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**IMPACT OF OWNERSHIP STRUCTURE ON FIRM PERFORMANC OF
DEPOSIT MONEY BANKS IN NIGERIA**

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Abstract

This study focused on the impact of ownership structure and firm performance: evidence of money deposit banks in Nigerian capital market. There are many studies that have been conducted on the impact of ownership structure and firm performance: evidence of money deposit banks, but most of the studies are largely foreign base, therefore they are not conclusive and could not provide adequate evidence on the performance of listed banks in Nigeria. The firm characteristics are not similar to those of developing economy like Nigeria, thereby, proposes the need to conduct studies based on the nature of a developing economy

like Nigeria. At the moment, we are not aware of any study on the impact of ownership structure and firm performance: evidence of money deposit banks in Nigeria lack of enough study on the area have clearly showed a gap and that gap needs to be filled within the literature. The objective of this paper is to examine the impact of ownership structure and firm performance: evidence of money deposit banks in Nigeria capital market. Agency Theory will be used to underpin the work. The population of the study is twenty listed Banks in the Nigeria stock exchange as at 31st Dec. 2014. The samples of the study are nineteen banks using the criteria of banks that their data are available during the period of the study. The result revealed that the entire variables are significant. The studies therefore, conclude that institutional ownership has significant impact on performance of listed banks in Nigeria and recommend among others: The regulatory authority such as NDIC and CBN should make it mandatory for banks to have institutional ownership stake in the banks in order to have better monitoring. To enhance the performance of the banks NDIC and CBN and the firms' shareholders should make sure that banks disclose their report promptly and the external auditors should be mandated to report on the performance of the banks' audit. Institutional shareholders should be discouraged by the regulatory authority from acting like a transient trader by investing in short-term rather than investing in long-term. Regulatory authority should make sure that listed banks operating in Nigeria should comply by submitting their financial statement regularly on time schedule.

Keywords: *Banks size, Institutional Shareholding, Return on Assets and Return on Equity*

1.1 Introduction

From the extant of previous studies, which concluded that, the institutional shareholding is a familiar practice in companies (Miglo, 2007 and Bissessur, 2008). In the perspective of financial theory, banks managers use company resources to increase their power and the various plan that they receive (excess compensation, job security, personal prestige). The strategic position they occupy within the banks allows them to control the information and, in particular, restricting its availability to other shareholders. Similarly, the strategies developed by managers in try to expand their discretionary space using the means at their disposal, especially their human capital and the assets of the banks. Consequently, with the involvement of institutional investors, they seems to effect changes as the

term "institutional investor" means investors other than individuals who manage money within an institution or on behalf of their shareholders.

In Nigeria money deposit banks are wide recognized as an indispensable link between economic growth and development as a result of its function as financial intermediary by mobilizing funds from the surplus units and channelling same to the deficit units for the productive activities in the economy. Banks play a significant role towards the economic growth and development of the economy, because almost all the Nigerian population engage in different kinds of transactions ranging from deposit of money for safe keeping, transfer, provision of loans and other e-banking services. However, in spite of the numerous advantages that will be derived from using banks, the report of the survey carried out by CNB (2006) shows that banks in Nigeria still engage in unethical and unprofessional conducts such as not proper implementation of examination reports as recommended, failure to disclose of all transactions and wilful violation of banking laws.

Institutional ownership can be seen as the shareholders of a firm who are corporate entities. Since the law allows corporations (artificial persons created by law) to enter into transactions and also to own properties in their registered corporate names. Usually, such institutional owners are organized and thus have the necessary machinery in place, to constantly engage the managers. The institutional investor too has principals to report to, about the manner in which they handle their firms' resources, and as such, they will monitor their investments in other firms with due diligence. It is a well known fact managers use their authority in choosing accounting methods in order to maximize their own benefits. This prevents them from being an effective manager that serves as a good monitoring (discretion aspect).

Nevertheless, the significance expected role of institutional investors is to monitor the activities of the managers in order to protect their investment in the firms. Based on these institutional investors follow two strategies to increase the value of their holdings. The first is to sell their shares in poorly performing firms and invest in companies that are performance "Exit". The second is to directly influence corporate management through a disciplinary role on managers "Voice". Then, they are characterized by holding huge shares in the firms'. In this context, it was believed that because of the high costs of monitoring; only large investors such as institutional investors in particular can engage in manager's control. However, most studies on institutional investors treat them as a homogenous group. In addition, institutional investors are different from each other. Indeed, two main factors may explain their heterogeneity. Their investment horizon can

vary from short to long term. In case of banks they play a dual role in the company (shareholder and creditor). To the best of our knowledge there are many studies that have been conducted on the impact of institutional ownership on performance of listed banks, but most of the studies are from different part of the globe and even the once that have been conducted within have been focusing on trade off and bankruptcy cost incurs and non performing loans, therefore they are not conclusive and could not provide adequate evidence on the impact of ownership structure and firm performance: evidence of money deposit banks in Nigeria. Also the firm characteristics are not similar, thereby, proposes the need to conduct studies based on the nature of their firm characteristics. The study on the impact of institutional ownership on performance of listed banks in Nigeria seems to have received very little attention in Nigeria. At the moment, we are not aware of any study on the impact of institutional ownership on performance of listed banks in Nigeria, lack of enough study on the area have clearly showed a gap and that gap needs to be filled within the literature.

The objective of this paper is to examine the impact of ownership structure and firm performance: evidence of money deposit banks in Nigeria. However, the relationship between the levels of institutional ownership has been a debatable issue over long period of time. This is because the studies conducted on their relationship have continued to give contradicting result. As some find positive relationship while others concluded that there is a negative relationship (Wu and Cui, 2002 and Bhattachary and Graham, 2007). They have also neither explored the relationship between institutional shareholding. Thus, there is limited empirical work on institutional ownership in Nigeria, particularly with reference to banking industry. In trying to achieve the stated objective above, it has been hypothesize, as there is no significant impact of ownership structure and firm performance: evidence of money deposit banks in Nigeria.

In order to accomplished the stated objective, this paper is organize into five section, this section being the introduction, section two dwell richly on the review of related literature. Section three is centred on methodology. Section four presents and discusses the results of the data analysis. Section five concludes the study by highlighting the possible findings and their policy implication.

2.1 Literature Review and Theoretical Framework

Rebai, (2011) investigates whether institutional investors may impact on firm's performance for 123 American firms for the period 2003-2005. Employing regression analysis, Rebai report that, while transient investors (investment funds) inspire managers to spend less on Research and Development, Bank Holding

Company and long-term institutional investors (pension funds) are passive. The findings corroborate the position of Gillan and Starks, (2003) on the influence of emerging market. Baralexis (2004) examine the impact of institutional shareholders on performance of banks using a sample of 121 American firms over the period of 2002-2005. The result of the study shows a strong positive effect on firm's performance. This implies that higher institutional shareholders in banks are better in enhancing their performance. The finding complements that of Bushee (1999)

Sarmistha (2006) examine the effect of institutional ownership on firm's performance in four East Asian countries (Indonesia, Malaysia, Singapore and Thailand). They report that external block-holders may reduce the scope of managerial opportunism resulting in lower direct agency conflicts between management and shareholders. This shows that since external monitoring would impact on the performance of the firms by contributing in term of lowering the opportunistic behaviour of the managers as well as checks and balances to the executive directors, particularly in improving firm value. The work of Ilhan, Ranjan, Frederik. Schlingemann and Venkat (2011) provide additional evidence of positive impact of institutional ownership on firm's performance. The study covers 1,881 companies in France during the period 1982-2006, and applied the measure of value like Tobin's Q. The findings are consistent under all the measures of performance. This finding complements that of Aggarwal, Erel, Ferreira and Matos, (2010).

Jean-Michel and Hidayat (2010) show in financial literature, institutional investors may affect firm's performance in three ways: positively, negatively or they had no effect. Thus, effect would depend on the context, objective and characteristic of the institutional ownership. This further substantiate the work of Pound (1988) who develop the effective monitoring apart from conflict of interests and strategic alignment assumption, which support either positive effect of institutional owners on firm value, or a negative one. Demsetz and Lehn (1985) support the neutrality assumption, and argued that institutional ownership is an insignificant determinant of firm performance.

There are two classes of institutional investors. These are long-term institutional investors who invest in firms with the intention of holding their ownership stake over a long period. These make them have strong incentives to monitor firms. Short-term, myopic or transient institutional investors' ownership they are the group of investors which are consistent with the view that monitoring by long-term institutional investors limits managerial accruals discretion. Cheng and

Reitenga (2009) carried out a study on active institutional block-holders. The result of the study shows that they only exercise their monitoring power when there is a pressure to increase earnings. Charitou et al. (2007) examined the distress firm in relation to earnings behavior of managers. The result of their study shows that management of distressed firms with lower institutional ownership have tendency to manage earnings negatively. Hsu and Koh (2005) also examine the effect of both short-term and long-term institutional ownerships on income-increase and decrease by managerial ownership. Their results suggested that transient and long-term institutional investors co-exist and have differential effects on firms. This indicated that institutional shareholders with a high ownership stake can play a significant role in monitoring and mitigating management opportunistic behavior.

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In contrast, Agrawal and Knoeber (1996) examine the relationship between institutional ownership and firm performance based on a list of 383 in US firms and they report insignificant relationship. In the word of Craswell et al. (1997) who ascertain whether there is a significant relationship between institutional ownership and firm performance using 360 firms in Australian for the year 1986 and find no significant correlation between institutional ownership and firm performance. This shows that since institutional share holders performed the work of monitoring firms, check and balance to the executive directors do not make any positive impact particularly in improving performance. The work of Fortune (1987) provides additional evidence of negative impact on firm's performance. The study covers 800 two cross-sectional firms in Australian for the period 1986-1989 respectively and they report no significant correlation between institutional ownership and firm performance. Similarly in examining a sample of 867 acquisitions of publicly traded firms in the US for the period 1978-1988, Loderer

and Martin (1997) investigates whether institutional ownership may have positive impact on firm performance and find no significant relationship. This finding complements that of Karpoff et al. (1996), Duggal and Millar (1999), Faccio and Lasfer (2000), Kun Tracy Wang and Greg Shailer (2008) and Hartzell and Starks (2003).

Studies have shown that institutional shareholders are more profit oriented compare to other, managerial ownership and ownership concentration in the firms. They monitor the firms more strictly in order to maximize profit, therefore any firm with higher institutional share would always report a higher profit and this is in line with finding of Wu and Cui, (2002) who carried out study on the effect of institutional shareholders on firm's performance and found a significant positive relationship, however in the word of Bhattacharya and Graham (2007) who study the impact of institutional shareholders in relation to investment and business tied with the firms has found a negative insignificant relationship. In spite of the numbers of studies that indicated that institutional shareholders might affect firm performance, looking at Nigeria capital market as an emerging market, the price of stock fluctuate violently, in this kind of environment, the institutional shareholders are inclined to persue short-term and act as transient investor, which will have negative effects on firm performance. In addition they may sometime align their interest with the firm manager's, therefore this may influence firm's operation and supervision of the managers. Consequently, this may be one of the factors that are responsible for banks failure (Laura and Emma, 2008).

Claessens et al. (2002) notes two possible indicators of capital structure and firm valuation which affect institutional ownership. They view debt-ratio as the sum of debt to book value of common equity. The results of study show a negative relationship. Jan (2000) investigate the interaction between ownership structure and capital structure in particular reference to feature debt and equity has shows that equity ownership dispersion, debt ownership structure and bank debt represent a features of institutional environment such as bankruptcy law. Lakshmi (2009) opines that Institutional investors can reduce the agency costs by monitoring the firm's performance. They also make sure that the shareholders interest is protected. In other way they monitor the performance of the management team. Institutional investors can reduce the scope of managerial opportunism by closely monitoring them. Because of their fiduciary position; institutional investors are compelled to monitor the mangers. Crutchley and Hanson (1989) suggest that it is theoretically difficult to set out clearly the priori relationship for firm size. Fama and Jensen (1983) argue that larger firms tend to diversified there portfolio, therefore they are less likely to go bankrupt. They also

provide more information to lenders than smaller firms. It therefore, aids them in employing higher levels of equity. Ang and McConnell (1982) document that financial distress costs often decrease with firm size in banks. Rajan and Zingales (1995) examine the effect of firm size on firm's performance. Their study indicated that large firms are more diversified and have less probability of going bankrupt their prediction shows a positive relationship between firm size and firm's performance. On the other hand when they use more equity financing their relationship will be negatively related.

There are several theories that explain the relationship between institutional ownership and firm's performance in the literature of accounting. There are three theories that are related to the study namely stewardship theory, stakeholders theory and agency theory. However for the purpose of this study, agency theory will be preferred. These three theories they can be used to explain the impact of institutional ownership on firm performance of listed banks in Nigeria. The Stewardship theory stressed that, managers should maintain good stewards of the assets entrusted on them by the companies they manage instead of misappropriating in order to keep their fiducial duty towards the shareholders of the company Chang (1999). The theory also stressed that, managers are good stewards of their firms, therefore, they should work diligently to attain high corporate profit and increase the return of the shareholders (Donaldson and Davis 1994). They should also work closely with their principles to achieve the goal of the organization (Davis et al 1997). This theory expects the management and directors to be accountable to the owners over their resource that they manage. The Stakeholders theory viewed that, companies have the responsibility of being accountable for their stewardship to the numerous stakeholders which include shareholders, debenture holders, pressure group, regulatory authorities, government agencies, general public etc over the resources entrusted on them. Therefore, the stakeholders' theory is more concerned about resolving problems that may occur between the stakeholders and managers. (Jessen and Meckling 1976 and Chang 1999).

The Agency theory view directors as the agent of the shareholders and therefore, there is a need for them to act in the best interest of the shareholders. In this situation, sometimes the agent may not act in the best interest of the shareholders, which result in an agency loss situation. The agency theory stress the separation of ownership (principal) and managers (agent) in an organization, therefore it is believed that managers may sometimes pursue opportunistic behaviour which may conflict with the goal of the owners (principals) and therefore destroy the wealth of the shareholders. Advocates of the agency approach view the manager (directors) as an economic institution that will mitigate the problems and serves as

the guardian to shareholders (Hermalin and Weisbach 2000, Fama and Jessen 1988). Tsai and Gu (2007) They suggest that institutions may serve as a good monitoring in mitigating the agency problem between shareholders (principal) and managers (agent). They examine their relationship for period 1999–2003 using North American casino industry, the relationship between institutional ownership and firm performance reveals that investing institutionally in casino firms may help casino industry investors mitigate the agency problem caused by the separation of management from ownership.

In the Nigerian Banking sector, the separation of ownership from the management indicates the need for principal-agent relationship, this entails that, employees, cooperate insiders, professional managers, and board of directors are the agents and the equity holders are creditors, clients and regulators are the principal. Sanda, et al, (2005) noted that, when there is a presence of information asymmetry, they may pursue their own interest at the detriment of the principal. The study therefore adopts the agency theory in line with other similar studies, to add and to demonstrate the number of that explain the need for further application of the theory to the Nigeria’s context.

3.1 Research Methodology

The study examines the relationship between ownership structure and firm performance: evidence of money deposit banks in Nigeria over a period of five years (2009-2014). The study makes use of documentary data obtained from annual reports and accounts of the banks as well as the Facts book of Nigerian Stock Exchange (2011). A total of twenty banks consisting of Access bank plc, Diamond Bank plc, Ecobank plc, Fidelity Bank plc, First Bank plc, First City Monument Bank plc, Guranty Trust Bank plc, Skye Bank Plc, Stanbic IBTC Bank plc, Sterling Bank plc, United Bank for Africa plc, Wema Bank plc, Zenith Bank plc, Mainstreet Bank plc, Unity Bank plc, Spring Bank plc, Keystone Bank plc and Union Bank plc, were studied. Excluding Fin bank which data was not available and was excluding from the sample. Multiple regression technique using panel methodology was found to be adequate in regressing the data. The panel data combine the character of time series as well as cross sectional data which justified the reason for been used as panel methodology. The general panel model data can be better presented in the following form.

$$Y_{it} = a_i + BX_{it} + e_{it} \quad - \quad - \quad - \quad - \quad - \quad - \quad - \quad (1)$$

Where;

Y_{it} it is the value of independent variable for each individual company i at time t .

α_i it is the individual effect to be taken by the constant overtime and to the specific individual cross sectional unit i ; X_{it} it contain the set of explanatory variables for the individual company i at time t in the estimation. ϵ_{it} it is the random error term of the disturbance.

The variables of the study consist of the dependent and independent variables and control variables. Both the dependent and independent variables are define as; ROA = profit before depreciation interest and tax (PBDIT)/ total assets of the bank, INT= percentage of share held by the institutional shareholders to the total number of share. ROE = profit before depreciation interest and tax (PBDIT) calculated as earning after tax divided by capital employed. *BKSZ* = natural log of total assets (will be use as control variable).

In line with these variables, the empirical results are base on this regression model;

$$INST = \alpha + \beta_1 ROA + \beta_2 ROE + \beta_3 PROFT + \beta_4 BKSZ + \epsilon_i \quad \text{---} \quad \text{eqn2}$$

The data collected were analysis using descriptive statistic to show a means distribution and standard deviation of both the dependent and independent variables. Correlation analysis using Pearson correlation technique was used to establish the relationship between the variables. The regression model was estimated using ordinary least square (OLS). Abor (2005) opines that it provide a consistent estimate of α (intercept) and β (slope). Hall (2005) argued that OLS is bias as it fail to provide endogeneity, therefore regression analysis techniques was employed in estimating the model.

4.1 Analysis and Discussion of results

The section focuses on the analysis and discussion of the study. The regression analysis conducted and the inferences drawn from it. Summary of the regression results from the SPSS output were presented in a tabular form, from where detailed analysis and discussion of the result was given. The analysis begins with the wide range of summary statistics on dependent and independent variables with mean, standard deviation, Skewness and kurtosis.

Table 4.1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
INT	98	-4.73	-.21	-3.2220	.99683	1.906	3.162
ROA	98	9.58	18.26	17.0616	1.48809	-1.876	5.586

ROE	98	10.35	16.50	12.5473	2.39150	.631	-1.453
BKSZ	98	12.61	17.38	15.1809	1.38079	.162	-1.410

Source Author's computation using SPSS

From the above table, the average of Institutional ownership, Return on Asset, managerial shareholders and Bank size is;-4.73 institutional ownership, return on asset is 9.58, managerial shareholders 10.35 and bank size 12.61. This signifies bank size explain more to explanatory than return on asset and managerial shareholders. The standard deviation of managerial shareholders which is the highest is 2.39150, return on asset and bank size account for about 1.48809 and 1.38079 respectively. The implication of which managerial shareholders is more disperses statistically than return on asset and bank size. The result of Skewness ranges between .631 to -1.876 for managerial shareholders and return on asset while bank size is .162 whereas the result of the Kurtosis is in the range of 5.586 and -1.453 for return on asset and managerial shareholders, the remaining bank size is-1.410. This means that the data is normal. As for the percentage of shares that is highest in the banks, a managerial shareholder has the largest standard deviation. The 98 means that the number of observation of the eleven films. A cursory look at the observations in all the variables disclosed data normality distribution. This can be buttressed from both the kurtosis and the level of the descriptive statistics. Although, kurtosis for return on asset, managerial shareholders and bank size are less than 3, which is the value generally considered moderate.

Table 4.2 Correlation Matrix

		INT	ROA	ROE	BKSZ
INT	Pearson Correlation	1			
	Sig. (2-tailed)				
ROA	Pearson Correlation	-.584**	1		
	Sig. (2-tailed)	.000			
ROE	Pearson Correlation	-.176	-.464**	1	
	Sig. (2-tailed)	.083	.000		
BKSZ	Pearson Correlation	.158	-.365**	.534**	1
	Sig. (2-tailed)	.120	.000	.000	

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Author's computation using SPSS

The symbol **, and * represents significant at 1% and 5% respectively.

The results presented in the table above shows that ROA and managerial shareholders have positive correlation with the dependent variable at 1% and 10% level of significant respectively. This implies that an increase in ROA and managerial shareholders would result to better performance of the Banks in Nigeria. The Bank size is not correlated with the dependent variable and but significant. This implies that despite increase in shareholders' funds in the bank, it has not resulted to the increase in the number of banks. However managerial shareholders are positively correlated with ROA at 1% significant level. This therefore, indicates that an increase in shareholders' equity has resulted to the increase in the Asset of the banks and Bank size is corrected with ROA. This implies that an increase in asset of the bank has resulted to the expansion of more branches and better performance of the banks in Nigeria.

Table 4.3 Institutional Ownership and Determinant of Capital Structure from OLS Regression Results

Variables	Coefficient.	T-value	P-Value
Constant	7.203	5.569	.000
ROA	-.546	-11.341	.000
ROE	-.279	-8.473	.000
BKSZ	.158	2.904	.005
R		.793	
R ²		.628	
Adj R ²		.616	
F stat		52.954	
F-Sig		.000	
DW		1.413	

Source: Author's computation using SPSS

The estimated equation of the study is presented as follows:

$$INT = 7.203 + .546(ROA) - .279(ROE) + .158(BKSZ)$$

The institutional ownership would be equal to 7.203 when all other variables are held to zero. The institutional ownership would increase by -.546, -.279, and .393 when there is an increase in ROA, ROE and BKSZ by one unit in the change of ROA, ROE and BKSZ, all other variables remain constant. The regression contains the regression result of the study. It shows that ROA has impacted positively on firm performance of listed banks in Nigeria. The results reveal that, the beta coefficient in respect of institutional ownership is (7.203) and the t-value is (5.569). The institutional ownership is significant at 1% (.000). This signifies that, institutional ownership has positive impact on the firm performance of the listed banks in Nigeria. The implication of this is that, the higher the institutional the better would be the performance of the listed banks in Nigeria which would result in reducing the liquidation of shareholders fund in the banks. The significant level of 1% produces an evidence of rejecting hypothesis of the studies.

Again, the regression results depict that, the beta coefficient in respect of ROA is (-.546) while the t-value is (-11.341) and it is significant at 1% (.000). This signifies that, ROA has positive impact on the performance of listed banks in Nigeria. It also indicated that ROA has increase the return of other shareholders fund in listed banks in Nigeria through lending. The implication of this was that

the more the level of ROA in Nigerian banks, the more the return they would generate and shareholders fund will be protected in the listed banks in Nigeria. The result provides us with sufficient evidence of rejecting the null hypothesis of the study.

For the managerial shareholders, the beta coefficient is $-.279$ and t-value is (-8.473) and it is significant at 1% (.000). This signifies that shareholders fund has impacted on the performance of the banking sector in Nigeria. This implies that shareholders equity has impacted on the bank capitalization in Nigeria and this can be clearly seen by 1% significant level. For the bank size the beta coefficient is $.158$ and t-value is 2.904 which shows that the larger the size of the bank the better the performance of the banks because they can hire the service of the big four auditors to audit their banks and present a good report to the shareholders. Therefore, this implies that shareholders and other prospective investors will have confidence in the bank.

Lastly, institutional ownership impact on firm performance of listed banks in Nigeria. The cumulative impact of the independent variables put together is able to explain the dependent variable up to (79%) this implies strong positive relationship as indicated by the R and the remaining (21%) was controlled by other factors. While the coefficient of determination R^2 is (63%) which means the model is fit, this also indicated that institutional ownership of listed banks in Nigeria has improve banks performance as reported to shareholders at (63%) and the remaining (37%) is covered by other factors. Adjusted R^2 because of the multiple regressions, even after taking consideration of some abnormalities, the adjusted R^2 still stand at (62%). Similarly, the result of the F- statistic which show the over roll fitness of the model has a value of (52.954) which implies that the model is well fitted and significant at 1% (.000). This provides evidence that the model fits the data well and the joint impact of the explanatory variables is statistically significant in explaining the dependent variable, Durbin Watson of (1.413) are clear indications that the model is fit. On the other hand Eigen value of institutional ownership, ROA, ROE and Bank size (3.961, .031, .006 and .002) less than one and conditional index of less than thirty of institutional ownership, ROA and ROE (1.000, 11.288 and 26.050) are advanced measure of multicollinearity showing there is no multicollinearity.

The tolerance value and the variance inflation factor (VIF) are two advanced measures of assessing multicollinearity between the independent variables of the study. The variance inflation factors were consistently less than ten (10) of institutional ownership, ROA, ROE and Bank size indicating absence of harmful multicollinearity (Cassey, *et al*; 1999). This shows the appropriateness of fitting the

model of the study with the three independent variables. In addition, the tolerance values are consistently smaller than 1.00 of institutional ownership, ROA, ROE and Bank size thus, further substantiates the fact that there is absence of harmful multicollinearity among the independent variables (Tobachmel and Fidell, 1996).

Institutional ownership has a strong positive impact on performance of listed banks in Nigeria, it revealed that the performance of listed banks is as a result of the shares the institutional shareholders have in the banks that induce them to monitor the management of the banks, therefore a bank with the right institutional shareholders will aid in attracting more shareholders. This findings is in consistent with that of Lakshmi (2009), Hsu and Koh (2005) and Rajan and Zingales (1995) and contradict the findings of Claessens et al (2002) and Charitou et al (2007).

4.2 Policy Implications

With regard to the relationship between the results of this study and the one obtained by previous researches as highlighted above, the findings, in respect to each of the hypotheses considered in the work, have policy implications for regulatory bodies. The results of the study have thrown more light on the explanatory variables that have important effect in explaining the explained variable performance of listed banks in Nigeria. From the area of regulatory authorities more especially the NDIC and CBN, these findings should aid in monitoring the activities of the firms which will eventually reduce the problems associated with fail banks. The results show that institutional ownership is an important variable that can be used in determining the performance of listed banks in Nigeria. The relationship between the dependent and independent variable are positive. The important feature of this finding is that the institutional ownership of the firm can be used to improve performance of listed banks. The implication of this is that, the higher the institutional ownership the better the performance of the listed banks. This will result in increasing the wealth of the shareholders of listed banks.

5.1 Conclusions and Recommendations

The following are the conclusions that are drawn from the findings of the study:

- i. The interest of institutional shareholders in the banks is an important monitoring and control device, which help to prevent abuses and other irregularities by the managers and it has improve the performance of the listed banks in Nigeria, prevent fraud and maximize shareholders' wealth and enhanced the value of the banks.
- ii. Return on asset has maximized the wealth of the shareholder. This can be depicted from the high significant relationship it has with dependent variable and return on equity from the correlation matrix.
- iii. Return on equity has build confidence in the prospective investors by looking at the strong relationship it has with the dependent variable, it has also lower

the risk shareholders will suffer in term of liquidation as this can be depicted from the high significant relationship it has with dependent variable.

- iv. The size of the bank has positive effect on institutional ownership; this could be proved by the significant level and correlation with other independent variable.

The following recommendations were made among others from the conclusions of the study:

- i. From the hypothesis tested for this study the result show a strong positive relationship between institutional ownership and performance of listed banks. Therefore, this indicated that the higher the institutional ownership in the banks, therefore, bank should be encourage by regulatory authority to allocate higher percentage of their shares to institutional shareholders.
- ii. The institutional ownership shows a significant relationship with performance of the listed banks. That means further research should be conducted by the researchers on their relationship with other companies.
- iii. The regulatory authority such as NDIC and CBN should make it mandatory for banks to have institutional ownership stake in the banks in order to have better monitoring.
- iii. To enhance the bank performance in considering their size, NDIC and CBN and the firms' shareholders should make sure that banks disclose their report promptly and the external auditors should be mandated to report on the performance of the firms' audit.
- iv. Institutional shareholders should be discouraged by the regulatory authority from acting like a transient trader by investing in short-term rather than investing in long-term.

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