Effect of Ownership Structure on Financial Performance of Listed Deposit Money Banks in Nigeria

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Abstract

In an environment characterized by imperfect information, a variance in the interest between management and shareholders can lead to sub-optimal management decisions. The study is an assessment of the effect of ownership structure on financial performance of listed deposit money bankin Nigeria. The expo-facto research design was adopted with reliance on secondary data from annual report of listed firms. The purposive sampling techniques was employed in selecting the 13 firms out of 15 deposit money bank in Nigeria for 2011-2020 financial year. To carry out this objective panel regression estimation was used which is fixed effect by Hausman test which was analyzed using E-views 10. The finding shows that managerial ownership and institutional ownership has positive significant effect on capital adequacy of deposit money bank in Nigeria. The study concludes thatmanagerial ownership and institutional ownership has a significantly positive effect on financial performance and substantially increase the performance of listed deposit money bank in Nigeria. The study recommends that financial regulatory bodies in Nigeria such as the Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), and Securities and Exchange Commission (SEC) should ensure that a reasonable degree of ownership concentration is maintained by all banks due to its potential benefit in improving financial performance in Nigerian banks

Keywords: Managerial Ownership, Institutional Ownership, Deposit Money Bank, Financial Performance

INTRODUCTION

The connection between ownership structure and firms financial performance has been the subject of an important and ongoing debate in the corporate finance literature. The debate goes back to the Zaini (2003), which suggests that an inverse correlation should be observed between the diffuseness of shareholdings and firm performance. Their view has been challenged by (Demsetz, 2001), who argues that the ownership structure of a corporation should be thought of as an endogenous outcome of decisions that reflect the influence of shareholders and of trading on the market for shares. When owners of a privately owned company decide to sell shares, and when shareholders of a publicly owned corporation agree to a new secondary distribution, they are, in effect, deciding to alter the ownership structure of their firms and with high probability, to make that structure more diffuse. Subsequent trading of shares will reflect the desire of potential and existing owners to change their ownership stakes in the firm. In the case of a corporate takeover, those who would be owners have a direct and dominating influence on the firm's ownership structure. In these ways, a firm's ownership structure reflects decisions made by those who own or who would own shares. The ownership structure that emerges, whether concentrated or diffuse, ought to be influenced by the profit - maximizing interests of shareholders, so that as a result, there should be no systematic relation between variations in ownership structure and variations in firm performance. According to Ezazi, Sadeghisharif, Alipour and Amjadi (2011), ownership can also be formed through capitalization, which can be obtained through retained earnings, loans from banks, venture capital or going public. They further stated that with regard to firms‟ ownership structure included volatility in earnings, asset tangibility, dividend payout ratio and profitability are determinants of corporate capital structure decisions within trading firms. (Fama& Jensen, 2000), contend that increased ownership concentration (any kind of owner) decreases financial performance because it raises the firm's cost of capital as a result of decreased market liquidity or decreased diversification opportunities on behalf of the investor.

The financial performance of many organizations has been largely linked to their ownership structure over time as it provides funding through owner's equity. Normally, every business organization is saddled with the responsibility of making returns. This responsibility is important since the ability of a firm to make returns in the competitive market determines to a large extend its ability to survive in the future. Jensen and Meckling (1976) defined financial performance as a tool that measures how well a company uses its resources in generating profit thus make it a vital tool to several stakeholders in a company. Financial performance therefore is crucial to any business organization's survival and continuous patronage by investors, potential investors, creditors, and other stakeholders in the business world. However, the type of ownership structure a firm adopts is engineered by the vision of the company. According to Jensen and Meckling (1976), ownership structure is defined by the distribution of equity with regards to votes and capital as well as the identity of the equity owners. Therefore, ownership structure of any company has been a serious factor for company's financial performance. It is commonly believed that profit maximization is one of the main objectives of a firm, thus profitability of a firm has become the major decisive factor in determining its financial performance. Particularly, investors are concerned with the profitability of the company; hence they try to involve themselves in the affairs of the firm by various ways. However, in modern turbulent or unstable business environment, investors (owners) have to recruit managers as their agents to play essential roles on behalf of them. But, agency theory shows that sometimes managers work for their interest (high compensation, low efforts, expense preference, luxury facilities etc. known as diversification strategy in strategic management) rather than maximizing wealth for shareholders. In an environment characterized by imperfect information, a variance in the interest between management and shareholders can lead to sub-optimal management decisions. Such decisions are possible because the actions of managers are largely unobservable and the goals of the managers and their shareholders are not necessarily aligned. The main objective of the study is to examine effect of ownership structure on financial performance of listed deposit money bank in Nigeria. The hypothesis underlying this study are stated thus;

i. **H_o**: Managerial ownership has no significant effect on capital Adequacy of listed Deposit money banks in Nigeria
ii. **H_o**: Institutional ownership has no significant effect on capital Adequacy of listed Deposit money banks in Nigeria

LITERATURE REVIEW

Conceptual Framework

Ownership Structure

According to Jensen and Meckling (1976), ownership structure is described by thedistribution of equity with respect to votes, capital, and also by the equity owners' identity. This was referenced in their study on how the nature of agency costs relates with equity where they aimed at incorporating concepts into the beginnings of a theory of corporate ownership structure. In the recent years, there have been renewed interests on ownership structures due to the increased dynamics of corporate ownership portfolios. Ownership structure, as a mechanism in corporate governance to facilitate increased efficiency of a firm, has been believed to have affected firm performance. For example, Adam Smith (1776) points out that the joint-stock companies are less efficient than private co-partner companies because the directors would not watch over other people's money" with the same anxious vigilance" as their own. Transaction cost theory considers a firm as an offer of contracts where the activities are cheaper internal than external. However, inside of the firm, there are conflicts between different parties. The principal-agent theory mentions the conflict between shareholders and management. The conflict is led by the different agendas of shareholders and managers, more specifically, the divergence between the control right and cash flow right. However, scholars have defined ownership structure in various ways. Oyejide and Soyibo (2001) define ownership structure as composition of equity owners from the perspective of Government (state-owned) and private ownership; classify ownership structure as state-owned or private ownership. Mitra (2002) define ownership structure as the composition of the various holders of equity shares. They classify ownership structure as institutional ownership, managerial structure and block ownership in their study of relationship between ownership structure and audit fees in US market in 2000. Niemi (2005) defines ownership structure from aspects of level of concentration of shares in the hands of managers, foreigners and Government.

Managerial Ownership

Managerial Ownership ordinarily represents the proportion of shares owned by the firm's directors to total number of shares issued. Warfield, Wild and Wild (1995) posited that corporations exhibit a myriad of manager- ownership structure extending from owner manager holding the vast majority of equity shares to professional managers whose ownership share is negligible. The separation of ownership and control begets questions of managers' incentives to take action in the best interest of owners. The extent of proportion of share held by management may affect control over the firms' decision (Jensen &Meckling, 1976). Rudiger and Rene (2007) in their study review theories of the determinants of managerial ownership and their implications for the relation between firm value and managerial ownership. They consider three theories: the agency theory, the contracting theory, and the managerial discretion theory. Rudiger and Rene (2007) assert that agency theory takes managerial ownership as given; greater managerial ownership aligns the interests of management better with the interests of shareholders. The contracting agency view portrays that shareholders face trade-off. As the managers stake in the firm increases, their incentives become better aligned with those of shareholders in that, if they increase firm value by one dollar, their wealth increases by a greater fraction of that dollar. Managerial ownership refers to an ownership fraction or stake in a firm that is held bymanagers. Managerial ownership is not only meant to increase the equity of the organization but also to serve as incentives to managers to align managers' interests with those of the interests of the organization. Managerial ownership is measured by natural logarithm of equity held by managers as shareholders in a firm.

Managerial ownership refers to the percentage of shares owned by the executive directors of the companies or firms. Two arguments have been put forward on the relationship between managerial ownership and provision of credible earning. First is the alignment effects which posits that the acquisition of shares by executive managers reduces the agency conflict between manager and shareholders and managers act in the best interest of the company to increase shareholders wealth (Jensen and Meckling, 1976). By so doing the managers also gain as their own share value rises in reaction to favourable company's performance. The managers are therefore motivated to provide credible financial statements to attest to their good performance to outside investors. The second argument is on the entrenchment effect which states that managers are insiders and have access to better information than other group of shareholders and could use it opportunistically.

Institutional Ownership

This ordinarily represents the proportion of shares owned by institutions to total number of shares issued by a firm. Institutional investors are organizations which pool large sums of money and invest those sums in securities, real property and other investment assets. They can also include operating companies which decide to invest their profits to some degree in these types of assets (Joseph 2018). Typical investors include banks, insurance companies, retirement or pension funds, hedges funds, investment advisors and mutual funds. Their role in the economy is to act as highly specialized investors on behalf of others. For instance, an ordinary person will have a pension from his employer. The employer gives that person's pension contributions to a fund. The fund will buy shares in a company, or some other financial product. Funds are useful because they will hold a broad portfolio of investments in many companies. This spreads risk, so if one company fails, it will be only a small part of the whole fund investment. An institutional investor can have some influence in the management of corporations because it will be entitled to exercise the voting rights in a company. Thus, it can actively engage in corporate governance. Furthermore, because institutional investors have the freedom to buy and sell shares, they can play a large part in which companies stay solvent, and which go under. Influencing the conduct of listed companies, and providing them with capital are all part of the job of investment management.

Institutional ownership refers to an ownership fraction or stake in a firm that is held bylarge financial organizations, pension funds or endowments. Institutions generally purchase large blocks of a firm's outstanding shares and can exert considerable influence upon its management. Therefore, institutional shareholders are usually professionals and they normally use their expertise in monitoring the management in ensuring that theirinterests align with those of the organization's interests. Institutional ownership is measured by natural logarithm of equity held by various institutions as investors in the firm.
Institutional ownership is the ownership of shares by financial institutions such as insurance companies, banks, pension funds, and investment banking. The efficient monitoring hypothesis also suggests that institutional investors can provide active monitoring that is difficult for smaller, more passive or less-informed investors. Alzoubi&Selamat (2012), Farooq and El Jai (2012) and Venkatachalam, and Jiambalvo (1999) found a negative relationship between institutional ownership and absolute values of discretionary accruals. However, when institutional investors hold relatively few shares and the shares are highly marketable, they are more likely to liquidated their holdings in poorly performing firms than to expend their resources in monitoring and improving their performance. Roychowdhury (2006) also found a negative relation between institutional ownership and activity manipulation to avoid reporting losses. Indicating that, institutional investors play a monitoring role in reducing activity manipulations. Thus, managers find difficult to manipulate both activities and accruals when their operations are being closely monitored by institutional investors.

Capital adequacy

Capital adequacy is an important factor in banking; owing to the importance of capital adequacy, the regulatory activities in Nigeria, like what is obtainable in other countries, the monetary authorities specify from time to time, subject to economic dictates, the minimum capital requirements for licensed banks in the system. The ugly experience of the past as regards banks failure has convinced governments of the necessity of establishing minimum capital requirements for insured banks. Prior to the adoption of the international convergence of capital by CBN in 1990, CBN and the NDIC have applied some subjective measures in deterring banks capital adequacy. The process is usually implemented as part of the examination of a bank. It may be guided by some formulary that ultimately rests on all information developed in the process of the examination, including assessment of assert quality as well as management controls and capability. This is generally defined as the capital necessary to reduce the probability of insurer default to some target level (Ansari &Fola, 2014). Financial institution are expected to maintain adequate capital to meet their financial obligations operate profitably and contribute to promoting a sound financial system. Insurance companies perform significant economic roles in the development of every nation. The banks sector stabilizes the economy through efficient diversification of risks (Pan African Capital, 2013).

Empirical Review

Suleiman and Nasamu (2021), examined effect of ownership structure on the financial performance of listed oil and gas companies in Nigeria for the period of2006-2019. Secondary data was extracted from the financial reports andaccounts of the sample companies. Robust OLS as the best estimator of theregression model was used to analysed the data extracted. The findingsrevealed foreign ownership has a positive significant impact on the financialperformance of oil and gas companies in Nigeria. Based on the findings, thestudy recommends that, foreigners should be allowed to take the majority ofthe ownership structure of listed oil and gas companies in the downstreamsector of the petroleum industry in Nigeria, more so, management of thesecompanies should formulate policies that would boost the number of sharesallocated to foreigners since foreign ownership increases financialperformance. Joel, Oluwaseun and Grace (2020), examined the effect of theownership structure and its dimensions (such as managerial ownership, employee ownership and private ownership) on the financial performance of eighteen food and beverage quoted firms on the Nigerian Stock Exchange (NSE) during the period 2010-2018. The study used secondary data on managerial ownership (MO), employee ownership (EO), private ownership (PO) and return on equity(ROE). These were sourced from the annual report and accounts of the firms used for the study. Data collected were analysed using pooled regression, fixed and random effect regression. The result showed that managerial ownership had an insignificant (positive) effect on return on equity ($t=1.63$; $P=0.329$; $P>0.05$). Employee ownership had significant positive effect on return on equity ($t=2.19$; $P=0.001$; $P<0.05$). Private ownership had significant effect on return on equity ($t=3.2$; $P=0.005$; $P<0.05$). Managerial ownership, employee ownership and private ownership had a significant combined effect on return on equity (Wald Chi2=32.91; $R2=0.682$; $P=0.000$). The study concluded that ownership structure had a significant effect on the financial performance of quoted food and beverage manufacturing firms in Nigeria. The study recommend that Stock Exchange Commission as a regulatory body should encourage potential managers to invest more in any company in the food and beverage industry to enable them manage the firm well as their funds are invested in the firm.

Bamigboye and Akinadewo (2020), investigated the impact of ownership structure on the dividend policy of selected banks in Nigeria. This was with a view to providing information on the ownership structure and possible effects on dividend policy in the Nigerian Deposit Money Banks (DMBs). The study employed the use of secondary data. The data were sourced from Banks' audited financial reports, the Nigerian Stock Exchange 'fact book' and Central Bank of Nigeria statistical bulletin. Ten (10) DMBs out of the listed banks were purposively selected based on the size of their customer and longtime of existence. Data were analyzed using percentages, random and fixed effect method. The result showed that Concentrated ownership ($t=2.2364$, $p<0.05$), Institutional ownership ($t=2.0035$, $p<0.05$) and Management ownership ($t=2.0099$, $p<0.05$) positively and significantly affect owned policy of DMBs in Nigeria. The study concluded that ownership structure greatly influences dividend policy in the Nigerian banking industry. The study recommend that to reduce the agency problem in the Deposit Money Banks in Nigeria, concentrated block holders and even government should invest to dilute the ownership structure, which is characterized manager-ownership and institutional owners. This can be done by management paying dividend on a regular basis, in order to encourage investor. Damilola, Wisdom, Adegbola and John (2020), examine impact of institutional investor's ownership on the financial performance of deposit money banks listed on Nigerian stock exchange (NSE). The time frame for this study is 2011-2018. Data was generated from annual reports of 15 deposit money banks listed on NSE. The result of the panel data methodology shows a positive and significant relationship between institutional investor's ownership and banks financial performance. The study conclude that high institutional investor's participation in banks will boost the firm's performance, and this will increase the investment in shares of banks. Also, prompt implementation of proper prudential guidelines should be adequate to avert grave volatility in a financial system progressively moulded by the presence of institutional investors. The study recommended that management of banks should give more attention to the large institutional shareholders due to their influence on the growth and survival of the company.

Abdullahi and Muhammad (2019), examined the effect of ownership structure on financial performance of listed commercial banks in Nigeria for the period 2009-2016. This study used a sample of 13 listed commercial banks in conducting the study. The study also employed Ordinary Least Square (OLS) and Generalized Least Square methods of panel data regression models in analyzing the data. Findings from the study revealed that ownership concentration (OWC) has insignificant negative effect on Return on Asset (ROA). However, when financial performance is proxied by the market-based performance measure, Tobin's Q (TBQ), the results indicated that OWC has a statistically positive significant effect on financial performance. The results of the analysis revealed that managerial ownership (MOW) has statistically insignificant positive effects on both ROA and TBQ. In the case of institutional ownership (INSOW), the findings revealed that it has a statistically insignificant negative effect on ROA but a statistically significant negative effect on TBQ. Therefore, the study recommends that financial regulatory bodies in Nigeria such as the Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), and Securities and Exchange Commission (SEC) should ensure that a reasonable degree of ownership concentration is maintained by all banks due to its potential benefit in improving market-based financial performance in Nigerian banks. In the case of institutional ownership, there is the need for the CBN to come up with regulations that promote participation of foreign institutional ownership in Nigerian banking industry. Yakubu, Danjuma and Adejoh (2019), examines the impact of institutional ownership on financial performance of quoted building materials firms in Nigeria. The population of the study consists of six (6) firms quoted on the Nigerian stock exchange as at 31st December2016 out of which four (4) firms were selected using two criteria which are company that made available their annual report of thirteen (13) years and company quoted on the Nigerian stock exchange before 2004. The study uses multiple regressions as a tool for analysis and secondary source of data analysis. The result of the study revealed that institutional ownership impacts positively significantly on financial performance of quoted building materials firms in Nigeria. The study concludes that institutional ownership affects financial performance of building materials firms in Nigeria and recommended that Security and exchange commission should encourage potential institutional investors in the building material industry to invest in long term investment.

Theoretical Framework

Institutional Theory

Institutional theory posits that organizations should align their practices and characteristics with social and cultural values so as to get legitimacy. Dimaggio and Powell (1983) believe that organization are subject to rules and regulations and these must be complied with so that the organization can obtain legitimacy upon which they can survive. It is argued that organization change their institutional practices out of pressure from stakeholders to make them legitimate and not necessarily to monitor management. According to institutional theory, corporate governance is viewed as structure put in place by the organization to confirm that the corporation is bond to an environment (Alghamdi, 2012). Stedham and Beekun (2000) posit that under institutional theory the role of board of directors of the company is twofold; serves as a linkage between the corporation and the environment, administrative role of overseeing the performance of top management especially the chief executive officer (CEO). They assert that institutional theory and agency theory can be used to explain role of directors in corporate governance. In a similar argument, Kury (2007) suggests that institutional theory can be used to explain earning management because incentives for earnings management may come as a result of formal or informal pressure from the environment. Essentially institutional theory concerns itself with organizations conforming to set rules and regulations to obtain legitimacy and consequently have access to resources and survive (Dimaggio& Powell 1983).

Stakeholders Theory

Stakeholder theory was developed by Freeman (1984) who argue that organizations are accountable to the shareholders as well as other stakeholders which in contrary to the traditional view that shareholders were the only stakeholders of the firm. Stakeholders are groups of individuals who may benefit or be harmed by activities of the firm. These stakeholders have contracting interest which have to be taken into account when releasing the audit reports. This is important because their varying interests can affect the firm's ability to achieve its objectives (Freeman, 1984). The stakeholder theory is defined by (Freeman 1984) as any group or individual who can influence or is influenced by the achievement of the organization's objectives. Carroll (1993) also adds that, the term stakeholder may, therefore, include a large group of participants and in fact; anyone who has a direct or indirect stake in the business. Examples for direct stakeholders are the shareholders, employees, investors, customers and suppliers, all whose interests are aligned with the interests of the firm, on the other side, the indirect stakeholders are those who are indirectly affected by the functions of the firm and an example for the is the government (Kiel & Nicholson 2003). Another definition for the stakeholder theory is that "the Stakeholder theory defines organizations as multilateral agreements between the enterprise and its multiple stakeholders". The stakeholders can be divided into two groups, the internal group consists of the employees, managers and the owners while the external group includes customers, suppliers and the community, the relation between the firm and those stakeholders group is controlled by different types of rules (Clarke 2004). In this study, stakeholder's theory is the most relevant for this study because examines the relationship between ownership structure and financial performance by monitoring financial institutions.

METHODOLOGY

This study adopted the ex post facto research design since the study is a secondary data research. Population of the study consists of fifteen (15) listed deposit money bank operating on the Nigeria, Stock Exchange (NSE) as at 31st December 2020. The sample size is 13 and a purposive sampling technique was adopted, with the period ranging from 2011-2020. Data required for this study were obtained from audited financial statements and annual reports of the listed deposit money bank firms in Nigeria 10 years under consideration and from the Nigerian Stock Exchange fact book. The inferential analyses will also involve the application of the appropriate statistical technique of Panel Regression Analysis; this is due to the nature of the data

Model

$$CA = \beta_0 + \beta_1 MO + \beta_2 IO + \epsilon_{it} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (3.1)$$

Where:

β_0 = The autonomous parameter estimate (Intercept or constant term)
$\beta_1 - \beta_3$ = Parameter coefficient of Ownership Structure
CA = Capital Adequacy
MO = Managerial Ownership
IO = Institutional Ownership
ϵ_{it} = Stochastic Error term

Study Variables and their Measurement

Variable Acronym	Variable Name	Variable types	Measurement	Source
CA	Capital Adequacy	Dependent	Capital/Total Assets	Joseph (2018)
MO	Managerial Ownership	Independent	The proportion of shares owned by the firm's directors to total number of shares issued.	Baba (2016)
IO	Institutional Ownership	Independent	The proportion of shares owned by Institutions to total number of shares issued.	Shehu (2012),

Source: Author's Compilation (2021)

RESULT AND DISCUSSION

Descriptive Statistics

Descriptive statistics gives a presentation of the mean, maximum and minimum values of variables applied together with their standard deviations obtainable. The table below shows the descriptive statistics for the variables applied in the study. An analysis of all variables was obtained using the E-view 10 software for the period under review.

Table 1: Descriptive Statistics Result

	CA	MO	IO
Mean	1.071477	0.029846	0.046077
Median	0.865000	0.030000	0.040000
Maximum	9.600000	0.070000	0.090000
Minimum	0.120000	0.010000	0.010000
Std. Dev.	0.994511	0.014626	0.017849
Skewness	5.287584	0.474370	0.594657
Kurtosis	43.08679	2.497865	2.880158
Jarque-Bera	9310.086	6.241329	7.739490
Probability	0.000000	0.044128	0.020864
Sum	139.2920	3.880000	5.990000
Sum Sq. Dev.	127.5877	0.027597	0.041099
Observations	130	130	130

Source: E-View 10 Output (2021)

Table 1 presents the descriptive statistics of the effect of ownership structure on financial performance of listed deposit money bank in Nigeria during the period of 2011 to 2020. The table shows that capital adequacy (CA) as a measure of financial performance has a mean of 1.071477 with a standard deviation of 0.994511, minimum value of 0.120000 and maximum values of 9.60000. Although the range between the minimum and maximum is wide, it implies a stable performance as the standard deviation indicated that there is no wide dispersion of the data from the mean value. For the other measure of ownership structure, managerial ownership (MO) and institutional ownership (IO) from the table shows a mean of value of 0.02984 and 0.046077 respectively with standard deviation of 0.014626 and 0.017849, minimum and maximum values of 0.01000, 0.01000,0.070000 and 0.090000respectively. This implies that ownership structure in terms of managerial ownership and institutional ownership witnessed a substantial increase during the study period, as the standard deviation is so large compared to the mean, together with the huge range between the minimum and maximum values.

Table 2: Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.383294	2	0.0117

Source: E-View 10 Output (2021)

The Result of Hausman test shows that chi-square statistics value is 4.383 while the probability values of it is 0.0117. This implies that there is enough evidence to rejectthe null hypothesis which states that random effect is most appropriate for the Panel Regression analysis. It thus stands that error component model (random effect) estimator is not the most appropriate because the random effects are not well correlated with the regressors. Thus, the most consistent and efficient estimation for the study is the fixed effect cross-sectional model. Consequently, the result suggests that the fixedeffect regression model is most appropriate for the sampled data because the Hausman test statistics as represented by corresponding probability value is less than 5%.

Decision Rule: The decision rule for accepting or rejecting the null hypothesis for any of these tests will be based on the Probability Value (PV) and the Probability (F-statistic). If the PV is less than 5% or 0.05 (that is, if PV < 0.05), it implies that the regressor in question is statistically significant at 5% level; and if the PV is more than 5% or 0.05 (that is, if PV > 0.05), it is categorized as not significant at that level.

Table 3: Panel Regression Result (Fixed Effect)

Dependent Variable: CA
Method: Panel Least Squares
Date: 10/04/21 Time: 01:58
Sample: 2011 2020
Periods included: 10
Cross-sections included: 13
Total panel (balanced) observations: 130

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.809719	0.351339	2.304667	0.0230
MO	16.17492	7.031742	2.300273	0.0232
IO	-4.796352	5.306990	-0.903780	0.3680

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.529140	Mean dependent var	1.071477
Adjusted R-squared	0.491209	S.D. dependent var	0.994511
S.E. of regression	0.954311	Akaike info criterion	2.852513
Sum squared resid	104.7316	Schwarz criterion	3.183383
Log likelihood	-170.4134	Hannan-Quinn criter.	2.986956

F-statistic	1.792642	Durbin-Watson stat	1.820106
Prob(F-statistic)	0.000472		

Source: E-View 10 Output (2021)

From table 3 above, the coefficient of multiple determinations (R^2) is 0.5291. This indicates that about 52% of the total variations in return on asset is explained by the variations in the independent variables (MO and IO), while the remaining 48% of the variation in the model is captured by the error term. This indicates that the line of best fit is highly fitted. The standard error test is applied in order to measure the size of the error and determine the degree of confidence in the validity of the estimates. Usually if the standard error is smaller than half of the numerical value of the parameter estimate, it can be concluded that the estimate is statistically significant. Having carried out a standard error test on the parameters estimated and as also indicated by their respective probability values, the parameter estimate for IO is slightly not statistically significant, given that the individual probability is 0.3680 which is just a little bit greater than 5%, while that of MO is statistically significant, given that the individual probability is 0.0232 which is less than 5%. However, when taken collectively, the regressors (MO and IO) against the regressed (CA), the value of F-statistic is 1.79264and the value of the probability of F-statistic is 0.00047. This result implies that the overall regression is both positive and statistically significant at 5%., therefore, the null hypothesis of the study is hereby rejected

Discussion of Findings

This study aptly examined the effect of ownership structure on financial performance of listed deposit money bank in Nigeria, using panel series data and regression analysis approach. The ownership structure proxied by managerial ownership (MO) and institutional ownershipfor thirteen (13) listed deposit money bank in Nigeriafor 10 years ranging from 2011 to 2020 were the independent variables while the capital adequacy(used to financial performance) was the dependent variable for the study. The effect of the independent variable on dependent variable was analyzed in terms of strength and significant and the panel regression analysis was used to compare the relationship among the variables.

The result for the model of the study showed that when taken individually and collectively, managerial ownership (MO) and institutional ownership (IO)has a positive and significant effect on capital adequacy taken as a measure of financial performance.This implies that managerial ownership and institutional ownership is a significant and relevant predictor of financial performance in listed deposit money bank in Nigeria. The findings of the study is not in agreement with the study of Bamigboye and Akinadewo (2020), who examined the effect of ownership structure on the dividend policy of listed deposit money bank in Nigeria. The study specifically found out that managerial ownership and institutional ownership cost have negative and significant effect on performance of listed deposit money bank in Nigeria.

CONCLUSION AND RECOMMENDATIONS

In the Accounting and financial literature several studies have investigated the link between ownership structureand financial performance of listed deposit money bank in Nigeria. The conclusion of the study therefore is that managerial ownership and institutional ownership has a significantly positive effect on financial performance and substantially increase the performance of listed deposit money bank in Nigeria. The result and the findings of the study present implication for regulators such as Central Bank of Nigeria (CBN), financial reporting council and professional bodies within the banking sector of Nigeria. The study recommends that financial regulatory bodies in Nigeria such as the Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), and Securities and Exchange Commission (SEC) should ensure that a reasonable degree of ownership structure is maintained by all banks due to its potential benefit in improving financial performance in Nigerian banks.

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