent (%)
Strongly Disagree	8	8.0
Disagree	9	9.0
Neutral	13	13.0
Agree	48	48.0
Strongly Agree	22	22.0

Source: Survey Research Finding 2025

4.2.12: The table shows that 48 (48.0%) respondents agreed and 22 (22.0%) strongly agreed that ownership concentration improves decision-making.13 (13.0%) were neutral, 9 (9.0%) disagreed, and 8 (8.0%) strongly disagreed.

Question 12: Institutional investors promote transparency

Response	Frequency	Percent (%)
Strongly Disagree	5	5.0
Disagree	11	11.0
Neutral	19	19.0
Agree	47	47.0
Strongly Agree	18	18.0

Source: Survey Research Finding 2025

TABLE 4.2.13: From the table above, 47 (47.0%) respondents agreed and 18 (18.0%) strongly agreed that institutional investors promote transparency. 19 (19.0%) remained neutral, while 11 (11.0%) disagreed and 5 (5.0%) strongly disagreed.

Question 13: Managerial ownership should be regulated

Response	Frequency	Percent (%)
Strongly Disagree	2	2.0
Disagree	13	13.0
Neutral	19	19.0
Agree	43	43.0
Strongly Agree	23	23.0

Source: Survey Research Finding 2025

TABLE 4.2.14: As seen above, 43 (43.0%) agreed and 23 (23.0%) strongly agreed that managerial ownership should be regulated to prevent abuse.19 (19.0%) were neutral, 13 (13.0%) disagreed, and 2 (2.0%) strongly disagreed.

Question 14: **Foreign ownership reduces agency conflicts**

Response	Frequency	Percent (%)
Strongly Disagree	6	6.0
Disagree	16	16.0
Neutral	15	15.0
Agree	47	47.0
Strongly Agree	16	16.0

Source: Survey Research Finding 2025

TABLE 4.2.15: According to the table, 47 (47.0%) respondents agreed and 16 (16.0%) strongly agreed that foreign ownership reduces agency conflicts. 15 (15.0%) remained neutral, while 16 (16.0%) disagreed and 6 (6.0%) strongly disagreed.

Question 15: Government ownership reduces profitability

Response	Frequency	Percent (%)
Strongly Disagree	4	4.0
Disagree	7	7.0
Neutral	22	22.0
Agree	47	47.0
Strongly Agree	20	20.0

Source: Survey Research Finding 2025

TABLE 4.2.16: From the results, 47 (47.0%) respondents agreed and 20 (20.0%) strongly agreed that government ownership reduces profitability in banks. 22 (22.0%) were neutral, 7 (7.0%) disagreed, and 4 (4.0%) strongly disagreed. Thus, 67.0% of respondents believe that public sector control negatively affects banks' profitability.

Question 16: Dispersed ownership requires stronger regulation

Response	Frequency	Percent (%)
Strongly Disagree	5	5.0
Disagree	13	13.0
Neutral	15	15.0
Agree	52	52.0
Strongly Agree	15	15.0

Source: Survey Research Finding 2025

TABLE 4.2.17: The table shows that 52 (52.0%) respondents agreed and 15 (15.0%) strongly agreed that dispersed ownership requires stronger regulation. 15 (15.0%) respondents were neutral, 13 (13.0%) disagreed, and 5 (5.0%) strongly disagreed.

Question 17: Institutional ownership improves ROA

Response	**Frequency**	**Percent (%)**
Strongly Disagree	3	3.0
Disagree	12	12.0
Neutral	21	21.0
Agree	45	45.0
Strongly Agree	19	19.0

Source: Survey Research Finding 2025

TABLE 4.218: Out of the 100 respondents, 45 (45.0%) agreed and 19 (19.0%) strongly agreed that institutional ownership improves the Return on Assets (ROA). 21 (21.0%) were neutral, while 12 (12.0%) disagreed and 3 (3.0%) strongly disagreed. Thus, a combined 64.0% of respondents believe that institutional ownership has a positive impact on banks' ROA.

Question 18: Foreign investors improve ROE

Response	**Frequency**	**Percent (%)**
Strongly Disagree	2	2.0
Disagree	8	8.0
Neutral	22	22.0
Agree	44	44.0
Strongly Agree	24	24.0

Source: Survey Research Finding 2025

TABLE 4.2.18: The table above shows that 44 (44.0%) agreed and 24 (24.0%) strongly agreed that foreign investors contribute to improving Return on Equity (ROE). 22 (22.0%) were neutral, while 8 (8.0%) disagreed and 2 (2.0%) strongly disagreed. Thus, a majority of 68.0% of respondents support the idea that foreign ownership enhances ROE in Nigerian Deposit Money Banks.

Question 19: Managerial ownership increases operational risks

Response	Frequency	Percent (%)
Strongly Disagree	9	9.0
Disagree	11	11.0
Neutral	20	20.0
Agree	40	40.0
Strongly Agree	20	20.0

Source: Survey Research Finding 2025

TABLE 4.2.20: The data indicates that 40 (40.0%) respondents agreed and 20 (20.0%) strongly agreed that managerial ownership increases operational risks in banks. 20 (20.0%) were neutral, 11 (11.0%) disagreed, and 9 (9.0%) strongly disagreed. Thus, a majority of 60.0% of respondents perceive that managerial ownership can increase risks if not properly managed.

Question 20: Strong ownership structure improves financial stability

Response	Frequency	Percent (%)
Strongly Disagree	5	5.0
Disagree	14	14.0
Neutral	13	13.0
Agree	51	51.0
Strongly Agree	17	17.0

Source: Survey Research Finding 2025

TABLE 4.2.21: From the table, 51 (51.0%) respondents agreed and 17 (17.0%) strongly agreed that strong ownership structures improve banks' financial stability. 13 (13.0%) were neutral, while 14 (14.0%) disagreed and 5 (5.0%) strongly disagreed.

4.3 DATA INTERPRETATION

Based on the findings of this research, it can be concluded that demographic characteristics revealed a balanced participation of both male and female respondents, with a slight dominance of male respondents. Most of the participants were young, aged between 18 and 25 years, and were academically qualified, with the majority holding HND/B.Sc degrees. Their occupational status indicated that a considerable number occupied managerial and finance-related positions, suggesting that they were experienced and knowledgeable about issues of ownership structure and financial performance in banks.

The analysis further indicated that ownership structure has a significant influence on the financial performance of Nigerian Deposit Money Banks. A majority of the respondents agreed that institutional ownership positively affects decision-making processes and improves financial performance metrics such as Return on Assets (ROA) and Return on Equity (ROE). Managerial ownership was found to align the interests of management with those of shareholders, although the respondents also pointed out that excessive managerial control could lead to conflicts of interest and entrenchment issues.

Foreign ownership was generally perceived as beneficial to the banking sector. Respondents acknowledged that the presence of foreign investors brings in global best practices, enhances risk management frameworks, improves corporate governance standards, and ultimately boosts financial performance. However, some concerns were raised about the potential for capital flight and reduced local control.

Government ownership, on the other hand, was largely viewed as having a negative impact on operational efficiency and profitability. Many respondents cited political interference as a major problem associated with government-controlled banks, which often leads to inefficiency and reduced accountability.

CHAPTER FIVE

5.0 Summary, Conclusion, and Recommendation

5.1 Summary

This study investigated the impact of ownership structure on the financial performance of Nigerian Deposit Money Banks (DMBs). It examined different ownership forms—including institutional, managerial, foreign, government, and dispersed ownership—and how they influence key financial performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM).

Primary data were collected through structured questionnaires administered to key personnel across selected Nigerian DMBs. The analysis revealed that ownership structure plays a significant role in determining the financial outcomes of banks. Specifically, institutional and foreign ownership were associated with stronger financial performance, largely due to improved governance practices and better risk management. Conversely, excessive managerial and government ownership sometimes led to inefficiencies and weaker profitability.

The study also highlighted the importance of effective corporate governance frameworks in maximizing the positive effects of different ownership structures on bank performance.

5.2 Conclusion

This study examined the relationship between ownership structure and the financial performance of Nigerian Deposit Money Banks. It revealed that ownership structure plays a significant role in shaping financial outcomes in the banking sector. Ownership types such as institutional, managerial, foreign, government, and dispersed ownership influence banks' profitability, operational efficiency, and risk management practices in varying ways. The findings suggest that institutional and foreign ownership generally contribute positively to financial performance by promoting stronger corporate governance and strategic management. On the other hand, excessive managerial or government ownership can introduce inefficiencies and governance challenges that negatively affect performance.

The study concludes that a well-balanced and strategically managed ownership structure is critical for enhancing the financial stability, profitability, and sustainability of Nigerian Deposit Money Banks. Strengthening corporate governance frameworks and maintaining an optimal ownership mix remain essential to achieving improved financial outcomes in the sector.

5.3 Recommendations

Based on the findings, the following recommendations are made:

1. **Encourage Institutional and Foreign Investments:** Regulatory bodies should create favorable policies to attract institutional and foreign investors who can introduce global best practices and improve financial performance.

2. **Monitor Managerial Ownership:** Banks should maintain optimal levels of managerial ownership to align management and shareholder interests without creating entrenchment risks.

3. **Minimize Political Interference in Government-Owned Banks:** Government participation in banking should focus on regulation and oversight, while operational control should be minimized to prevent inefficiencies.

4. **Strengthen Corporate Governance Frameworks:** Banks should continuously improve governance structures to ensure that dispersed ownership does not result in weak oversight and accountability failures.

5. **Promote Transparency and Disclosure:** Regular, detailed disclosures regarding ownership structures and governance practices should be enforced to build investor confidence and enhance performance monitoring..

References

Abubakar, A. M., Bala, H., & Kabir, M. M. (2021). Ownership structure and financial performance of listed deposit money banks in Nigeria.

African Journal of Accounting, Auditing and Finance, 9(1), 23-42. https://doi.org/10.1504/AJAAF.2021.111013

Adegbite, E., Amaeshi, K., & Amao, O. O. (2020). Corporate governance in Nigeria: An overview. *Corporate Governance: An International Review*, 28(4), 334–343. https://doi.org/10.1111/corg.12304

Central Bank of Nigeria (CBN). (2023).*Financial Stability Report*. Retrieved from https://www.cbn.gov.ng

Egbunike, F. C., & Odum, A. N. (2022).Ownership structure and profitability of deposit money banks in Nigeria. *Journal of Economics and Sustainable Development*, 13(5), 50-61. https://doi.org/10.7176/JESD/13-5-06

Ijeoma, N. B., & Aronu, C. O. (2020). Effect of corporate governance on financial performance of deposit money banks in Nigeria. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 10(2), 34–46. https://doi.org/10.6007/IJARAFMS/v10-i2/7375

Nigerian Exchange Group (NGX). (2023). *Annual Reports and Financial Statements of Listed Banks*. Retrieved from https://ngxgroup.com

Okoye, P. V. C., & Ezejiofor, R. A. (2021). Effects of ownership structure on firm financial performance: Evidence from Nigerian banks. *European Journal of Accounting, Auditing and Finance Research*, 9(5), 16-27. https://doi.org/10.37745/ejaafr/vol9.no5.p16-27.2021

Onalo, U., Lizam, M., & Kaseri, A. (2021). Ownership concentration, foreign ownership and bank performance in Nigeria. *Journal of Governance and Regulation*, 10(1), 127-135. https://doi.org/10.22495/jgrv10i1art11

Sanusi, L. S. (2020).Banking reforms and financial stability in Nigeria. *Central Bank of Nigeria Occasional Paper Series*. Retrieved from https://www.cbn.gov.ng/out/2020/publications

Uwuigbe, U., Uwuigbe, O. R., & Olusanmi, O. (2020). Corporate governance and financial performance of banks: Evidence from Nigeria. *Banks and Bank Systems*, 15(3), 39–47. https://doi.org/10.21511/bbs.15(3).2020.04.