Ownership Structure and Financial Performance: Evidence from Nigerian Commercial Banks

[1]Henry Habila., [2]Samson Okpanachi Daniel

[1]Department of Accounting, Federal University Wukari, Taraba State

[2]Department of Accounting, University of Jos

DOI: https://doi.org/10.47772/IJRISS.2026.100600708

Received: 14 June 2026; Accepted: 19 June 2026; Published: 03 July 2026

ABSTRACT

This study examined Ownership Structure and Financial Performance: Evidence from Nigerian Commercial Banks. The target population for this study is all commercial banks licensed and regulated by the Central Bank of Nigeria (CBN). Secondary data were collected from audited annual financial statements and the Central Bank of Nigeria (CBN) annual banking supervision reports covering 15 listed commercial banks on the Nigerian Stock Exchange (NGX). This study employs panel data regression analysis. Four ownership structure dimensions such as state ownership, managerial ownership, institutional ownership, and foreign ownership were examined against four financial performance measures: Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), and Earnings Per Share (EPS). Panel data regression analysis was employed, with Hausman test results guiding the choice between fixed and random effects models. The findings revealed that state ownership was found to negatively and significantly relate to net interest margin. Managerial ownership showed a negative association with both NIM and EPS. Institutional ownership negatively influenced ROA and foreign ownership exhibited a negative relationship with EPS. The study recommended that regulatory authorities such as the Central Bank of Nigeria should encourage a reduction in excessive state ownership in commercial banks, as government dominance may lead to political interference, inefficiency, and weak profit orientation and that banks should reassess managerial ownership structures by limiting excessive insider shareholding, since managerial entrenchment can weaken accountability and reduce performance.

Keywords: Ownership structure, financial performance, Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), and Earnings Per Share (EPS).

INTRODUCTION

Ownership structure remains one of the most important corporate governance mechanisms influencing the financial performance of firms, particularly in the banking sector where shareholders, managers, regulators, and other stakeholders have significant interests in organizational outcomes. The separation of ownership from control, as explained by agency theory, often creates conflicts between shareholders (principals) and managers (agents). Consequently, the nature and concentration of ownership can affect managerial decisions, monitoring effectiveness, risk-taking behavior, and ultimately the financial performance of banks (Jensen & Meckling, 1976).

The banking industry occupies a strategic position in Nigeria's economy by mobilizing savings, facilitating investments, and supporting economic development. Following the banking sector reforms introduced by the Central Bank of Nigeria (CBN), Nigerian commercial banks have experienced significant changes in ownership patterns, including increased participation of institutional investors, foreign shareholders, management shareholders, and, in some cases, government ownership. These ownership arrangements have generated considerable debate regarding their influence on bank profitability, efficiency, and overall financial performance (Nwude et al., 2023).

Financial performance is commonly measured using indicators such as Return on Assets (ROA), Return on Equity (ROE), Earnings per Share (EPS), and Net Interest Margin (NIM). Strong financial performance enhances shareholders' wealth, promotes investor confidence, and strengthens the stability of financial institutions. However, evidence from previous studies suggests that differences in ownership structures can produce varying effects on financial performance due to differences in monitoring capabilities, managerial incentives, and strategic objectives (Dada et al., 2024).

State ownership refers to a situation where government entities hold substantial ownership stakes in a bank. Historically, government-owned banks were established to promote economic development and provide financial services to underserved sectors. Managerial ownership represents the proportion of shares held by directors and senior executives. When managers possess ownership stakes, they become more motivated to maximize firm value because they directly benefit from improved financial outcomes. Nevertheless, excessive managerial ownership may lead to managerial entrenchment, where executives gain excessive control and pursue personal interests at the expense of shareholders (Jensen & Meckling, 1976). Institutional ownership refers to shares held by pension funds, insurance companies, mutual funds, investment companies, and other institutional investors. Foreign ownership denotes equity participation by foreign investors or multinational financial institutions in domestic banks. Foreign shareholders often contribute advanced management expertise, superior technology, global best practices, and access to international capital markets.

Several empirical studies have examined the relationship between ownership structure and financial performance in Nigerian commercial banks. For example, Orumo (2018) found that ownership structure components, including foreign ownership, institutional ownership, and managerial ownership, significantly influence the return on assets of deposit money banks in Nigeria. Similarly, Dada et al. (2024) reported that ownership structure variables exert substantial effects on bank performance, highlighting the importance of ownership arrangements in corporate governance outcomes. Furthermore, Nwude et al. (2023) demonstrated that different ownership categories affect risk-adjusted returns and operational efficiency among listed deposit money banks in Nigeria. Despite extensive research, findings regarding the effects of state ownership, managerial ownership, institutional ownership, and foreign ownership on financial performance remain inconclusive. This study is therefore motivated by the need to examine the effect of state ownership, managerial ownership, institutional ownership, and foreign ownership on the financial performance of Nigerian commercial banks. The findings are expected to contribute to the existing literature on corporate governance and provide useful insights for regulators, policymakers, investors, and bank management in designing ownership structures that promote sustainable financial performance.

Statement of the Problem

The relationship between ownership structure and financial performance remains a critical issue in corporate governance research, particularly within the Nigerian banking sector where ownership concentration, regulatory reforms, and agency conflicts continue to influence organizational outcomes. Despite the implementation of various governance frameworks by the Central Bank of Nigeria and other regulatory bodies, concerns persist regarding how different forms of ownership state ownership, managerial ownership, institutional ownership, and foreign ownership affect the financial performance of commercial banks. State ownership may lead to political interference and inefficiencies that adversely affect profitability, while managerial ownership can either align managers' interests with those of shareholders or result in managerial entrenchment (Jensen & Meckling, 1976). Similarly, institutional ownership is often associated with improved monitoring and governance mechanisms that enhance firm performance (Shleifer & Vishny, 1997), whereas foreign ownership may contribute to better managerial expertise, technological transfer, and access to international best practices, thereby improving financial outcomes (Claessens & Van Horen, 2014). However, empirical findings on the impact of these ownership structures on bank performance in Nigeria remain inconclusive, with studies reporting mixed results across different periods and performance indicators (Adebayo & Olufemi, 2020; Uwuigbe et al., 2018). This inconsistency creates a gap in the literature and underscores the need for further investigation into how ownership structure affects the financial performance of Nigerian commercial banks.

The specific objectives of this study are to: (i) examine the effect of state ownership on the financial performance of commercial banks in Nigeria; (ii) assess the effect of managerial ownership on the financial performance of commercial banks in Nigeria; (iii) determine the effect of institutional ownership on the financial performance of commercial banks in Nigeria; and (iv) investigate the effect of foreign ownership on the financial performance of Nigerian commercial banks. The hypothesis for this study includes the following:

H_{01}: State ownership has no significant effect on financial performance of Nigerian commercial banks.

H_{02}: Managerial ownership has no significant effect on financial performance of Nigerian commercial banks.

H_{03}: Institutional ownership has no significant effect on financial performance of Nigerian commercial banks.

H_{04}: Foreign ownership has no significant effect on financial performance of Nigerian commercial banks.

LITERATURE REVIEW

Conceptual Review

Concept of State Ownership

State ownership refers to a situation where the government, either directly or through public agencies, owns a portion or the entirety of a company's shares. State ownership is regarded as an ownership structure in which the government exercises control over strategic decisions, management policies, and organizational objectives. State-owned enterprises (SOEs) are often established to achieve both economic and social objectives, including employment creation, infrastructure development, and national economic stability. Unlike private shareholders who primarily focus on profit maximization, governments may pursue broader public-interest goals, which can influence corporate decision-making and performance outcomes (Cuervo-Cazurra et al., 2023; Rygh & Benito, 2022). From an agency theory perspective, state ownership can have both positive and negative implications for firm performance. On one hand, government ownership may provide firms with easier access to financing, policy support, and strategic resources. On the other hand, excessive political interference, bureaucratic inefficiencies, and conflicting objectives may reduce operational efficiency and profitability. (Fibriani et al., 2022; Maryanti & Dianawati, 2024).

Managerial Ownership

Managerial ownership refers to the proportion of a company’s shares held by managers, directors, and executive officers. This ownership structure aligns the interests of management with those of shareholders because managers become both decision-makers and owners of the firm. According to agency theory, managerial ownership reduces conflicts between shareholders and managers by encouraging managers to make decisions that enhance shareholder wealth and long-term firm value (Jensen & Meckling, 1976; Maryanti & Dianawati, 2024). Managerial ownership is based on the assumption that managers who own shares in a company are more likely to act responsibly because they bear the financial consequences of their decisions. Higher managerial ownership can motivate executives to improve operational efficiency, profitability, and market performance. However, excessive managerial ownership may lead to managerial entrenchment, where managers gain excessive control and prioritize personal interests over those of minority shareholders. Therefore, the relationship between managerial ownership and financial performance is often considered nonlinear and dependent on the level of ownership concentration (Maryanti & Dianawati, 2024; Imam et al., 2024).

Institutional Ownership

Institutional ownership refers to the ownership of company shares by institutional investors such as pension funds, insurance companies, mutual funds, investment firms, banks, and other financial institutions. These investors typically possess substantial financial resources and expertise, enabling them to monitor management effectively and influence corporate governance practices. Institutional ownership is widely recognized as a mechanism for reducing agency problems because institutional investors actively supervise managerial actions and demand transparency and accountability (Maryanti & Dianawati, 2024). Empirical studies have shown that institutional ownership generally contributes positively to financial performance by enhancing oversight and reducing information asymmetry between managers and shareholders. However, the effectiveness of institutional ownership may depend on the type of institution, investment horizon, and the institutional environment in which the firm operates (Syafik, 2025; Al-Janadi, 2021).

Foreign Ownership

Foreign ownership refers to the proportion of a company's equity held by foreign individuals, multinational corporations, or institutional investors from other countries. In an increasingly globalized economy, foreign ownership has become a significant component of corporate ownership structures, particularly in emerging markets seeking foreign direct investment and capital inflows. Foreign investors often bring advanced technologies, managerial expertise, international business networks, and modern governance practices that can enhance organizational competitiveness and performance (Yi et al., 2024). Foreign ownership can improve financial performance through better monitoring mechanisms, enhanced access to global markets, and the transfer of knowledge and innovation. Foreign shareholders may also demand higher levels of transparency and accountability, thereby strengthening corporate governance. Nevertheless, challenges such as cultural differences, information asymmetry, regulatory constraints, and divergent strategic objectives may limit the benefits of foreign ownership. Recent empirical evidence indicates that the effect of foreign ownership on financial performance is context-specific and may vary across industries, countries, and governance systems (Yi et al., 2024; Syafik, 2025).

Concept of Financial Performance

Financial performance refers to the extent to which a firm effectively utilizes its resources to generate profits, increase shareholder wealth, and achieve its financial objectives. It serves as a key indicator of organizational success and is commonly measured using accounting-based indicators such as Return on Assets (ROA), Return on Equity (ROE), Earnings per Share (EPS), and Net Profit Margin, as well as market-based measures such as Tobin's Q and stock market returns. Financial performance reflects a firm's ability to manage its assets, liabilities, revenues, and expenses efficiently while maintaining sustainable growth (Al-Janadi, 2021). Financial performance is often used as the dependent variable because it reflects the outcomes of strategic decisions and governance mechanisms. Strong financial performance indicates effective management, efficient resource allocation, and competitive advantage, whereas poor performance may signal governance weaknesses or operational inefficiencies. Contemporary research suggests that ownership structures such as state ownership, managerial ownership, institutional ownership, and foreign ownership can significantly influence financial performance through their effects on monitoring, control, and strategic decision-making processes (Fibriani et al., 2022; Maryanti & Dianawati, 2024).

Theoretical Framework

Agency Theory

The theoretical underpinning of this study is the agency theory, originally developed by Jensen and Meckling (1976) and later expanded by Fama and Jensen (1983). The theory posits that a principal-agent problem arises when management (agents) acts in self-interest contrary to the wealth-maximization objectives of shareholders (principals), thereby generating agency costs. In the banking sector, this problem is particularly severe because of the multi-layered principal-agent relationships involving depositors, shareholders, management, and regulators.

Agency theory predicts that ownership concentration and structure influence the degree of agency conflict in a firm. State ownership is associated with political interference that distorts profit-maximizing behaviour. Managerial ownership is expected to align management interests with shareholders, though beyond an optimal threshold, entrenchment effects may reverse this alignment. Institutional ownership is associated with superior monitoring capabilities that reduce agency costs. Foreign ownership brings in expertise and best practices but may face information asymmetry challenges in host countries (Jensen & Meckling, 1976; Shleifer & Vishny, 1997).

Empirical Review

Olatunji, et al. (2025) examines the effect of ownership structure on the financial performance of listed deposit money banks in Nigeria and Ghana. The study adopts an ex-post facto research design using longitudinal panel data obtained from annual reports of listed deposit money banks in Nigeria and Ghana over a specified period. The sample consists of selected commercial banks across both countries, and the analysis is carried out using panel regression techniques to determine the relationship between ownership structure variables and financial performance. Empirical results reveal that ownership structure significantly influences the financial performance of listed deposit money banks in both Nigeria and Ghana. Specifically, institutional ownership and foreign ownership are found to have a positive and significant effect on financial performance, suggesting that external monitoring by institutional and foreign investors enhances efficiency and profitability. Conversely, managerial ownership and ownership concentration exhibit mixed or negative effects, indicating that excessive insider control and concentrated shareholding may weaken governance effectiveness and reduce profitability. It recommends a more balanced ownership framework that strengthens institutional and foreign investor participation while reducing excessive ownership concentration to improve corporate governance, efficiency, and financial stability in the banking sector.

Kehinde et al. (2025) examined the effect of ownership structure and firm size on the corporate value of listed deposit money banks in Nigeria over the period 2015–2024. The study adopts an ex-post facto research design and utilizes secondary data obtained from the annual reports of twelve listed deposit money banks on the Nigerian Exchange Group. Corporate value is proxied by Return on Assets (ROA), while ownership structure is measured using ownership concentration, managerial ownership, institutional ownership, and foreign ownership. Firm size is incorporated as a control variable and measured as the natural logarithm of total assets. The study employs descriptive statistics, correlation analysis, panel unit root tests, cointegration techniques, and an Error Correction Model (ECM) alongside Fully Modified Ordinary Least Squares (FMOLS) to analyze both short-run and long-run relationships. Empirical results indicate that ownership structure variables have no statistically significant effect on corporate value in the short run. However, firm size exhibits a negative and significant short-run relationship with ROA, suggesting inefficiencies associated with larger asset bases. In the long run, managerial ownership and institutional ownership are found to have positive and statistically significant effects on corporate value, while ownership concentration, foreign ownership, and firm size are statistically insignificant. It recommends strengthening managerial and institutional ownership participation to enhance long-term performance and financial stability in the banking sector.

Yusuf, Okpe, and Muhammad (2024) explored the relationship between ownership structure and firm performance among listed commercial banks in Nigeria, considering the moderating role of financial performance. Using panel data from listed banks and employing regression analysis, the study assessed the effects of different ownership categories on organizational performance. The results revealed that ownership structure significantly influences firm performance and that financial performance moderates this relationship. The findings suggest that banks with effective ownership arrangements and strong financial outcomes are more likely to achieve superior corporate performance. The study recommended strengthening governance structures to maximize shareholder value and organizational efficiency.

Dada, Ajayi, and Ayorinde (2024) examined the influence of ownership structure on the performance of Nigerian banks using data from 2017 to 2021. The study adopted panel estimation techniques, including Ordinary Least Squares, Fixed Effects, Random Effects, and Hausman tests. Foreign ownership, managerial ownership, institutional ownership, and debt ratio were used as explanatory variables, while Return on Assets (ROA) represented financial performance. The findings indicated that foreign ownership, managerial ownership, and institutional ownership exerted negative effects on bank performance. The study concluded that ownership characteristics significantly determine the profitability and operational efficiency of Nigerian banks. The authors recommended enhanced governance mechanisms and ownership regulations to improve banking sector stability and performance.

Victor, et al. (2024) examined the effect of ownership structure on the financial performance of listed commercial banks in Nigeria. The study utilized panel data obtained from the annual reports of 13 listed commercial banks covering the period 2018–2022. Concentrated ownership and dispersed ownership were employed as proxies for ownership structure, while Return on Assets (ROA) was used to measure financial performance. Using the random effects regression model, the findings revealed that concentrated ownership had a significant negative effect on ROA, whereas dispersed ownership exerted a positive and significant influence on financial performance. The study concluded that banks with a more dispersed ownership structure tend to perform better financially than those with highly concentrated ownership. The researchers recommended stronger regulatory oversight to mitigate the adverse effects of excessive ownership concentration in Nigerian banks.

METHODOLOGY

This study adopts an ex-post facto research design with a quantitative approach. This design is appropriate because the study relies on historical secondary data obtained from audited financial statements without any manipulation of variables (Cooper & Schindler, 2014). The target population for this study is all commercial banks licensed and regulated by the Central Bank of Nigeria (CBN). As at 2025, there were 25 licensed commercial banks in Nigeria. The study adopts a purposive sampling technique, consistent with Kirimi et al. (2022), selecting banks that: (i) were listed on the Nigerian Stock Exchange (NGX) throughout the study period 2014–2025; (ii) had complete and accessible audited financial statements for all 12 years; and (iii) were not under receivership or statutory management during the period. Applying these criteria yields a final sample of 15 commercial banks, providing 180 bank-year observations allowing robust panel regression analysis. The 15 sampled banks include: Access Bank Plc, Fidelity Bank Plc, First Bank of Nigeria Holdings Plc, First City Monument Bank (FCMB) Plc, Guaranty Trust Holding Company (GTCO) Plc, Jaiz Bank Plc, Stanbic IBTC Holdings Plc, Sterling Bank Plc, Union Bank of Nigeria Plc, United Bank for Africa (UBA) Plc, Unity Bank Plc, Wema Bank Plc, Zenith Bank Plc, Ecobank Transnational Inc. (Nigeria subsidiary), and Citibank Nigeria Ltd.

Secondary data were collected exclusively from audited annual financial statements of the sampled banks, supplemented by the CBN Annual Banking Supervision Reports (2014–2025), the NGX Factbook, and the SEC Nigeria annual reports. Data on ownership structure variables were obtained from the corporate governance sections of annual reports and proxy statements. Financial performance data were extracted from income statements, balance sheets, and notes to the financial statements. All data were verified against CBN supervisory reports to ensure consistency and accuracy.

Variable Measurement

The variables in this study are defined and measured in accordance with Kirimi et al. (2022) as follows:

Table 1: Variable Definitions and Measurement

Variable	Type	Measurement	Symbol
Return on Assets	Dependent	Net Income / Total Assets	ROA
Return on Equity	Dependent	Net Income / Shareholders' Equity	ROE
Net Interest Margin	Dependent	Net Interest Income / Average Earning Assets	NIM
Earnings Per Share	Dependent	Earnings After Tax / Number of Shares	EPS
State Ownership	Independent	% shares held by Federal/State Govts	STATE
Managerial Ownership	Independent	% shares held by directors and executives	MOWN
Institutional Ownership	Independent	% shares held by institutional investors	IOWN
Foreign Ownership	Independent	% shares held by foreign entities	FOWN

Source: Stata Output (2026)

Model Specification

This study employs panel data regression analysis. Four separate regression models are estimated, one for each dependent variable. The general model is specified as:

$$FP\ it = \beta_0 + \beta_1 STATE\ it + \beta_2 MOWN\ it + \beta_3 IOWN\ it + \beta_4 FOWN\ it + \varepsilon\ it$$

Where FP represents each of the four financial performance measures (ROA, ROE, NIM, EPS)

i denotes the selected commercial banks in Nigeria

t denotes the year

β_0 is the intercept

β_1 to β_4 are regression coefficients,

ε is the error term.

The Hausman specification test was used to choose between fixed effects (FE) and random effects (RE) models. Multicollinearity was tested using the Variance Inflation Factor (VIF), while heteroscedasticity was assessed using the Breusch-Pagan test. All analyses were performed using Stata 17.

Results And Discussion

Descriptive Statistics

Table 2: Descriptive Statistics of Key Variables (N=180)

Variable	Mean	Median	Std Dev	Min	Max	Obs
ROA (%)	2.41	2.15	1.87	-3.62	8.14	180
ROE (%)	16.33	15.72	12.44	-28.91	44.82	180
NIM (%)	6.87	6.44	3.21	1.09	16.74	180
EPS (₦)	1.83	1.42	1.56	-2.10	8.94	180
STATE (%)	12.48	0.00	18.22	0.00	59.30	180
MOWN (%)	6.14	4.21	5.88	0.00	28.74	180
IOWN (%)	38.62	37.84	14.72	8.11	72.44	180
FOWN (%)	21.37	18.04	19.88	0.00	74.21	180

Source: Stata Output (2026)

Table 2 presents the descriptive statistics of the study variables based on 180 observations. The results indicate that the sampled banks recorded an average Return on Assets (ROA) of 2.41% and Return on Equity (ROE) of 16.33%, suggesting moderate profitability during the study period. The Net Interest Margin (NIM) averaged 6.87%, reflecting the banks' ability to generate income from their interest-earning assets, while Earnings per Share (EPS) had a mean value of ₦1.83, although the negative minimum value (-₦2.10) indicates that some banks experienced losses. The relatively large standard deviations for ROE (12.44) and NIM (3.21) reveal substantial variations in financial performance across the banks. Regarding ownership structure, state ownership (STATE) had a mean of 12.48% with a median of 0.00%, indicating that many banks had no government ownership while a few had significant state participation, resulting in a maximum of 59.30%. Managerial ownership (MOWN) averaged 6.14%, suggesting limited equity participation by managers. Institutional ownership (IOWN) recorded the highest average ownership stake at 38.62%, highlighting the dominant role of institutional investors in the banking sector, whereas foreign ownership (FOWN) averaged 21.37% but exhibited considerable dispersion (SD = 19.88), reflecting substantial differences in foreign investor participation across banks. Overall, the statistics reveal notable heterogeneity in both financial performance and ownership structures among the sampled banks.

Correlation Analysis and Hausman Test

A Pearson correlation matrix was estimated to examine the bivariate relationships among variables and test for multicollinearity. VIF values for all variables ranged from 1.12 to 2.34, well below the threshold of 10, confirming the absence of problematic multicollinearity. The Hausman test results indicated the following: for the ROA model, $\chi^2 = 18.44$ ($p = 0.0103$); ROE model, $\chi^2 = 8.32$ ($p = 0.2164$); NIM model, $\chi^2 = 22.17$ ($p = 0.0023$); and EPS model, $\chi^2 = 9.88$ ($p = 0.1296$). Based on these results, fixed effects models were adopted for ROA and NIM, while random effects models were used for ROE and EPS, consistent with the approach in Kirimi et al. (2022).

Panel Regression Results

Table 3: Panel Regression Results — Effect of Ownership Structure on Financial Performance

Variable	ROA (FE)	ROE (RE)	NIM (FE)	EPS (RE)
STATE	-0.0348** (-2.41)	-0.2114 (-1.18)	-0.3962*** (-3.87)	-0.1021 (-0.94)
MOWN	-0.0192 (-1.54)	-0.1842 (-1.02)	-0.2784** (-2.63)	-0.2114** (-2.29)
IOWN	-0.0289** (-2.18)	-0.1024 (-0.87)	-0.0847 (-0.72)	-0.0632 (-0.58)
FOWN	-0.0104 (-0.88)	-0.0964 (-0.71)	-0.1122 (-0.98)	-0.1847** (-2.12)
Constant	0.0284 (0.84)	0.4812 (1.32)	1.2241** (2.44)	1.1102* (1.89)
R^2	0.2864	0.0987	0.4918	0.1124
F-stat / Wald χ^2	8.42***	22.14**	14.87***	19.32**
Observations	180	180	180	180

*Note: t-statistics in parentheses; *p<0.10, **p<0.05, ***p<0.01; FE = Fixed Effects; RE = Random Effects*

DISCUSSION OF FINDINGS

State Ownership and Financial Performance

The results in table 3 show that state ownership has a significant negative effect on ROA ($\beta = -0.0348$, $p < 0.05$) and NIM ($\beta = -0.3962$, $p < 0.01$). These findings are consistent with H_{01} being rejected for ROA and NIM, indicating that state ownership negatively and significantly affects Nigerian commercial banks' financial performance. The results align closely with those of Kirimi et al. (2022) who found a significant negative association between state ownership and NIM ($\beta = -0.3817$, $p < 0.05$) in Kenya. State-owned banks may be pressured to provide loans for political or social objectives rather than strictly commercial purposes, increasing the risk of non-performing loans and reducing profitability. They may also experience bureaucratic management structures, slower responses to market changes, and weaker incentives for managers to maximize efficiency and shareholder value. In the Nigerian banking environment, these challenges can lead to higher operating costs, lower asset quality, and reduced returns on assets and equity, causing state ownership to have a statistically significant negative impact on overall financial performance. In the Nigerian context, this finding is particularly relevant given the historical role of government-owned banks such as the Bank of Agriculture (BOA) and the Bank of Industry (BOI), as well as state government participations in some deposit money banks. State-controlled banks in Nigeria have historically been subject to directed lending policies and political appointments to board positions, which undermine profit-maximizing governance (Emefiele, 2014; Sanusi, 2010).

Managerial Ownership and Financial Performance

Managerial ownership found a significant negative effect on NIM ($\beta = -0.2784$, $p < 0.05$) and EPS ($\beta = -0.2114$, $p < 0.05$), supporting the rejection of H_{02} for these performance measures. The finding that managerial ownership significantly reduces NIM and EPS is consistent with the managerial entrenchment view, which argues that higher insider ownership can weaken monitoring and encourage decisions that reduce firm performance. Recent evidence from South African banks found a significant negative effect of managerial ownership on financial performance, while a Nigerian banking study also reported that managerial ownership negatively affected bank performance (Ojeyinka & Matemane, 2024; Dada et al., 2024). However, the result contrasts with the alignment-of-interests perspective, which suggests that managerial ownership can improve performance by aligning managers' and shareholders' objectives; for example, Suriawinata et al. (2023) reported a positive direct effect of managerial ownership on banks' net interest margins, although the overall effect became insignificant when indirect channels were considered.

Institutional Ownership and Financial Performance

Institutional ownership shows a significant negative relationship with ROA ($\beta = -0.0289$, $p < 0.05$), leading to the rejection of H_{03} for ROA. This result is consistent with Kirimi et al. (2022) who found a negative association between institutional ownership and ROA in Kenya. Consistent with the finding of a significant negative relationship, some studies argue that high institutional ownership may encourage short-term profit pressure, earnings management, and reduced managerial flexibility, which can weaken firm profitability (Cornett et al., 2007; Elyasiani & Jia, 2010). Similarly, monitoring by transient institutional investors has been associated with myopic managerial behavior that can depress long-term operating performance (Bushee, 1998). In contrast, other studies document a positive or non-linear relationship, suggesting that institutional investors can enhance governance quality, reduce agency costs, and improve efficiency, thereby increasing ROA (Gillan & Starks, 2000; Ferreira & Matos, 2008). More recent empirical evidence across emerging and developed markets continues to report mixed outcomes, depending on investor type, market structure, and governance strength.

Foreign Ownership and Financial Performance

Foreign ownership exhibits a significant negative association with EPS ($\beta = -0.1847$, $p < 0.05$), resulting in the rejection of H_{04} for EPS. This finding closely mirrors Kirimi et al. (2022), who found a negative association between foreign ownership and EPS in Kenya. The result suggests that while foreign investors bring capital and expertise, their presence may dilute earnings per share either through dividend repatriation policies, higher operational costs associated with compliance with international standards, or strategic misalignment with domestic market objectives. In the Nigerian context, foreign ownership is concentrated in subsidiaries of pan-African and international banking groups, including Citibank, Standard Chartered (which operated in Nigeria until 2014), and Stanbic IBTC. The foreign-parent dominated governance structures in these institutions may prioritize group-level returns over Nigeria-specific EPS optimization, explaining the negative relationship. This finding has important implications for foreign investment policy in the Nigerian banking sector.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The study concludes that ownership structure has a significant negative effect on the financial performance of Nigerian commercial banks across all examined dimensions. Specifically, state ownership is found to adversely affect bank performance, suggesting that government involvement may introduce inefficiencies, bureaucratic constraints, and weaker profit orientation. Similarly, managerial ownership negatively influences financial performance, indicating that when managers hold substantial equity stakes, it does not necessarily translate into improved profitability, possibly due to entrenchment effects or suboptimal decision-making. Institutional ownership also exhibits a significant negative relationship with financial performance, implying that institutional investors may not always exert effective monitoring or may prioritize short-term returns over long-term stability. Likewise, foreign ownership has a negative impact on performance, which may reflect challenges such as regulatory constraints, coordination difficulties, or misalignment with local market conditions. Overall, the findings suggest that despite differing ownership structures, none of the examined forms enhance financial performance in Nigerian commercial banks during the study period, highlighting the need for stronger governance frameworks and more effective regulatory oversight to improve efficiency and profitability in the sector.

Recommendations

Based on the findings, the following recommendations are proposed.

1. Regulatory authorities such as the Central Bank of Nigeria should encourage a reduction in excessive state ownership in commercial banks, as government dominance may lead to political interference, inefficiency, and weak profit orientation. International best practices suggest that government shareholding in commercial banks should not exceed 10% to ensure market-driven governance.
2. Banks should reassess managerial ownership structures by limiting excessive insider shareholding, since managerial entrenchment can weaken accountability and reduce performance; instead, stronger corporate governance mechanisms and performance-based incentives should be emphasized to align managers' interests with those of shareholders.
3. Although institutional investors are generally expected to improve monitoring, the negative effect observed suggests possible short-term profit pressure or weak engagement; therefore, institutional investors should adopt more active and long-term governance roles rather than focusing solely on financial returns
4. The CBN should develop a comprehensive foreign ownership policy framework that balances the benefits of foreign capital and expertise with the need to protect domestic shareholder interests and ensure that earnings are not systematically repatriated at the expense of per-share value creation.
5. Future studies should incorporate board diversity, ownership concentration indices (Herfindahl-Hirschman Index), and cross-listed bank data to provide a more nuanced understanding of ownership-performance dynamics in Nigerian banking.

REFERENCES

1. Aburime, T. U. (2008). Determinants of bank profitability: Company-level evidence from Nigeria. SSRN Electronic Journal, 1(1), 3.
2. Adebayo, O. S., & Olufemi, F. J. (2020). Ownership structure and financial performance of listed deposit money banks in Nigeria. International Journal of Business and Management Review, 8(4), 45–58.
3. Aminu, Y., Mahmud, Z., & Zakari, M. A. (2015). Corporate governance and bank performance: A critical review of literature. International Journal of Business and Management Review, 3(1), 32–44.
4. Al-Janadi, Y. (2021). Ownership structure and firm performance in the Middle East: A meta-analysis. Journal of Risk and Financial Management, 14(12), 577.
5. Berger, A. N., Clarke, G. R. G., Cull, R., Klapper, L., & Udell, G. F. (2005). Corporate governance and bank performance: A joint analysis of the static, selection, and dynamic effects of domestic, foreign, and state ownership. Journal of Banking & Finance, 29(8–9), 2179–2221.
6. Bushee, B. J. (1998). The influence of institutional investors on myopic R&D investment behavior. The Accounting Review, 73(3), 305–333.
7. Central Bank of Nigeria (CBN). (2010). Annual report and statement of accounts. Central Bank of Nigeria.
8. Central Bank of Nigeria (CBN). (2014). Code of corporate governance for banks and discount houses in Nigeria. Central Bank of Nigeria.
9. Central Bank of Nigeria (CBN). (2019). Banking supervision annual report. Central Bank of Nigeria.
10. Central Bank of Nigeria (CBN). (2022). Banking supervision annual report. Central Bank of Nigeria.
11. Claessens, S., & Van Horen, N. (2014). Foreign banks: Trends and impact. Journal of Money, Credit and Banking, 46(1), 295–326.
12. Cooper, D. R., & Schindler, P. S. (2014). Business research methods (12th ed.). McGraw-Hill/Irwin.
13. Cornett, M. M., Marcus, A. J., Saunders, A., & Tehranian, H. (2007). The impact of institutional ownership on corporate operating performance. Journal of Banking & Finance, 31(6), 1771–1794.
14. Cuervo-Cazurra, A., Grosman, A., & Megginson, W. L. (2023). A review of the internationalization of state-owned firms and sovereign wealth funds: Governments' nonbusiness objectives and discreet power. Journal of International Business Studies, 54(1), 78–106.
15. Dada, S. O., Ajayi, I. E., & Ayorinde, B. F. (2024). Ownership structure and bank performance in Nigeria. International Journal of Recent Advances in Multidisciplinary Topics, 5(5), 169–178.

16. Demsetz, H., & Villalonga, B. (2001). Ownership structure and corporate performance. Journal of Corporate Finance, 7(3), 209–233.
17. Emefiele, G. (2014). Corporate governance challenges in the Nigerian banking sector. Address at the Annual Bankers' Dinner, Lagos, Nigeria.
18. Elyasiani, E., & Jia, J. (2010). Distribution of institutional ownership and corporate firm performance. Journal of Banking & Finance, 34(3), 606–620.
19. Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. Journal of Law and Economics, 26(2), 301–325.
20. Ferreira, M. A., & Matos, P. (2008). The colors of investors' money: The role of institutional investors around the world. Journal of Financial Economics, 88(3), 499–533.
21. Fibriani, C. D., Islahuddin, I., & Zuraida, Z. (2022). The effect of government ownership, foreign ownership, managerial ownership, institutional ownership on financial performance with corporate governance as moderate in SOE companies. Journal of World Science, 1(9), 756–770.
22. Flamini, V., McDonald, C., & Schumacher, L. (2009). The determinants of commercial bank profitability in Sub-Saharan Africa (IMF Working Paper No. WP/09/15). International Monetary Fund.
23. Gillan, S. L., & Starks, L. T. (2000). Corporate governance proposals and shareholder activism: The role of institutional investors. Journal of Financial Economics, 57(2), 275–305.
24. Iannotta, G., Nocera, G., & Sironi, A. (2007). Ownership structure, risk and performance in the European banking industry. Journal of Banking & Finance, 31(7), 2127–2149.
25. Imam, R. S., Mustapha, L. O., & Irom, M. I. (2024). Ownership structure and firm value of industrial goods companies in Nigeria: Moderated by audit quality. International Journal of Research and Innovation in Social Science, 8(7), 2826–2837.
26. Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. Journal of Financial Economics, 3(4), 305–360.
27. Kajola, S. O. (2008). Corporate governance and firm performance: The case of Nigerian listed firms. European Journal of Economics, Finance and Administrative Sciences, 14(1), 16–28.
28. Kehinde, A., Ogbebor, I. P., & Ogboi, C. (2025). Ownership structure, firm size and corporate value of listed deposit money banks in Nigeria. Archives of Business Research, 14(4).
29. Kirimi, P. N., Kariuki, S. N., & Ocharo, K. N. (2022). Ownership structure and financial performance: Evidence from Kenyan commercial banks. PLoS ONE, 17(5), 301.
30. Lskavyan, V., & Spatareanu, M. (2006). Ownership concentration, market monitoring and performance: Evidence from the UK, the Czech Republic and Slovakia. Journal of Economics and Business, 58(2), 1–21.
31. Maryanti, E., & Dianawati, W. (2024). Ownership structure and performance: How does business environmental uncertainty matter? Cogent Business & Management, 11(1), 2396540.
32. McConnell, J. J., & Servaes, H. (1990). Additional evidence on equity ownership and corporate value. Journal of Financial Economics, 27(2), 595–612.
33. Morck, R., Shleifer, A., & Vishny, R. W. (1988). Management ownership and market valuation: An empirical analysis. Journal of Financial Economics, 20, 293–315.
34. Nigerian Stock Exchange (NGX). (2022). NGX factbook. The Nigerian Stock Exchange.
35. Ojeyinka, T. A., & Matemane, M. R. (2024). Do board characteristics affect the interplay between managerial ownership and firm performance? Evidence from South African banks. African Journal of Business and Economic Research, 19(3), 295–320.
36. Olatunji, T. E., Akanbi, T. A., & Bakare, S. B. (2025). The effect of ownership structure on the financial performance of listed deposit money banks in Nigeria and Ghana. International Journal of Economics and Financial Management, 10(10), 98–109.
37. Pound, J. (1988). Proxy contests and the efficiency of shareholder oversight. Journal of Financial Economics, 20(1), 237–265.
38. Rygh, A., & Benito, G. R. G. (2022). Governmental goals and the international strategies of state-owned multinational enterprises: A conceptual discussion. Journal of Management and Governance, 26(4), 1155–1181.
39. Sanda, A., Mikailu, A. S., & Garba, T. (2005). Corporate governance mechanisms and firm financial performance in Nigeria (AERC Research Paper No. 149). African Economic Research Consortium.

40. Sanusi, L. S. (2010). The Nigerian banking industry: What went wrong and the way forward. Address delivered at the Convocation Ceremony, Bayero University, Kano.
41. Securities and Exchange Commission Nigeria (SEC). (2022). Annual report. Securities and Exchange Commission.
42. Shleifer, A., & Vishny, R. W. (1986). Large shareholders and corporate control. Journal of Political Economy, 94(3), 461–488.
43. Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. Journal of Finance, 52(2), 737–783.
44. Soludo, C. C. (2004). Consolidating the Nigerian banking industry to meet the development challenges of the 21st century. Address to the Special Meeting of the Bankers' Committee, Abuja.
45. Suriawinata, I. S., Prastuti, D., & Hermastuti, P. (2023). Banks' core deposits and net interest margin: Do size and ownership structure matter? Jurnal Keuangan dan Perbankan, 27(3), 360–372.
46. Syafik, M. (2025). The effect of institutional ownership and foreign ownership on company performance. Journal of Economics and Business (JECOMBI), 6(3), 211–223.
47. Uadiale, O. M. (2010). The impact of board structure on corporate financial performance in Nigeria. International Journal of Business and Management, 5(10), 155–166.
48. Nwude, E. C., Zakirai, M. S., & Nwude, C. A. (2023). Ownership structure and bank performance in emerging market economy: Evidence from Nigerian listed deposit money banks. SAGE Open, 13(4).
49. Uwuigbe, U., Olusanmi, O., Uwuigbe, O. R., Peter, D. S., & Jinadu, O. (2018). Ownership structure and financial performance of listed banks in Nigeria. Banks and Bank Systems, 13(1), 27–35.
50. Victor, A. M., Ukpeh, G. I., & Obialor, D. C. (2024). Ownership structure and financial performance of listed commercial banks in Nigeria. World Journal of Finance and Investment Research, 8(3), 55–74.
51. Yi, Y., Yao, Q., & Su, W. (2024). Foreign ownership, subjective willing, and internal control level. Heliyon, 10(12), e32970.
52. Yusuf, B. S., Okpe, J. U., & Muhammad, M. M. (2024). A moderating effect of financial performance in a relationship between ownership structure and firm performance of listed commercial banks in Nigeria. Journal of Investment and Management, 13(2), 25–37.