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Ownership Structure and Financial Performance of Listed Commercial Banks in Nigeria

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Abstract

The research examined the effect of concentrated ownership and dispersed ownership on the Return on Assets of commercial banks in Nigeria. The study adopted the explanatory and quantitative methods. Data was collected from a sample of 13 listed commercial banks covering a period spanning from 2018 to 2022. The data was analyzed using the panel random effects regression technique. The findings revealed that concentrated ownership structure has a significant negative effect on return on assets, while dispersed ownership structure has a positive and significant effect on return on assets. There was no strong evidence to show that a causality relationship exists between ownership structure and financial performance. It was concluded that commercial banks in Nigeria with dispersed ownership structures perform better than those with concentrated ownership structures. Recommendations made include the need for more banks to embrace less concentrated ownership, and the need for more regulations and policies from the Central Bank of Nigeria (CBN) to limit the negative effects of toxic ownership concentration.

Keywords: *Concentrated ownership; dispersed ownership; Return on Assets, Commercial, Bank.*

1.1 Introduction

The extent to which businesses operate within a certain environment or industry is considered very vital to their survival and sustainability. This is contingent on the relevance of the perpetuity and separate entity concept of a business, which is expected to outlive the promoters/owners and operate as a legal person (Micheler, 2021). This makes the ownership structure of organizations as important as their operations, given the recent surge in the level of empirical interest in that subject matter across different industries, and specifically the banking industry (Micheler, 2021). This stems from the fact that the financial sector which is dominated by banks is the heartbeat of the economy of a nation. In this sector, the banks play the major role of financial inter-mediation in all the functions in other sectors of the economy. As such, the banking sector acts as a pillar of an economy and holds an essential place in the growth and development of the economy (Bagh et al, 2017).

Ownership structure in banks involves the distribution of equity in relation to voting rights, capital, and the identity of equity owners (Himmelberg et al, 1999). This is an indication that ownership structure supplants the extent to which the banks' individuals, management, institutions, or foreign investors legally assume percentages or proportions of equities of these banks with varying levels of interest and control (Himmelberg et al, 1999). In cases where this proportion and control in equities are held by the largest shareholders having equity holdings of more than 5%, this structure is said to be concentrated, while in instances where the percentage of the largest shareholders is less than 5% of the equity, ownership is said to be dispersed (Okolie and Uwejeyan, 2022). Hence, the structure of the bank's ownership, whether concentrated or dispersed, reflects its strategic direction, decision-making abilities, control, and profitability. Ownership structure in banks can also be institutional, or foreign given the equity-holding dominance of corporate organizations, institutional investors such as pension funds, mutual funds, and insurance companies, as well as foreign portfolio investors (Davis, 2002). There is also managerial ownership, which is typified by the percentage of ownership held by the company's management team, including CEOs, directors, and other executives. These forms of ownership structure are evidenced in different banking institutions in many economies, including Nigeria (Dockery et al, 2012).

Equity holdings confer ownership of the firm on the shareholders, hence concentrated, dispersed, institutional, managerial, or foreign ownership structures will in diverse ways determine the policy directions of the organization which includes mission, visions, programs, tactics, accounting, and auditing practices, and even the goals of the organization (Fang et al, 2022). This is an indication that this could perhaps in one or many ways relate to the performance of the firms. For banks in Nigeria, this performance could be non-financial and/or financial in nature. Financial performance is dictated by many accounting ratios and margins including the Return on Assets (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE), Return on Investments (ROI), Tobin Q, Net Interest Margin (NIM), Economic Value Added (EVA) and profit margins. Each of these ratios positions the bank within the context of the evaluation of what amount of output is produced by a given amount of input, based on the whims and caprices of the decision-making of the management attuned to the directions of the shareholders. This makes performance an important consideration when issues of ownership structure are raised (Ben Slama and Boulila, 2014).

In a dispersed ownership structure, the shareholding is diffused among the stockholders, with less than five percent (5%) of the shares held by any individual or corporate organization. As such, in a dispersed ownership structure in a bank, there is no outright majority shareholder or a shareholder with a controlling equity holding (Abdallah and Ismail, 2017). However, in a concentrated ownership structure, there is an existence of dominant equity holding in the organization in excess of 5% of the total number of shares. This ensures the existence of a controlling shareholder in the company. In many cases, the existence of a controlling shareholder portends that some decisions made are influenced by these shareholders especially in the utilization of the company's assets. This level of control and influence has been associated with with better profitability, and an improved level of return on assets (Bian and Deng, 2017). The dispersed ownership structure characterized by none control of the company by any of the shareholders is known to improve corporate governance; reduce agency problems, and in the process enhance the profitability of organizations (Okolie and Uwejeyan, 2022). Based on this, the study was conducted to examine the effect of ownership structure on the financial performance of listed commercial banks in Nigeria.

1.2 Statement of the Problem

The ownership structure of banks is very important because it impacts corporate governance and has implications for bank profitability. The concentration of bank ownership is significant because it can affect or restrict bank managers' ability to use bank profits for personal financial gains or as financial bonuses for private control of controlling shareholders. This can lower the banks' firm value and may even harm non-controlling shareholders who do not own a controlling stake in the bank. This is one of the major reasons for the 2010 Central Bank of Nigeria (CBN) review on Universal Banking model which led to the demise of many banks with concentrated ownership such as Intercontinental Bank, Oceanic Bank, and Bank PHB, as well as Union Bank whose ownership was dispersed. During this period, it was the shareholders and the depositors that were the major losers.

Corporate governance issues have remained perennial in the Nigerian banking industry though there has been improvement in recent years, especially with the strengthening of the Corporate Governance guidelines for banks by the Central Bank of Nigeria in 2023 (CBN, 2023). Regardless of the efforts of the Central Bank of Nigeria, concerns remain about the treatment of shareholders, protection of shareholder rights, business conduct and ethics, related-party transactions, insider loans, bad loans, battles between board and management, and conflicts of interest. These were prominent issues that led to the emergence of Asset Management Corporation of Nigeria (AMCON), which was saddled with the management of toxic assets that emerged from huge non-performing loans (NPLs) portfolio from the last round of reforms and consolidations in the Nigerian banking sector (Idigbe, 2022). With issues of non-performing loans persisting in the banking industry, and with the major income source of banks being interest income, ownership structure of these banks comes into focus as an important factor (Masavu, 2015)

Following the last round of consolidation exercise in the banking industry in Nigeria, there were massive losses suffered by the shareholders of the absorbed, acquired, liquidated, or merged banks. This has thrown up a lot of debates among potential investors as to which banks to invest in, between banks with concentrated or dispersed ownership structures to safeguard their investments and earn optimal returns through enhanced dividends and capital appreciation bolstered by sustained financial performance of these banks. This calls to question as to which of these ownership structures influence financial performance or profitability of Nigerian banks most. Based on this, the researcher's are faced with the challenge of examining the effect of ownership structure on the financial performance of listed commercial banks in Nigeria from 2018 to 2022.

1.3 Research Objectives

The main objective of this study is to examine the effect of ownership structure on the financial performance of listed commercial banks in Nigeria from 2018 to 2022. Specifically, the study are to:

i. ascertain the effect of concentrated ownership structure on the Return on Assets (ROA) of listed commercial banks in Nigeria.
ii. investigate the effect of dispersed ownership structure on the Return on Assets (ROA) of listed commercial banks in Nigeria.
iii. to assess the causality effects of concentrated ownership structure and dispersed ownership structure on the Return on Assets (ROA) of listed commercial banks in Nigeria.

1.4 Research Questions

i. What is the effect of concentrated ownership structure on the Return on Assets (ROA) of listed commercial banks in Nigeria?
ii. What is the effect of dispersed ownership structure on the Return on Assets (ROA) of listed commercial banks in Nigeria?
iii. What is the causality effects of concentrated ownership structure and dispersed ownership structure on the Return on Assets (ROA) of listed commercial banks in Nigeria?

1.5 Research Hypotheses

i. Concentrated Ownership Structure has no significant effect on the Return on Assets (ROA) of listed commercial banks in Nigeria.
ii. Dispersed Ownership structure has no significant effect on the Return on Assets (ROA) of listed commercial banks in Nigeria.
iii. Concentrated ownership structure and dispersed ownership structure have no significant causality effects on Return on Assets (ROA) of listed commercial banks in Nigeria.

2. Review of Related Literature

2.1 Conceptual Review

2.1.1 Ownership Structure

The ownership structure of a firm defines the nature of the equity shareholding that prevails in terms of control and decision making (Kapopoulos and Lazaretou, 2007). In many cases, it is viewed from two perspectives. First is the perspective of the degree of ownership concentration in which the firms are distinctive because their ownership is more or less dispersed (Kalluru and

Bhat, 2009). The extent of the concentration or dispersion is subject to a definition based on the percentage or proportion of equity shareholding held by some individuals or groups. The second perspective is associated with the kind of owners of the firm. By this, there is government or state ownership, foreign ownership, private ownership, and institutional ownership, depending on the majority stake assumed in the firm (Douma et al, 2006).

In Nigerian banking industry, commercial banks before and after the various reforms and consolidation exercises have assumed different ownership structures. There were government-owned banks with the government at the state and federal levels being majority shareholders (Nworji et al, 2011). However, government has divested from these banks over the years, with many being owned by institutions and private investors. There are also banks with foreign ownership, private banks owned by shareholders, and institutional ownership which exists where pension funds, mutual funds, among others (Celik and Isaksson, 2014). However, in the context of this research, ownership structure is viewed from two dimensions, which is from the perspective of ownership concentration. Thus, in Nigerian commercial banks, it is either there is concentrated ownership, in which there is evidence of some shareholders controlling at least 5% of the shares of the bank, or dispersed ownership, if there is no such shareholding with equity holdings that are 5% and above (Ozili and Uudiale, 2017).

According to Yildirim and Philippatos, (2007), domestic private banks often perform better than state-owned banks. Several reasons according to Ramaswamy (2001) to have been advanced for the differentials in financial performance across different ownership structures in firms including banks. This includes differences in remuneration between private-owned and public-owned enterprises, poor accountability, ownership dispersion and constraints, and inadequate monitoring. These underlines the importance of ownership structure in organizations including commercial banks in Nigeria.

2.1.2 Concentrated Ownership Structure and Financial Performance of Banks

Concentrated ownership structures are sometimes referred to as dominant ownership structures because their equity holding is concentrated to the extent that these shareholders are dominant in the running of the affairs of the banks. Thus, concentrated ownership is associated with founders and controlling interests' equity holdings in the bank (Morck, 2007). This can allow them to sway votes during shareholders' meetings and influence key decisions in the operations and policies of the banks. In this case, there is the likelihood that large individual shareholders, not atypical in concentrated ownership, make decisions that cover their interests and at the detriment of minority shareholders (Pargendler, 2012). The high level of majority shareholding, especially from 50%, has been shown to be beneficial to the financial performance of banks, especially if the ownership structure of the bank is premised on profit maximization decision of investors (Aymen, 2014).

In Nigeria, when ownership is concentrated, there is a tendency that it has no significant impact on the Return on Equity (ROE) of banks in Nigeria (Uhomoibhi, 2007). This is an indication that concentrated ownership structure has no impact on the profitability or performance of banks in Nigeria. In another instance, Benjamin et al, (2014) posited that when managerial and institutional ownership is concentrated, it impacts positively on the financial performance of banks in Nigeria. This is an indication of the possibility of ownership concentration influencing positively the financial performance of a business organization. Again, ownership can also be concentrated in foreign shareholders which is mostly prevalent in conglomerates. In this type of ownership concentration, a greater percentage of equity holding is controlled by foreign firms or foreign managers which could have a negative impact on firms' performance of the conglomerates (Afang and Bature, 2016).

2.1.3 Dispersed Ownership Structure and Financial Performance of Banks

Under the dispersed ownership structure, there are no known largest shareholders, as there is no clear-cut equity holding that exceeds 5% (Gorton and Kahl, 2008). This indicates that there are no dominant shareholders in the organization and as such, the tendency for decision-making to be swayed in favor of a few large shareholders, and to the detriment of other shareholders, is non-existent. Theoretically, this is considered to reduce incidences of agency problems, as the interests of the managers and shareholders align with the objectives of the banks (Kalluru and Bhat, 2009). Dispersed ownership structure favors better financial performance of the banks since excessive ownership concentration has detrimental consequences for performance in the organization (Leech and Leahy, 1991).

2.2 Theoretical Review

2.2.1 Agency Theory

The agency theory that is credited to Ross (1973) and Jensen and Meckling (1976) (Jensen and Meckling, 2019) provides a justified theoretical foundation for this research. This is basically because the theory posits that the occurrence of an agency problem in the principal-agent relationship can lead to agency costs, especially if the agents who are expected to pursue the best interests of their principals (shareholders), decide instead to act in their own best interests (Panda and Leepsa, 2017). This could be through pursuing higher equity shareholding in the companies to gain more control and exercise more discretion at the helm of affairs. This agency problem can affect the performance of the firms (Tran et al, 2020). For this agency problem to be limited or countered, shareholders' and managers' interests must converge with the objectives of the firm (Jensen and Meckling, 2019).

Again, agency problems give rise to a desire for the agents to own more of the company, hence corporate governance issues. It has been shown in some studies according to Hartzell et al, (2014) that ownership structure lowers agency costs that arise from agency problems, if there are regulations in place on how the firm is to be managed, else managerial and ownership frictions may arise which could lead a firm on the path of unstable performance levels. Given that ownership structure can be altered through increased agency problems, which can in turn affect the financial performance of the firms, the agency theory provides a theoretical template that suggests that cases of agency problems and increased agency costs are possible within concentrated ownership or dispersed ownership structures of banks, especially where the managers' and the shareholders' have divergent interests that fails to include the objectives of the banks. This can influence financial performance if it happens. This is the focus of this study, hence making the agency theory relevant.

2.3 Empirical Review

Several studies have delved into the ownership structure-financial performance relationship nexus. These studies have reported mixed results. Kirimi et al, (2022) using data collected from the audited financial statements of 39 commercial banks in Kenya examined the relationship between ownership structure and financial performance of commercial banks in Kenya for a period covering 2009 to 2020. Findings from the regression results showed strong evidence that ownership structure explains the differences in commercial banks' financial performance. The researchers reported that ownership structure has the greatest influence on net interest margin (NIM) rather than return on assets (ROA). The findings further showed the existence of a negative association between state ownership, institutional ownership, and managerial ownership on net interest margin (NIM) and return on assets, while foreign ownership showed a negative association with earnings per share (EPS). The researchers concluded that ownership structure relates to financial performance inversely among commercial banks in Kenya. Based on these, the researchers recommended that commercial banks should vary their ownership structure to boost performance and that those with a high proportion of state ownership should consider privatization to improve corporate governance practices.

In another study, Wanke et al, (2022) examined the relationship between bank ownership and efficiency in firm performance before and after the 2008/2009 global financial crisis. The researchers focused on a sample of 58 Indian commercial banks over the period 2005 to 2017. The researchers utilized the dynamic data envelopment analysis (DEA) framework in the analysis of the data collected in the study. The results obtained indicated that banks with foreign ownership structures had better and more efficient performance than state-owned commercial banks before and after the global financial crisis. They concluded that the main drivers of this better performance were bank size and profitability, and not ownership structure. They recommended that banks should focus on building their asset bases and profit levels to enhance efficiency.

In Tunisia, Aymen (2014) investigated the impact of ownership structure on financial performance of banks. The researcher utilized a static panel model to analyze data collected from a sample of 19 banks that belonged to the professional association of banks in Tunisia from 2000 to 2010. The researcher measured financial performance with Return on Assets (ROA), and ownership structure considered were ownership concentration, public ownership, private ownership, and foreign ownership. The findings from the study showed that ownership structure had no impact on the financial performance of banks in Tunisia. The researcher concluded that there is no evidence indicating an impact of ownership structure on the performance of Tunisian banks. It was recommended that banks in Tunisia should strive to improve on their financial performance regardless of the type of ownership structure that prevails in the bank.

3. Methodology

Explanatory and quantitative designs are adopted in this study with the supports of bank-level data collected from the financial reports of listed commercial banks on the standard indicator of bank performance and ownership structure. This data covers the period of five (5) years (2018-

2022). This quantitative and explanatory designs are justified since it provides the template for the collection and analysis of data and for the purpose of testing the hypotheses.
The population of this study was made up of the fourteen (14) listed commercial banks in the premium and main boards of the NGX under financial services sector. These banks include Access Bank Plc, Zenith Bank Plc, Wema Bank Plc, Unity Bank Plc, United Bank for Africa Plc, Union Bank of Nigeria Plc, Sterling Bank Plc, Ecobank Nigeria Plc, Guaranty Trust Bank Plc, First City Monument Bank Plc, First Bank Nigeria, Fidelity Bank Plc, Stanbic IBTC Plc and Jaiz Bank Plc. However, all the data on the variables operationalized in this research were collected from the publicly available annual reports and accounts of thirteen (13) banks. This resulted in the sample of the study being 13 out of 14 commercial banks. The sample was generated based on the purposive sampling method. Ecobank Nigeria was excluded due to the unavailability of the 2022 financial data. Also, it must be stated that, out of the banks sampled, Jaiz Bank operates as a non-interest deposit money bank.

Model Specification

Both the fixed and random effects methods were adopted, with the aim of comparing the two outcomes, and to determine if the estimates differ significantly (Micco et al, 2006, and Kalluru and Bhat, 2009).

$Y_{it} = \alpha + \beta OS_{it} + \Pi BS_{it} + \mu_{it}$ .... Equation 1

Where:

Y_{it} = the dependent variable (financial performance measure) of the i^{th} bank in the t^{th} year or period.
OS_{it} = the independent variable (Ownership structure) of the i^{th} bank in the t^{th} year or period with two ownership dummies for Concentrated structure and Dispersed structure which is to control for bank's ownership characteristics.
β = the parameter to be estimated for the independent variable.
Π = the parameter to be estimated for the control variable- bank size
BS_{it} = the bank size of the i^{th} bank in the t^{th} year or period.
μ_{it} = the error or stochastic term.
i^{th} = a commercial bank
t^{th} = the year or period

The model adopted is different from the models in Micco et al, (2006), and Kalluru and Bhat, (2009), because we failed to control for macroeconomic indicators like the growth of Gross Domestic Product (GDP) since the researcher assumes that commercial banks in Nigeria make money regardless of the state of economic growth in the Nigeria economy.

Based on this, four (4) models are developed for the hypotheses in this study. The first two equations are for the first two hypotheses, while Equations 4 and 5 represent the third hypotheses.

$ROA_{it} = \alpha + \beta_1 COS_{it} + \beta_2 DCOS_{it} + \Pi BS_{it} + \mu_{it}$ ....Equation 2
$ROA_{it} = \alpha + \beta_1 DOS_{it} + \beta_2 DDOS_{it} + \Pi BS_{it} + \mu_{it}$ ....Equation 3

$ROA_t = c_1 + \sum a_{1i}ROA_{t-1} + \sum b_{1i}OS_{t-1} + e_{1t}$ ....Equation 4
$OS_t = c_2 + \sum a_{2i}OS_{t-1} + \sum b_{2i}ROA_{t-1} + e_{2t}$ .... Equation 5

Where:

ROA = Return on Assets
COS = Concentrated Ownership Structure
DOS = Dispersed Ownership Structure
DCOS = dummy variable if the bank has a concentrated ownership structure and equals 1, otherwise zero (0).
DDOS = dummy variable if the bank has a dispersed ownership structure and equals 1, otherwise zero (0).
BS = Bank Size
ROA_t = the current value of ROA
ROA_{t-1} = lagged values of ROA
OS_t = the current values of OS (COS and DOS)
OS_{t-1} = lagged values of OS (COS and DOS)
c_1 and c_2 = constants.
a_{1i}, a_{2i}, b_{1i}, and b_{2i} = the coefficients of the lagged values
e_{1t} and e_{2t} = error terms
The operationalization and measurement of the variables specified in the models above is presented in Table 1

Table 1: Operationalization and Measurement of Variables

Variable	Denotation	Measurement	Apriori Expectation
Dependent Variable: Return on Assets	ROA	Percentage ratio of profit after tax (PAT) to the total assets of the bank	
Independent Variables: Concentrated Ownership Structure Dispersed Ownership Structure	COS DOS	Percentage of shareholding held by individuals having more than 5% equity holdings in the bank/ Percentage of shareholding by individuals with less than 5% of the equity holdings in the bank.	[+] [+]
Control Variable: Bank Size	BS	Natural Logarithm of the number of employees in the bank	[+]

Source: Researcher's Compilation (2024)

Data Analysis Method

Both descriptive and inferential statistics methods were used in the analysis of the data in this study. Least Square Dummy Variable (LSDV) method was used in the regression analysis, with Hausman test used in testing for the robustness of the regression results in adopting either the fixed or random effects model. Additionally, various diagnostic tests were conducted to evaluate unit root, normality, and auto-correlation in the models. All hypotheses testing were conducted at 5% significance level in the study.

4. Results and Discussion of Findings

4.1 Descriptive Statistics

The descriptive statistic result for the variables is presented in Table 2

Table 2: Descriptive Statistic Results of Variables in the Study

Variable	Mean	S.D	Maximum	Minimum	Jarque-Bera Prob
ROA	1.838	1.842	11.69	-3.65	0.0000
COS	42.44	38.21	99.99	0.76	0.0125
DOS	57.56	38.21	99.24	0.01	0.013
BS	8.009	0.951	9.189	3.088	0.0000

Source: Researcher's Computation (2024)

Table 2 shows that the return on assets (ROA) of the commercial banks was 1.838%. This indicates that the financial performance of the banks with respect to ROA was below par, given that the standard deviation for the same period was 1.842. This is an indication that between 2018 and 2022, the performance of commercial banks was not optimal, given that the ROA ranged from -3.65% to 11.69%. Furthermore, the mean values for concentrated ownership structure (COS) and dispersed ownership structure were 42.44% and 57.56% respectively. This is also an indication that dispersed ownership structure is prevalent in terms of equity shareholding in commercial banks in Nigeria despite the fact that 8 banks had concentrated ownership out of the 13 sampled commercial banks in this study. This also indicates that commercial banks in Nigeria are gradually leaning towards ownership concentration given the increased gap between the minimum values of COS and DOS respectively. The mean of the bank size (BS) was 8.009 with a standard deviation of 0.951. This indicates fewer variations in the number of employees in commercial banks over the covered period. Finally, all the variables passed the normality test, with their Jarque-Bera probabilities all less than 0.05 level of significance.

In Table 3, the mean of ROA for the banks under the concentrated and dispersed ownership were compared.

Table 3: Return on Assets (ROA) Ownership Concentration and Dispersed Ownership of Banks

Statistic	Concentrated	Dispersed
Mean	1.172	2.902
Median	1.185	2.67
S.D.	1.048	2.311
Minimum	-3.65	0.68
Maximum	3.29	11.69
Number of Banks	8	5

Source: Researcher's Compilation (2024)

Table 3 shows that the mean value of ROA for the banks that had dispersed ownership structures is greater than that of the banks with concentrated ownership structure. The results above indicate that 2.902% is greater than 1.172%, which implies that, regardless of the overall poor performance in terms of ROA by the sampled commercial banks, those with dispersed ownership posted better financial performance between 2018 and 2022. This is further depicted by the median of the ROA, as well as the range of the values for ROA across the banks. This could indicate that dispersed ownership structure favors better financial performance than ownership concentration.

4.2 Diagnostic Test

The major diagnostic test that was conducted was the unit root test to check for stationarity. Both Levin, Lin, and Chu (LLC) common unit root processes and Phillips-Perron-Fisher Chi-square individual unit root processes were used to test the presence of unit root in the variables. The result is presented in Table 4.

Table 4: Unit Root Test Result for Variables in the Study

Variable	**LLC test stat**	**Prob.**	**PP-Fisher stat**	**Prob.**
ROA	-20.7017	0.0000	45.9832	0.0000
COS	-1787.04	0.0000	40.9260	0.0000
DOS	-1787.04	0.0000	40.9260	0.0000

BS	-7.36607	0.0000	27.3661	0.0303

Source: Researcher's Computation (2024)

Table 4 shows the absence of unit root in the variable going by the obtained probability values for the LLC and PP-Fisher test statistic. All the probability values were shown to be within the 5% acceptable rejection region in the order of integration level. This implies that the data used was stationary and is suitable for further estimation.

4.3 Concentrated Ownership and Return on Assets (ROA)

To establish the effect of concentrated ownership on the return on assets (ROA) of commercial banks in Nigeria, a summary of the random effects regression results for this hypothesis is presented below in Table 5.

Table 5: Regression Results for Hypothesis One

	Without Control		
	Coeff.	t-stat.	Prob.
Constant	3.134	6.7614	0.0000
COS	-0.007	-0.8926	0.3755
DCOS	-1.588	-2.6421	0.0104
R^2	0.1676		
F-stat.	6.2404		0.0034
DW-stat.	1.94		
	With Control		
Constant	1.394	0.5375	00.5929
COS	-0.004	-0.3999	0.6906
DCOS	-1.612	-2.6979	0.0090
BS	0.203	0.6811	0.4984
R^2	0.1782		

F-stat	4.4097		0.0072
DW-stat.	1.95		

Source: Researcher's Computation (2024)

Table 5 shows that regardless of the size of the bank (BS), the return on assets (ROA) of commercial banks with concentrated ownership structure will remain positive at an average of 3.134% if the independent variables are held constant. This indicates that a 1% increase in concentrated ownership holding in the banks will lead to a decrease of 0.007% in the ROA of the banks. This is statistically significant for the banks with concentrated ownership structure, given that the probability value obtained for the dummy DCOS was 0.0104. In this situation, ownership structure explained only 16.76% of the variations in ROA, leaving 83.24% unaccounted for and attributed to other factors.

Considering the size of the bank (BS), return on assets (ROA) of commercial banks with concentrated ownership structure remain positive at an average of 1.394% if the independent variables are held constant. Also, a 1% increase in the concentrated ownership holding in the banks will lead to a decrease of 0.004% in ROA of the banks. This is statistically significant for the banks with concentrated ownership structure given that the probability value obtained for the dummy DCOS was 0.0090. This indicates that as the banks grew, the effect of concentrated ownership structure on the ROA of the banks declined by 0.40%. In this situation, the concentrated ownership structure explained only 17.82% of the variations in ROA, leaving out 82.18% unaccounted for and attributed to other factors. The DW-statistic values obtained were close to 2.0, hence there is no autocorrelation problem. Thus, the null hypothesis which states that concentrated ownership structure has no significant effect on ROA of listed commercial banks is rejected, given that the probability values for the computed F-statistic values obtained were less than 0.05 level of significance.

4.4 Dispersed Ownership and Return on Assets (ROA)

To establish the effect of dispersed ownership on the return on assets (ROA) of listed commercial banks in Nigeria, a summary of the random effects regression results for this hypothesis is presented below in Table 6.

Table 6: Regression Results for Hypothesis 2

	Without Control		
	Coeff.	t-stat.	Prob.
Constant	1.625	0.7204	0.4746

DOS	-0.012	-0.3049	0.7617
DDOS	2.418	1.4082	0.1653
R^2	0.4640		
F-stat.	3.0914		0.0017
DW-stat.	2.228		
	With Control		
Constant	-0.583	-0.27001	0.7880
DOS	0.004	0.3999	0.6906
DDOS	-1.612	2.6979	0.0090
BS	0.203	0.6811	0.4984
R^2	0.1782		
F-stat	4.4098		0.0071
DW-stat.	1.95		

Source: Researcher's Computation (2024)

Table 6 shows that regardless of the size of the bank (BS), return on assets (ROA) of listed commercial banks with dispersed ownership structure will remain positive at an average of 1.625% if the independent variables are held constant. This indicates that a 1% increase in the dispersed ownership holding in the banks will lead to a decrease of 0.012% in the ROA of the banks. This is statistically insignificant for the banks with dispersed ownership structure given that the probability value obtained for the dummy DDOS was 0.1653. In this situation, ownership structure explained only 46.40% of the variations in ROA, leaving 51.60% unaccounted for and attributed to other factors.

Considering the size of the bank (BS), return on assets (ROA) of commercial banks with dispersed ownership structure will be negative at an average of 0.582% if the independent variables are held constant. Also, a 1% increase in the dispersed ownership holding in the banks will lead to an increase of 0.004% in ROA of the banks. This is statistically significant for the banks with dispersed ownership structures given that the probability value obtained for the dummy DCOS was 0.0090. This indicates that as the banks grow in size, the effect of dispersed ownership structure on the ROA of the banks increases. In this situation, dispersed ownership structure also explained only 17.82% of the variations in ROA, leaving out 82.18% unaccounted for and attributed to other factors. The DW-statistic values obtained were close to 2.0, hence there is no serial correlation problem. Thus, the null hypothesis which states that dispersed ownership structure has no significant effect on ROA of listed commercial banks in Nigeria is rejected, given that the probability values for the computed F-statistic values obtained were less than 0.05 level of significance.

4.5 Causality between Ownership and Return on Assets (ROA)

To establish the causality effect of concentrated and dispersed ownership structures on return on assets (ROA) of the commercial banks the Granger causality result is presented below in Table 7.

Table 7: Pairwise Granger Causality Test Results of Variables

Pairwise Granger Causality Tests

Date: 05/16/24 Time: 02:29

Sample: 2018 2022

Lags: 2

Null Hypotheses:	Obs	F-Statistic	Prob.
COS does not Granger Cause ROA	39	1.04099	0.3641
ROA does not Granger Cause COS		1.67312	0.2027
DOS does not Granger Cause ROA	39	1.04099	0.3641
ROA does not Granger Cause DOS		1.67312	0.2027
BS does not Granger Cause ROA	39	1.15401	0.3274
ROA does not Granger Cause BS		0.38501	0.6834

Source: Researcher's Computation (2024)

Table 7 shows that the notion of causality effect of concentrated ownership structure on ROA of listed commercial banks and dispersed ownership structure on the ROA of commercial banks cannot hold, given that the null hypotheses is rejected since all the obtained probability values are greater than 0.05 significance level. This implies that there is no causality relationship (unidirectional or bidirectional) of concentrated ownership structure and dispersed ownership structure on return on assets (ROA) of listed commercial banks in Nigeria.

4.6 Discussion of Findings

Concentrated ownership structure has a significant negative effect on the return on assets of listed commercial banks in Nigeria. This indicates that increased ownership concentration has the capacity to reduce the financial performance of listed commercial banks. Conversely, a decreased ownership concentration will lead to enhanced financial performance, all other things being constant. This finding aligns with the finding of Reiwsathiratorn et al, (2011) and Wen (2010) which reported that concentrated ownership increases operating costs and reduces the profitability of the banks. Also, this finding negates the findings of Pinteris (2002) and Micco et al (2007) who reported the existence of no relationship, and Ozili and Uadiale (2017) who also reported the existence of a positive significant relationship between ownership concentration and profitability.

Additionally, dispersed ownership showed a positive significant effect on the return on assets of listed commercial banks in Nigeria. This implies that as the ownership of banks becomes more dispersed, their financial performance is improved. This can be due to the harmonious principal-agent relationship in the banks, leaving room for innovations to improve products and services rather than controlling interest battles or boardroom politics. The findings in this study are in agreement with the studies by Pervan (2012) and Bian and Deng (2017) but fail to converge with the findings of Kapopoulous (2007), which reported the existence of a negative effect of dispersed ownership on performance. However, this finding supports the importance of corporate governance which is enhanced in a dispersed ownership structure as suggested by Abdallah, (2017). Finally, no causality relationship exists between ownership structure and financial performance of banks. Even though there is an existing relationship, it has no causal effect on ROA of listed commercial banks in Nigeria.

5. Conclusions

This research was conducted to examine the effect of ownership structure on financial performance of commercial banks in Nigeria for a sample of 13 commercial banks listed on the Nigerian Exchange Limited (NGX) from 2018 to 2022. The findings in the study showed evidence of a significant negative effect of concentrated ownership structure on ROA of commercial banks. The results showed that an increase in bank size will lead to a decrease in the magnitude of this negative effect. Furthermore, dispersed ownership structure is evidenced to have a significant positive effect on the return on assets of commercial banks as the size of the bank increases. Also, no causality effect was found between concentrated ownership and dispersed ownership on return on assets of commercial banks in Nigeria. The expectations in this study were that both concentrated and dispersed ownership structures should respectively have a positive and negative effect on financial performance and that there could be a form of causality between the variables.

On the contrary, concentrated ownership failed to improve financial performance of the banks, and causality effect of ownership structure on financial performance was not established. Based on this, it is concluded that dispersed ownership structure influences the financial performance of commercial banks positively as against concentrated ownership structure which many of the banks adopt in the Nigerian banking sector. This is basically because dispersed ownership eases concerns over agency problems, helping the managers and shareholders to align their interests to the general or collective interest of all through the pursuance of the objectives of the banks which are to maximize profits and wealth of the shareholders. Given that banks in Nigeria are increasing in size, and with the expected consolidation, there is the likelihood that larger banks will emerge, hence the imperative to follow the dispersed ownership structure which ensures no individual controls more than 5% of the equity shareholding in the banks.

6. Recommendations

1. Commercial banks should align with the dispersed ownership structure which will likely reduce agency costs, eliminate controlling interest, foster corporate governance, and enhance financial performance.

2. Commercial banks who recently have toed the line of concentrated ownership should be wary of the possibility of declining financial performance, and in that regard, should institute controls that can limit the consequences that come with increased individual control in the banks. This will ensure that the negative effects of concentrated ownership are checked adequately through corporate governance mechanisms and alignment of the interests of shareholders and managers with the objectives of the banks.

3. The Central Bank of Nigeria (CBN) should strengthen corporate governance principles and other regulations that border on equity holding and controlling interest in commercial banks.

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