**EFFECT OF OWNERSHIP CONCENTRATION ON NON-PERFORMING LOANS OF DEPOSIT MONEY BANKS IN NIGERIA**

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**Abstract**

*Despite the great lessons gained from extant studies coupled with the several measures adopted by the CBN to curb the rising position of NPLs, bad loans have continued to increase causing serious financial crises and bank distress. This study investigates the effect of ownership concentration on Non-Performing loans of deposit money banks in Nigeria. The study used ex-post facto research design. The population of this study comprises all the 14 quoted deposit money banks in Nigeria. Eight (8) deposit money banks licensed with international authorities were used as a sample size. Data was collected from the annual financial reports and accounts of the sampled deposit money banks, the Central Bank of Nigeria and the Nigerian Exchange Group. Descriptive statistics, correlation test and Panel regression were used for analysis and the findings showed that ownership concentration (OC) has a negative and significant effect on non-performing loans of deposit money banks in Nigeria. Other findings showed that bank size has a positive and insignificant effect on non-performing loans of deposit money banks in Nigeria. The study recommended that the Central Bank of Nigeria should invigorate its supervisory role while reviewing corporate governance policies on ownership concentration to limit the growth of nonperforming assets to the barest minimum. This will also minimize the chances of allowing incompetent investors to control the affairs of banks while creating a more conducive atmosphere to attract foreign investors who possess firm-specific advantages to boost performance and limit the growth of bad loans in the banking sector.*

**Keywords:** Ownership concentration, Deposit Money Banks, non-performing loan and bank size

**Introduction**

The ownership structure of every organisation is a strong determinant of the effective and efficient management of organisational resources, particularly with the separation of ownership from management. Consequent tothis, the study of ownership concentration is quite significant in the banking sector based on the great roles banks play in financial intermediation. The ownership structure is an integral part of corporate governance practice that is meant to strengthen the effective management of resources. This is necessary to spur management behaviour that ensures the proper protection of the interest of absentee owners and the managers by ensuring strict compliance with corporate governance mechanisms such as ownership structure (Demaki, 2011).

Similarly, deposit money banks play a significant role in mobilizing and allocating financial resources from the surplus to the deficit sector of the economy. Similarly, they provide loans and advances to different individuals, corporations and government agencies to invest and undertake various development activities to enhance their overall growth (Hsu, *et, al.*, 2015). Despite the vital role played by deposit money banks in economic development, they also encounter the tremendous challenge of non-performing loans in their operations. The emergence and accumulation of impaired credit will constitute a systematic problem for a considerable part of the financial system with consequent threat to its stability and impairing its core financial intermediation function ­­(Kingu, 2018). In the view of Abdullatif, *et.al*, (2014), due to information asymmetry, banks have the tendency to adversely select high-risk borrowers because they appear to have the capacity to pay the high interest charges the bank requires.

Non-performing loans may be associated with higher funding costs and a lower supply of credit to other investors and the real economy. Similarly, the occurrence of Agency problems differ according to the volume of ownership and the type of firm owners. In the case of the dispersion of company ownership, classic agency problems (type I) exist between shareholders and managers due to the clear separation between ownership and management. Conversely, agency problems (type II) are common in firms with highly concentrated ownership that exists between the majority ownership and minority ownership due to unclear separation between the controlling shareholders and management which invariably affects the non-performing loan of an organization (Fawad, 2013).

Jiang (2015) observed that a typical feature of ownership structure in modern corporate governance is the separation of company ownership and management. There are different types of ownership structures which include government ownership, foreign ownership, institutional ownership and local ownership structure (Qui, 2012). Local ownership structure affects banks’ performance indicators in the area of non-performing loans, which signifies the existence of some other factors affecting the firm’s performance other than ownership structure. In a related study, Antoniadis, et, al. (2010) observed that higher local ownership concentration translates to lower profitability in deposit banks based on the volume of bad credit. That is, Concentrated ownership is an intimate way of governance that ensure the effective non-performing loan.  Measures to limit the growth of bad loans are usually stipulated in policies that express the banks’ credit risk management philosophy and the parameters within which credit risk is controlled. However, ownership concentration constitutes the group of microeconomic variables that show the effect of commercial banks’ operational characteristics, management capacity, and features on credit risk in business firms (Sunday, *et. al*., 2020).

Generally, unpaid loan accumulates debt which affects banks negatively in their operations as well as the general economy. Furthermore, Non-performing loans not only lowers profitability and creates serious liquidity problems with large-scale economic catastrophe but also diminishes cash flow and the available capital needed to advance new credit to other borrowers (Umar & Sun, 2016; Zeng, 2012). Even though deposit money banks in Nigeria have been adopting ownership concentration principles that will inhibit the growth of non-performing loans but the situation has not recorded appreciable success as the non-performing loan has often bedevilled the Nigerian banking sector.

Extant studies by prominent scholars and financial experts on the effect of ownership structure on nonperforming loans in different countries coupled with the knowledge gained from several measures adopted by the CBN to address the problem of NPLs have not yielded the required level of success (Cifter 2015; Migliardo & Fabio 2018; Sijabat et.al., 2020). They examined the effect of ownership concentration on non-performing loans using various listed banks on the Indonesia stock exchange from 2000 to 2018, 15 European Union (EU) countries and ten Central and Eastern European (CEE) countries but these experiences that are routed in foreign countries may not apply to Nigeria due to differences in the financial structure. Furthermore, none of these studies used a control variable (bank size) to influence the findings. To the best of our knowledge, limited attention has been accorded nonperforming loans in empirical studies of ownership structure in Nigeria thereby creating a gap that this study seeks to mitigate.

The objective of this study is to examine the effect of ownership concentration on Non-Performing loans of deposit money banks in Nigeria. The scope of the study also consists of the 14 Deposit Money Banks listed on the exchange group.

Specifically, it is limited to the eight (8) deposit money banks licensed with international authorities. The choice of the eight banks licensed with international authorities is based on the fact that they are greater in the scope of operation and are by far more representative of the entire banking service providers in Nigeria. Sequel to the mixed findings with regards to the effect of ownership concentration on nonperforming loans of deposit money banks in Nigeria, this study, therefore, hypothesized that:

**H01**: Ownership concentration has no significant effect on non-performing loans of deposit money banks in Nigeria

**Literature Review**

**Non-Performing Loan**

The International Monetary Fund (IMF) compilation guide on financial soundness indicators (2015) defined non-performing loans as any credit facility in which interest and/or principal payments are past due by 90 days or interest payments equal to 90 days or more have been capitalized, refinanced or delayed by agreement or payments that are less than 90 days overdue, but there are good reasons, such as a debtor filing for bankruptcy to doubt that payments will be made in full. The Central Bank of Nigeria (2015) defined non-performing loans and advances as a loan facility whose credit quality has depreciated and whose full collection of principal and/or interest as per the contractual repayment terms of the loan and advances are uncertain. This definition appears narrow as a non-performing loan or impaired credit may deteriorate to a level in which the chances of recovery of both principal and interest are not only doubtful but very critical and impossible due to the inability of lenders to adhere strictly to credit guidelines. A loan is also regarded as non-performing when the principal or interest is due and unpaid for six months or more from the first day of default (Prudential Guidelines, 2014).

However, CBN prudential guidelines for deposit money banks classified non-performing loan facilities into three distinct groups namely, Substandard, Doubtful and Lost (El-Maude, et.al 2017). The sub-standard loan is where unpaid principal and/or interest remain outstanding for more than 90 days but less than 180 days. The doubtful loan is a situation where unpaid principal and /or interest remain outstanding for at least 180 days but less than 360 days (El-Maude, et.al, 2017). Similarly, loan facility under the lost category refers to unpaid principal and /or interest outstanding for 360 days or more. Furthermore, for credit facilities categorized as Sub-standard, Doubtful or Lost, the CBN stipulates that interest unpaid for more than 90 days should be postponed and accepted on a cash basis only while the principal that has remained unpaid for more than 90 days must be fully provided for and accepted on cash basis only (CBN Annual Report, 2014).

**Ownership Concentration**

Ownership concentration refers to the share of the largest owner while ownership mix relates to the identity of the major shareholder such as ownership concentration, foreign ownership, domestic ownership and the like, (Anstoniadis, 2010; Wen, 2013;). According to Maina (2014), Benjamin and Dirk (2015) and Fawad (2013), concentrated ownership is defined by the distribution of stakes in relation to the distinctiveness of the equity holders and its classification within the company’s governance structure that has impacted the firm financial performance for several decades. Similarly, Ritcher and Weiss (2013) define ownership concentration as the allocation of ownership rights among different parties who own the firm collectively.
The measurement of the ownership concentration is calculated by the percentage of total shareholding by the firm's top five shareholders. A block holder is the person that owns more than five percent of the firm’s equity or share (Javid & Iqbal, 2010). According to them, three basic types of ownership concentration have been identified in the extant literature which include: Block ownership concentration denotes the proportion of a firm’s equity acquired by major equity holders. A major acquisition of equity intends to provide an additional burden on agents to act in manners that are profit-optimizing (Fawad, 2013).

In a related study, Ajao and Ejokehuma, (2020) observed that government ownership enhances performance through a political appointment that is incompetent and rigid and the ownership rights of government firms do not have a distinct incentive to better firm performance. Institutional equity holders are organisations that own huge sums of resources to invest and they do commit huge amounts of funds into a firm’s equity e.g. pension reserves, insurance firms, mutual funds and combined performance is termed as the neutrality assumption. Institutions play a supervising duty in minimising agency conflicts between principal and agent (Ajao & Ejokehuma, 2020). The concentration of ownership is a percentage of shares held by top shareholders such as government, financial institutions, corporations, individuals, or families. The percentage of shares held by the top 5 shareholders is used as a proxy for concentrated ownership.

**Bank Size**

The size of a bank is used to capture economies and diseconomies of scale in the banking industry. The size of a bank is computed as the logarithm of total assets. Bank size plays an important role in the prediction of loans when economies of scale are considered. A bank may leverage on average cost reduction per unit while enhancing efficiency, capital base and market share. Babalola and Abiola (2013) opined that a larger bank is more influential in strategic decision and has more influence upon its stakeholders, competitors, efficiency and in addition, more profitable relative to a small bank. Bank size uniqueness in terms of assets, capital, deposits and loans influences the quality of decisions on the activities undertaken by a bank, which in effect, affects the strength of financial performance (Olowokure, et al, 2015).

The largeness of a bank can be decomposed into; vertical on activities and products; or horizontal on the supply of a product or service across several entities. Thus, a puzzled endless debate on the optimal bank size, management complexity and exposures associated with activities ranges. Larger banks engage more in market activities outside their traditional lending, which of late, has escalated and grown significantly (Teimet & Lishenga, 2019). This paradigm shift of activities in the developed world has warranted restrictions to reduce bank size exposure (Vinals et al., 2013). Accordingly, larger banks tend to have a lower capital base, less-stable funding, engage in more-market based activities as well as more complex operations than small banks. However, the failures associated with larger banks tend to be more disruptive to the financial system than failures of small banks (Laeven et al, 2014).

**Empirical Review**

Sijabat, *et. al.,* (2020) examined the determinants of ownership concentration on bank performance and non-performing loans (risks) of listed banks in Indonesia stock exchange from 2000 to 2018. This research was quantitative research using panel data regression analysis methods. Secondary data was collected from 42 banks listed on the Indonesia Stock Exchange using a purposive sampling technique. This study used Return on Assets (ROA) and Return on Equity (ROE) proxy to measure performance while the standard deviation of returns was used to measure bank non-performing loans (Risks). Findings showed that ownership concentration has a positive impact on non-performing loans. That is, the more concentrated the ownership of the bank, the higher the level of its non-performing loans. This study although conducted in a similar sector but in a foreign country with a different financial system. Besides, the study failed to carry out a stationary tests of the series which makes the result spurious and unreliable. However, this current study intends to carry out unit root tests of all the series used in the study.

Abdulazeez (2021) examines the effect of ownership structure (management shareholding and ownership concentration) on loan quality of deposit money banks in Nigeria for the period 2008-2017. The study utilized data extracted from the annual reports of the 14 studied banks. Robustness tests were conducted to determine the existence or otherwise of multicollinearity, the fitness of the model and appropriate regression analysis for the study. Descriptive statistics, correlation and Fixed-Effect GLs regression were used to describe and analyze the data. The empirical findings showed that ownership structure has a significant negative effect on the loan quality of banks in Nigeria.

Omboto and Mwengei (2019) examine the effect of local ownership structure on non-performing loans of commercial banks in Nairobi, Kenya. The study adopted a cross-sectional research design and the population of the study comprised employees of 39 commercial banks in Nairobi city, Kenya. The respondents were 117 employees including 39 branch managers, 39 operations managers and 39 credit officers. The study used Cronbach alpha Coefficient to determine the reliability of the data collection instrument. Simple regression and Pearson Moment of Correlation were used for the data analysis. Findings showed that local ownership structure was a significant factor that influence non-performing loans of commercial banks in Kenyan. The study recommends that government should infuse private sector-like management systems and create a conducive environment to attract foreign investors who possess firm-specific advantages to foster growth. Furthermore, the study recommends that the institutions should retain ownership in foreign and local firms to enhance shareholders’ confidence, protect investments and monitor management.

Migliardo and Forgione (2018) conduct a study to establish the impact of ownership structure, Banks’ profitability, Risk, and technical efficiency on 15 European Union (EU) countries. The study used a sample of 1,459 operating banks in EU-15 countries from 2011-2015 and constructs a set of continuous variables capturing the nature of ownership concentration and their interactions. A panel data stochastic frontier analysis was conducted to estimate the time-varying technical efficiency for profitability and costs. Empirical analysis shows that ownership concentration and bank performance are affected by shareholder-type. That is, the large-block shareholders are more profitable, less risky, and more efficient. The result further reveals that ownership concentration can off-set the negative effect related to institutional bank and industry-related ownership. This study used a panel data stochastic frontier analysis while the current study adopts the use of panel multiple regression which is considered the most appropriate tool for cause-effect studies. Similarly, the findings of this study may only apply to 15 EU countries; hence, there is a need to conduct another study to determine the effect of ownership concentration on bad loans in a developing economy like Nigerian.

Umar and Sun (2017) explore both macroeconomic and bank industry-specific determinants of non-performing loans for Chinese listed banks from 2005 to 2014. Panel and Generalized Method of Moment (GMM) data techniques were employed. Bank-specific variables considered were ownership concentration, credit quality, total-liabilities-to-total assets ratio and credit growth. Results show that ownership concentration and credit quality are significant determinants of non-performing loans in China. This study although rich and conducted in a similar industry, the current study is an improvement on the former with respect to the depth of variables used. Furthermore, this study was conducted in China while this current study focuses on the Nigerian banking sector.

**Theoretical Framework**

This study is underpinned by the Agency theory developed by Jensen and Mekling (1976). The theory sees managers as agents of the principal (shareholders) whose interests must be protected at all times, Agency theory concerning ownership concentration shows that activities of banks will be properly monitored when certain individuals have a major ownership stake and managers will ordinarily engage in shareholders friendly activities when they own shares in the banks. The essence is to promote the relationship between shareholders and managers

Separation of ownership and control has been characterized as an agency problem (Jensen, Meckling 1976). They observed that managers are the agents who are hired to maximize the return to the shareholders who are the principals. As agents do not own the resources of corporations, they may commit moral hazards to increase their wealth which may cause owners to incur losses.

Agency theory also describes some of the mechanisms which will reduce agency losses such as incentive schemes for managers through which managers will be rewarded for maximizing profit. This theory relates to this study since it deals with ownership concentration and managers and how their roles are separated as well as their interests which brings about conflict of interest among them. It is pertinent to note that owners hardly manage the business by themselves but employ managers who oversee the running and implement the decisions of the owners to ensure the effective realisation of non-performing loans.

**Methodology**

The study used an *ex-post facto* research design and this because the study tried to find out the cause-and-effect relationship between the variables. The reason is that *ex-post facto* research design is a systematic empirical inquiry in which the researcher does not have direct control over variables. After all, their manifestations have already occurred and they are inherently not manipulated. The population of this study comprise all quoted deposit money Banks in Nigeria trading currently on the floor of the Nigerian Exchange Group as of 2021, As of December 2021, there were 14 listed deposit money banks in Nigeria. The study adopted a simple convenience sampling technique to collect data from the published annual accounts of the deposit money banks in Nigeria, the Central of Nigeria (CBN) statistical bulletin and the quarterly capital market service report because all the data needed in this study are documented and the researcher only obtained it from these available sources.

The study used the sample size of eight (8) deposit money banks licensed with international authorities (Access Bank Plc, Fidelity Bank Plc, First City Monument Bank Plc (FCMB), First Bank Nigeria Limited, Guaranty Trust Bank Plc, Union Bank of Nigeria Plc, United Bank of Africa Plc (UBA) and Zenith Bank Plc). The criteria for this selection are based on the fact that only these 8 tier 1 banks are perceived largest by assets and deposits and they are listed with international operational authorizations as of December 31, 2020. A brief interaction with some key bank customers and staff of the Nigeria exchange group has shown that only banks licensed with international authorizations are usually preferred by most corporate bank clients and major investors. The study used secondary data from banks’ annual reports and the data for the study were analysed using correlation and panel regression. The panel regression was used for the test of hypotheses.

**Table 1: Measurement of the Variables**

|  |  |  |
| --- | --- | --- |
| **Variables**  | **Measures**  | **Authors**  |
| Non-performing loan ratio  | Measured as Non-Performing Loans/Total Loans and Advances | El-Maude, et.al (2017) |
| Bank size  | Logarithm of total assets | Odundo & Orwaru, (2018); Turk-Ariss (2010)and Onuonga (2014), |
| Ownership concentration  | Describes the different levels of shareholding in a bank. That is, concentrated & dispersed ownership, be it foreign or local. | Fawad (2013) |

However, panel regression is used for this study which gives superiority over pure cross section or pure time series. Verbeek (2004) sets out the framework for panel study as:

𝑦it = 𝛼 + 𝑥 it𝛽it + 𝜀 it……………………………………………………………………………………………………………..1

The model is stated below:

NPLit = a+βONSit+βBSit+πit ……………………………….2

# Where NPL = non-performing loan ratio of the i at the time it

# OWCit= Ownership concentration of bank i at the time it

# BSit= bank size of bank i at the time it

# β= coefficient

# a= constant

# π= error terms

**Hausman Test**

Hausman test is used to decide on the most appropriate model to be adopted either between fixed or random effects model. It is believed that the null hypothesis is the preferred model. Random Effect Model is the null hypothesis while the alternative is the fixed effects. It tests whether the unique errors (ui) are correlated with the repressors; the null hypothesis is they are not. That is

Ho = Random Effect

HA = Fixed Effect

Hausman test uses a statistical distribution chi-square with the degree of freedom as many as k where k is the number of independent variables. If there is a rejection of hypothesis zero where the value of statistics is greater than the critical value (the value of the table chi-square) then the model fixed effect is used and the reverse is the case where the calculated value is less than the critical or table value

In this study, the Hausman test is used to test the fixed effects model and random effects model (REM).

𝑯0**: Random effects model is better than the fixed effects model.**

Random effects assume that the entity’s error term is not correlated with the predictors which allows for time-invariant variables to play a role as explanatory variables. These characteristics that may or may not influence the predictor need to be specified.

**Decision Rules**

Decision Rule: Reject 𝐻0 if the p-value is less than the significance level. Otherwise, do not reject 𝐻0.

Decision: Reject 𝐻0 since the p-value is less than the significance level of 5%.

# Presentation and Discussion of Results

# Table 1: Descriptive statistics of the Variables

|  |  |  |  |
| --- | --- | --- | --- |
|  | **NPL** | **OWC** | **BS** |
|  Mean |  0.051940 |  4.390000 |  9.345447 |
|  Median |  0.041215 |  3.290000 |  9.332880 |
|  Maximum |  0.253466 |  2.340000 |  9.928461 |
|  Minimum |  0.000965 |  9.740000 |  8.743907 |
|  Std. Dev. |  0.048603 |  3.600000 |  0.292840 |
|  Skewness |  2.365202 |  2.438952 |  0.070390 |
|  Kurtosis |  8.775504 |  11.57727 |  2.092052 |
|  Jarque-Bera |  208.9994 |  365.1135 |  3.165707 |
|  Probability |  0.000000 |  0.000000 |  0.205388 |
|  Sum |  4.674580 |  3.950000 |  841.0902 |
|  Sum Sq. Dev. |  0.210243 |  1.160000 |  7.632238 |
|  Observations |  90 |  90 |  90 |

***Source:*** *Author’s Computation, using E- views 12, 2022*

The mean value of the non-performing loan ratio (NPL) is 0.05 and the median value is 0.04. This shows the presence of an outlier as can be confirmed by the difference between a minimum value and maximum value. The mean value of ownership concentration (NONS) is 2.39 and the median value is 3.29. This shows the presence of an outlier as can be confirmed by the difference between a minimum value and maximum value. The mean value of bank size is 9.36 and the median value is 9.33. This shows the presence of an outlier as can be confirmed by the difference between a minimum value and maximum value.

**Table 2: Correlation Matrix of the Variables**

|  |  |  |  |
| --- | --- | --- | --- |
|  | NPL | OWC | BS |
| NPL |  1.000000 | -0.077812 |  0.071117 |
| OWC | -0.077812 |  1.000000 |  0.608606 |
| BS |  0.071117 |  0.608606 |  1.000000 |

***Source:*** *E-view Ouput, Version 9.00*

Table 2 indicates that there is a negative/positive association between the dependent variable and independent variables in the study. This implies that there is a weak negative association between the non-performing loan ratio and ownership concentration in deposit money banks in Nigeria. Also, there is a weak positive association between the non-performing loan ratio and bank size in deposit money banks in Nigeria. There is no strong correlation between the variables and then there is no problem of multicollinearity.

**Table 3: Hausman Test**

|  |  |  |  |
| --- | --- | --- | --- |
| **Test Summary** | **Chi-Sq. Statistic** | **Chi-Sq. d.f.** | **Prob.** |
| Cross-section random | 27.057993 | 2 | 0.0000 |
| Period random | 3.840480 | 2 | 0.1466 |
| Cross-section and period random | 1.887300 | 2 | 0.3892 |
| *\*\* WARNING: estimated period random effects variance is zero*. |

***Source:*** *Researcher’s Computation Using E-Views 9.0, 2022*

The Hausman test indicates that the random effect model is the most appropriate to the fixed effect model given the probability value of more than 0.05. Thus, the null hypothesis which states that the random effect model is more appropriate is accepted.

**Table 4: Panel Regression result**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variable | Coefficient | Std. Error | t-Statistic | Prob.   |
|  |  |  |  |  |
|  |  |  |  |  |
| C | -0.323887 | 0.226369 | -1.430789 | 0.1561 |
| OWC | -3.72E-12 | 1.71E-12 | -2.176061 | 0.0323 |
| BS | 0.041961 | 0.024591 | 1.706332 | 0.0915 |
|  |  |  |  |  |
|  |  |  |  |  |
|  | Effects Specification |  |  |
|  |  |  | S.D.   | Rho   |
|  |  |  |  |  |
|  |  |  |  |  |
| Cross-section random | 0.018564 | 0.1537 |
| Period random |  | 0.000000 | 0.0000 |
| Idiosyncratic random | 0.043559 | 0.8463 |
|  |  |  |  |  |
|  |  |  |  |  |
|  | Weighted Statistics |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| R-squared | 0.657141 |     Mean dependent var | 0.030950 |
| Adjusted R-squared | 0.535466 |     S.D. dependent var | 0.045161 |
| S.E. of regression | 0.044353 |     Sum squared resid | 0.171143 |
| F-statistic | 2.636285 |     Durbin-Watson stat | 1.436471 |
| Prob(F-statistic) | 0.037344 |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  | Unweighted Statistics |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| R-squared | 0.023799 |     Mean dependent var | 0.051940 |
| Sum squared resid | 0.205240 |     Durbin-Watson stat | 1.197829 |
|  |

***Source:*** *Researcher’s Computation Using E-Views 9.0, 2022*

The regression result shows that the model is fit for the study since the f-statistics is significant at a 5% level of significance. The result also shows that ownership concentration (OWC) has a negative effect on a non-performing loans of deposit money banks in Nigeria while bank size also has a positive effect on a non-performing loans of deposit money banks in Nigeria. These effects are significant and insignificant since the P-value is less or greater than 5%.

Thus, the paper reject the null hypotheses and conclude that ownership concentration (OWC) has a negative and significant effect on a non-performing loans of deposit money banks in Nigeria. Also, bank size has a positive and insignificant effect on a non-performing loans of deposit money banks in Nigeria. The R2 = 0.65 indicates that only 65% of variation on ownership concentration can be used to explain non-performing loans of deposit money banks in Nigeria but 35% can be explained by other factors not noted in the regression model which is referred to as error term.

**Discussion of Result Findings**

The study found that ownership concentration (OWC) has a negative and significant effect on a non-performing loans of deposit money banks in Nigeria. Similarly, bank size has a positive and insignificant effect on a non-performing loans of deposit money banks in Nigeria. The study is in line with the findings of Migliardo and Forgione (2018) who found that large-block shareholders are more profitable, less risky and more efficient in ownership structure while the study disagreed with the findings of Sijabat et. al., (2020) who establish a positive and significant effect of ownership concentration on non-performing assets. The study is also in line with agency theory which states that those problems which have been discussed aroused due to a lack of control by the shareholders.

Also, Fawad (2013) examined the impact of ownership concentration on non-performing loans of deposit banks in Pakistan and established a significant correlation between ownership concentration and non-performing loans. The study concluded that a rise in ownership concentration enhanced the level of NPLs which consequently deteriorates the loan quality of banks.Furthermore, Berle and Means [1932] in their theory, observed that share ownership in modern corporations is widely dispersed hence, due to this reason managers tend to behave differently from the guidelines set to maximize shareholder returns. Separation of ownership and control has been characterized as an agency problem by [Jensen, Meckling 1976]. They categorically state that managers are the agents who are hired to maximize the return to the shareholders who are the principals. As agents do not own the resources of corporations, they may commit moral hazards to enhance their wealth to the detriment of the owners who may bear serious losses. Given this, the concept of agency theory clearly describes some of the mechanisms that will reduce agency losses such as incentive schemes to compensate managers who have worked very hard to maximize shareholder value.

**Conclusion and Recommendations**

The paper concluded that the ownership concentration has a negative effect on a non-performing loans of deposit money banks in Nigeria. This implies that as ownership concentration increases, the level of NPLs decreases, while banks with dispersed ownership tend to witness a significant rise in the level of bad loans. However, there seems to be a conflict of interest between the management and owners of deposit money banks which translated to a high level of non-performing loans in the organization. Therefore, the paper recommended the following:

1. The Central Bank of Nigeria should sustain and invigorate the formulation of new policies on ownership structure in deposit money banks to forestall the rising cases of non-performing loans in the sector. This can be achieved through the active participation of foreign investors to further diminish the increasing pace of bank crises and collapse due to nonperforming loans.
2. Other banks should be closely monitored to ensure that they comply with the corporate governance systems that will enable them to improve their loan quality.
3. The regulatory institution should also ensure that the negative effect of ownership concentration on non-performing assets is sustained through the injection of capital and technology by foreign investors to boost performance and lower the level of bad loans in the banking sector.

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