

Ownership Structure And Financial Performance Of Selected Banks In Nigeria: 2000 – 2015

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ABSTRACT: *The study assessed the extent of relationship between ownership structure and financial performance of selected banks in Nigeria spanning from 2000 - 2015. This study seeks to resolve is the matter between ownership structure and its influence on the financial performance of listed banks in Nigeria by taking foreign shareholding to proxy for ownership structure and return on equity (ROE) to proxy for financial performance. Several shareholdings make up the ownership structure of banks but this study focused on foreign shareholdings. Firms' financial performance has been measured through return on equity (ROE). This paper sought to answer the questions, does ownership structure (foreign shareholdings) influence the financial performance of selected banks? To provide answers to the questions raised, the study utilized the panel data regression analysis using STATA 10 software. From the analysis, the findings indicated that there is a positive significant relationship between ROE and foreign shareholding while institutional and managerial shareholding are negatively and significantly related to return on equity. It was therefore recommended that foreign shareholding in selected banks should be given attention and sustained while less attention should be placed on managerial and institutional shareholding.*

KEYWORDS: *Banks, Financial Performance, Foreign Shareholding & Ownership Structure.*

Date of Submission: 06-12-2017

Date of acceptance: 23-12-2017

I. 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 Berle and Means (1932), which suggests that an inverse correlation should be observed between the diffuseness of shareholdings and firm performance. Their view has been challenged by (Demsetz, 1983), 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.

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.

Several studies use different variables in determining firm's performance. Many from such studies have shown that there are a number of internal factors affecting firm performance which include among others Size, Age, Quick Ratio, Inventory Level, Sales Growth and Capital Turnover are important to Managerial and Institutional Ownership (Mukhopadhyay, 2004; Filbeck & Krueger, 2005). However, the influence of these factors on financial performance of firms differs from one Country to another, from one period to another, from industry to industry and even firm to firm.

The banking sector is considered to be an important source of financing for most businesses. The common presumption, which supports much of the financial performance research and discussion, is that increasing financial performance will lead to improved functions and activities of the organizations. The subject of financial performance and its measurement is well advanced within finance and management fields. Several studies used traditional financial ratio analysis and benchmarking to measure banks' performance as there is no consensus about which measurement is the best to apply (Tsoutsoura, 2004).

The ownership structure of the firms trading in the stock market is quite complex and hard to grasp given that the companies are always changing ownership from one majority shareholder to another. This case is complicated by the fact that as long as the company's shares are trading, their ownership is bound to change at any time. Therefore, the problem this study seeks to resolve is the matter between ownership structure and its influence on the financial performance of listed banks in Nigeria by taking foreign shareholding to proxy for ownership structure and return on equity (ROE) to proxy for financial performance.

However, there are diverse views on the ownership structure and financial performance, (Berle & Means 1937); (McConnell & Servaes, 1990) (Short, 1994); (Han & Suk, 1998); (Clay, 2001); (Goethals & Hubert, 1997); (Alan & Steve, 2005) are of the view that ownership structure (Proxy by managerial, institutional, & foreign shareholding) have positive influence on financial performance of firms, while others such as (Agrawal & Knoeber, 1996); (Loderer & Martin, 1997); (Kim & Lyn, 1990); (Barbosa & Louri, 2005) are of the contrary view. With these mixed and conflicting results, the quest for examining the extent of relationship between ownership structure and financial performance has remained a puzzle and empirical study continues. For these reasons, it is difficult to conclude whether or not the ownership structure affects bank financial performance. Thus, it is against this backdrop that this study investigates the extent of relationship between ownership structure and financial performance of banks in Nigeria in order to close the existing gap in the local literature. The main objective of this study is to ascertain the extent to which ownership structure influences the financial performance of the selected banks. Thus, the specific objective is; i. To find out the extent of relationship existing between foreign shareholding (FSH) and the Return on Equity (ROE) of the selected banks.

In order to address the research problem properly, research question has been raised; i. To what extent does foreign shareholding (FSH) has on the return on equity (ROE) of the selected banks?. In line with the objective above, hypothesis were formulated in null form. **Ho: I** Foreign Shareholding have no significant impact on return on equity (ROE) of listed the banks in Nigeria. The study is delimited to only financial institutions listed on the Nigerian Stock Exchange from 2000 - 2015.

II. REVIEW OF RELATED LITERATURE

Conceptual Review

Ownership Structure

The influence of ownership structures on firm performance has been researched extensively in the theoretical and empirical literature. The relevant literature suggests that ownership structure is one of the main corporate governance mechanisms influencing the scope of a firm's agency cost. Jensen and Meckling, (1976), suggested that ownership concentration has a positive effect on performance because it alleviates the conflict of interest between owners and managers.

Ownership structure relates to the decision making segment of the firm. The term 'ownership structure' has two widely applied dimensions: ownership concentration and owner identity. Zhuang (1999), argues that ownership structure is one of the most important factors in shaping the corporate governance system of any country. This is because it determines the nature of the agency problem. That is, whether the dominant conflict is between managers and shareholders, or between controlling and minority shareholders.

He identified two important aspects of corporate ownership structure as concentration and composition. He observes that the degree of ownership concentration in a firm determines how power is distributed between its shareholders and managers. When ownership is dispersed, shareholding control tends to be weak because of poor shareholder monitoring, the author affirms. For instance, a small shareholder is unlikely to be interested in monitoring because he/she would bear all the costs of monitoring hence share a small proportion of the benefits

(Zhuang, 1999). This raises the question; of if all small shareholders behave this same way, then no monitoring of managerial efforts would take place. Zhuang further argues that when ownership of a company is concentrated, large shareholders would play an important role to monitor the management. However, he says that the only problem with this form of ownership is how minority shareholders would be protected from exploitation by controlling shareholders who may act in their own interests at their expense. Secondly, ownership composition tries to define who the shareholders are and who among them belongs to the controlling groups.

It can be assumed that better overlap between ownership and control should indeed lead to a reduction in conflicts of interest therefore higher firm value (Holderness, 2009). He further states that it can be complicated when looking at how ownership, control and firm value are related. For example, management owning a company can serve to better put in line managers' interests with those of the shareholders of the company. On the other hand, if managers and shareholders' interests are not completely aligned, higher stake in the company can give managers greater freedom to pursue their own goals without fear of reprisal. Hence, the effect of managerial ownership on the value of the firm depends on the trade-off between the alignment and entrenchment effects (Denis & McConnell, 2002). Furthermore, the divergence of voting right and capital right allow shareholders to gain control with little equity involvement through mechanisms such as dual class equity, pyramiding, etc. Thus, divergence should be taken into consideration when analyzing the effect of ownership structure on firm financial performance. Ownership concentration measures the degree of concentration of voting rights. The voting rights of the largest shareholder and the sum of voting rights of the second and third largest shareholder measures it. Furthermore, the divergence ratio of the largest shareholder illustrates ownership concentration from another perspective. Owner identity is based on the type of the largest shareholder.

Foreign Shareholding

Foreign ownership is said to have a positive influence on the firm's financial performance especially in developed economies. (Goethals & Hubert, 1997) conducted a study to investigate the performance between 25 Belgian firms and 50 foreign companies, which are Belgian taken over by foreigners. Using regression analysis, they concluded that foreign takeovers have positive impacts on the performance of firms compared to domestically owned firms.

Besides, (Alan & Steve, 2005) also looked at the short and long term performance of United Kingdom (UK) corporations acquired by foreigners. The findings on 333 overseas acquisitions by UK limited companies for the period 1984 - 1995 revealed significant positive returns on firm performance. (Grant, 1987) and (Qian, 1998) assessed the relationship between the return performance and multiple explanatory factors per se multinationality. Grant's study to investigate performance on overseas production based on three methods: static, dynamic, regression and disaggregated analysis for the period 1972 - 1984 revealed that profitability for the 304 largest UN manufacturing firms drawn from the Times 500 list of British largest companies was positively correlated to their level of multinationality. If the overseas production increases, it means an increase in sales and profitability. Qian, (1998) on the other hand, included in his analysis the 164 largest United States (US) Industrial Corporations on the Fortune 500 listings for the period 1981 - 1992 and found that the return performance is different due to differences in the level of Foreign Investment; most importantly, multinationality has a significant impact on the performance of Multinational Enterprises (MNEs).

Lui, Siler, Wang & Wei, (2000), looked at the issue from a different angle and examined intra industry productivity spillovers from Foreign Direct Investments (FDI) on manufacturing sector in the UK using 48 different firms over the period of 1991-1995. The findings indicate that FDI existence has a positive spillover on the productivity of UK owned firms.

In developing and transition economies a number of studies have tended to test the phenomena.

Douma et al (2006) tested foreign ownership effects on performance of 1005 Indian firms in 199-2000 and concluded that foreign ownership positively affects firm performance.

Although it is generally agreed that foreign ownership has positive impact on firm performance, there are some conflicting results. One of these contradictory results is from (Kim & Lyn, 1990) who undertook to investigate MNEs performance operating in the US. Using 54 largest foreign corporations operating in US from 1980 - 1984, their findings indicated that foreign corporations operating in US are less profitable than randomly selected domestic owned US firms.

Barbosa et al (2005) investigating if MNEs operating in Portugal and Greece respectively, the findings suggest that foreign ownership ties do not account for a significant difference with domestically owned firms in both countries.

Financial Performance

Performance measurement or evaluation issue is one of the extensive discussions that wide range of disciplines and experts have affected on it and they have written many new reports and articles about it. The concept of financial performance is a significant issue in financial management, which has led to have different meanings in different dimensions. Performance evaluation in the financial area includes: Maximizing profits, increase profits arising from assets and increase shareholder profits that are located in the center of company's effectiveness. (Richard, 2009), Performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc) (b) Product market performance (sales, market share, etc) (c) Shareholders return (total shareholder return, economics value added, etc.)

Assessment of financial performance also includes increasing and growing in company sales and also increasing the stock market value that with these description, a broad definition of performance is presented that leads us to predict the company's financial performance (Sefidgar, 2011). Financial Performance evaluation indices include two groups of traditional indices of accounting based including Return on Assets (ROA), Return on Equity (ROE), Market to Book value ratio (MBV), and Market Value Added (MVA).

Performance is the outcome of all of the organization's operations and strategies (Wheelen & Hunger, 2002). Measuring performance accurately is critical for accounting purposes and remains a central concern for most organizations. Performance measurement systems provide the foundation to develop strategic plans, assess an organization's completion of objectives, and remunerate managers (Ittner & Larcker, 1998).

Although assessment of performance in the past literature is still very important, it is also complicated (Pont & Shaw, 2003). While consensual measurement of performance promotes scholarly investigations and can clarify managerial decisions, managers have not been able to find clear, current and reliable measures of performance on which marketing merit could be judged. Two approaches have been adopted in the literature to measure financial performance. The first subjectively measures the performance of firms based on their own evaluation and expectations or comparison with their competitors. The second is objective, based on the absolute measure of performance such as financial ratios (Appiah-Adu, 1998).

The aim of this seminar is to examine whether firm performance is affected by ownership structure. The study will be looking at the financial performance and therefore will consider the profitability side of firm performance indicated by return on equity (ROE).

III. THEORETICAL FRAMEWORK

Agency theory has been widely used in literature to investigate the information inequality between principals (shareholders) and agent (management). This study uses the agency theory to determine Ownership Structure and financial performance of selected money deposit banks in Nigeria 2000- 2015.

Mitnick in 1972 propounded the agency theory; introduced the now common insight that institutions form around agency, and evolve to deal with agency, in response to the essential imperfection of agency relationships, behavior never occurs as it is preferred by the principal because it does not pay to make it perfect. But society creates institutions that attend to these imperfections, managing or buffering them, adapting to them, or becoming chronically distorted by them. Thus, to fully understand agency, we need both streams to see the incentives as well as the institutional structures. Mitnick was a doctoral student in political science interested in public choice, bureaucracy, and political economy. Mitnick developed his work on agency in the fall of 1972, writing the long paper that became the central analytic part of his dissertation and his 1973 APSA paper over a period of months up to the 1973 meeting. After his comprehensive examination in early 1973, Prof. Stephen Elkin asked him what the topic of his dissertation would be. Mitnick described his agency thesis, and Elkin said that he should talk to Ross, who had recently presented a paper on what he called the theory of agency. Mitnick said that he had also come to that name, having studied the law of agency for his paper and because of simple common usage of the term agency.

The first regular, non-proceedings journal article on agency as a general theoretical approach was published by Mitnick (1975) in *Public Choice* in the winter 1975 issue (end of 1975). The widely-cited work by (Jensen & Meckling, 1976) that proposed an agency theory of the firm was not published until almost a year later. In 1976 Mitnick published another article (1976) that made use of his agency approach, this time applied to agency in the public sector, specifically in the context of the public interest and the use of public interest rhetoric in advocacy. Mitnick also presented several papers on agency during this period. He was invited by Oliver Williamson to present parts of his dissertation at Williamson's Organizations Workshop in October 1974 (Mitnick 1974). He also presented papers on agency at the American Sociological Association meetings in 1975 and 1976 (Mitnick 1975a, 1976b).

Thus, by the time the classic paper by Jensen & Meckling appeared in print in late 1976, Ross's economic theory of agency was widely known in economics, and Mitnick's institutional theory of agency had been published in two articles, used in a third by another scholar, and been presented at major meetings in three of the social sciences: economics, political science, and sociology. Although the Jensen and Meckling paper has

had enormous influence in the literature, its occasional citation as the primary originating paper in agency theory is incorrect. Indeed, it actually originated a variant of an agency theory of the firm, not agency theory in general.

Jensen & Meckling (1976), states that in agency theory, agents have more information than principals and this information inequality adversely affects the principals' ability to monitor whether or not their interests are being properly served by the agents.

Empirical Review

Ong and Teh, (2011), carried out a study on the capital structure and firm performance of construction companies in Malaysia for a period of four years (2005-2008). Long-term debt to capital, debt capital to assets, debt to market value of equity, debt to value market esteem, debt to common equity, long-term debt to common equity were utilized as intermediaries as the free variables (capital structure) while return on capital, return on equity, earning per share, operating margin and net margin were utilized to as corporate value or performance. The outcome shows that there is relationship between capital structure and performance of these organizations.

Oke and Afolabi (2011), examined the effect of capital structure on modern performance in Nigeria involving five listed firms with debt financing, equity financing and debt: equity financing as dependent variables for capital structure while profitability effectiveness as a measure on performance. The equity and debt financing demonstrates a positive relationship however a negative relationship between debt financing and performance.

Ebaid, (2009), explores the effect of capital structure decision on performance of sixty-four firms between 1997 to 2005 in the Egyptian capital business sector. He utilizes three bookkeeping based measures; which incorporated ROA, ROE and gross net revenue, he inferred that capital structure decisions, by and large, has no effect on firm execution.

Saeedi, Gull, and Rasheed (2013), utilizing various regression models in investigating the effect of capital structure on performance in Pakistani quoted banks between 2007 to 2011. Performance was used as measured by return on-assets, return on equity and earnings per shares. But, short-term debt to capital ratio, long-term debt to capital ratio and total debt to capital ratio was used as the determinants of capital structure. Their outcome demonstrates that there is a positive relation between determinants of capital structure and performance of banking Industries in Pakistan exchange (Fosu, 2013), examine the relationship between capital structure and firm performance, utilizing a specific modern rivalry as a part of South Africa. He found that the budgetary influence has significant positive outcome on firm performance. Zeitun & Tian (2007), completed a study on capital structure and corporate performance using Jordanian Firms between 1989- 2003. they concluded that there exist a negative connection between corporate performance and capital structure.

Holz (2002), in his study found that debt proportion (capital structure) associated emphatically with the firm performance, the outcome credits to the willing of firm's supervisors and managers to fund projects that will improve the performance of the organization. As a result, lending banks will consider the feasible projects before granting loan and advances to investors. Margraves and Psillaki, (2010), demonstrated additionally that budgetary influence (debt proportion) associated emphatically and essentially with firm performance.

However, Akinyomi (2013), utilized assembling firms chose from the nourishment and refreshment commercial enterprises and between five years period (2007-2011) he used theory of pecking order and static trade-off view point. He correlation analysis was used which revealed that debt to capital, short-term debt to total debt, debt to common equity and firms age have a positive significant relations between return on equity and return on asset. However capital to long-term debt is related to return on equity and asset return. He therefore concludes that there is a relationship between capital structure and financial performance.

In the same way, Shehu, (2011), made use of fifteen firms sampled out of thirty-two quoted insurance companies in Nigeria ranging between a period of eleven years (i.e. 2001 to 2010). Multiple regression analyses was deployed which shows that profitability variable assist the theory of pecking order. While tangibility variable supports the theory of growth, theory of trade-off and agency theory. In the same way, the size variable supports the asymmetry of information theory. Appah, Okoroafor and Bariweni, (2013), using 32 quoted companies in Nigeria Stock Exchange between 2005 and 2011, a seven years period. They employed the panel study which indicated that long-term debt, short-term debt and total debt are significantly negative with firm performance. Non-tax debt and liquidity also shows negative relationship with performance while tangibility and efficiency has a positive relation with performance of the firm.

Onalapo and Kajola (2010), carried out a study on effect of capital structure and firms performance in Nigeria, using non-monetary firms somewhere around 2001 and 2007 (seven years period). They infer that capital structure negatively affects association's money related measures. Therefore, this confirmation appears in backing of agency cost theory. Pratomo and Ismail (2006) led a study on the capital structure and performance using Islamic Banking in Malaysia. They infer that there is a relationship between equity capital and profitability. Aburub, (2012), also conducted an investigation on the impact of capital structure on the firm performance. He used thirty-eight quoted companies in Palestinian stock exchange for a period of four years

between 2006 - 2010. He demonstrated that there are positive relations between firm performance and capital structure.

Chandrasekharan (2012), investigated that growth, firm's size and firm's ages have a significant relation with debt ratio. But tangibility of assets and profitability does not relationship. Although, he used eighty-seven firms that mainly quoted in Nigerian stock exchange between 2007 and 2011. Céspedes et al. (2010), carried out investigation on the capital structure and ownership in Latin America. Though, the sample was too large but they concluded that leverage firms and ownership have a strong positive relationship. Their result also shows that there is a positive relation involving growth variables and leverage but a negative relation exist between leverage and profitability. In an investigation carried out by (San & Heng, 2011) between capital structure and corporate performance also in Malaysian stock exchange between 2005 - 2008. The concluded that a significant relationship exist between capital structure and corporate performance. Again, Sogorb, (2005) conducted a research on impact of small and medium companies in Spain between 1994 and 1998. He found that; (a) Profitability and tax reserve have a negative relationship with capital structure. (b) Assets structure of companies have a positive relationship with capital structure and (c) Both growth and size of the firm have a positive relationship with capital structure.

With regard to the study of the previous studies, none of the study had employed an appropriate technique to establish the extent of the relationship between ownership structure and financial performance of money deposit banks in Nigeria from 2000 – 2015 with emphasis return on equity. The aspect of ownership structure and financial performance of money deposit banks in Nigeria before and after consolidation are grossly overlooked in the literature. Thus, this research fills the gap in literature by x-raying the study variables and to establish the extent of the relationship with cognizance of filling the gap in literature.

IV. METHODOLOGY

A correlational research design was adopted due to the fact that the study measures relationship between ownership structures and financial performance of listed banks in Nigeria from 2000 - 2015. The research covers the twenty-two (22) banks listed on the Nigerian Stock Exchange (NSE) as at 31st December, 2015. The study intended taking the entire banks, but due to lack of full financial information for the period, filter was introduced based on banks with available financial information from the period of 2000 - 2015. Therefore, 10 (ten) banks with 16 years financial statements covering the time period of 2000 to 2015 were selected based on access to their annual reports and accounts. The study used secondary data extracted from published annual reports and accounts of the sampled banks and the Nigerian Stock Exchange (NSE) fact book for the period of 16 years spanning from 2000 - 2015. The variables of the study consist of dependent variable which is financial performance measured by return on equity (ROE). The independent variables; ownership structure was proxy by foreign shareholding. This is shown table 1 in appendix i, which contains each variable with their definitions

Method of Data Analysis

Panel data is data that involves measurements of many individual units over a period of time, i.e; the same cross-sectional unit is surveyed over time. With the aid of STATA 10, the study employed the panel regression method to establish the relationship between ownership structure (foreign shareholdings) and financial performance (ROE) of banks in Nigeria 2000 -2015.

V. DATA PRESENTATION AND ANALYSIS

Model Specification

The following is the model used to empirically test the hypotheses formulated.

$$ROE_{it} = \beta_0 + \beta_1 FS_{it} + \epsilon_{it}$$

Where,

ROE = Return on Equity

FS = Foreign Shareholdings

FSIZ = Firm Size

β_0 = Constant

β_1 to β_1 = Beta Coefficient

e = Error Time

Table 2: Correlation Matrix

VARIABLES	ROE	FS	IS	MS	FSIZ
ROE	1				
FS	0.0343	1			
FSIZ	0.0046	0.3415	0.0816	-0.1710	1

Source: STATA Output, (2016).

The table 2 shows that foreign shareholding has weak positive correlation with ROE of the selected banks in Nigeria. The tolerance values and the variance inflation factor are good measures of evaluating multicollinearity between the Independent Variables of the study. The results show that tolerance values were less than 1.00 and the variance inflation factor were less than 10 showing that serial correlation may not cause problem to the study.

Robustness Tests

The robustness tests were conducted in this study in order to improve the validity of the statistical results. These include multicollinearity test and Heteroscedasticity test. The results reveal that there is absence of Multicollinearity as explained above.

Multicollinearity Test

To further substantiate the absence of Multicollinearity between the exogenous variables, multicollinearity diagnostics test are observed as the tolerance value and the variance inflators (VIF).

Variance Inflators Factor (VIF)

The variance inflation factor (VIF) is an advanced measure of assessing multi-collinearity between the explanatory variables. The table below shows the tolerance value and variance inflation factor (VIF).

Table 3 Multicollinearity Diagnostics Test

Variable	VIF	¹ /VIF
FS	1.27	0.786
FSIZ	1.11	0.898

Source: STATA Output, (2016).

Table 3 shows that the VIF are constantly smaller than 10 and VIF less than 1 respectively indicating absence of muticollinearity (Neter, Kutner, Nactsheirm, & Wassweman, 1996) & (Cessey & Anderson, 1999). This shows the appropriate fit of filling of the model.

Heteroscedasticity Test

The Brensh – Pagan test suggest the possibility of Heteroscedasticity in the study model. In the result obtained from the Heteroscedasticity test conducted in this study, chi-square value was 2.89 and the p- value was 0.0894 indicating no of present of Heteroscedasticity. Therefore, the study decided to conduct fixed and random effect test which will take care of the individual differences within units.

Breusch and Pagan Lagrangria Multiplier Test for Random Effects

The Random effects can be tested by using the Breusch - Pagan LM Test. The null hypothesis assumes that there are no random effects. If the null hypothesis is rejected, then the random group effect model is more applicable than the pooled OLS model. The large X² values show that the null hypothesis is rejected in favour of the random group effect model. This study shows X² of ROE is 0.43 as against p-value of 0. 511. This indicates that OLS is more appropriate.

Regression Result

Variables	Coefficient	T-Values	P-Values
Constant	2.0209	5.4400	0.000
FS	1.7118	1.6900	0.0940
FSIZ	-0.6387	-0.7400	0.490
R-2	0.1931		
Adj. R-2	0.1591		
F-Stat/Sig	5.6800		
Prob. Chi2	0.0004		

Source: STATA Output, (2016).

Table 4, shows the summary of the estimated regression model

ROE= 2.0209 +1.71187FS -4.9760-0.63487FSIZ

VI. DISCUSSION OF FINDINGS

The model shows that foreign shareholding has positive significant influence on ROE of the selected banks in Nigeria 2000 - 2015 at 10% level of significant. This shows foreign shareholdings improves banks’ performance. This implies that for every 1% increase in foreign shareholding, return on equity will increase by N1.70 kobo. The implication of this result is that, higher percentage of foreign shareholding indicates higher performance. Consequently, the result produces a basis for rejecting the first null hypothesis formulated which

presumed that foreign shareholding have no significant effect on ROE of the selected banks in Nigeria. This is in line with the work of (Goethals & Hubert, 1990) and contrary to the work of (Barbosa, 2005).

Overall, the combined and the overall impact of the repressors - ownership structure (foreign shareholding) on return on equity of the selected banks in Nigeria, is shown on the model summary of the regression results. The F-Stat./Sig of 5.68 which is significant at 1% (0.0004) reveals that the model is well fitted, while the coefficient of determination R^2 of 19% explains the individual variation of the dependent variable (ROE) as a result of the changes in the independent variable. It can be said that, ownership structure (foreign shareholding) and firm size have combined predictive power of 19% in impacting on the financial performance of selected bank in Nigeria, while the remaining 81% is accounted for by other factors which are not captured in the model.

VII. CONCLUSION

This study investigates the relationship between foreign shareholding to proxy for ownership Structure, while return on equity (ROE) was used to represent financial performance as the dependent variable of the study. It was therefore found that there is a positive relationship between foreign shareholding and ROE. The study concluded that, the higher proportion of foreign shareholding increases the performance of selected banks in Nigeria 2000 - 2015.

VIII. RECOMMENDATION

i. In line with the above findings, the study recommends that the selected banks in Nigeria should pay more attention to foreign shareholding (foreign investors) in their firms.

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APPENDIX I

Table: 1 Variable Measurement and Definition

Variables	Definition and Measurement
Financial performance (FP)	Proxy by Return on Equity (ROE) measured by Net Income deflated by the total equity
Foreign shareholdings	Measured as the total amount of shares owned by foreign investor deflated by the total outstanding shares
Firm Size (FSIZ)	A control variable measured as natural logarithm of the Firms total assets

APPENDIX II

List of Money Deposit (Commercial) Banks in Nigeria

- 1 Access Bank Plc
- 2 Citibank Nigeria Limited
- 3 Diamond Bank Plc
- 4 Ecobank Nigeria Plc
- 5 Enterprise Bank
- 6 Fidelity Bank Plc
- 7 First Bank Nigeria Limited
- 8 First City Monument Bank Plc
- 9 Guaranty Trust Bank Plc
- 10 Heritage Banking Company Ltd.
- 11 Key Stone Bank
- 12 MainStreet Bank
- 13 Skye Bank Plc
- 14 Stanbic IBTC Bank Ltd.
- 15 Standard Chartered Bank Nigeria Ltd.
- 16 Sterling Bank Plc
- 17 SunTrust Bank Nigeria Limited
- 18 Union Bank of Nigeria Plc
- 19 United Bank For Africa Plc
- 20 Unity Bank Plc
- 21 Wema Bank Plc
- 22 Zenith Bank Plc

The ten (10) banks selected are: First Bank Nigeria Limited, United Bank For Africa Plc, Zenith Bank Plc, Guaranty Trust Bank Plc, Fidelity Bank Plc, Stanbic IBTC Bank Ltd. Ecobank Nigeria Plc, First City Monument Bank Plc, Union Bank of Nigeria Plc & Access Bank Plc.

Professor Ezinne Nnabuife "Ownership Structure And Financial Performance Of Selected Banks In Nigeria: 2000 – 2015." *International Journal of Business and Management Invention (IJBMI)*, vol. 6, no. 12, 2017, pp. 55-64.