

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Bank Privatization in Sub-Saharan Africa: The Case of Nigeria Deposit Money Banks (1980 – 2015)

Oladiran Rotimi Williams

Ph.D. Student, Department of Business Administration and Marketing,
Babcock University, Nigeria

Enyi Patrick Enyi

Professor, Department of Accounting, Babcock University, Nigeria

Fola. F. Adegbie

Associate Professor, Department of Accounting, Babcock University, Nigeria

Abstract:

Federal-owned enterprises witnessed abysmal performance due to government bureaucracy, monumental waste, corruption and inefficiency. Economic reforms such as privatization, commercialization and liberalization were hereby proffered to address the aforementioned inefficiencies. Hence, this study investigated the impact of privatization on financial performance (return on equity) of selected deposit money banks in Nigeria (1980-2015). The study employed ex-post facto research design. Three banks were chosen from the target population of nine privatized deposit money banks, using purposive sampling technique, namely, FBN Plc, UBA Plc and UBN Plc. Data were sourced from publications of relevant banks' annual reports, the NSE Factbook, and Bureau of Public Enterprises. Data were analyzed using descriptive statistics and panel regression analysis. The findings revealed that privatization components (Percentage Share privatized, Age of bank, No of Directors, Incremental asset size and Leverage) had significant impact on financial performance (return on equity) ($Adj. R^2 = 0.463$, $F(5, 30) = 7.048$, $p < 0.05$), of selected deposit money banks in Nigeria. The study therefore recommended that government must ensure that civil order prevails and democracy thrives, so that collectively appropriate designed can be formulated and implemented to meet societal needs and achieve a sustainable future.

Keywords: Commercialization, financial performance, federal government-owned enterprises, liberalization, Privatization, Privatized deposit-money bank, Return on equity,

1. Introduction

The ultimate goal of any credible and legitimate government is to ensure sustained improvement in the standard of living of the citizenry. This was clearly demonstrated when economic depression, World War II, and the final breakup of colonial empires pushed government into a more active role including ownership of production and provision of all types of goods and services. These are examples of the direct or indirect involvement of government in an economy to correct externalities; ensure equitable distribution of income as well as allocation of goods and services (Ajibola, 2008; Asaolu, 2015; Dornigie, 2012; Duru, 2000; Megginson & Netter, 2001). Drawing on the successful experience of most developed economies, many African countries at independence adopted a statist approach to economic development, with government being the major player. It is estimated that about three thousand enterprises are fully or partially controlled by governments in Africa. In Nigeria, the size of government in the economy had grown sharply between independence in 1960 and the era of structural adjustment in the 1980s. Nigerian economy from colonial history through independence and up till today has been characterized by huge government investments in public enterprises thus, making government a major shareholder (Dornigie, 2012; Duru, 2000).

Available evidences suggest that this public-dominated process has not achieved the desired impact in most African countries coupled with the development in the globalized world (El-Rufai, 2000; Usman, 2000). These have precipitated the clamour for comprehensive national economic reforms that will facilitate efficient macroeconomic management such as privatization, commercialization and liberalization with more emphasis on privatization, (El-Rufai, 2000; Usman, 2000). In Nigeria, the performance of the public sector was not accompanied by sustainable economic growth rate anticipated by policy makers or planners. There have been slowdowns especially in economic activities coupled with worldwide economic recession (El-Rufai, 2000; Usman, 2000).

Privatization is a common process the world over or put differently, evolution of a New World Economic Order. This process is part of a wider concept known as new "Public Management." which is characterized by the liberalization or deregulation of economic activities. This is aimed at achieving efficiency and effectiveness in resource allocation and utilization of the public sector by the introduction of a set according to the geographical area. It is also the relieving of the government shareholding to the public and / or private sector so as to boost the performance of the organizations

(Gonzalo, Pina & Torres, 2003). The modern idea of privatization as an economic policy was pursued for the first time by the Federal Republic of Germany in 1957, when the government eventually sold her majority stake in Volkswagen to private investors. The next big move in privatization came in the 1980s with Margret Thatcher's privatization of Britain Telecom and Chirac's privatization of government owned communication companies (Burton, 1987; Vogelsang, 1988; Wessel, 1991).

With deep internal economic crisis, many African countries like Egypt and Ghana also embarked on privatization. The privatization programme in Egypt started at the beginning of the 1990s with the banking sector being a perfect target. In a few years, all joint venture banks in Egypt were privatized and also one of the four big state-owned banks was also privatized. The results showed that the effect of privatization is positive on profitability efficiency and asset quality (Kamaly, El-Ezaby & El-Hinawy, 2015). Furthermore, Ghana started her privatization programme in late 1980s and between 1987 and 1990 Ghana's privatization programme generated revenues for the government equivalent to about 14% of the gross domestic product (GDP) from moribund public sector that was solely depended on state subventions, and thus succeeded in easing the fiscal crises and fostering the structural adjustment programme (SAP) (Appiah-Kubi, 2001). Nigeria adopted, in the 1980s, certain structural adjustment measures required by international donor organizations and creditors as a condition for economic assistance, with privatization usually being a component of the structural adjustment programs to divest the government shareholdings and also be relieved from the appointment of directors (El-Rufai, 2000; White, 2000).

State ownership has pernicious effects on the banking system, and this is noted in Union Bank of Nigeria Plc. (UBN) that appeared to be a relatively inefficient, mediocre performer before privatization. Furthermore, returns on equity ROE of FBN Plc were 18.23%, 17.01%, and 19.85% in 1987, 1988, and 1989 respectively. Losses were recorded in 1990 and 1991, while returns on equity ROE of UBA Plc were 27.82%, 16.87%, 16.87%, 15.55%, 2.35% and 2.54% in 1987, 1988, 1989, 1990, 1991 and 1992 respectively. And lastly, ROE of UBN Plc were 16.05%, 16.95%, 17.79%, 14.85%, 1.05% and 14.42% for 1987, 1988, 1989, 1990, 1991 and 1992 respectively. The shareholdings of the federal government in these banks before privatization were as follows: FBN Plc., 44.76%; UBA Plc, 45.76% and UBN Plc., 51.7% (NSE Factbook, 1993; TCPC Final Report II, 1993). It is evident that these returns were ridiculous and not ideal for a going concern enterprise.

The scope of Nigeria's privatization programme covers several sectors: aviation, communication, banking and finance, oil and gas, media, manufacturing, transportation, water sector, refineries and petrol chemical plants, hospitality and tourism among others (Asaolu, 2015; El-Rufai, 2000). In view of this, this study examined the privatization and financial performance (return on equity) of selected deposit money banks in Nigeria (1980- 2015), reviewing the pre and post-privatization periods.

2. Literature Review

This section handles both the theoretical and empirical review of this study.

2.1. Theoretical Review

Different theories have been employed to help bring clarity to the study of the relationship between privatization and financial performance (return on equity). The study underpinning theory is property right theory because it captures the two variables very well, that is, the independent and dependent variables.

The property rights approach to the theory of the firm was developed by Sanford Grossman, Olive Hart and John Moore in 1990. The following are characteristics of property right theory according to Ejolt, (2012): Exclusivity (all the costs and benefits from owning a resource should accrue to the owner). Transferability (all property rights should be transferable from one owner to another in a voluntary exchange). Lastly, enforceability (property rights should be secure from seizure or encroachment by others). In conclusion, conventional economic theory assumes that a resource owner with these three characteristics has a significant incentive to use that resource efficiently, effectively and productively.

The differences between private and public properties are: In terms of ownership, private property is owned by a person or group of persons, whereas public property is owned by the community; usage, private property is used by its owner for his / her own good, while public property is used for the beneficiary of the public; size, public properties are often quite larger than private properties and could be expanded with relative ease because they enjoy the government's patronage and supports; performance of public properties is measured in terms of the extent to which they achieve the objectives of the establishment, while the performance of private properties is measured in terms of profitability; management, private properties are managed in line with corporate governance and they are better than public properties; payment of taxes, unlike public properties, private properties are liable to one form of tax or the other. Lastly, private property is regulated by the laws of the State, while public property belongs to the State itself and not subject to law established it (Ejolt, 2012; Hart & Moore, 2007).

Guerin (2003) highlighted the following classifications of property. The first is open access, that is, property does not belong to anyone. Ownership has never been established, granted laws within a particular country, or because no effective controls are in place, or feasible that is the cost of exclusion outweighs the benefits. In conclusion, the government can convert open access property into private, common or public property through the land grant process, by legislating to define public/private rights previously not granted. The second category is public property. This is also known as state property; its access and use are controlled by the state or community. Examples are all state-owned enterprises. Also there is common property or collective property. This property is owned collectively by a group of individuals and control is handled by the joint owners. The last class of property is private property. Property accesses, uses, exclusions and managements are controlled by the private owner or a group of legal owners.

The advantages of property right theory according to Smith (2013) are: It uses the market mechanism to ensure efficient and effective use of resources; property (resources) will be managed carefully to ensure its availability for the future; Private property theory takes away pressure from the government to assess the pollution; the institution of private property has been the major contributor to the progress of development; the right to property has always been justified on the ground that it is the reward to an individual to work more and more; it extracts hard and sincere efforts of the worker; and lastly, private property generates sense of security, that is, it provides security against the future.

The disadvantages of the theory according to Smith (2013) are: It makes man greedy, that is, he wants to earn more and more money by any means, thus leading to moral degradation; Private property is the basis of capitalism; in capitalism, every person has the right to earn and maintain property. capitalism is harmful to both the individual and society; private property breeds corruption that poisons the whole social life; it divides the society, generates disharmony and antagonism; it generates unemployment; it allows the rich to advance their interest at the cost of poor, and they satisfy their lust for wealth by exploiting the needs of others; others are, private property creates wide gap between the haves and have-nots, the ownership of private property gives power to direct the lives of those who have no property. Property right theory is supported by: Jegede, Akinlabi and Soyebó (2013); El-Faitouri, (2014) in their articles: Corporate governance, efficiency and bank performance in Nigeria and Board of directors and Tobin's Q: Evidence from UK firms respectively.

2.2. Empirical Review

Aburime (2008b) studied the significance of industry-level determinants of bank profitability in the country, using a panel data set comprising 1,153 observations of 138 banks over the 1980-2007 period and industry-level indices over the same period. Regression results indicated that competition level in the Nigerian banking industry and the degree of foreign ownership of the industry have negative relationships with the profitability of banks operating in Nigeria.

Beck, Cull and Jerome (2005), in their research conducted on the effect of privatization on performance in a panel of Nigerian banks for the period 1990–2001, used a sample size of 69 banks, with total observations of 576. They reviewed the performance of banks privatized relative to the same banks before privatization and to other privately owned banks. The following performing indicators were used: ROA, ROE (both exclude foreign exchange operations to get a good indicator for bank's profitability for financial intermediation purposes) and non-performing loans (NPLs). Although the performance of privatized banks was worse before privatization when compared with privately owned banks, regression analysis revealed improvement in nine banks that were privatized in terms of profitability, efficiency and capital adequacy. This is remarkable given the inhospitable environment for true financial intermediation. The results also suggested negative effects of the continuing minority government ownership on the performance of many Nigerian banks and still, results complement aggregate indications of decreasing financial intermediation. Andrew (2005) studied state-owned banks, stability, privatization, and growth in line with practical policy decision in a world without empirical performance. Using literature reviews, the findings revealed that during economic crisis in Nigeria, policy makers resorted to the growing preference for private bank ownership due to an expectation of greater financial stability, higher economic growth and good returns to the shareholders in form of high return on equity.

In addition, Meggins on (2005) highlighted the focus of his study of the economics of bank privatization carried out through the surveys of the empirical literature in which he examined bank privatization and measured performance of state-owned banks around the world. He also assessed why many governments have chosen to privatize their often very large state-owned banking sectors. Results revealed that state-owned banks are less efficient than privately owned banks, and that state domination of banking imposes increasingly severe penalties on those countries with the largest state banking sectors. However, on the other hand, there is little in the empirical record to suggest that privatization alone transforms the efficiency of divested banks, especially when these are only partially privatized. Privatization generally improves performance, but by far less than is typically observed in studies of non-financial industries. Likewise, Clarke, Cull & Shirley (2005) examined bank privatization in developing countries. This paper summarizes the results from the papers in the special issue of the *Journal of Banking and Finance* on Bank Privatization. A summary of lessons and findings stated that a large and growing literature showed that privatization can improve the performance of non-financial enterprises, but this does not reflect in the performance of banks. They thus concluded that, although bank privatization usually improves bank efficiency, gains are greater only when the government fully relinquishes control, when banks are privatized to strategic investors, when foreign banks are allowed to participate in the privatization process and competition is promoted by the government.

However, these aforementioned findings contradict with Aburime (2008a), where the impact of ownership structure on banks profitability in Nigeria was evaluated. The Nigerian banking industry has played host to banks having different ownership structures. These include banks having different compositions of ownership (foreign banks, indigenous banks, state banks and private banks) and banks having different spreads of ownership (quoted banks and non-quoted banks). The composition and spread of bank ownership were examined using 98 commercial and merchant banks in 478 observations covering the period 1989 – 200. Data collected were subjected to statistical test of regression analysis and t-test. The outcome revealed that there is no significant relationship between composition and spread of ownership and bank profitability in Nigeria. This is also in agreement with the investigation carried out by Welch (2003) on the relationship between the ownership structure and performance in listed Australian companies. The outcome revealed that there is no effect between the two variables.

3. Methodology

The ex-post facto research design was used for this study. This design provides a robust framework for diagnosing the need for change and for the planning of privatization interventions in transition economies. It also gives researcher, the opportunity to look at whatever is being studied from various aspects and to provide a bigger overview as opposed to other forms of research.

3.1. Population of the Study

The population of this research consists of is all the privatized public companies right from the implementation of the privatization exercise in 1988. While the target population consists of nine (9) privatized Federal Government - owned deposit money bank (formerly known as commercial bank) (BPE May, 2017); FBN Plc Financial Statement 2016, UBA Financial Statement 2012 and TCPC Final Report Vol. II (1993)). The sample size for the study was determined based on privatized banks that meet the following conditions:

- Privatized federal government- owned bank with going concern status.
- Privatized federal government - owned banks having their share traded at the floor of the nse.
- Bank that has retained its brand name identity; for the purpose of clarity and consistency.
- Bank with up to date financial records.
- Bank not involved in legal tussle (court issue).
- In line with the aforementioned, this selection process has reduced the sample size to the following three privatized federal government owned deposit money banks: first bank of Nigeria plc. (fbn)
- United bank for Africa plc. (uba)
- Union bank of Nigeria plc. (ubn)

3.2. Method of Data Collection and Analysis

Secondary data were used and these data were obtained from the following: Audited and published reports and accounts of relevant banks; The CBN's statistical bulletin and annual reports; Nigeria Deposit Insurance Corporation (NDIC), NSE Fact book and BPE, because these are the only sources where information concerned the privatized deposit money banks can be obtained.

Hypothesis was subjected to statistical tests and data using panel regression analyses to arrive at findings and conclusion. The panel regression analysis was chosen due to the following reasons: It simplifies computation and statistical inferences; it is used for constructing and testing more complicated hypotheses; it is used to examine the relationship between several independent variables and a dependent variable; and lastly, panel regression model facilitates the analyzes of the relative influences of these independent, or predictor, variables on the dependent, or criterion, variable, and making the research more robust (Hsiao & Yanan, 2006; Weed mark, 2017).

3.3. Operationalization of Variables

The operationalization of the research variables are presented below:

X= Independent Variable

Y= Dependent Variable

X= Independent Variable (Privatization)

Y= Dependent Variable (Financial Performance) (Return on equity)

$Y = f(X)$

$X = (x_1, x_2, x_3, x_4, x_5)$

Where:

x_1 = percentage of shareholding = (SH)

x_2 = Age of the bank = (AG)

x_3 = No of directors = (ND)

x_4 = Incremental asset size = (AZ)

x_5 = Leverage = (LV)

$Y = (y_1)$

y_1 = Return on equity (ROE).

3.2.1. Functional Relationship

$ROE = f(SH, AG, ND, AZ, LV)$ Equation 1

$PERF = f(SH, AG, ND, AZ, LV)$ Equation 2

3.2.2. Model

$ROE_{it} = \beta_0 + \beta_1 SH_{it} + \beta_2 AG_{it} + \beta_3 ND_{it} + \beta_4 AZ_{it} + \beta_5 LV_{it} + \epsilon_{it}$

4. Data Analysis, Results and Discussion

This segment handles the data analysis results and discussion of findings.

4.1. Panel Least Square (PLS) before Privatization Policy

To determine the impact of privatization on return on equity (ROE) in selected deposit money banks in Nigeria before and after privatization, the panel least square (PLS) method of estimation was used. Before the analysis, a series of diagnostic tests were carried out to ascertain the statistical soundness of the models and whether they could be used for forecasting (Gujarati, 2004). In testing for unit root by computing the different types of test, gives statistic with normal distribution and a more powerful panel unit root test. The results of the stationary test are presented in the appendix. Levin, Lin and Chu test assumes common trends but allows the error term to be independent while it varies in Fisher different tests allowing for individual unit root process. The statistics obtained under the different test at levels showed that at 5% level of significance we can accept the null hypothesis that the panel data is non-stationary. at first difference all test are stationary that is we can reject the null and accept the alternative hypothesis that no unit root. Therefore we can go further and test for co-integration.

Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.253717	16.68109	3.841466	0.0000
Trace test indicates 1 cointegratingeqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.253717	16.68109	3.841466	0.0000

Table 1: Panel Co-Integration Result before Privatization Policy (H_0)
Max-eigenvalue test indicates 1 cointegratingeqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Thus, with the null hypothesis which states that no co-integration against the alternative which state that common auto regression coefficient (within-dimension) and individual auto regression coefficient (between-dimension) - we cannot reject the alternative hypothesis for both groups and conclude that there is long run relationship between ROE and Privatization Components. Therefore we can go on and test for Panel regression method of analysis.

Dependent Variable: D(ROE)				
Method: Panel Least Squares				
Date: 01/12/19 Time: 12:14				
Sample (adjusted): 1983 1991				
Periods included: 9				
Cross-sections included: 3				
Total panel (balanced) observations: 27				
	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.108780	0.344970	-0.315330	0.7561
SH	0.528700	0.385772	-1.370498	0.1874
AG	0.733292	0.490497	1.494997	0.1522
ND	0.001465	0.010363	-0.141406	0.8891
AZ	0.003093	0.005595	0.552745	0.5872
LV	0.920219	2.237186	0.411329	0.6857
R-squared	0.623774	Mean dependent var		-0.075926
Adjusted R-squared	0.456562	S.D. dependent var		0.902945
S.E. of regression	0.665635	Akaike info criterion		2.285052
Sum squared resid	7.975266	Schwarz criterion		2.716997
Log likelihood	-21.84820	Hannan-Quinn criter.		2.413492
F-statistic	3.730442	Durbin-Watson stat		2.204212
Prob(F-statistic)	0.609691			

Table 2: Panel Least Square Regression before Privatization (H_0)
Source: E-VIEW Output (2019)

The estimated regression equation from the analysis is stated below:

$$ROE_{it} = \beta_0 + \beta_1 SH_{it} + \beta_2 AG_{it} + \beta_3 ND_{it} + \beta_4 AZ_{it} + \beta_5 LV_{it} + \epsilon_{it}$$

$$ROE_{it} = -0.108780 + 0.528700SH + 0.733292AG + 0.001465ND + 0.003093AZ + 0.920219LV$$

From Table 2 results show that percentage share privatized (SH) and Incremental asset size (AZ) positively affects ROE, but insignificant. Also, the panel regression result shows that Leverage (LV), Number of Director (ND) and Age of the

bank (AG) show positive and insignificant effect on ROE. Furthermore, the value of adjusted R² explained that 45.66% of the variation in the ROE is explained by the independent variables used in the model. The value of F-statistics (3.730442, p= 0.609691) for the model was statistically insignificant at 5% level of significance, therefore the model used for this study is considered not fit since the Prob (F-statistic) is greater than 5% level of significance. Also, the value Durbin Watson (DW) of 2.2 approximately to 2.0 for the model showed no evidence of serial correlation. The results of the estimation show that privatization policy of the government, privatization components such as SH, AG, ND, LV, and AZ had no significant impact on return on equity (ROE) of selected deposit money banks (DMBs) before privatization in Nigeria. Based on this panel result in Table 2, the null hypothesis H₀ which states privatization does not have significant impact on return on equity (ROE) of selected deposit money banks (DMBs) in Nigeria before privatization was not rejected

4.2. Panel Co-integration Result after Privatization

The panel co-integration gives long run estimation analysis. Before estimation of the model, a unit root test was carried out so to check whether variables are trend stationary at levels or not. The statistics obtained under the different tests 5% level of significance show that we can go further to test for co-integration

Unrestricted Cointegration Rank Test (Trace)					
Hypothesized			Trace	0.05	
No. of CE(s)	Eigenvalue		Statistic	Critical Value	Prob.**
None	0.000658		0.037535	3.841466	0.8463
Trace test indicates no cointegration at the 0.05 level					
* denotes rejection of the hypothesis at the 0.05 level					
**MacKinnon-Haug-Michelis (1999) p-values					
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)					
Hypothesized			Max-Eigen	0.05	
No. of CE(s)	Eigenvalue		Statistic	Critical Value	Prob.**
None	0.000658		0.037535	3.841466	0.8463

Table 3: Panel Co-Integration Result after Privatization (H₀)
Max-Eigenvalue Test Indicates No Cointegration at the 0.05 Level
* Denotes Rejection of the Hypothesis at the 0.05 Level
**Mackinnon-Haug-Michelis (1999) P-Values

Results in Table 3 showed that there is co-integration relationship between the dependent and independent variables in the model. The results in Table 3 show that there is no common auto regression within and between the two dimensions, hence, the null hypothesis which states that no co-integration relationship was not rejected and the study concluded that there is no long run relationship between ROE and Privatization Components.

4.3. Panel Least Square Regression after Privatization

Dependent Variable: D(ROE)				
Method: Panel Least Squares				
Date: 01/12/19 Time: 12:57				
Sample (adjusted): 1997 2015				
Periods included: 19				
Cross-sections included: 3				
Total panel (balanced) observations: 57				
	Coefficient	Std. Error	t-Statistic	Prob.
C	0.393373	0.411089	0.956905	0.3434
SH	-0.756930	0.401475	-1.885373	0.0454
AG	1.746692	1.889804	0.924272	0.0300
ND	0.880751	2.779012	0.316929	0.0127
AZ	-0.258556	2.013474	-0.128413	0.0084
LV	-58.71747	208.2240	-0.281992	0.7792
R-squared	0.540183	Mean dependent var		-0.775614
Adjusted R-squared	0.463546	S.D. dependent var		335.1763
S.E. of regression	245.4931	Akaike info criterion		13.98835
Sum squared resid	2892810.	Schwarz criterion		14.31094
Log likelihood	-389.6681	Hannan-Quinn criter.		14.11372
F-statistic	7.048660	Durbin-Watson stat		2.041392
Prob(F-statistic)	0.000004			

Table 4: Panel Least Square Regression after Privatization (H₀)
Source: E-VIEW Output (2019)

The estimated regression equation from the analysis is stated below:

$$ROE_{it} = \beta_0 + \beta_1 SH_{it} + \beta_2 AG_{it} + \beta_3 ND_{it} + \beta_4 AZ_{it} + \beta_5 LV_{it} + \epsilon_{it}$$

$$ROE_{it} = 0.393373 - 0.756930SH + 1.746692AG + 0.880751ND - 0.258556AZ - 58.71747LV$$

From Table 4 of panel regression method of analysis, the result showed that SH, AZ negatively affect ROE, and is statistically significant. Furthermore, ND and AG positively and significantly affect ROE after government privatization, while leverage is negatively but not significant to ROE. The value of adjusted R² explained that 46.35% of the variation in the ROE is explained by the independent variables used in the model. The P-value of F-statistics for the model was statistically significant at 5% level of significance, therefore the model used for this study is considered to be fit since the Prob (F-statistic) is less than 5% level of significance. Also, the value Durbin Watson (DW) of 2.04 approximately to 2.0 for the model showed an evidence of no serial correlation. The results of the panel regression show that after privatization policy of the government, privatization components such as SH, AZ, LV, ND and AG had significant impact on ROE of selected DMBs after privatization in Nigeria. Based on this panel regression output in Table 4, the null hypothesis (H₀) which states that privatization components do not have significant impact on ROE of selected DMBs after privatization in Nigeria is hereby rejected.

4.4. Discussion

The objective one of this study sought to assess the impact of privatization on return on equity. The study revealed that privatization had impact on return on equity. This is supported by Srivastava (2011) that the dispersed ownership percentage influences certain dimension of accounting performance (ROA and ROE). This is also in tandem with outcome of Figueira, Nellis and Parker (2006) that in Africa privately owned banks do not appear to outperform state-owned banks, however, where private ownership involves foreign ownership then this does seem to have effect on bank's performance. Furthermore, Mujahid, Hashimi, and Abbas (2014) revealed that there is a significant positive impact of privatization on profitability. Ali and Haq (2017) suggested that efficiency of the banks is enhanced after privatization giving uplift to their profitability.

However, this finding is not supported by Aburime (2008a) that the composition and spread of ownership has no significant effect on bank profitability. Berkowitz, Hoekstra, and Schoors (2014) indicated that privatized banking increases lending significantly, but this does not increase economic growth. So also, Khalid (2006) showed little evidence of improvement in most of the indicators of financial health.

Theoretically, this is supported by property right theory and shareholder theory.

Based on empirical and theoretical findings support for this finding, the study therefore rejected the null hypothesis one (H₀) which states that privatization does not have significant impact on return on equity on selected deposit money banks in Nigeria.

5. Conclusion and Recommendation

This section provides the overall outcomes of my investigation in a brief and logical manner. This segment handles the conclusion, recommendation and suggestion for further studies.

5.1. Conclusion

The purpose of this study is to examine the impact of privatization and return on equity of selected deposit money banks in Nigeria (1980-2015). The results from the test of hypothesis showed that privatization has significant impact on return on equity (ROE) on selected deposit money banks (DMBs) in Nigeria. In general, consistent with previous studies, privatization was found to have an impact in financial performance of the selected deposit money banks in Nigeria before and after privatization.

Further findings also revealed that:

Public enterprises in Nigeria are unproductive primarily as a result of corruptions, nepotism, government bureaucracy, the subvention that SOEs are getting from government, imperfection of price mechanism, and government's deliberate policy of transferring resources to cronies and supporters and not just because managers have weak incentives. Past political and military leaders have used these enterprises to favour their supporters through excessive employment, regionally targeted investments and deliberate underpricing of products or overpricing of inputs from politically connected suppliers.

In addition, the research supports the proposition that privately owned firms are more efficient and more profitable than state-owned enterprises. The research also reveals that a country's policies and institutional make-up strongly affect both the way in which privatization is designed and carried out, and the outcomes that one can expect from the process. So also the country's condition is important, and that private ownership has to be placed in an enabling environment of proper policy and institutions for it to produce the benefits of which it is so clearly capable, in other words, privatization only yields decisive benefits if the divestment program is properly designed and sequenced.

Lastly, if privatization must of necessity bring forth the desired benefits, it has to be viewed not as an end itself, but as a means to an end. The success of privatization should be judged not in terms of the sale, the contracts itself, the price paid to government, the survival or expansion of the enterprise sold, but rather, on the basis of the value added of the programme to the economy in general and to the entire citizenry in particular.

5.2. Recommendations

Based on the findings and conclusion of this study, the following recommendations are hereby made:

For a successful privatization programme, there should be a minimally corrupt economic environment. Government officials and their cronies do not employ privatization as a quick and efficient means of illegally enriching themselves, extracting corrupt or illegal political rents. The country's corruption level must be relatively low to enable the

government record a huge success because part of the reason for the poor performance is due to widespread bureaucratic and lack of due diligence.

In addition, it is apparent that SOEs have been criticized on the grounds of inefficiency. Privatization policies, therefore, have been considered as a panacea of inefficiency; however, the degree of improvements crucially depends upon the institutional framework of regulation in which the privatized enterprises operate. Therefore, it is essential to develop regulation into a concept of regulatory governance and to integrate it with the broad government agenda. Moreover, due to various methods used for privatization, if there are some transactions that result in to disputes over the government's representations, the government, with little prior experience with dispute resolution, lacks trained personnel required to handle this post-acquisition arbitrations, so there is need for government to have a well trained and experienced personnel to handle the dispute arising on privatization exercise amicably.

The technical committee handling the issue of privatization programme should endeavor to see that the managements of the privatized firms are entrusted into safe hands i.e. efficient, effective, dynamic and strong managements. Any contrary act will spell the doom of the economy. Firstly, the prospective investors' funds will be lost in that investment. Secondly, the implementing committee should ensure not just to sell public enterprises but has to ensure that those sold are viable otherwise these enterprises are doomed to fail right from the onset.

The limitations of this study according to Obi-Chukwu (2017), today's UBA emerged from the merger of the dynamic and fast growing erstwhile Standard Trust Bank, incorporated in 1990 and UBA. The merger was consummated on August 1, 2005; one of the biggest mergers done on the Nigerian Stock Exchange (NSE). Following that merger, UBA went ahead again to acquire Continental Trust Bank in the same year, that is, 2005, further expanding the UBA brand. UBA also subsequently acquired Trade Bank in 2006 which was under liquidation by the Central Bank of Nigeria (CBN).

Furthermore, FBN Plc has also acquired FBN (Merchant Bankers) Ltd and MBC International Bank Ltd in 2005. While UBN Plc acquired Broad Bank Plc, Universal Trust Bank Plc and Union Merchant Bank Ltd in 2006 (Oloye&Osuma, 2015). This research is therefore limited to an examination of current status of these banks due to challenges in getting data for the changes that has happened.

And lastly, some data that were zero are replaced with proxies of 1/1000 also the data for number of directors appointed by government could not be got so the researcher then replaced it with the percentage of shareholding of the government in the affected privatized deposit money banks.

Lastly, the following areas need further studies:

- Extending the research to other West African countries or African countries.
- The researcher focused on privatized Federal Government-owned deposit money banks in Nigeria, this could be extended to other sectors of the economy or state-owned privatized deposit money banks.

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